

*Consolidated Financial Statements of*



*For the fifteen-month period ended June 30, 2016 and the twelve-month period ended March 31, 2015*

**CERES GLOBAL AG CORP.**  
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**June 30, 2016 and March 31, 2015**

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## **Management's Responsibility for Financial Reporting**

These consolidated financial statements of the Corporation are the responsibility of management. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") using information available to September 22, 2016 and management's best estimates and judgments, where appropriate.

Management has established a system of internal accounting and administrative controls to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly authorized and recorded, and financial records are properly maintained for the preparation of reliable financial statements.

The Board of Directors discharges its responsibility for the consolidated financial statements primarily through its Audit Committee, which comprises members of the Board of Directors. The Audit Committee meets with management and with the external auditors to discuss the results of the audit examination and review the consolidated financial statements of the Corporation. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The financial statements have been approved by the Board of Directors and have been audited by KPMG LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards. Their Independent Auditors' Report outlines their responsibilities, the scope of their audit, and their opinion on the accompanying consolidated financial statements. KPMG LLP has full and unrestricted access to the Audit Committee.

Robert Day  
President and Interim CEO

Mark Kucala  
Chief Financial Officer



**KPMG LLP**  
Suite 2000 - One Lombard Place  
Winnipeg MB R3B 0X3  
Canada

Telephone (204) 957-1770  
Fax (204) 957-0808  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ceres Global Ag Corp.

We have audited the accompanying consolidated financial statements of Ceres Global Ag Corp., which comprise the consolidated balance sheets as at June 30, 2016 and March 31, 2015, the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the fifteen-month period ended June 30, 2016 and the twelve-month period ended March 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ceres Global Ag Corp. as at June 30, 2016 and March 31, 2015, and its consolidated financial performance and its consolidated cash flows for the fifteen-month period ended June 30, 2016 and the twelve-month period ended March 31, 2015 in accordance with International Financial Reporting Standards.

*KPMG LLP*

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Chartered Professional Accountants

September 22, 2016

Winnipeg, Canada



**CERES GLOBAL AG CORP.****Consolidated Statements of Comprehensive Income (Loss)****For the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015**

	<u>Note</u>	<u>Fifteen-month period ended June 30, 2016</u>	<u>Twelve-month period ended March 31, 2015</u>
<b>REVENUES</b>		\$ 505,519,647	\$ 192,765,006
Cost of sales		(506,250,798)	(181,073,981)
<b>GROSS PROFIT (LOSS)</b>		<b>(731,151)</b>	<b>11,691,025</b>
General and administrative expenses		(13,238,174)	(10,667,873)
<b>INCOME (LOSS) FROM OPERATIONS</b>		<b>(13,969,325)</b>	<b>1,023,152</b>
Finance income (loss)	11	1,567,046	(188,963)
Revaluation of derivative warrant liability	15	1,583,000	(75,000)
Gain on sale of property, plant and equipment		272,109	-
Interest expense	12	(5,877,578)	(2,906,495)
<b>LOSS BEFORE INCOME TAXES AND UNDERNOTED ITEM</b>		<b>(16,424,748)</b>	<b>(2,147,306)</b>
Income taxes (recovered)	18	(285,330)	419,315
<b>LOSS BEFORE UNDERNOTED ITEM</b>		<b>(16,139,418)</b>	<b>(2,566,621)</b>
Share of net income in investments in associates	7	366,971	1,181,245
<b>LOSS FOR THE PERIOD</b>		<b>(15,772,447)</b>	<b>(1,385,376)</b>
<b>Other comprehensive income (loss) for the period</b>			
Net investment hedge - net income	14 (c)	1,394,732	-
(Loss) gain on translation of foreign currency accounts of foreign operations		(37,105)	14,106,303
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>\$ (14,414,820)</b>	<b>\$ 12,720,927</b>
<b>WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD</b>		<b>27,031,968</b>	<b>18,360,019</b>
<b>LOSS PER SHARE</b>			
Basic		<b>\$ (0.58)</b>	<b>\$ (0.08)</b>
Diluted		<b>\$ (0.58)</b>	<b>\$ (0.08)</b>
<b>Supplemental disclosure of selected information:</b>			
Depreciation included in Cost of sales	8	\$ 4,946,950	\$ 2,742,253
Depreciation included in General and administrative expenses	8	\$ 109,950	\$ 79,470
Amortization of financing costs included in Interest expense		\$ 860,396	\$ 742,445
Personnel costs included in Cost of sales		\$ 2,421,886	\$ 1,663,530
Personnel costs included in General and administrative expenses		\$ 1,336,944	\$ 520,687

*The accompanying notes are an integral part of these financial statements.*

**CERES GLOBAL AG CORP.**  
**Consolidated Statements of Cash Flows**

**For the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015**

	<u>Note</u>	<b>Fifteen-month period end June 30, 2016</b>	<b>Twelve-month period end March 31, 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the period		\$ (15,772,447)	\$ (1,385,376)
Adjustments for:			
Depreciation of property, plant and equipment	8	5,056,900	2,821,723
Revaluation of derivative warrant liability	15(c)	(1,583,000)	75,000
Share incentive compensation		198,335	-
Revaluation of portfolio investments	11	(1,368,247)	-
Gain on sale of property, plant and equipment		(272,109)	-
Interest expense	12	5,877,578	2,906,495
Income tax expense (recovery)	18	(285,330)	419,315
Deferred share units issued to Directors and fair value adjustment	16	484,708	276,032
Share of net income in investments in associates	7	(366,972)	(1,181,245)
Changes in non-cash working capital accounts	20	20,367,980	(24,014,566)
Interest paid		(4,899,622)	(2,471,290)
Income taxes recovered (paid)		(4,177)	(170,017)
<b>Cash flow provided by (used in) operating activities</b>		<b>7,433,597</b>	<b>(22,723,929)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposition of assets held for sale		1,931,980	6,759,240
Dividend received from associate		-	187,500
Acquisition of, and costs capitalized on, investment property		-	(5,052,271)
Acquisition of property, plant and equipment	8	(41,189,711)	(24,444,302)
<b>Cash flow used in investing activities</b>		<b>(39,257,731)</b>	<b>(22,549,833)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from (repayment of) bank indebtedness	11	51,741,360	(56,885,000)
Net proceeds from (repayment of) term loan	10	(1,808,895)	29,065,000
Net proceeds from (repayment of) repurchase obligations	13	(19,310,584)	365,329
Financing costs paid		(676,090)	(1,933,734)
Proceeds from common shares issued	15(e)	-	75,000,000
Share issuance costs	15(e)	(69,359)	(1,571,062)
Deferred share units redeemed for cash	16	-	(18,712)
Repurchase of common shares under normal course issuer bid	15(b)	(852,847)	-
<b>Cash flow provided by financing activities</b>		<b>29,023,585</b>	<b>44,021,821</b>
<b>Foreign exchange cash flow adjustment on accounts denominated in a foreign currency</b>		<b>(2,478,208)</b>	<b>(5,621,427)</b>
<b>Decrease in cash for the period</b>		<b>(5,278,757)</b>	<b>(6,873,368)</b>
Cash, beginning of period		5,136,032	12,009,400
<b>Cash and cash equivalents, end of period</b>		<b>\$ (142,725)</b>	<b>\$ 5,136,032</b>
Cash		\$ 937,135	\$ 5,136,032
Cheques issued in excess of cash on hand	9	(1,079,860)	-
<b>Cash and cash equivalents, end of period</b>		<b>\$ (142,725)</b>	<b>\$ 5,136,032</b>

*The accompanying notes are an integral part of these financial statements*

**CERES GLOBAL AG CORP.**

**Consolidated Statements of Changes in Shareholders' Equity**

**For the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015**

	Note	Common shares	Deferred share units	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
<b>Balances, April 1, 2015</b>		<b>\$ 208,884,960</b>	<b>\$ 319,820</b>	<b>\$ 9,228,422</b>	<b>\$ 22,179,246</b>	<b>\$ (21,774,806)</b>	<b>\$ 218,837,642</b>
<b>Transactions with Shareholders</b>							
Issuance of Deferred Share Units	16	-	576,936	-	-	-	576,936
Redemption of Deferred Share Units for common shares	16	41,789	(41,789)	-	-	-	-
Fair value adjustment of Deferred Share Units		-	(92,228)	-	-	-	(92,228)
Share incentive compensation	15(d)	-	-	198,335	-	-	198,335
Issuance costs of common shares	15(e)	(69,359)	-	-	-	-	(69,359)
Repurchases under normal course issuer bid	15(b)	(1,301,592)	-	-	-	448,745	(852,847)
<b>Total transactions with Shareholders</b>		<b>207,555,798</b>	<b>762,739</b>	<b>9,426,757</b>	<b>22,179,246</b>	<b>(21,326,061)</b>	<b>218,598,479</b>
<b>Comprehensive Income (Loss)</b>							
Other comprehensive loss		-	-	-	(37,105)	-	(37,105)
Net investment hedge - net income		-	-	-	1,394,732	-	1,394,732
Net loss for the period		-	-	-	-	(15,772,447)	(15,772,447)
<b>Total Comprehensive Income (Loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,357,627</b>	<b>(15,772,447)</b>	<b>(14,414,820)</b>
<b>Balances, June 30, 2016</b>		<b>\$ 207,555,798</b>	<b>\$ 762,739</b>	<b>\$ 9,426,757</b>	<b>\$ 23,536,873</b>	<b>\$ (37,098,508)</b>	<b>\$ 204,183,659</b>
<b>Balances, April 1, 2014</b>		<b>\$ 137,100,022</b>	<b>\$ 62,500</b>	<b>\$ 9,228,422</b>	<b>\$ 8,072,943</b>	<b>\$ (20,389,430)</b>	<b>134,074,457</b>
<b>Transactions with Shareholders</b>							
Issuance of Deferred Share Units		-	260,859	-	-	-	260,859
Redemption of Deferred Share Units for cash		-	(18,717)	-	-	-	(18,717)
Fair value adjustment of Deferred Share Units		-	15,178	-	-	-	15,178
Issuance of common shares, December 4, 2014		73,428,938	-	-	-	-	73,428,938
Warrants, conditionally issued December 4, 2014, classified as a liability	15(c)	(1,644,000)	-	-	-	-	(1,644,000)
<b>Total transactions with Shareholders</b>		<b>208,884,960</b>	<b>319,820</b>	<b>9,228,422</b>	<b>8,072,943</b>	<b>(20,389,430)</b>	<b>206,116,715</b>
<b>Comprehensive Income (Loss)</b>							
Other comprehensive income		-	-	-	14,106,303	-	14,106,303
Net loss for the period		-	-	-	-	(1,385,376)	(1,385,376)
<b>Total Comprehensive Income (Loss)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>14,106,303</b>	<b>(1,385,376)</b>	<b>12,720,927</b>
<b>Balances, March 31, 2015</b>		<b>\$ 208,884,960</b>	<b>\$ 319,820</b>	<b>\$ 9,228,422</b>	<b>\$ 22,179,246</b>	<b>\$ (21,774,806)</b>	<b>\$ 218,837,642</b>

