CERES GLOBAL AG CORP.

LETTER TO SHAREHOLDERS
THREE-MONTH AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2011

The following is our report to our fellow shareholders on Ceres' results and activities for the three-month and nine-month periods ended December 31, 2011.

Highlights for the nine-month period and the third quarter ended December 31, 2011 were as follows:

- **EBITDA**: Consolidated - nine-month period ended December 31, 2011: $4.7 million ($0.31 per share), quarter ended December 31, 2011: $1.15 million ($0.08 per share); Riverland Ag - nine-month period ended December 31, 2011: $13.1 million ($0.87 per share), quarter ended December 31, 2011: $4.5 million ($0.30 per share). The increased consolidated and Riverland Ag EBITDA for the current quarter, compared to the quarter ended September 30, 2011, is primarily driven by improved facility utilization and improved trading gains;
- **Net income (loss)**: Consolidated - nine-month period ended December 31, 2011: loss of ($3.4 million) (($0.23) per share), quarter ended December 31, 2011: loss of ($1.7 million) (($0.11) per share); Riverland Ag - nine-month period ended December 31, 2011: $5.1 million ($0.34 per share), quarter ended December 31, 2011: $1.7 million ($0.11 per share). Consolidated net loss includes the effect of Ceres' corporate-level share of General and administrative expenses as follows: nine-month period ended December 31, 2011: $4.5 million ($0.30 per share), quarter ended December 31, 2011: $1.3 million ($0.08 per share), and Finance loss as follows: nine-month period ended December 31, 2011: $3.9 million ($0.26 per share), quarter ended December 31, 2011: $2.1 million ($0.14 per share);
- **Cash and Portfolio Investments:** As at December 31, 2011: total of $45.2 million, being $3.08 per share as at that date (September 30, 2011, total of $48.3 million ($3.22 per share)). The decrease in cash and portfolio investments is primarily driven by the continued repurchase of shares through the normal course issuer bid and investments in property;
- **Shareholders' equity per common share**: as at December 31, 2011, consolidated shareholders' equity per common share is $10.83 (September 30, 2011: $11.07; June 30, 2011: $10.58). The decrease during this quarter is primarily attributable to the strength of the Canadian dollar over the quarter and the effect on the un-hedged portion of Ceres' investment in the net assets of Riverland Ag that are denominated in U.S. dollars. A portion of the decrease is also due to write-downs on portfolio investments as they were liquidated to fund Riverland Ag's strategic initiatives.
- **Financing:** In December 2011, Riverland Ag increased a long-term credit facility by $21.3 million and renegotiated the annual interest rate from 6.25 per cent to 5.35 per cent over 10 years, which will support growth initiatives as well as supplement resources to finance working capital; and
- **Normal Course Issuer Bid**: On October 13, 2011, Ceres announced a normal course issuer bid commencing on October 17, 2011 with the intention of purchasing up to 1,184,334 shares. For the quarter ended December 31, 2011, Ceres purchased 279,724 shares for a total

cost of approximately $1.5 million. The average purchase price during this quarter, under the normal course issuer bid, was $5.37.

After the disappointing results of the previous quarter, which were driven by lower facility utilization and the narrowing of carrying charges in the market, we are pleased with the progress of our inventory rebuilding as well as the improvement in earnings at Riverland Ag during the third quarter. The strategy to rebuild inventories is continuing, but is likely to take a number of quarters before we are operating at close to full capacity. While we have no control over the carrying charges in the market place, we are pleased that, during the quarter, we are able to generate trading gains that resulted from the strength and position of our assets and helped offset the current lower carrying charge market.

The grain industry continues to evolve. In December 2011, the Canadian Government passed legislation ending the Canadian Wheat Board's (the "CWB") marketing monopoly on wheat and barley, to become effective in August 2012. While there are certain challenges as to the legality of this move, it appears that most industry participants are planning for this change. In January 2012, the Minneapolis Grain Exchange announced that its removal of the U.S. origin condition for wheat delivered against its Hard Red Spring Wheat contract will be effective for the September 2012 contract, which now corresponds to the end of the CWB's monopoly. In addition, they increased their storage rate by 40%. Given Riverland Ag's delivery position in the Minneapolis Wheat contract, this change is viewed positively. We remain focused on investing in infrastructure assets at critical points in the agricultural value chain, such as strategically-located grain elevators, key logistics links and selected further processing operations, to capitalize on opportunities arising in the North American industry.

Ceres has now owned Riverland Ag for a full six quarters. We are pleased with the financial results, operational improvements and strategic initiatives that have been achieved over this 18-month period. Over the 12 months ended December 31, 2011, Riverland's aggregate EBITDA was $18 million, representing $1.19 per Ceres common share, and aggregate net income was $7.1 million, representing $0.47 per Ceres common share (12 months ended September 30, 2011: aggregate EBITDA was $18 million, representing $1.18 per Ceres common share, and aggregate net income was $6.8 million, representing $0.45 per Ceres common share).

Outlook

Looking ahead for the remainder of our fiscal year ending March 31, 2012, Riverland Ag will continue to make operational improvements, bring its new capacity fully into operation, capitalize on margin opportunities presented in the cereal grain markets, and look to strategically increase the capacity utilization of the grain storage facilities through a combination of owned inventory and third party storage. The focus on strategically increasing storage utilization has been put in place, as well as strategies to offset the current reduced carrying charge revenues. However, it may take a number of quarters to re-establish our past operating earnings levels. In particular this summer could represent a volatile time in high value milling cereal grains as the industry awaits this year's North American harvest after a couple of poor harvests from rain the last two years. At Ceres, management will continue to monetize Ceres' remaining portfolio investments and continue to invest in business opportunities related to Riverland Ag.