The accompanying notes are an integral part of these financial statements

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**1. CORPORATE STATUS, REPORTING ENTITY AND NATURE OF OPERATIONS**

Ceres Global Ag Corp. (hereinafter referred to as “Ceres” or the “Corporation”) was incorporated on November 1, 2007, as amended on December 6, 2007, under the provisions of the *Business Corporations Act* (Ontario). On April 1, 2013, Ceres Global Ag Corp. amalgamated with Corus Land Holding Corp. In addition, on April 1, 2014, Ceres Global Ag Corp. amalgamated with Riverland Agriculture Ltd. and Ceres Canada Holding Corp. Thereafter, the amalgamated corporations continued operating as Ceres Global Ag Corp. Ceres is a corporation domiciled in Canada, with its head office located at 1660 South Highway 100, Suite 350, St. Louis Park, Minnesota, United States, 55416.

These consolidated financial statements of Ceres as at and for the fifteen-month period ended June 30, 2016 include the accounts of Ceres and its wholly owned subsidiaries Ceres U.S. Holding Corp. and Riverland Ag Corp. (“Riverland Ag”). All intercompany transactions and balances have been eliminated. In combination with Riverland Ag, the Corporation is an agricultural cereal grain storage, customer-specific procurement and supply ingredient company that owns and operates nine (9) grain storage, handling and merchandising facilities in the states of Minnesota and New York, and the provinces of Ontario and Saskatchewan, with a combined licensed capacity of 43 million bushels. Riverland Ag also manages two (2) facilities in Wyoming on behalf of its customer-owner.

All of the Corporation’s revenues for the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015, are generated by Riverland Ag in the United States and Canada, which represents the Corporation’s only reportable segment. The one reportable segment consists of two operating segments: (1) grain trading, handling and storage, and; (2) logistics, which includes transloading non-grain commodities on behalf of third-party customers. With the exception of \$1,479,832 of revenue recognized for the fifteen-month period ended June 30, 2016 (2015: nil), all of the Corporation’s revenues are comprised of grain trading, handling and storage, which total \$504,039,815 for the fifteen-month period ended June 30, 2016 (2015: \$192,765,006).

**2. BASIS OF PREPARATION**

**Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting, estimation and valuation policies, as described below, have been consistently applied to all periods presented herein.

These consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors on September 22, 2016.

**Change in fiscal year-end**

On February 10, 2016, the Board of Directors approved a change in the fiscal year from April 1 to March 31 to July 1 to June 30. Accordingly, for the 2016 fiscal reporting year, the Corporation is reporting consolidated financial statements for the fifteen-month period ended June 30, 2016, with comparative figures for the twelve month period ended March 31, 2015, and consequently the results shown are not fully comparable. The reason for this change is to better align the Corporation’s year-end with the agricultural crop year.

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**Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars (“CAD”), which is the Corporation’s functional currency.

**Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Inventories of agricultural commodities are measured at fair value less costs to sell.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements.

**Revenue recognition, net sales and cost of sales**

The Corporation follows a policy of recognizing sales revenue at the time of delivery of the product and when all of the following have occurred: a sales agreement is in place, title and risk of loss have passed, pricing is fixed or determinable, and collection is reasonably assured. Grain storage, rental and other operating income are recorded as earned on an accrual basis. Freight costs and handling charges related to sales are presented gross in Revenues and Cost of sales.

Other direct and indirect costs associated with inventory and storage, including payroll and benefits of elevator employees, depreciation of buildings, silos and elevators, utilities and other similar costs are classified with Cost of sales. Income and expenses are recorded on an accrual basis. Investment transactions are recognized on the trade date. Dividend revenues are recognized on the ex-dividend date. Interest and other revenues are recognized as earned. Realized gains and losses from the sale of investments are calculated using the average cost method. The change over a reporting period of the difference between the fair value and the cost of portfolio investments is recognized in Finance income (loss) in the Statement of Comprehensive Income (Loss) as an unrealized increase (decrease) in fair value of investments.

**Investments in associates**

Associates are entities in which Ceres has significant influence, but has no control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The Corporation’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation’s share of the after-tax net income (or net loss) and of the changes in equity during a reporting period, after adjustments (if any) to align the accounting policies with those of the Corporation, from the date that significant influence commences until the date that significant influence ceases. If the Corporation’s accumulated share of net

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losses in an associate were to exceed the carrying amount of its interest in that associate, the carrying amount of that interest, including any long-term investments, would be reduced to nil and the recognition of further losses would be discontinued except to the extent the Corporation were to have an obligation or were to have made payments on behalf of the associate.

The Corporation reviews its investments in associates for impairment whenever events or changes in business circumstances indicate that the carrying amount of the investments may not be recoverable. Evidence of impairment in value might include the absence of an ability to recover the carrying amount of the investments, the inability of the associates to sustain earnings capacity that would justify the carrying amount of the investments, or, where applicable, estimated sales proceeds that are insufficient to recover the carrying amount of the investments. If the recoverable amount of the investments is determined to be less than the carrying amount, an impairment write-down is recorded based on the excess of the carrying amount over management's estimate of the recoverable amount.

**Transaction costs**

Portfolio transaction costs include brokerage commissions incurred in the purchase and sale of portfolio securities in which Ceres invests. Corporate transaction costs include costs directly attributable to the acquisition of subsidiaries and the investments in associates. All such costs are expensed in the period incurred and classified with General and administrative expenses in the Statement of Comprehensive Income (Loss).

Transaction costs related to the issuance of equity instruments of the Corporation or its subsidiaries are accounted for as a reduction of the stated capital of the equity securities issued. Transaction costs related to the issuance of debt instruments of the Corporation or its subsidiaries are considered in the determination of amortized cost using the effective interest method for the measurement of non-derivative financial liabilities, and relate to bank indebtedness. Transaction costs related to Bank indebtedness are amortized using the straight-line method over the term of the financing arrangement while transaction costs for Long-term debt is amortized using the effective interest method.

**Classification of financial instruments**

*Financial assets*

A financial asset is classified at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions in accordance with the Corporation's documented risk management and investment strategies. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income or loss. Portfolio investments represent non-derivative financial assets classified as held for trading. The Corporation's unrealized gains on open cash contracts are derivative financial assets classified as held for trading.

Financial assets having fixed or determinable payments, and which are not quoted in an active market are defined as loans and receivables. Such assets are initially recognized at fair value plus directly attributable transaction costs, if any. Thereafter, loans and receivables are measured at amortized cost using the effective interest method, less impairment losses, if any. Loans and receivables include due from Brokers, and accounts receivable, trade.

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*Financial liabilities*

Unrealized losses on open cash contracts are classified as held for trading and valued at fair value through profit or loss. The provision for future payment to Front Street Capital is also valued at fair value through profit and loss. Non-derivative financial liabilities of the Corporation include bank indebtedness, accounts payable and accrued liabilities and repurchase obligations. These financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Thereafter, these financial liabilities are measured at amortized cost using the effective interest method.

*Equity*

Common shares and unconditional warrants

Common shares and certain warrants are classified as equity. Incremental costs directly attributable to the issue of common shares and warrants are recognized as a deduction from equity, net of the effects of income taxes, if any.

Contributed surplus

The value of warrants issued that have expired is recognized as contributed surplus, net of the effects of income taxes, if any.

Repurchase of common shares

When common shares recognized as equity are repurchased, the amount of the consideration paid (which may include directly attributable transaction costs) is recognized as a deduction from equity, net of the effects of income taxes, if any. The portion of the consideration paid that represents the value of the stated capital of the shares repurchased is deducted from the carrying amount of common shares. Any difference between the total consideration paid and the stated capital amount of the shares repurchased is added to (or deducted from) retained earnings, as applicable.

**Valuation of investments**

Portfolio investments are held for trading, and are measured and reported at fair value. Securities and ownership interests over which the Corporation exercises significant influence or control are accounted for using the equity-accounting model or through consolidation, as appropriate.

As at a reporting date, the fair value of financial instruments traded in active markets (primarily equity securities of public companies and related derivative instruments, if any) is based on the bid price for investments held by the Corporation, and on the asking price for investments sold short, if any. The fair value of financial instruments not traded in an active market (including but not limited to: securities in private companies, warrants and restricted securities) is determined using valuation techniques. Depending on various circumstances, the Corporation may use several methods and makes assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

**Recognition of investments**

Purchases and sales of investments are recognized on the trade date, being the date on which the Corporation commits to purchase or sell an investment. Investments cease to be recognized when the rights to receive cash flows from the investments have expired or the Corporation has transferred substantially all risks and rewards of ownership.

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**Derivative contracts**

Ceres may purchase forward foreign exchange contracts to act as an economic hedge against assets and liabilities denominated in foreign currencies. As at a reporting date, forward foreign exchange contracts are valued based on the difference between the forward contract rate and the forward bid rate (for currency held). Unrealized gains and losses, if any, on these forward contracts used to hedge foreign currency assets and liabilities are presented separately on the Balance Sheet and included in Derivative assets or Derivative liabilities, as applicable, and are recognized in the Statement of Comprehensive Income (Loss) as a component of Finance income (loss) and included with the change in fair value of investments. Upon the closing out of these contracts, any gains or losses on foreign exchange are reported in Finance income (loss) in the Statement of Comprehensive Income (Loss) as realized gain (loss) on currency hedging transactions.

To reduce price risk caused by market fluctuations, the Corporation generally follows a policy of using exchange-traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Corporation will also use exchange-traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies may be significantly influenced by factors such as the volatility of the relationship between the value of exchange-traded commodities futures contracts and the cash prices of the underlying commodities, and volatility of freight markets. Derivative contracts have not been designated, and are not accounted for, as fair value hedges. Management determines fair value based on exchange-quoted prices, and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets. Realized and unrealized gains and losses in the value of inventories of merchandisable agricultural commodities, forward cash purchase and sales contracts, and exchange-traded futures contracts are recognized in the Statement of Comprehensive Income (Loss) as a component of Cost of sales. Unrealized gains and losses on these derivative contracts are recognized in earnings and classified on the Balance Sheet as Due from Broker, Derivative assets or Derivative liabilities, as applicable.

**Fair value measurements**

The Corporation uses a valuation hierarchy as a framework for disclosing fair values, based on the inputs to measure the fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities including exchange-traded derivative contracts that can be assessed at measurement date;

Level 2 – inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable inputs for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs are unobservable inputs based on the Corporation's own assumptions used to measure assets and liabilities at fair value (i.e. inputs are unobservable).

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**Foreign currency translation, transactions of Canadian dollar functional currency entities**

Foreign currency transactions are translated into CAD using the exchange rates prevailing at the dates of the transactions. As at a reporting date, assets and liabilities denominated in a foreign currency are translated into CAD, as follows:

- Foreign currency monetary items are translated using the spot exchange rate in effect at the reporting date, and;
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate(s) in effect as at the date(s) on which fair value was determined.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation as at a reporting date of assets and liabilities denominated in foreign currencies are reflected in the Statement of Comprehensive Income (Loss). Translation gains or losses on securities included in the investment portfolio of the Corporation are recognized in Finance income (loss) in the Statement of Comprehensive Income (Loss) and classified with the change in fair value of investments.

**Foreign currency translation, non-CAD functional currency entities**

Foreign operating entities and its functional currency is the U.S. dollar (“USD”). For the preparation of these consolidated financial statements, all assets and liabilities are translated into the presentation currency of Canadian dollars using the foreign exchange rate in effect as at the reporting date with income statement accounts translated using the average exchange rate for the reporting or applicable period. Translation adjustments arising from changes in exchange rates are reported as a component of other comprehensive income and form part of the cumulative translation account in shareholders’ equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation account related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

**Finance income (loss)**

Finance income (loss) pertains to revenues, gains and losses related to the investing activity of the Corporation, and includes:

- Interest revenues on interest-bearing securities and cash balances;
- Dividend revenues, if any, from portfolio investments;
- Realized gains (losses) on sale of portfolio investments;
- Realized gains (losses) on currency-hedging transactions;
- Realized and unrealized gains (losses) on foreign exchange; and
- Unrealized increase (decrease) in fair value of investments.

Depending on the movements of equity and other markets, finance income and losses will vary for each reporting period.

**Interest expenses**

Finance expenses represent the aggregate of interest expense on borrowings and the amortization of financing transaction costs.

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**Inventories**

Inventories represent agricultural grain and oilseed commodities and are stated at fair value less costs to sell. Fair value is primarily determined from market prices quoted on public commodity exchanges, adjusted for expected freight costs to normal delivery points and a price premium or discount to cover local supply and demand factors as estimated by management. Changes in the fair value less costs to sell inventories of agricultural grain commodities are recognized in profit or loss as and when they occur, and such changes are included as a component of cost of sales.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly. The carrying amount of a replaced component is derecognized.

Repairs and maintenance costs are expensed as incurred.

Property, plant and equipment are reviewed for impairment at the end of each reporting period to assess whether there is any indication of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated as the higher of fair value less costs of disposal and value in use.

Land is not depreciated. Depreciation on the other assets is provided for on a straight-line basis over the estimated useful lives of assets as follows:

Buildings, silos/elevators, and improvements	15 – 31 years
Machinery and equipment	7 – 15 years
Furniture, fixtures, office equipment, and computer	7 years

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Gains and losses on disposals of property, plant and equipment are determined by comparing the disposal proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of income.

**Repurchase obligations**

The Corporation periodically enters into sale/repurchase agreements whereby the Corporation receives cash in exchange for selling inventory to a commodity trading financial institution and the Corporation agrees to repurchase the inventory from financial institution at a fixed rate on a future date. The Corporation accounts for these as product financing arrangements, and accordingly, these transactions are treated as borrowings and commodity inventory in the Company's consolidated financial statements and no sales and purchases are reported in the consolidated financial statements.

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**Income taxes**

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as at the reporting date. Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied on the same taxable entity by the same taxation authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

**Loss per Share**

Loss per Share (“EPS”) is reported for basic and diluted net income (loss). Basic EPS is calculated by dividing net income (loss) for the reporting period by the weighted-average number of common shares outstanding during the reporting period. Diluted EPS is calculated by adjusting net income (loss) and the weighted-average number of common shares outstanding for the effects, if any, of all potentially dilutive common shares, resulting from the exercise of Warrants or the redemption of Deferred Share Units outstanding as at the end of a reporting period. The effect of the potential issuance of common shares related to the redemption of Deferred Share Units on diluted EPS has not been determined, as it is anti-dilutive in a period of loss.

**Share-based payments**

*Deferred Share Unit*

The Corporation has established a Directors’ Deferred Share Unit Plan (the “DSU Plan”), which became effective on March 10, 2014 and is an equity-settled share-based payment plan. Under the DSU Plan, a director who is not an employee of the Corporation or any affiliate and who is a non-executive Chair of the Board is an Eligible Director. Any Eligible Director may elect to receive some or all the Annual Cash Remuneration amount (as defined in the DSU Plan) for that Director in the form of Deferred Share Units (“DSUs”). DSUs are settled by the issuance of common shares on the Entitlement Date (as defined under the DSU Plan), which is a date after the end of a director’s term of service with the Board.

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As at the dates on which DSUs are issued under the Plan, the Corporation recognizes as an expense the portion of the Directors' fees issued in the form of DSUs issued to the Director, which are issued at fair value, and the Corporation increases shareholders' equity by an equal amount. The Corporation revalues DSUs as at each reporting period-end, based on the volume-weighted average trading price per common share of the Corporation on the Toronto Stock Exchange during the immediately preceding five (5) trading days. Revaluation adjustments are recognized as an increase or decrease in the expense for Directors' fees during the reporting period, with a corresponding increase or decrease in shareholders' equity.

*Stock Options*

Stock options are equity-settled share-based payment transactions. The Corporation follows the fair value method to measure stock option awards it grants to certain officers, key employees and consultants of the Corporation and its subsidiaries. The fair value of stock options on the date the options are granted is determined by the Black Scholes option pricing model with assumptions for risk-free interest rate, dividend yield, volatility of the expected market price of the Corporation's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations, as applicable. Compensation is amortized to earnings over the vesting period of the related option. The Corporation uses graded or accelerated amortization, which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

*Stock Appreciation Rights*

Stock Appreciation Rights ("SARs") may be granted to officers, certain employees and consultants of the Corporation on such terms and conditions determined by the Board of Directors (the "Board"). Stand Alone SARs are cash-settled share-based payment transactions and are measured at the fair value of the liability as at the date the Stand-Alone SARs are granted. At the end of each reporting period, the Corporation re-measures the fair value of the liability for such Stand-Alone SARs, and any changes in fair value of that liability is recognized in profit or loss for the period. Tandem SARs are granted with stock options. Tandem SARs shall be settled by the payment or the delivery of cash or common shares, as may be determined by the Board. Any portion of Tandem SARs to be settled for cash shall be measured using the measurement standards described for Stand-Alone SARs. The portion, if any, of the Tandem SARs to be settled by the issuance of common shares shall be measured using the measurement standards that apply to stock options awards, as described in the preceding paragraph.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected share price volatility. Changes in the underlying assumptions can materially affect fair value estimates. Therefore, existing models do not necessarily provide reliable measurement of the fair value of the Corporation's stock options.

**Future changes in accounting standards**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Corporation's interim consolidated financial statements are listed below. This listing of standards and interpretations issued includes those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

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**IAS 1 – Presentation of Financial Statements**

On December 18, 2014, the International Accounting Standards Board (“IASB”) issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 will be effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect the amendments to have a material impact on the financial statements.

**IFRS 9 – Financial Instruments**

On July 24, 2014, the IASB issued the final version of IFRS 9, which replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The new standard introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and the fair value of an entity’s own debt. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Ceres has not yet determined the impact of this standard on the Corporation’s consolidated financial statements and has not decided whether to early adopt this standard.

**IFRS 15 – Revenue from Contracts with Customers**

On May 28, 2014, the IASB issued IFRS 15, which provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more relevant disclosures. IFRS 15 supersedes *IAS 18 – Revenue*, *IAS 11 – Construction Contracts* and a number of revenue-related interpretations and applies to annual reporting periods beginning on or after January 1, 2018. Application of the standard is mandatory for all IFRS reporters and early adoption is permitted. Ceres has not yet determined the impact of this standard on the Corporation’s consolidated financial statements and has not decided whether to early adopt this standard.