Gary Selke	Michael Detlefsen	Jason Gould
Chief Executive Officer	*President*	*Chief Financial Officer*

February 8, 2012

<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>

This Interim Management's Discussion and Analysis ("MD&A") presents management's discussion and analysis of the consolidated financial position of Ceres Global Ag Corp. ("Ceres" or the "Corporation"), the consolidated results of its operations, liquidity and capital resources, business risks and future outlook. This MD&A should be read in conjunction with Ceres' interim unaudited condensed consolidated financial statements for the three-month and nine-month periods ended December 31, 2011, which are prepared in accordance with International Financial Reporting Standards ("IFRS") and presented on Schedule A attached to this interim report, and the audited annual financial statements for the year ended March 31, 2011, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Comparative figures as at March 31, 2011 and as at December 31, 2010, and for the nine-month period and quarter ended December 31, 2010, have been restated for IFRS and for post-acquisition fair value adjustments reflected in the annual consolidated financial statements for the year ended March 31, 2011, as applicable. Wherever applicable, other comparative figures have also been restated for IFRS.

Ceres has one primary operating subsidiary, Riverland Ag Corp. ("Riverland Ag"). In discussing the results of operations, reference will be made to results on a consolidated basis and to results for Riverland Ag separately.

This MD&A has been prepared as of February 8, 2012. Unless otherwise indicated, dollar amounts are reported in Canadian dollars ("CAD").

IFRS

The interim condensed consolidated financial statements of the Corporation for the nine-month period and the quarter ended December 31, 2011 are prepared under IFRS, and include the accounts of Ceres and Riverland Ag. Comparative figures as at March 31, 2011 and for the nine-month period and the quarter ended December 31, 2010, have been restated for IFRS and for post-acquisition fair value adjustments reflected in the annual consolidated financial statements for the year ended March 31, 2011, as applicable. Comparative figures for December 31, 2010 include the accounts of Ceres for the nine-month period then ended and the post-acquisition accounts of Riverland Ag for the period from June 11, 2010 to December 31, 2010 (the "post-acquisition period"). Wherever applicable, other comparative figures have also been restated for IFRS.

FORWARD-LOOKING INFORMATION

This interim management discussion and analysis ("MD&A") contains certain statements including, but not limited to, anticipated or prospective financial performance and results of operations of the Corporation. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "*believes*", "*anticipates*", "*plans*", "*intends*", "*will*", "*should*", "*expects*", "*projects*", and similar expressions are intended to identify forward-looking information.

Although the Corporation believes it has a reasonable basis for making the forecasts or projections included in this interim MD&A, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the expected performance of the Corporation's operating subsidiaries, expectations concerning commodity and equity securities markets, expectations about interest rates and foreign currency exchange rates, and factors incorporated by reference herein as risk factors.

The above list of important factors affecting forward-looking information is not exhaustive, and reference should be made to the other risks discussed in the Corporation's filings with Canadian securities regulatory authorities. The forward-looking information is given as of the date of this interim MD&A, and the Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

CAUTIONARY STATEMENT AS TO NON-IFRS FINANCIAL MEASURES

Ceres provides a non-IFRS measure as supplementary information, which management believes is useful to users of this MD&A to explain Ceres' financial results. This non-IFRS measure is EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization), which is not a standardized financial measure prescribed by IFRS. However, management believes that most of its shareholders, creditors, other stakeholders and investment analysts benefit from using this performance measure in analyzing Ceres' results. Ceres also uses this measure internally to monitor the Corporation's performance.

In calculating EBITDA, Ceres also excludes its share of the net income or loss from investments in associates. Ceres may calculate EBITDA differently than other companies; therefore, Ceres' EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss, or to other standardized financial measures determined in accordance with IFRS, and is not intended to represent cash flows or results of operations in accordance with IFRS.

OVERVIEW

Riverland Ag was purchased by Ceres on June 11, 2010 for $70.2 million. The transaction transitioned Ceres from an investment company to an active investor in operating companies. Subsequent to the purchase, Ceres has been selling its portfolio investments to generate cash for investment in the growth of Riverland Ag and related businesses. As more fully discussed in this MD&A, as at December 31, 2011, Ceres had cash of $36.7 million and remaining portfolio investments of $8.5 million (September 30, 2011: cash of $34.7 million and remaining portfolio investments of $13.5 million).

Riverland Ag is an agricultural grain supply ingredient business that owns and operates fifteen (15) grain storage and handling facilities in the American states of Minnesota, North Dakota, Wyoming, New York and Wisconsin, and the Canadian province of Ontario.

Riverland Ag is focused on cereal grain storage, customer-specific procurement (including contract growing) and "process-ready" cleaning of specialty grains such as oats, barley, rye and durum wheat. It offers a comprehensive range of services to its customers to help manage the risks associated with the price, quality, and availability of these critical food grains.

Riverland Ag's facilities are strategically located, with excellent rail, truck and ship transportation logistics and close proximity to major grain-processing facilities in the United States. Many of Riverland Ag's locations are at deep-water ports in the Great Lakes and along the upper Mississippi River, allowing access for lakers and barges, and enabling the efficient importation of grains from global sources.

Several of Riverland Ag's facilities are qualified as 'regular for delivery' locations for certain futures contracts on the Minneapolis and Chicago exchanges, allowing Riverland Ag to earn carrying charges against grain stored for delivery to the exchanges by matching deliverable cash inventories with futures contracts. This delivery mechanism helps to mitigate risk for Riverland Ag and it is an important component to our credit facilities.

Currently, the majority of Riverland Ag's storage space is utilized to capture grain arbitrage and merchandising opportunities. The balance is utilized to service third party storage contracts with leading food and beverage companies where the third-party owns the inventory and pays Riverland Ag for storage and elevation.

RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD AND THE QUARTER ENDED DECEMBER 31, 2011

Revenues and Gross Profit

Through Riverland Ag, Ceres is principally involved in an agricultural commodity-based business, in which changes in selling prices generally move in relationship to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the business deals in will have a relatively equal impact on sales and cost of sales and a minimal impact on gross profit. Accordingly, management believes it is more important to focus on changes in gross profit than it is to focus on changes in revenue dollars.

For the nine-month period ended December 31, 2011, revenues totalled $147.3 million and gross profit was $15.2 million (period from June 11 to December 31, 2010: revenues totalled $111.6 million and gross profit was $12 million). Comparative revenue and gross profit figures for 2010 include only 203 days of results for Riverland Ag, rather than a full nine-month (275-day) period.