**IFRS 16 – Leases**

On January 13, 2016, the IASB issued IFRS 16 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The new standard is effective for annual periods beginning on or after January 1, 2019. The Corporation intends to adopt IFRS 16 in its financial statements for its annual period beginning on July 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

The timely preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from estimates. Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The following summarizes the accounting judgments, estimates and assumptions management considers significant:

**Valuation of investments**

Portfolio investments are held for trading, are measured and reported at fair value, and may include securities not traded in an active market. The fair value of such securities is determined using valuation

**CERES GLOBAL AG CORP.**  
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techniques. Depending on various circumstances, the Corporation may use several methods and makes assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option-pricing models and other valuation techniques commonly used by market participants.

**Inventories and Commodity Derivatives**

To reduce price risk caused by market fluctuations, the Corporation generally follows a policy of using exchange traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Corporation will also use exchange traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the volatility of the relationship between the value of exchange traded commodities futures contracts and the cash prices of the underlying commodities, and volatility of freight markets.

Derivative instruments, including futures contracts, forward commitments, options and other similar types of contracts and commitments based on commodity derivatives, are carried at their fair value. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets. While the Corporation considers its commodity contracts to be effective economic hedges, the Corporation does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts and grain inventories are recognized in earnings immediately in cost of sales in the accompanying Statement of Comprehensive Loss. Unrealized gains and losses on these derivative contracts are included in due from broker, derivative asset and liabilities on the accompanying consolidated balance sheets.

Estimates and assumptions are required in determination of fair values of commodity inventories, particularly for those commodities where exchange-traded prices are not available. For these inventories, management assesses the available quote market prices and applied judgment in determining the effect local market conditions on those.

**5. INVENTORIES**

As at June 30, 2016 and March 31, 2015, the Corporation held \$132,950,061 and \$147,940,077 of inventories at fair value less costs to sell, respectively. For the fifteen-month period ended June 30, 2016, inventories recognized as an expense through cost of sales totaled \$386,572,723 and \$191,026,575 for the year ended March 31, 2015. Furthermore, as at March 31, 2015, the carrying amount of inventories pledged as security against the Corporation's repurchase obligations totaled \$18,692,777.

**6. DUE FROM (TO) BROKERS**

Due from Brokers is composed of commodity futures and options contracts and margin deposits in the form of cash and open trade equity maintained by a broker in connection with such contracts. Amounts due from Brokers are offset by amounts due to the same Brokers, under the terms and conditions of enforceable master netting arrangements in effect with all brokers, through which the Company executes its transactions and for which it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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As at June 30, 2016 and March 31, 2015, the amounts due from Brokers represent the following:

	<u>June 30, 2016</u>	<u>March 31, 2015</u>
Due from Brokers		
Margin deposits	\$ 7,066,022	\$ 6,525,747
Unrealized gains on future contracts and options, at fair value	166,508	2,673,417
	<u>7,232,530</u>	<u>9,199,164</u>
Due to Brokers		
Unrealized losses on future contracts and options, at fair value	(160,084)	(557,829)
	<u>\$ 7,072,446</u>	<u>\$ 8,641,335</u>

**7. INVESTMENT IN ASSOCIATES**

	<u>June 30, 2016</u>	<u>March 31, 2015</u>
Canterra Seeds Holdings, Ltd., common shares	\$ -	\$ 1,854,207
Stewart Southern Railway Inc., common shares	3,817,616	3,765,205
	<u>\$ 3,817,616</u>	<u>\$ 5,619,412</u>

(a) *Investment in Canterra Seeds Holdings, Ltd. (“Canterra”)*

As at March 31, 2015, Ceres held a 25% equity interest in Canterra, a Canadian company. Canterra purchases, produces, and distributes seed varieties and related technologies to its customers throughout Western Canada and the Great Northern Plains and Pacific North West of the United States. Major operating decisions of Canterra are made by its Board of Directors and Ceres, as at March 31, 2015, had a 25% voting right on Canterra’s Board of Directors. Due to these factors, Ceres did not control Canterra, and accounted for its investment in Canterra using the equity method, which had a carrying value of \$1,854,207 and was classified on the Consolidated Balance Sheet as “Investments in associates”. During the quarter ended June 30, 2015, the Corporation recorded its portion of Canterra’s net income of \$314,560. See note 11.

During the fifteen-month period ended June 30, 2016, the Investee issued additional common equity shares, resulting in the dilution of the Corporation’s equity interest to 17%. As a result, the Corporation no longer has a significant influence over the financial and operating policies of the Investee. Therefore, Ceres reclassified its investment to portfolio investments and recorded it at fair value, recognizing a gain of \$1,368,247 classified within the Statement of Comprehensive Loss as “Finance income”.

(b) *Investment in Stewart Southern Railway Inc. (“SSR”)*

Ceres holds a 25% equity interest in SSR, a Canadian company. Ceres also holds rights to a 25% voting position on SSR’s Board of Directors. SSR operates a 132-kilometre (82-mile) short-line railway in southeastern Saskatchewan. Major operating decisions of SSR are made by its Board of Directors and Ceres does not have a majority of the board seats. Due to these factors, Ceres does not control SSR, and accounts for its investment in SSR using the equity method.

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The following table presents summarized financial information for SSR (in thousands of CAD):

	<u><b>Fifteen-month period ended June 30, 2016</b></u>	<u><b>Twelve-month period ended March 31, 2015</b></u>
Revenues	\$ 5,084	\$ 7,919
Income from continuing operations	\$ 386	\$ 2,716
Net income	\$ 193	\$ 1,970
Current assets	\$ 4,148	\$ 4,789
Non-current assets	\$ 10,879	\$ 11,792
Current liabilities	\$ 269	\$ 2,079
Non-current liabilities	\$ 78	\$ 33

For the period-ended June 30, 2016, the Corporation's consolidated Statement of Comprehensive Income included the Corporation's share in the change of SSR's equity of \$52,411 (2015: \$492,511). During the period-ended June 30, 2016, the Corporation did not receive a dividend from SSR (2015: \$187,500).

Included below is a reconciliation of the Corporation's 25% portion in SSR's equity to the carrying value reported on the Consolidated Balance Sheets as at June 30, 2016 and March 31, 2015:

	<u><b>June 30, 2016</b></u>	<u><b>March 31, 2015</b></u>
Investee's equity as at reporting date	\$ 14,679,127	\$ 14,469,482
Corporation's 25% portion of SSR equity	\$ 3,669,781	\$ 3,617,370
Goodwill	\$ 147,835	\$ 147,835
Carrying value	<u>\$ 3,817,616</u>	<u>\$ 3,765,205</u>

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**8. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings and silos/elevators	Machinery & equipment	Office equipment & other assets	Totals
<b><u>June 30, 2016</u></b>					
<b><u>Cost</u></b>					
Balances, April 1, 2015	29,469,992	71,162,646	6,460,964	25,895,822	132,989,424
Asset additions	229,673	31,454,047	24,059,125	(17,194,945)	38,547,900
Disposals	(465,065)	(1,189,183)	(254,000)	-	(1,908,248)
Foreign currency translation adjustments	186,524	1,377,631	115,100	337,023	2,016,278
Balances, June 30, 2016	<b>29,421,124</b>	<b>102,805,141</b>	<b>30,381,189</b>	<b>9,037,900</b>	<b>171,645,354</b>
<b><u>Accumulated depreciation</u></b>					
Balances, April 1, 2015	-	(9,662,854)	(1,219,527)	(1,659,964)	(12,542,345)
Depreciation charged to operations	-	(3,531,894)	(969,739)	(555,267)	(5,056,900)
Disposals	-	146,320	66,141	-	212,461
Foreign currency translation adjustments	-	(686,513)	(12,020)	379,320	(319,213)
Balances, June 30, 2016	-	<b>(13,734,941)</b>	<b>(2,135,145)</b>	<b>(1,835,911)</b>	<b>(17,705,997)</b>
<b>Carrying amount, June 30, 2016</b>	<b>\$ 29,421,124</b>	<b>\$ 89,070,200</b>	<b>\$ 28,246,044</b>	<b>\$ 7,201,989</b>	<b>\$ 153,939,357</b>
<b><u>March 31, 2015</u></b>					
<b><u>Cost</u></b>					
Balances, April 1, 2014	5,045,257	46,732,781	3,621,399	2,859,009	58,258,446
Asset additions	2,593,946	5,091,401	1,951,816	23,133,860	32,771,023
Reclassification of investment property	19,856,259	-	-	-	19,856,259
Reclassification of assets held for sale	1,103,297	11,732,753	342,626	90,480	13,269,156
Foreign currency translation adjustments	871,233	7,605,711	545,123	(184,527)	8,837,540
Balances, March 31, 2015	<b>29,469,992</b>	<b>71,162,646</b>	<b>6,460,964</b>	<b>25,898,822</b>	<b>132,992,424</b>
<b><u>Accumulated depreciation</u></b>					
Balances, April 1, 2014	-	(5,962,716)	(689,203)	(919,444)	(7,571,363)
Depreciation charged to operations	-	(2,234,761)	(351,219)	(235,743)	(2,821,723)
Reclassification of assets held for sale	-	(1,674,416)	(79,033)	(32,389)	(1,785,838)
Foreign currency translation adjustments	-	209,039	(100,072)	(472,388)	(363,421)
Balances, March 31, 2015	-	<b>(9,662,854)</b>	<b>(1,219,527)</b>	<b>(1,659,964)</b>	<b>(12,542,345)</b>
<b>Carrying amount, March 31, 2015</b>	<b>\$ 29,469,992</b>	<b>\$ 61,499,792</b>	<b>\$ 5,241,437</b>	<b>\$ 24,238,858</b>	<b>\$ 120,450,079</b>

Asset additions during the fifteen months ended June 30, 2016 accrued and not yet paid as at the reporting date totaled \$5,684,911 (2015: \$8,326,721). In addition, as at June 30, 2016, the Corporation had assets under construction of \$4,231,914 (2015: \$24,016,033) consisting primarily of the fertilizer storage infrastructure at Northgate.