For the quarter ended December 31, 2011, revenues were $22.6 million (2010: $39.5 million) and gross profit was $4.9 million (2010: $4.9 million). For the quarter ended December 31, 2011, the gross profit percentage for the quarter ended December 31, 2011 was 21.49 per cent (2010: 12.33 per cent). The increase in the gross profit percentage for the quarter, compared to the prior year, is attributable primarily to certain trading gains on futures contracts for oats and wheat and basis gains on certain inventory positions.

In this quarter, the gross profit percentage and EBITDA amounts improved compared to the previous quarter and the second quarter last year, due to the aforementioned trading and basis gains, and to improved overall facility utilization at Riverland Ag. Nonetheless, earnings were still lower in this quarter compared to past historical levels, as Riverland Ag dealt with lower carrying charge revenues and the lower facility utilization that was driven by the active delivery against future contracts in the spring wheat market as reported in the previous quarter. Riverland Ag has adopted a plan to strategically rebuild these inventory positions, which may take a number of quarters. During the third quarter, facility utilization improved and the company was achieving its plan, although it will take Riverland Ag a number of quarters to re-establish its earnings to past levels. In particular this summer could represent a volatile time in high value milling cereal grains as the industry awaits the 2012 North American harvest after a couple of poor harvests from rain the last two years.

General and Administrative Expenses

For the nine-month period ended December 31, 2011, general and administrative expenses totalled $8.5 million (2010: $6.8 million). Comparative figures for 2010 include 203 days of results for Riverland Ag. Accordingly, the period-over-period increase primarily reflects the inclusion of Riverland Ag expenses for a full nine-month period of 275 days.

For the quarter ended December 31, 2011, general and administrative expenses totalled $2.3 million and are generally consistent in total with general and administrative expenses for the quarter ended December 31, 2010.

For the nine-month period ended December 31, 2011, general and administrative expenses include Ceres corporate-level costs for management fees of $2.7 million (2010: $2.3 million) and other expenses of $1.8 million (2010: $2.3 million). The increase in management fees is consistent with the increase in shareholder's equity (or net asset value), on which the management fee is calculated. Other expenses incurred at the Ceres corporate-level include Professional fees of $536,200 (2010: $196,000), Portfolio and corporate transaction costs of $349,700 (2010: $1.5 million) and other general and administrative expenses totalling $918,600 (2010: $560,500). Professional fees increased due to increases in audit fees and consulting fees related to the larger scope of the work including Riverland Ag and the conversion to IFRS, and work on prospective transactions. Portfolio and corporate transaction costs for 2010 reflect increased activities in the sale of portfolio investments (minimal in 2011) and that corporate transaction costs related to the acquisition of Riverland were accounted for in 2010, compared to lesser corporate transaction activity in 2011.

Finance income (loss)

For the three-month and nine-month periods ended December 31, 2011 and 2010, finance income (loss) includes the following:

	3 months		9 months	
(in thousands of dollars)	2011	2010	2011	2010
Dividend revenues, net of withholding taxes	$ 4.0	$ 11.5	$ 21.2	$ 399.9
Interest and other revenues, net of interest expense on bonds sold short	-	17.4	3.6	15.0
Realized gain (loss) on sale of investments	(5,830.4)	2,478.2	(5,251.3)	(1,259.2)
Realized loss on currency-hedging transactions	463.8	814.0	(1,308.7)	(521.1)
Realized and unrealized gain (loss) on foreign exchange	(12.1)	(651.8)	97.9	(374.8)
Change in fair value of investments	3,272.8	1,747.1	2,511.4	2,284.9
	$ (2,101.9)	**$ 4,416.4**	**$ (3,925.9)**	**$ 544.7**

For the three-month and nine-month periods ended December 31, 2011 and 2010, Ceres earned investment revenues (dividends, interest and other revenues) on its non-Riverland Ag assets. The period-over-period decrease in Ceres' investment revenues reflects the divestiture during the quarter ended June 30, 2010 and thereafter of a significant number of portfolio investments to fund the acquisition of Riverland Ag, its future growth in Riverland Ag and other potential investments in industry-related businesses. Variances in realized and unrealized gains and losses reflect the volatility of the equity and currency markets.

Finance expenses

For the three-month and nine-month periods ended December 31, 2011, finance expenses include interest on short-term and long-term debt plus the amortization of related financing transaction costs. The increase in the year-to-date period reflects the inclusion of Riverland Ag finance expenses for three full quarters. For the quarter ended December 31, 2011, finance expenses were $2.0 million compared to $1.5 million for the quarter ended December 31, 2010. The increase in the quarter ended December 31, 2011 reflects additional finance expenses related to a USD$10 million long-term loan payable commencing effective January 24, 2011 (for which there were no related finance expenses in 2010)

Gain on acquisition of subsidiaries

For the three-month and nine-month periods ended December 31, 2010, the gain on acquisition of subsidiaries has been restated to conform to IFRS, and is described in detail in note 5 (Business Combinations) to the interim condensed consolidated financial statements for the three-month and nine-month periods ended December 31, 2011.

EBITDA

The following tables are a reconciliation of EBITDA for Ceres on a consolidated basis and for Riverland Ag for the three-month and nine-month periods ended December 31, 2011, and a reconciliation of EBITDA for Ceres on a consolidated basis and for Riverland Ag for the three-month periods ended December 31, 2011 and 2010:

EBITDA *(in thousands of dollars)*		3 months		9 months	
Periods ended December 31, 2011		*Consolidated*	*Riverland Ag*	*Consolidated*	*Riverland Ag*
Net income (loss) for the period		$ (1,703.6)	$ 1,705.7	$ (3,391.7)	$ 5,147.1
Add (deduct):	finance expenses	1,980.7	1,980.7	5,093.8	5,093.8
	income taxes	372.7	372.7	778.9	778.9
	share of net (income) loss in associates	(225.2)	(276.7)	300.0	193.2
	depreciation on property, plant and equipment	725.9	725.9	1,907.8	1,907.8
		$ 1,150.5	**$ 4,508.3**	**$ 4,688.8**	**$ 13,120.8**