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**9. BANK INDEBTEDNESS**

On December 18, 2015, the Corporation amended its uncommitted USD\$120,000,000 credit facility (the "Credit Facility"), which now expires on December 18, 2016. Borrowings bear an interest rate dependent on the facility utilization level: at any time the utilization level is less than 50%, overnight LIBOR plus 2.875% per annum, and at any time that the utilization level is greater than or equal to 50%, overnight LIBOR plus 2.750% per annum. Interest is calculated and paid on a monthly basis. The Credit Facility is subject to borrowing base limitations. Amounts under the Credit Facility that remain undrawn are not subject to a commitment fee.

The Credit Facility has certain covenants pertaining to the accounts of the Corporation. As at September 30, 2015, the Corporation was unable to fulfill its interest coverage ratio financial covenant as required under its term loan facility agreement. Subsequent to September 30, Ceres received an irrevocable waiver of the covenant violation from its lender, and as a result, the lender could not demand payment of the debt as a result of the breach. As at June 30, 2016, the Corporation was in compliance with all covenants.

Prior to the December 18, 2015 amendment, borrowings under the Credit Facility were subject to interest of overnight LIBOR plus 2.875% per annum, with interest calculated and paid monthly.

As at June 30, 2016 and March 31, 2015, the Corporation had \$84,214,000 and \$132,741,000 in availability, respectively, on its revolving line of credit.

As at June 30, 2016 and March 31, 2015, the carrying amount of bank indebtedness is summarized as follows:

	<u>June 30, 2016</u>	<u>March 31, 2015</u>
Revolving line of credit	\$ 71,258,000	\$ 18,963,000
Unamortized financing costs	(323,100)	(226,600)
Cheques issued in excess of cash on hand	1,079,860	-
	<u>\$ 72,014,760</u>	<u>\$ 18,736,400</u>

**10. TERM LOAN**

On December 30, 2014, the Corporation entered into a senior secured term loan facility agreement for US\$25,000,000. This term loan is for a term of 5 years with an interest rate of one month LIBOR plus 5.25%. The first principal payment on the New Loan is payable on December 29, 2016 for the amount of US\$1,642,379. On November 17, 2015, immediately following the closure of the sale of the Electric Steel facility, the Corporation used the net sales proceeds to repay a portion of its outstanding term debt. The total amount repaid on the term debt was USD\$1,357,621 (CAD \$1,808,895). Following the payment on December 29, 2016, the next principal payments of USD\$5,000,000 are payable on each of December 29, 2017, and December 28, 2018, and USD\$12,000,000 payable on December 27, 2019. The loan has an effective interest rate of 6.21% plus one month LIBOR.

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In connection with the origination of the term loan, the Corporation paid transaction costs relating to the loan closure in the amount of \$1,278,902, which includes legal fees and other related borrowing costs. Transaction costs directly attributable to the issuance of the term loan are recognized as a reduction in the balance of the loan, and are amortized over the term of the loan using the effective interest rate method.

	<u>June 30, 2016</u>	<u>March 31, 2015</u>
Total term debt	\$ 30,631,066	\$ 31,605,000
Less current portion of long-term debt	<u>(2,127,866)</u>	<u>-</u>
	28,503,200	\$ 31,605,000
Unamortized financing costs	<u>(959,695)</u>	<u>(1,223,690)</u>
Total long-term debt	<u>\$ 27,543,505</u>	<u>\$ 30,381,310</u>

Both the term loan and the revolving credit agreement disclosed above, are secured by the following: (i) a security interest in substantially all of the personal property of Ceres and its guarantors; (ii) a charge and mortgage over substantially all of the real property and elevator assets held by Riverland Ag, and its guarantors; and (iii) a pledge of substantially all of the equity interests and investment property held by Ceres and each guarantor.

**11. FINANCE INCOME (LOSS)**

The following table presents realized and unrealized gain (loss) on foreign exchange and the revaluation of portfolio investments for the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015:

	<u>Fifteen-month period ended June 30, 2016</u>	<u>Twelve-month period ended March 31, 2015</u>
Realized and unrealized loss on foreign exchange	\$ (27,759)	\$ (773,610)
Realized and unrealized gain on currency-hedging transactions	226,558	584,647
Revaluation of portfolio investments (note 7 (a))	<u>1,368,247</u>	<u>-</u>
	<u>\$ 1,567,046</u>	<u>\$ (188,963)</u>

As at March 31, 2015, the Corporation held a 25% equity interest in Canterra Seeds Holdings, Ltd. (“Canterra” or “the Investee”), that had a carrying value of \$1,854,207. This investment, accounted for using the equity method, was classified on the Consolidated Balance Sheet as “Investments in associates”. During the quarter ended September 30, 2015, the Investee issued additional common equity shares, resulting in the dilution of the Corporation’s equity interest to 17%, and it no longer having a significant influence over the financial and operating policies of the Investee. Therefore, during the fifteen-month period ended June 30, 2016, Ceres reclassified its investment to portfolio investments and recorded it at fair value, recognizing a gain of \$1,368,247 classified within the Statement of Comprehensive Loss as “Finance income”. The investment in Canterra totals \$3,537,014 as at June 30, 2016, and is classified on the Consolidated Balance Sheet within “Portfolio investments, at fair value” (note 14(b)).

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**12. INTEREST EXPENSE**

The following table presents interest income (expense) for the fifteen-month period June 30, 2016 and twelve-month period ended March 31, 2015:

	<u>Fifteen-month period ended June 30, 2016</u>	<u>Twelve-month period ended March 31, 2015</u>
Interest on revolving line of credit	\$ (2,682,665)	\$ (1,761,120)
Interest on repurchase obligation	(234,530)	(137,549)
Long-term debt	(2,215,816)	(402,421)
Amortization of financing costs paid	(860,396)	(742,445)
Interest income and other interest expense	115,829	137,040
	<u>\$ (5,877,578)</u>	<u>\$ (2,906,495)</u>

**13. REPURCHASE OBLIGATIONS**

As at March 31, 2015, the Corporation had two open repurchase commitments under its product financing arrangement to repurchase 2,500,000 bushels of certain grains. Under the product financing arrangement, the Corporation sold grain under contract and simultaneously entered into contracts to repurchase the grain during the first quarter of the fifteen-month period ending June 30, 2016. Since the Corporation is obligated to repurchase these commodities, it has not recognized these transactions as sales. As at March 31, 2015, the Corporation recognized the inventory owned by Corporation in this regard on its consolidated balance sheet and has recorded a liability of \$18,635,451 plus accrued interest payable. As at March 31, 2015, the fixed interest rate on the open repurchase commitment is at 3.06%.

**14. FINANCIAL INSTRUMENTS**

*(a) Fair value of financial instruments*

The carrying value of financial instruments measured at amortized cost, classified as current assets and current liabilities, such as cash equivalents, trade receivables, and accounts payable and accrued liabilities, approximate fair value due to the short-term maturity of the instruments. The carrying amount of the Corporation's long-term debt is an approximate fair value as it has an interest rate reflective of current market conditions at June 30, 2016.

Unrealized gains and losses on open cash contracts, which are held for trading and valued at fair value through profit and loss, are as follows as at June 30, 2016 and March 31, 2015:

	<u>2016</u>	<u>2015</u>
<u>Derivative assets</u>		
Unrealized gains on open cash contracts	\$ 6,615,551	\$ 9,472,984
<u>Derivative liabilities</u>		
Unrealized losses on open cash contracts	\$ (3,327,501)	\$ (2,607,280)

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*(b) Portfolio investments*

Portfolio investments are classified as held for trading, and consist of equity securities of private companies as follows as at June 30, 2016 and March 31, 2015

	<u>2016</u>	<u>2015</u>
Total fair value	\$ 4,385,177	\$ 848,163

Fair value for securities in private companies has been determined using primarily the market approach for recent and comparable transactions, adjusted by management to consider factors such as liquidity risk.

*(c) Management of financial instruments risks*

In the normal course of business, the Corporation is exposed to various financial instruments risks, including market risk (consisting of price risk, commodity risk, interest rate risk and currency risk), credit risk, custodian and prime brokerage risks, and liquidity risk. The Corporation's overall risk management program seeks to minimize potentially adverse effects of those risks on the Corporation's financial performance. The Corporation may use derivative financial instruments to mitigate certain risk exposures. The Corporation may invest in non-public and public issuers and assets.

Price risk

As at June 30, 2016 and March 31, 2015, the Corporation's market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at June 30, 2016 and March 31, 2015, the Corporation's portfolio investments are solely in private companies. Therefore, market factors affecting the value of the portfolio investments are primarily changes in fair value of the investments and the Corporation's ability to liquidate the investments.

The following is a summary of the effect on the results of operations of the Corporation, if the fair value of each of the portfolio investments as at June 30, 2016 and March 31, 2015 had increased or decreased by 10%, with all other variables remaining constant:

	<u>2016</u>		<u>2015</u>	
	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
Change in fair value of investments				
10% increase in fair value	\$ 438,518	\$ 0.02	\$ 84,816	\$ 0.00
10% decrease in fair value	\$ (438,518)	\$ (0.02)	\$ (84,816)	\$ (0.00)

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Commodity risk

The following is a summary of the effect on the results of operations of the Corporation, if the fair value of each of the open cash contracts as at June 30, 2016 and March 31, 2015 had increased or decreased by 5%, with all other variables remaining constant:

	<u>2016</u>		<u>2015</u>	
	<b>Increase (decrease) in net income</b>	<b>Increase (decrease) in earnings per share</b>	<b>Increase (decrease) in net income</b>	<b>Increase (decrease) in earnings per share</b>
<u>Change in bid/ask prices of commodities</u>				
5% increase in bid-ask prices	\$ 215,960	\$ 0.01	\$ 193,030	\$ 0.01
5% decrease in bid-ask prices	\$ (215,960)	\$ (0.01)	\$ (193,030)	\$ (0.01)

Interest rate risk

As at June 30, 2016 and March 31, 2015, except for cash on deposit, the amounts of which vary from time-to-time and on which the Corporation earns interest at nominal variable interest rates, the Corporation had no other variable rate interest-bearing securities. As at those dates, a notional increase or decrease in interest rates applicable to cash on deposit would not have materially affected interest revenue and the results of operations. Therefore, as at June 30, 2016 and March 31, 2015, the Corporation's assets are not directly exposed to any significant degree to cash flow interest rate risk due to changes in prevailing market interest rates.