EBITDA *(in thousands of dollars)*		3 months, 2011		3 months, 2010	
Periods ended December 31		*Consolidated*	*Riverland Ag*	*Consolidated*	*Riverland Ag*
Net income (loss) for the period		$ (1,703.6)	$ 1,705.7	$ 4,594.6	$ 1,390.9
Add (deduct):	finance expenses	1,980.7	1,980.7	1,517.8	1,513.3
	income taxes	372.7	372.7	987.9	987.9
	share of net income in associates	(225.2)	(276.7)	-	-
	depreciation on property, plant and equipment	725.9	725.9	525.4	525.4
		$ 1,150.5	**$ 4,508.3**	**$ 7,625.7**	**$ 4,417.5**

For the three-month period ended December 31, 2011, consolidated net loss includes a finance loss of $2.1 million (three-month period ended September 30, 2011: finance loss was $1.4 million). Excluding the effect of this finance loss on consolidated net loss for this period, consolidated EBITDA would have been $3.25 million (three-month period ended September 30, 2011, consolidated EBITDA would have been $1.4 million).

For the three-month period ended December 31, 2010, consolidated net income includes finance income of $4.4 million (three-month period ended September 30, 2010: finance income was $11.9 million). Excluding the effect of finance income on consolidated EBITDA for that period, consolidated EBITDA would have been $3.2 million (three-month period ended September 30, 2010: consolidated EBITDA would have been $3.1 million).

The increase in EBITDA for Riverland Ag for the quarter ended December 31, 2011 over EBITDA for the quarter ended December 31, 2010 is $90,800; whereas the increase in consolidated EBITDA adjusted to exclude the effect of finance income (loss) for the quarter ended December 31, 2011 compared to 2010 is $43,100. Therefore, variances in Riverland EBITDA and consolidated (adjusted) EBITDA, for comparable quarters are not significant. Furthermore, the decrease in the dollar value of consolidated gross profit attributable to Riverland Ag for the quarter ended December 31, 2011 compared to 2010 is $8,000, although the consolidated gross profit percentage attributable to Riverland has increased significantly in this most recent quarter. The primary reason for the increase in the gross profit percentage for the quarter ended December 31, 2011 relates to factors discussed in the previous section on Revenues and Gross Profit.

SUMMARY OF SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected financial information for each of the last eight (8) fiscal quarters ended December 31, 2011:

(in thousands, except per share amounts)

Reporting dates	3 months 2011-12-31 Q3 2012**	3 months 2011-09-30 Q2 2012**	3 months 2011-06-30 Q1 2012**	3 months 2011-03-31 Q4 2011**	3 months 2010-12-31 Q3 2011**	3 months 2010-09-30 Q2 2011**	3 months 2010-06-30 Q1 2011**	3 months 2010-03-31 Q4 2010*
Revenues	$ 22,639	$ 35,044	$ 89,609	$ 35,647	$ 39,531	$ 54,148	$ 17,932	$ 353
Gross profit	$ 4,865	$ 4,147	$ 6,189	$ 6,318	$ 4,873	$ 5,967	$ 1,121	$ -
Income (loss) from operations	$ 2,526	$ 748	$ 3,432	$ 3,877	$ 2,684	$ 2,608	$ (136)	$ (1,671)
Net income (loss)	$ (1,704)	$ (2,033)	$ 345	$ 2,022	$ 4,595	$ 12,522	$ 6,559	$ 3,681
Weighted-average number of common shares	14,941	15,047	15,174	15,311	15,345	15,357	13,091	12,462
Basic and fully diluted earnings (loss) per share	$ (0.11)	$ (0.14)	$ 0.02	$ 0.13	$ 0.30	$ 0.82	$ 0.50	$ 0.30
EBITDA, consolidated	$ 1,150	$ 2	$ 3,536	$ 4,964	$ 7,626	$ 15,054	$ 7,215	$ 3,748
EBITDA per share, consolidated	$ 0.08	$ 0.00	$ 0.23	$ 0.32	$ 0.50	$ 0.98	$ 0.55	$ 0.30
EBITDA, Riverland Ag	$ 4,508	$ 3,266	$ 5,346	$ 4,924	$ 4,418	$ 5,457	$ 1,056	$ -
EBITDA per share, Riverland Ag	$ 0.30	$ 0.22	$ 0.35	$ 0.32	$ 0.29	$ 0.36	$ 0.08	$ -
Cash and portfolio investments, net of shorts and options, as at reporting date	$ 45,176	$ 48,253	$ 60,855	$ 64,385	$ 63,794	$ 64,201	$ 60,053	$ 119,594
Shareholders' equity, as at reporting date	$ 159,615	$ 165,792	$ 159,962	$ 161,344	$ 162,748	$ 148,438	$ 150,501	$ 124,877
Shareholders' equity per common share, as at reporting date	$ 10.83	$ 11.07	$ 10.58	$ 10.59	$ 10.63	$ 9.67	$ 9.80	$ 10.03

* Amounts have not been restated to IFRS, and are presented in accordance with Canadian GAAP.

** Amounts are presented in accordance with IFRS. Figures for the four quarters of the fiscal year ended March 31, 2011 have been restated from Canadian GAAP to IFRS.

The following comments relate to certain variances reported in some of the line items above:

<u>Revenues:</u> Amounts reported after March 31, 2010 (for Q1, Q2, Q3 and Q4 2011, and for Q1, Q2 and Q3 2012) represent post-acquisition revenues earned by Riverland Ag. Revenue figures for quarters prior to April 1, 2010 (Q4 2010 above) exclude Riverland Ag revenues and reflect only Ceres' investment revenues (dividends and interest) for that quarter. After March 31, 2010, investment revenues earned by Ceres are classified in accordance with IFRS as Finance income (loss).