Interest rate risk

As disclosed in Note 9 (Bank Indebtedness) and Note 10 (Term Loan), as at June 30, 2016 and March 31, 2015, the Corporation's revolving credit facility bears interest at an annual rate of 2.875% plus overnight LIBOR along with its term loan bearing an interest 5.25% plus one-month LIBOR. As at June 30, 2016 and March 31, 2015, management has determined the effect on the future results of operations of the Corporation if the variable interest rate component applicable on those dates on the: (1) revolving credit facility; and (2) term loan were to both increase by 25 basis points ("25 bps") as at those dates, respectively. The potential effects on the future result of operations would be as follows:

	<u>2016</u>		<u>2015</u>	
	<b>Increase in net loss</b>	<b>Increase in loss per share</b>	<b>Increase in net loss</b>	<b>Increase in loss per share</b>
<u>Change in interest rate on revolving facility</u>				
25 bps increase in annual interest rate	\$ (22,580)	\$ (0.00)	\$ (54,611)	\$ (0.00)
<u>Change in interest rate on term loan</u>				
25 bps increase in annual interest rate	\$ (6,381)	\$ (0.00)	\$ (149,384)	\$ (0.01)

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Ceres is not subject to cash flow interest rate risk concerning the repurchase obligations, as these liabilities bear interest at fixed rates.

Credit risk

Credit risk is the risk a counterparty would be unable to pay for amounts due to the Corporation in accordance with the terms and conditions of the debt instruments. As at June 30, 2016 and March 31, 2015, the Corporation is subject to credit risk concerning cash, amounts due from brokers, trade accounts receivable, and to the extent, open cash contracts for grain commodities that have given rise to unrealized gains. The maximum exposure to credit risk on those assets is limited to the carrying value of those assets. The Corporation uses various grain contracts as part of its overall grain merchandising strategies. Performance on these contracts is dependent on delivery of the grain or a customer buy-out. There is counter-party risk associated with non-performance, which may have the potential of creating losses. Management has assessed the counter-party risk and believes that insignificant losses, if any, would result from non-performance.

The Corporation regularly evaluates its credit risk concerning its trade accounts receivable to the extent that such receivables may be concentrated in certain industries or with significant customers. The Corporation minimizes this risk by having a diverse customer base and established credit policies. The aging of the Corporation's trade accounts receivable is substantially current. Based on its review and assessment of its trade accounts receivable, management has determined that as at June 30, 2016 and March 31, 2015, no allowance for doubtful accounts is warranted.

The Corporation had one customer that individually represented more than 10% of total revenue for the fifteen-month period ended June 30, 2016, comprising 16% of total revenue. For the twelve-month period ended March 31, 2015, no sales were made to any one customer which represented more than 10% of total sales.

Custody and prime brokerage risk

There are risks involved with dealing with a custodian or broker who settle trades. In certain circumstances, the securities or other assets deposited with the custodian or broker may be exposed to credit risk with respect to those parties. In addition, there may be practical or timing problems associated with enforcing the Corporation's rights to its assets in the case of the insolvency of any such party. Notwithstanding the foregoing, management has evaluated the risk of loss related to the custodian or brokers and has determined this risk to be insignificant.

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Liquidity risk

As at June 30, 2016 and March 31, 2015, the following are the contractual maturities of financial liabilities, excluding interest payments:

<u>June 30, 2016</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	3 to <u>5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 72,014,760	\$ 72,337,860	\$ 72,337,860	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	20,738,687	20,738,687	20,738,687	-	-	-
Repurchase obligations	-	-	-	-	-	-
Derivatives	3,327,501	3,327,501	3,327,501	-	-	-
Provision for future payments to Front Street Capital	95,000	95,000	95,000	-	-	-
Warrants	136,000	136,000	136,000	-	-	-
Long-term debt (Note 10)	29,671,371	30,631,066	2,127,866	6,478,000	22,025,200	-

<u>March 31, 2015</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	3 to <u>5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 18,736,400	\$ 18,963,000	\$ 18,963,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	17,388,202	17,388,202	17,388,202	-	-	-
Repurchase obligations	18,635,451	18,635,451	18,635,451	-	-	-
Derivatives	2,607,280	2,607,280	2,607,280	-	-	-
Provision for future payments to Front Street Capital	344,000	344,000	344,000	-	-	-
Warrants	1,719,000	1,719,000	1,719,000	-	-	-
Long-term debt	30,381,310	31,605,000	-	3,792,600	27,812,400	-

Future expected operational cash flows and sufficient assets are available to fund the settlement of these obligations in the normal course of business. In addition, the following factors allow for the substantial mitigation of liquidity risk: the prompt settlement of amounts due from brokers, the active management of trade accounts receivable and the lack of concentration risk related thereto. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

Currency risk

In the normal course of business, Ceres may hold assets or have liabilities denominated in currencies other than Canadian dollars. Therefore, Ceres is exposed to currency risk, as the value of any assets or liabilities denominated in currencies other than CAD will vary due to changes in foreign exchange rates.

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As at June 30, 2016 and March 31, 2015, the following is a summary, at fair value, of Ceres' exposure to significant currency risks:

<u>Currency</u>	<u>2016</u>		<u>2015</u>	
	<u>Net asset exposure*</u>	<u>Net futures contracts (to buy foreign currency)</u>	<u>Net asset exposure</u>	<u>Net futures contracts (to buy foreign currency)</u>
U.S. dollars	\$ (950,446)	\$ -	\$ 840,344	\$ -

\*Exposure excludes the effect of future foreign exchange contracts

As at June 30, 2016 and March 31, 2015, the Corporation had no commitment to any futures foreign exchange contracts.

The following is a summary of the effect on Ceres' results of operations if the CAD had become 5% stronger or weaker against the USD as at June 30, 2016 and March 31, 2015, with all other variables remaining constant, related to assets and liabilities denominated in foreign currencies:

<u>Change in foreign exchange rate</u>	<u>2016</u>		<u>2015</u>	
	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>
C\$ 5% stronger	\$ (53,853)	\$ (0.00)	\$ (50,589)	\$ (0.00)
C\$ 5% weaker	\$ 59,522	\$ 0.00	\$ 55,914	\$ 0.00

Currency risk related to the accounts of Ceres' foreign subsidiary relates primarily to the translation of its accounts into CAD for the purposes of the consolidated financial reporting of Ceres. Adjustments related to the translation of foreign currency accounts of a foreign operation are included as other comprehensive income and have no effect on the determination of net income for the reporting period.

During the fifteen-month period ended June 30, 2016, the Corporation hedged a portion of its investment in a US subsidiary through US dollars futures contracts, which mitigated the foreign currency risk arising from the subsidiary's net assets. During the quarter ended December 31, 2015, the Corporation settled the US dollar futures hedge and realized a gain of \$1.4 million, which has been recognized in other comprehensive income.

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(d) *Fair value measurements*

The following is a summary of the classification of assets and liabilities carried at fair value, using the hierarchy of inputs prescribed by IFRS 13 *Fair Value Measurement*:

	<b>June 30, 2016</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Portfolio investments	-	3,537,014	848,163	4,385,177
Due from broker, unrealized gains on futures and options (Note 6)	166,508	-	-	166,508
Unrealized gains on open cash contracts (Derivatives)	-	6,615,551	-	6,615,551
Due to Broker, unrealized losses on futures and options (Note 6)	(160,084)	-	-	(160,084)
Unrealized losses on open cash contracts (Derivatives)	-	(3,327,501)	-	(3,327,501)
Derivative warrant liability	-	(136,000)	-	(136,000)
Provision for future payments to Front Street Capital	-	(95,000)	-	(95,000)
	<u>6,424</u>	<u>6,594,064</u>	<u>848,163</u>	<u>7,448,651</u>

	<b>March 31, 2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Portfolio investments	-	-	848,163	848,163
Due from broker, unrealized gains on futures and options (Note 6)	2,673,417	-	-	2,673,417
Unrealized gains on open cash contracts (Derivatives)	-	9,472,984	-	9,472,984
Due to Broker, unrealized losses on futures and options (Note 6)	(557,829)	-	-	(557,829)
Unrealized losses on open cash contracts (Derivatives)	-	(2,607,280)	-	(2,607,280)
Derivative warrant liability	-	(1,719,000)	-	(1,719,000)
Provision for future payments to Front Street Capital	-	(344,000)	-	(344,000)
	<u>2,115,588</u>	<u>4,802,704</u>	<u>848,163</u>	<u>7,766,455</u>

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**15. SHARE CAPITAL AND WARRANTS**

*(a) Authorized*

Unlimited number of voting, participating Common shares, without par value.

*(b) Normal Course Issuer Bids*

During the fifteen-month period ended June 30, 2016, the Corporation purchased Shares under normal course issuer bids with the purpose of which was to provide Ceres with a mechanism to decrease the potential spread between the net asset value per Share and the market price of the common shares. On June 10, 2015, Ceres announced a normal course issuer bid (“the 2015-2016 NCIB”) which commenced on June 12, 2015 and concluded on June 11, 2016. The Corporation renewed the normal course issuer bid (“the 2016-2017 NCIB”) commencing on June 12, 2016. Using the facilities of the TSX and in accordance with its rules and policies, Ceres intends to purchase up to a maximum of 1,595,765 of its Common Shares, representing approximately 10 percent of its unrestricted public float as of June 2, 2016, subject to a maximum aggregate purchase price of \$5 million pursuant to restrictions under the Corporation’s Credit Facility. The 2016-2017 NCIB will conclude on the earlier of the date on which purchases under the 2016-2017 NCIB have been completed and June 11, 2017. Ceres may purchase up to a daily maximum of 2,119 Common Shares under the 2016-2017 NCIB, except for purchases made in accordance with the “block purchase” exception under applicable Toronto Stock Exchange (“TSX”) rules and policies.

During the period from February 11, 2016 to June 30, 2016, the Corporation purchased a total of 168,600 common shares under the normal course issuer bids, 2015-2016 NCIB and 2016-2017 NCIB, for aggregate cash consideration of \$852,847. The stated capital value of these repurchased Shares was \$1,301,592. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$448,745, was allocated to Retained Earnings in the fifteen month period ended June 30, 2016.

During the twelve-month period ended March 31, 2015, the Corporation did not purchase any Shares under any Normal Course Issuer Bid.

*(c) Common Share Purchase Warrants*

In connection with the completion of the Corporation’s rights offering (the “Rights Offering”), on December 4, 2014, Ceres issued an aggregate of 2,083,334 warrants (the “Warrants”) to the stand-by purchasers. The Warrants issued were conditional upon approval at the Corporation’s annual general meeting (“AGM”), which was obtained at the AGM on August 7, 2015.

Furthermore, the Warrants were issued at a fixed exercise price of \$5.84 and are each exercisable into one common share of the Corporation (a “Common Share”). The Warrants have an expiry date of December 4, 2016, being 24 months after issuance. In the event that the Warrants are being exercised prior to the completion of a change of control of the Corporation, but after a transaction that will result in such a change of control has been publicly announced, in lieu of exercising the Warrants, the holders of Warrants can elect a cashless exercise to receive Common Shares equal to: the difference between the ten-day Volume-Weighted Average Price (“VWAP”) of the Corporation’s stock price and \$5.84; multiplied by the number of Common Shares in respect of which the election is made; divided by the ten-day VWAP of the Corporation’s stock price. If a Warrant holder exercises this option, there will be variability in the number of shares issued per Warrant.

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In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in the fair value recognized in the statement of operations and comprehensive loss at each period end. If the Warrants are exercised and converted to Common Shares, or are extinguished upon the expiration of the outstanding Warrants, it will not result in the outlay of any cash by the Corporation.

As at June 30, 2016, the fair value of the Warrants is estimated using the Black-Scholes pricing model with the following assumptions: an average risk free interest rate of 0.52%; an average expected volatility factor of 15.68%; an expected dividend yield of nil; and expected remaining life of 0.43 years. The fair value of the stand-by warrants as at June 30, 2016, was estimated at \$136,000 (as at March 31, 2015: \$1,719,000).

*(d) Stock Option and Appreciation Rights*

On March 10, 2014, the Board approved the Ceres Global Ag Corp. Stock Option Plan (the “Options Plan”). The Options Plan is available to certain officers, key employees and consultants of the Corporation and its subsidiaries. The purpose of the Options Plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Corporation and to benefit from its growth.

The Options Plan is administered by the Board, which shall determine (among other things) those officers, key employees and consultants who may be granted awards as Participants and the terms and conditions of any award to any such Participant. The Exercise Price of the options shall be fixed by the Board and shall be no less than 100% of the Market Price on the effective date of the award of the options, which may be granted for a term not exceeding ten (10) years. The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares issued and outstanding less the number of common shares reserved for issuance under the Corporation’s Directors Deferred Share Unit Plan (Note 16). Restrictions exist as to the number of options that may be granted to Insiders within any one-year period, and as to the number of, and the aggregate fair market value of, the common shares underlying the options that may be granted to any one Participant.

The Options Plan also provides for the Board to grant Stock Appreciation Rights (“SARs”) to certain officers, key employees and consultants of the Corporation. Stand-Alone SARs granted under the Plan shall become vested at such times, in such installments and subject to the terms and conditions of the Options Plan (including satisfaction of Performance Criteria and/or continued employment) as may be determined by the Board. The Base Price for each common share subject to a Stand-Alone SAR shall not be less than 100% of the Market Price of a common share on the Effective Date of the award of such Stand-Alone SAR. Tandem SARs may be granted at or after the Effective Date of the related award of options, and each Tandem SAR shall be subject to the same terms and conditions and denominated in the same currency as the option to which it relates and the additional terms and conditions under the Options Plan. Tandem SARs may be exercised only if and to the extent the options related thereto are then vested and exercisable. On exercise of a Tandem SAR, the related option shall be cancelled and the Participant shall be entitled to an amount in settlement of such Tandem SAR calculated and in such form as provided by the Options Plan.

As at June 30, 2016 and March 31, 2015, no SARs had been awarded.

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During the fifteen months ended June 30, 2016, Ceres granted stock options (“options”) under the corporation’s stock option plan to certain officers and employees of the Corporation. The exercise price is fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares.

As at June 30, 2016, the outstanding Options are as follows:

	Number of Options	Weighted- average exercise price (\$)	Weighted- average Remaining Contractual Term (Years)
<b>Outstanding as at March 31, 2015</b>	-	\$ -	-
Granted	322,500	6.72	
Exercised	-	-	
Expired/forfeited	(44,169)	6.25	
<b>Outstanding as at June 30, 2016</b>	<b>278,331</b>	<b>\$ 6.71</b>	<b>3.80</b>
<b>Exercisable as at June 30, 2016</b>	<b>113,695</b>	<b>\$ 6.73</b>	<b>3.77</b>

At the grant date, the fair value of the Options is estimated using the Black-Scholes pricing model with the following weighted-average assumptions: an average risk free interest rate of 0.80%; expected volatility of 28.1%; dividend yield of nil; an average expected option life of 3.5 years; and average exercise price of \$6.72. The weighted average grant date fair value of the Options granted during the fifteen-month period ended June 30, 2016, is \$1.45 (twelve months ended March 31, 2015: nil).

The total Option compensation cost that has been included in general and administrative expenses for the fifteen months ended June 30, 2016, amounted to \$198,335 (twelve months ended March 31, 2015: nil) with the non-cash expense being accrued and classified within contributed surplus in the Consolidated Balance Sheet.

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(e) *Issued and outstanding as at June 30, 2016 and March 31, 2015*

The following is a summary of the changes in the Common shares and Warrants for the fifteen-month period ended June 30, 2015 and twelve-month period ended March 31, 2015:

	<u>Common shares</u>	
	<u>Shares</u>	<u>Dollars</u>
<b>Balances, March 31, 2014</b>	<b>14,208,679</b>	<b>\$ 137,100,022</b>
Adjustment to outstanding common shares	(471)	-
Issuance of common shares, December 4, 2014	12,842,465	75,000,000
Share issuance costs	-	(1,571,062)
Warrants, conditionally issued, December 4, 2014, classified as liabilities	-	(1,644,000)
<b>Balances, March 31, 2015</b>	<b>27,050,673</b>	<b>\$ 208,884,960</b>
Redemption of deferred share units	6,982	41,789
Share issuance costs	-	(69,359)
Repurchase under normal course issuer bid	(168,600)	(1,301,592)
<b>Balances, June 30, 2016</b>	<b>26,889,055</b>	<b>\$ 207,555,798</b>

**16. DEFERRED SHARE UNIT PLAN**

Effective January 1, 2014, Ceres has a Directors' Deferred Share Unit Plan, whereby deferred share units ("DSU") are issued to Eligible Directors, in lieu of cash, for a portion of Directors' fees otherwise payable to Directors. The Fair Market Value of the DSUs on the date such units are calculated and issued represents the volume-weighted average trading price of Ceres' common shares for the five trading days immediately preceding the date of issuance of the DSUs. Each DSU entitles the director to receive payment after the end of the director's term in the form of common shares of the Corporation. Under the plan, the aggregate number of common shares issuable by Ceres under this Plan is limited to 450,000 common shares. Certain insider restrictions and annual dollar limits per Eligible Director exist. Dividends, if any, otherwise payable on the common shares represented by the DSUs are converted into additional DSUs based on the Fair Market Value as of the date on which any such dividends would be paid. The Plan also provides for the Board to award additional DSUs (referred to in the Plan agreement as "Matching DSUs") to an Eligible Director who has elected to receive DSUs pertaining to his/her Annual Cash Remuneration amount (as defined by the Plan).

The Corporation intends to settle all DSUs with shares through the issuance of treasury shares. Compensation expense is included as part of Directors' fees classified with general and administrative expenses, and is recognized in the accounts as and when services are rendered to the Corporation. DSUs outstanding as at a reporting period-end are revalued at the fair market value as at that period and changes in the fair market value are recognized to Directors' fees in the period in which the changes occur.

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The following is a summary of the changes in the number of DSUs issued and outstanding for the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015:

	<u>15-month period ended</u>		<u>12-month period ended</u>	
	<u>June 30, 2016</u>		<u>March 31, 2015</u>	
	<u>number of</u>	<u>Fair Market</u>	<u>number of</u>	<u>Fair Market</u>
	<u>units</u>	<u>Value</u>	<u>units</u>	<u>Value</u>
Balance, beginning of period	52,813	\$ 6.06	8,913	\$ 7.01
Units redeemed	(6,983)	\$ 5.98	(2,674)	\$ 7.00
Units issued	96,887	\$ 5.34	46,574	\$ 6.06
Balance, end of period	142,717	\$ 5.34	52,813	\$ 6.06

**17. MANAGEMENT FEES**

On August 23, 2013, Ceres announced it entered into a Management Transition Agreement (the “Transition Agreement”) with Front Street Capital 2004 (“Front Street Capital”), which provided, among other things, for the early termination of the Management Agreement. The Transition Agreement was approved by the shareholders at the annual and special meeting held on September 27, 2013. The Transition Agreement provided for the following:

- The Management Agreement was terminated effective November 30, 2013;
- Monthly management fee payments to the Front Street Capital ended December 31, 2013;
- On October 1, 2013, Ceres paid Front Street Capital \$5 million plus HST of \$650,000;
- Front Street Capital will be paid an additional \$1 million if the five-day volume-weighted average price of Ceres’ common shares (the “5-day VWAP”) reaches \$10 within the five-year period ending August 23, 2018, and a further \$1 million if the 5-day VWAP reaches \$11 at any time during that 5-year period;
- The additional payments will become payable immediately if, prior to the fifth anniversary of the date of the Transition Agreement, there occurs either a change in control or a going private transaction for a price in excess of \$7.85 per share;

Ceres shall deposit into an escrow fund 5% of any gross sale proceeds in excess of net book value and direct transaction costs from the sale of any of Ceres’ assets, to a maximum amount of \$1 million, and such escrow fund amount shall be paid to the Manager if the 5-day VWAP does not reach \$10 within five years.