<u>Income from operations:</u> For Q1 to Q4 2011, income from operations has been restated to reflect the changes effected for the transition to IFRS compared to former Canadian GAAP. The primary changes include:

- The re-classification of finance expenses (interest expense on short-term debt and on long-term debt, and the related amortization of financing transaction costs). Under Canadian GAAP, such costs were included in the determination of Income (loss) from operations. Under IFRS, finance expenses are presented after Income (loss) from operations and, consequently, are excluded from the determination of Income (loss) from operations.

- The adjustment to the gain on acquisition of subsidiaries in Q1 2011 to reflect fair value adjustments to the net identifiable assets acquired in the acquisition of Riverland Ag, which were recognized in the annual consolidated financial statements for the year ended March 31, 2011. These fair value adjustments had not been determined until after the publication of the interim consolidated financial statements for the three-month and nine-month periods ended December 31, 2010.

In Q2 2011, income from operations was reduced by the effect of portfolio transaction costs amounting to approximately $1.1 million pertaining to the acquisition of Riverland Ag. The loss from operations for Q4 2010 includes a charge for costs of approximately $1.0 million related to, what was then, the potential acquisition of Riverland Ag.

BUSINESS REVIEW – RIVERLAND AG

Riverland Ag is principally involved in an agricultural commodity-based business, in which changes in selling prices generally move in relationship to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the business deals in will have a relatively equal impact on sales and cost of sales and a minimal impact on gross profit. Accordingly, management believes it is more important to focus on changes in gross profit that it is to focus on changes in revenue dollars.

For the nine-month period ended December 31, 2011, revenues totalled $147.3 million and gross profit was $15.2 million (period from June 11 to December 31, 2010: revenues totalled $111.6 million and gross profit was $12 million). The gross profit percentage for the nine-month period ended December 31, 2011 was 10.32 per cent (period from June 11 to December 31, 2010: gross profit percentage was 10.72 per cent). Comparative revenue and gross profit figures for 2010 include only 203 days of results for Riverland Ag, rather than a full nine-month (275-day) period.

For the quarter ended December 31, 2011, revenues were $22.6 million (2010: $39.5 million) and gross profit was $4.9 million (2010: $4.9 million). The gross profit percentage for the quarter ended December 31, 2011 was 21.49 per cent (2010: 12.33 per cent). The increase in the gross profit percentage reflects realized trading gains and basis appreciation. Excluding such trading gains and basis appreciation, gross profit for the quarter ended December 31, 2011 would have been approximately $2.2 million and the gross profit percentage would have been approximately 9.8 per cent, being approximately in line with the gross profit percentage for the nine-month period ended December 31, 2011 of 10.32 per cent.

The improved results from the previous quarter reflect improved overall facility utilization and trading gains at Riverland Ag. The improved facility utilization was achieved despite a near-term inverted market in the Minneapolis Spring Wheat Futures contract. Although the improvements are encouraging, the company still has significant open space and will continue to strategically rebuild these positions over the next number of quarters. The narrowing of the carrying charges in the oats and soft wheat markets as described in the previous quarter continued in this quarter and was a factor in reducing revenues and earnings during the quarter from what they have been in past quarters. Despite the current challenge of lower carrying charges, management of Riverland Ag was able to generate certain trading gains that were available because of the strength and position of our assets, which helped offset the lower revenues from carrying charges for the quarter.

Also during the quarter, the Ralston, Wyoming facility which contracts for grain production with producers in the fall for next summer's production contracted a 40% increase in Barley production for the 2012 crop year during the quarter. This contracted production is matched with contracted sales to customers in the malting and brewing industry.

On July 12, 2011, the two-year revolving line of credit facility in place at Riverland Ag was increased from USD$115 million to USD$180 million, and an additional financial institution was brought to the lenders' syndicate. This expanded credit facility provides Riverland Ag with greater liquidity to finance increasing grain inventories and absorb higher grain prices, and supports Riverland Ag's growth in the commercial grain storage industry. This increased credit facility also greatly enhances Riverland Ag's flexibility in pursuing grain opportunities that may arise out of impending changes to the Canadian Wheat Board's monopoly powers and how it will affect North America markets.

Furthermore, on December 14, 2011, Riverland Ag modified a secured term loan agreement and entered into a 10-year term loan agreement in the amount of USD$40.5 million. As part of the modification, Riverland Ag repaid the remaining principal on an existing secured term loan agreement, which then had a principal balance owing of USD$19.2 million. In addition, management negotiated a reduction in the interest rate from 6.25 per cent to 5.35 per cent. The increase in the long-term credit facility during this quarter positions the Corporation well to continue pursuing inventory purchases and asset acquisitions in this changing North America grain market.

Management continues to identify growth opportunities, in both upstream and downstream segments. In addition, management will continue to optimize its mix of grains to maximize the utilization of its storage space and earnings on the grains in storage.

The grain industry continues to evolve. In December 2011, the Canadian Government passed legislation ending the Canadian Wheat Board's (the "CWB") marketing monopoly on wheat and barley, to become effective in August 2012. While there are certain challenges as to the legality of this move, it appears that most industry participants are planning for this change. In January 2012, the Minneapolis Grain Exchange announced that its removal of the U.S. origin condition for wheat delivered against its Hard Red Spring Wheat contract will be effective for the September 2012 contract, which now corresponds to the end of the CWB's monopoly. In addition, they increased their storage rate by 40%. Given Riverland Ag's delivery position in the Minneapolis Wheat contract, this change is viewed positively. We remain focused on investing in infrastructure assets at critical points in the agricultural value chain, such as strategically-located grain elevators, key logistics links and selected further processing operations, to capitalize on opportunities arising in the North American industry.

Ceres' investment in the Stewart Southern Railway ("SSR", held separately from Riverland Ag), a short line railway in south-eastern Saskatchewan, is progressing well despite the poor crop that resulted from heavy rains last year. In a positive development, SSR recently loaded a number of rail cars of oil for transport. While still very early stage, this development is encouraging given the scope of oil drilling and production in this area of south-eastern Saskatchewan, in particular the area close to SSR, and the potential to diversify revenue streams beyond grain transport.