As at June 30, 2016, management has determined the fair value of the potential additional payments provided for under the Transition Agreement is \$95,000 (March 31, 2015: \$344,000). As at June 30, 2016, the fair value of each additional payment was determined using the binomial options pricing model, with a remaining term to August 23, 2018, using volatility of 25% and a risk-free interest rate of 0.52% (twelve-month period ended March 31, 2015: remaining term to August 23, 2018, volatility of 25% and risk-free interest rate of 0.62%). Management recalculates the fair value of such potential additional payments as at each quarter-end and adjusts the provision recognized in the accounts in the quarter such adjustment would be necessary. For the fifteen-month period ended June 30, 2016, the Corporation recognized a gain

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of \$249,000 related to the revaluation of the provision for future payments to Front Street Capital (twelve-month period ended March 31, 2015: revaluation gain of \$626,000).

**18. INCOME TAXES**

*(a) Reconciliation of statutory tax provision to the effective tax provision*

As the Corporation operates in several tax jurisdictions, its income is subject to taxation at various rates.

The provision for income taxes differs from the amount that would have resulted from applying the Canadian statutory income tax rates to income before income taxes for the following reasons:

	<u>2016</u>	<u>2015</u>
Income (loss) before income taxes and share of net income in investments in associates:		
Canada	\$ <b>8,512,285</b>	(6,539,794)
United States of America	<b>(24,937,033)</b>	4,392,488
	<u>\$ <b>(16,424,748)</b></u>	<u>(2,147,306)</u>
Combined statutory Canadian federal and Ontario corporate income tax rate	<u>26.5%</u>	<u>26.5%</u>
Provision for income taxes recoverable using statutory rate	\$ <u><b>(4,352,558)</b></u>	<u>(569,036)</u>
Adjusted for the income tax effect of:		
Difference in tax rates applicable to subsidiaries	<b>(2,807,910)</b>	551,696
U.S. state taxes, net of U.S. federal benefit	<b>39,246</b>	(143,492)
Intercompany dividend eliminated upon consolidations	-	(1,885,738)
Non-deductible portion of unrealized losses on investments (non-taxable portion of unrealized gains on investments)	<b>104,332</b>	64,594
Changes in unrecognized temporary difference on deferred income tax assets	<b>7,576,934</b>	2,850,338
Non-deductible changes in the revaluation of the derivative warrant liability	<b>(485,480)</b>	-
Foreign exchange and other differences	<b>(359,894)</b>	(449,047)
	<u><b>4,067,228</b></u>	<u>988,351</u>
<b>Income tax expense (recovered)</b>	<u>\$ <b>(285,330)</b></u>	<u>419,315</u>

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The components of the provision for income taxes are as follows:

	<u>2016</u>	<u>2015</u>
Canada		
Current	\$ -	\$ 134,142
Deferred	<b>(296,971)</b>	140,437
	<b>(296,971)</b>	274,579
United States of America - Federal		
Current	<b>(5,310)</b>	93,164
Deferred	<b>(20,075)</b>	-
	<b>(25,385)</b>	93,164
United States of America - State		
Current	<b>39,246</b>	51,572
Deferred	<b>(2,220)</b>	-
	<b>37,026</b>	51,572
<b>Income tax expense (recovered)</b>	<b>(285,330)</b>	\$ 419,315

*(b) Deferred income tax liability*

The tax effects of temporary differences that give rise to significant elements of the net deferred income tax liability are as follows:

	<u>2016</u>	<u>2015</u>
Deferred tax assets:		
Non-capital and net operating losses carried-forward	\$ 47,710,311	29,682,633
Allowable capital losses carried forward	<b>1,026,920</b>	1,026,920
Deductible portion of unrealized depreciation of investments	<b>845,834</b>	845,834
Share issuance costs	<b>217,995</b>	389,640
Other temporary deductible differences, net of temporary taxable differences	-	6,044,365
Accrued interest not deductible until paid	-	861,641
	<b>49,801,060</b>	38,851,033
Deferred tax liabilities:		
Deferred income tax liability, property, plant and equipment	<b>(20,359,490)</b>	(17,845,828)
Taxable portion of unrealized depreciation of investment in associates	<b>(590,261)</b>	(360,345)
Other temporary deductible differences, net of temporary taxable differences	<b>(415,686)</b>	(18,234)
	<b>(21,365,437)</b>	<b>(18,224,407)</b>
Unrecognized deferred tax assts	<b>(28,435,623)</b>	(20,923,597)
Noncurrent deferred tax liabilities, net	\$ -	(296,971)

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(c) *Tax losses carried forward*

(i) Canadian operations

As at June 30, 2016, the Corporation has accumulated non-capital losses in the amount of \$46,336,292 relating to operations in Canada. The non-capital losses are being carried forward and, unless utilized, will expire in the following taxation years:

<u>Year of expiry</u>	<u>Amount</u>
2031	\$ 1,056,126
2032	7,335,493
2033	7,380,692
2034	13,586,280
2035	8,197,795
2036	8,779,906
	<u>\$ 46,336,292</u>

As at June 30, 2016, Ceres has accumulated capital losses totaling \$7,750,339, which are available indefinitely to be applied against capital gains in future taxation years. The potential income tax benefit of the capital losses has not been recognized in the financial statements.

(ii) Unites States of America operations

As at June 30, 2016, the Corporation has accumulated net operating losses in the amounts noted below in USD, for federal and state income tax purposes. These net operating losses are being carried forward and, unless utilized, will expire in the following taxation years:

<u>Year of expiry</u>	<u>Federal</u>	<u>State</u>
2026	\$ -	5,248,595
2027	-	1,724,905
2028	-	7,773,863
2029	-	9,210,006
2031	9,596,976	16,022,178
2032	3,686,320	3,369,906
2033	8,570,443	9,999,689
2034	12,772,909	15,648,306
2036	32,141,472	2,034,311
	<u>\$ 66,768,120</u>	<u>71,031,759</u>

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**19. RELATED PARTY TRANSACTIONS**

*Key management personnel*

The Corporation has defined key management personnel as senior executive officers, as well as the members of the Board of Directors, as they collectively have the authority and responsibility for planning, directing and controlling the activities of the Corporation and its subsidiaries. The following table summarizes total compensation expense for key management personnel for the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015:

	<u><b>Fifteen-month period ended June 30, 2016</b></u>	<u><b>Twelve-month period ended March 31, 2015</b></u>
Salaries and short-term employee/director benefits	\$ 1,942,441	\$ 2,111,836
Share-based compensation	644,257	494,577
	<u><b>\$ 2,586,698</b></u>	<u><b>\$ 2,606,413</b></u>

As at June 30, 2016 and March 31, 2015, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 40.7% and 40.3%, respectively, of the outstanding Common shares of the Corporation.

**20. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS**

	<u><b>Fifteen-month period ended June 30, 2016</b></u>	<u><b>Twelve-month period ended March 31, 2015</b></u>
Decrease (increase) in due from Broker	\$ 1,803,344	\$ (3,022,080)
Decrease (increase) in net derivative assets	3,789,843	(4,929,716)
Increase in accounts receivable	(7,988,907)	(1,455,462)
Decrease (increase) in inventories	18,871,966	(16,515,546)
Decrease (increase) in Sales taxes recoverable	967,648	332,152
(Increase) decrease in prepaid expenses and sundry assets	(1,025,848)	219,660
Increase in accounts payable and accrued liabilities	4,198,934	1,982,426
Decrease in provision for future payment to Front Street Capital	(249,000)	(626,000)
	<u><b>\$ 20,367,980</b></u>	<u><b>\$ (24,014,566)</b></u>

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**21. CONTINGENT LIABILITIES**

**(a) Legal**

The Corporation is involved in various legal claims and legal notices arising in the ordinary course of business. The Corporation believes it has adequately assessed each claim, and the necessity of a provision for such claims. As at June 30, 2016 and March 31, 2015, the Corporation has no provision for any contingent liabilities.

During the year ended March 31, 2014, Ceres terminated its arrangements and ongoing discussions with The Scoular Company (“Scoular”) as a potential development partner with respect to the development and construction of a grain facility at NCLC. The termination of discussions with Scoular may have implications for any amounts to be collected from the potential partner and amounts previously paid to Ceres by Scoular in respect to a certain portion of NCLC site preparation costs under a cost-sharing agreement. The recovery and/or reimbursement of such amounts, if any, will be subject to resolution of the claim described below.

During the year ended March 31, 2015, Scoular initiated an action against the Corporation for injunctive relief and unspecified damages relating to the development and construction of a grain facility at NCLC.

As of the date hereof, the Corporation, based on the advice of its litigation counsel, does not believe that the claims alleged by Scoular have any legal merit, and therefore, the Corporation intends to vigorously defend the lawsuit. Prior to the termination of its relationship with Scoular, the counterparty paid \$3,899,146 in costs related to the project. The Corporation does not believe that the counterparty is entitled to any of these costs based on the legal relationship that existed at the time and based on the claims alleged in the counterparty’s complaint. The outcome of this complaint is difficult to assess or quantify. The plaintiff may seek recovery of large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for substantial periods of time. The cost to defend this complaint may be significant. In addition, this complaint, if decided adversely to the Corporation or settled by the Corporation, may result in liability material to the Corporation’s financial statements as a whole or may materially and adversely affect the Corporation’s business, financial position, cash flow and/or results of operations.

**(b) Commitments**

Capital expenditures contracted but not yet incurred are as follows:

	<b>June 30, 2016</b>	March 31, 2015
Property, plant and equipment	<b>\$ 11,892,551</b>	\$ 25,383,770