FINANCIAL POSITION AS AT DECEMBER 31, 2011

The following is a summary of the portfolio investments and cash on hand as at December 31, 2011 and March 31, 2011:

	December 31, 2011	March 31, 2011
Portfolio investments owned (long)	$ 8,480,846	$ 17,548,589
Cash	$ 36,694,811	$ 46,836,841

The decrease in the fair value of the portfolio investments during the nine-month period ended December 31, 2011 reflects the divestiture of a portion of the portfolio held as at March 31, 2011 and a decrease in the fair value of the remaining portfolio holdings during this period.

Portfolio investments

As at December 31, 2011, the percentage of the fair value of the portfolio invested in public companies was 54.05% of the total portfolio, and in private companies was 45.95% (March 31, 2011: public companies: 54.72% of the total portfolio; private companies: 45.28%). Nonetheless, as at December 31, 2011, 2.45% of shareholders' equity is represented by portfolio investments in private companies (March 31, 2011: 4.96%). As at December 31, 2011, 2.88% of shareholders' equity is invested in equity instruments of publicly traded companies located in Canada, the United States of America and Australia (March 31, 2011: 5.99%).

During the quarter, the company also reduced its legacy public portfolio investments by selling certain positions. Proceeds from these sales of investments will be used to fund various strategic investment initiatives and the on-going Normal Course Issuer Bid. The net loss in the portfolio mostly reflected the decrease in value of the EcoSynthetix Inc. investment.

As part of the Corporation's strategy to manage its risks and minimize its exposure associated with owning securities denominated in foreign currencies, the Corporation may commit to certain forward foreign exchange contracts. As at December 31, 2011, the Corporation had a forward foreign exchange contract for USD$32.26 million, having a maturity date of 31 days (March 31, 2011: forward foreign exchange contract for USD$10.85 million).

Other assets and liabilities

As at December 31, 2011, the interim condensed consolidated balance sheet reflects changes in the assets and liabilities of the Corporation since March 31, 2011. During the nine-month period ended December 31, 2011, the value of total assets decreased by approximately $7.5 million, caused primarily by the following increase (decreases), in millions of dollars:

- cash and portfolio investments ($19.2)
- trade accounts receivables ($ 4.3)
- inventories ($ 2.8)
- other current assets $ 3.9
- property, plant and equipment $15.1

The increase in property, plant and equipment reflects (a) the investment in the 2.3 million bushel expansion of the Malt One facility in Minneapolis, Minnesota, (b) the acquisition of a facility in

Manitowoc, Wisconsin, (c) the acquisition of property in the latter part of this quarter (d) the effects of changes in foreign exchange rates used to translate the U.S. dollar accounts of Riverland Ag to Canadian dollars, and (e) the effects of depreciation expense.

During the same period, total liabilities decreased by approximately $5.3 million, being a decrease of 3.58 per cent in the value of total liabilities. Excluding an increase of $3 million in the deferred income tax liability, total liabilities decreased by $8.3 million, or 5.58 per cent. The decrease in liabilities reflects primarily the reduction of the aggregate of short-term and long-term credit facility liabilities, which decreased by $11.3 million, while derivative liabilities (unrealized losses on open commodity futures or options contracts) increased by $3 million during the nine-month period. A portion of the reduction in credit facility liability balances was the result of Ceres having made a direct investment of USD$7.3 million in Riverland Ag during the fiscal year-to-date, to support its acquisition and internal capital expenditure program.

LIQUIDITY AND CAPITAL RESOURCES

With the purchase of Riverland Ag in June 2010, Ceres transitioned from an investment company to an active investor in operating companies. Following the acquisition, Ceres began an orderly liquidation of its investment portfolio to generate cash to support the growth of Riverland Ag and to invest in other agricultural industry-related businesses. As at December 31, 2011, Ceres had $36.7 million of cash available for future investment, and approximately $8.5 million invested in minority positions in several companies (March 31, 2011: $46.8 million in cash and $17.5 million invested in minority positions). Ceres will continue to monitor the market for opportunities to liquidate these investments.

The Corporation’s cash requirements include operating costs at the corporate level and funding the growth of Riverland Ag. Cash and portfolio investments, as well as the cash flow generated by the operations of Riverland Ag, are available to support the continued growth of Riverland Ag.

As at December 31, 2011, Riverland Ag has the following short-term credit facilities:

- A syndicated committed facility of up to USD$180 million (increased on July 12, 2011 from USD$115 million), two-year revolving credit agreement, which is subject to borrowing base limitations and secured by predominantly all assets of Riverland Ag, including cash but excluding property, plant and equipment. Prior to November 29, 2011, borrowings were subject to interest at LIBOR plus 4.00 per cent, calculated and paid monthly. Effective November 29, 2011 and for a period of 90 days, interest on this facility was at a fixed rate of 4.52 per cent on a base line of USD$50 million, with interest due on February 27, 2012. On borrowings exceeding that base line amount, interest is at a variable rate of LIBOR plus 4.00 per cent. As at December 31, 2011, the balance payable by Riverland Ag on the committed revolving credit line (excluding the effect of unamortized financing costs) totalled USD$55 million (CAD$55.9 million) (March 31, 2011: the balance payable by Riverland Ag totalled USD$77.5 million, then being CAD$75.4 million). As of December 31, 2011 and March 31, 2011, Riverland Ag was in compliance with all debt covenants. The maturity date of this agreement remains October 29, 2012.

- A repurchase commitment facility under its product financing arrangement with Macquarie Commodities (USA), Inc. (“MCUSA”). Riverland Ag periodically enters into sale/repurchase agreements, whereby it receives cash in exchange for selling inventory to MCUSA and agrees to repurchase the inventory from MCUSA for a fixed price on a future date. Riverland Ag recognizes these transactions as borrowings and commodity inventory in its accounts, and neither sales nor purchases are recognized in relation to these transactions. As at December 31, 2011, Riverland Ag had a liability of USD$24.8 million at that date (CAD$25.2 million), plus accrued interest payable (March 31, 2011: liability of USD38.6 million, equivalent to CAD$37.5 million). As at December 31, 2011, the fixed interest rate on the open repurchase commitments was 5.13 per cent (March 31, 2011: ranged from 4.83 per cent to 5.08 per cent).

As at December 31, 2011, Riverland Ag also has the following long-term credit facilities:

- A USD$25.0 million secured term loan agreement with Great Western Bank, bearing a fixed annual interest rate of 6.25 per cent ("GWB loan #1"), which matured on August 12, 2014, has been modified effective December 14, 2011. The loan principal has been increased to USD$40.5 million, maturing December 2021 and bearing interest at the fixed annual rate of 5.35 per cent over the term. The loan continues to be guaranteed by Riverland Ag and the Corporation's wholly owned subsidiaries. The loan is repayable in 120 equal monthly installments of USD$337,500 plus interest. As at December 31, 2011, the balance payable by Riverland Ag on this term loan (excluding the effect of unamortized financing costs) is USD$40.5 million (CAD$41.2 million), of which USD$4.05 million (CAD$4.12 million) is due prior to January 1, 2013 (March 31, 2011: balance payable was USD$21 million (CAD$20.5 million), of which USD$2.5 million (CAD$2.43 million) was due prior to April 1, 2012).

- A ten-year term loan agreement in the amount of USD$10.0 million with Great Western Bank, bearing a fixed annual interest rate of 6.60 per cent ("GWB loan #2"). The loan will mature on February 12, 2021, and is also guaranteed by Riverland Ag and the Corporation's wholly owned subsidiaries. The loan is repayable in 120 equal monthly principal installments of USD$83,333 plus interest. As at December 31, 2011, the balance payable by Riverland Ag on this term loan (excluding the effect of unamortized financing costs) is USD$9.2 million (CAD$9.3 million), of which USD$1.0 million (CAD$1.02 million) is due prior to January 1, 2013 (March 31, 2011: balance payable was USD$9.9 million (CAD$9.6 million), of which USD$1.0 million (CAD$972K) was due prior to April 1, 2012).

On December 21, 2010, the Common Share Purchase Warrants (collectively the "Warrants") that were issued three years prior to purchasers of Units under the Initial Public Offering and to the agents under an over-allotment option granted thereto, expired and were cancelled. The Corporation allocated the aggregate stated capital value of $9.0 million related to these expired Warrants to Contributed Surplus. Otherwise, except for additional warrants issued by Ceres on the acquisition of Riverland Ag (as discussed in the following paragraph), there has been no change in the authorized capital of Ceres since March 31, 2008.

On June 11, 2010, and as part of the consideration paid for the acquisition of Riverland Ag, Ceres issued 2,904,889 Common Shares at their quoted price of $5.99 each for consideration of $17.4 million, and 150,000 Common Share Purchase Warrants valued at $1.35 each for consideration of $202.4 thousand. These Common Share Purchase Warrants are exercisable at any time prior to the third anniversary of the closing date of the Acquisition at an exercise price of $10.40 each. During the nine-month period ended December 31, 2011 and the year ended March 31, 2011, no Warrants were exercised. As at December 31, 2011 and March 31, 2011, no stock options are outstanding. No stock options were granted during the nine-month period ended December 31, 2011 or the year ended March 31, 2011.

On October 7, 2010, Ceres announced a normal course issuer bid (the "2010-2011 NCIB") commencing on October 8, 2010. The 2010-2011 NCIB concluded on the earlier of the date on which purchases under the bid have been completed and October 7, 2011. Using the facilities of the TSX and in accordance with its rules and policies, Ceres intended to purchase up to 1,016,638 of its Shares, representing approximately 10 per cent of its unrestricted public float as at October 4, 2010. Ceres was permitted to purchase up to a daily maximum of 3,657 Shares, except where such purchases are made in accordance with the "block purchase" exception under applicable TSX rules and policies. For the period from April 1 to October 5, 2011, Ceres purchased 276,021 Shares under the 2010-2011 NCIB for an aggregate consideration of $2.1 million. The stated capital value of the repurchased Shares was $2.7 million. The excess of the stated capital value of the repurchased Shares over the cost thereof, being $556,000 for this period has been allocated to Retained Earnings during the nine-month period ended December 31, 2011 (period from October 8, 2010 to December 31, 2010: repurchased 46,371 Shares for aggregate consideration of $360,000; excess of the stated capital value of the repurchased Shares over the cost thereof was $88,000, which was allocated to Retained Earnings).

On October 13, 2011, Ceres announced a normal course issuer bid ("the 2011-2012 NCIB") commencing on October 17, 2011. The 2011-2012 NCIB will conclude on the earlier of the date on which purchases under the bid have been completed and October 16, 2012. Using the facilities of the TSX and in accordance with its rules and policies, Ceres intended to purchase up to 1,184,334 of its common Shares, representing approximately 10 per cent of its unrestricted public float as at October 11, 2011. Ceres may purchase up to a daily maximum of 3,726 Shares, except where such purchases are made in accordance with the "block purchase" exception under applicable TSX rules and policies. For the period from October 17 to December 31, 2011, Ceres purchased 263,996 Shares under the 2011-2012 NCIB for an aggregate consideration of $1.4 million. The stated capital value of these repurchased Shares was $2.5 million. The excess of the stated capital value of the repurchased Shares over the cost thereof, being $1.1 million, has been allocated to Retained Earnings in the quarter ended December 31, 2011.

The following are the consolidated contractual maturities of all financial liabilities, including interest payments, as at December 31, 2011:

December 31, 2011	Carrying amount	Contractual cash flows	1 year	2 years	3 to 5 years	More than 5 years
Bank indebtedness	$ 55,411,529	$ 55,935,000	$ 55,935,000	$ -	$ -	$ -
Accounts payable and accrued liabilities	3,806,053	3,806,053	3,806,053	-	-	-
Repurchase obligations	25,185,190	25,185,190	25,185,190	-	-	-
Derivatives	5,462,635	5,462,635	5,462,635	-	-	-
Management fees payable	409,433	409,433	409,433	-	-	-
Long-term debt	50,018,893	64,478,179	7,830,385	7,535,313	20,885,498	28,226,983
	$ 140,293,733	$ 155,276,490	$ 98,628,696	$ 7,535,313	$ 20,885,498	$ 28,226,983

Future expected operational cash flows and sufficient current 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: availability of portfolio investments traded in active exchanges, the prompt settlement of amounts due from brokers, and 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.

BUSINESS RISKS AND OUTLOOK

Business Profile

Until June 11, 2010, Ceres was an actively managed investment company, and accordingly, its principal business risks related to the quality of its investment portfolio. However, since the acquisition of Riverland Ag on that date, the Corporation's business risks are more diverse.

Risks related to the portfolio investments

As at December 31, 2011, Ceres' portfolio investments currently consist of publicly traded equities of entities operating in Canada and the United States of America, and of equities in private companies also located in Canada and the United States of America. As at that date, total investment in non-public issuers represents 2.45% of consolidated shareholders' equity (March 31, 2011: 4.96% of shareholders' equity). These securities are subject to risks including market price risks, liquidity risk (as to investments in any private companies and restricted shares of public companies), issuer-specific credit risks, and fluctuations in foreign currency exchange rates and in interest rates.

Primary risks related to its operating subsidiary

Ceres' foreign subsidiary, Riverland Ag, operates in US dollars, being its reporting and functional currency. It does not hold assets nor have liabilities denominated in currencies other than US dollars. Therefore, it is not directly exposed to currency risk in its normal operations.

Riverland Ag 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 counterparty risk associated with non-performance, which may have the potential of creating losses for Riverland Ag. Management has assessed the counterparty risk and believes that no significant losses, if any, would result from non-performance.

Concerning its trade accounts receivable, Riverland Ag regularly evaluates its credit risk to the extent that such receivables may, from time to time, be concentrated in certain industries or with significant customers. Riverland minimizes this risk by having a diverse customer base and established credit policies. The aging of Riverland Ag's trade accounts receivable are substantially current. Based on its review and assessment of its trade accounts receivable, management has determined credit risk related to trade accounts receivable is minimal.

Riverland Ag's participation in the grain business makes it subject to market price volatility inherent in agricultural commodities. The nature of Riverland Ag's arbitrage and merchandising business mitigates against the impact that short- and near-term price volatility would otherwise have on operating earnings. Interest costs on debt used to finance inventory fluctuates with changes in commodity prices. Riverland Ag typically builds inventory positions that bridge different crop years, which serves to mitigate against earnings volatility related to poor or bumper crop years.

Commodity risk is inherent in the nature of Riverland Ag's business, as it enters into commitments involving a degree of speculative risk. To reduce risk that might be caused by commodity market fluctuations, Riverland Ag's risk management policy, with certain exceptions, 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. It would 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 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.

Liquidity risk relating to Riverland Ag's business has been discussed in the *Liquidity and Capital Resources* section of this report.

Use of derivatives

As described above concerning Commodity risk, Riverland Ag generally uses exchange-traded futures and options contracts in managing such risk, and to enhance margins whenever possible. Changes to the market price 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 as a component of Cost of sales. Unrealized gains and losses on these derivative contracts are recognized on the Balance Sheet and included in Due from Broker (December 31, 2011: $11,049,472; March 31, 2011: $10,192,420) and as Derivative assets or Derivative liabilities, as applicable, in unrealized net gains (losses) on open cash contracts (as at December 31, 2011: unrealized gains of $2,062,305 and unrealized losses of $5,462,635; March 31, 2011: unrealized gains of $1,899,160 and unrealized losses of $2,468,358).

Ceres may use certain derivative instruments to manage its exposure to fluctuations in foreign currency exchange rates on the Portfolio investments. For the nine-month period ended December 31, 2011, the realized loss on foreign currency hedging transactions was $1,308,747 (nine-month period ended December 31, 2010: loss of $521,134). For the quarter ended December 31, 2011, the realized gain on foreign currency hedging transactions was $463,783 (quarter ended December 31, 2010: gain of $814,027). As at December 31, 2011 and March 31, 2011, Ceres recognized no unrealized gain or loss on its only forward foreign currency contract as at those dates, as the contracts were executed as at those respective reporting dates.

During the fiscal years ended March 31, 2011 and March 31, 2010, Ceres used written options as part of its strategies to manage its exposure to fluctuations in the market prices of its Portfolio investments owned. In view of the changes in its investment strategies and risk management techniques during the year ended March 31, 2011, Ceres has discontinued this practice. Management does not expect to resume this practice in the foreseeable future. For the nine-month period ended December 31, 2011, earned premiums on written options totaled $Nil (nine-month period ended December 31, 2010: $491,143) and the realized loss on written options exercised was $Nil (nine-month period December 31, 2010: loss of $1,343,262). For the quarter ended December 31, 2011, earned premiums on written options totaled $Nil (quarter ended December 31, 2010: earned premiums totaled $Nil) and the realized loss on written options exercised was $Nil (quarter ended December 31, 2010: loss of $58,631).

Earned premiums and the realized losses on written options are included in Finance income (loss) in the Statement of Comprehensive Income and classified with the Realized gain (loss) on sale of investments.

OUTSTANDING SHARE DATA

As at February 8, 2012, the issued and outstanding equity securities of the Corporation consisted of 14,650,899 Common Shares issued and 150,000 Warrants (December 31, 2011: 14,691,099 Common Shares issued and 150,000 Warrants).

RELATED PARTY TRANSACTIONS

Front Street Capital 2004 and certain affiliates (collectively referred to as "Front Street Capital") are related parties to Ceres by virtue of a management agreement, pursuant to which Front Street Capital provides certain services to Ceres. Chief among those services are:

- Providing management and officers to Ceres, in order to carry out day-to-day responsibilities and strategic direction;
- Providing office facilities to house the Corporation; and
- Providing miscellaneous personnel to perform certain clerical and administrative services for the Corporation.

The management agreement is in place until April 26, 2015, at which time Front Street Capital could be removed with two years written notice.

(a) Management fees and incentive fees

For the nine-month period ended December 31, 2011, management fees of $2,701,537 were charged to operations and included with general and administrative expenses (nine-month period ended December 31, 2010: $2,325,386). As at December 31, 2011, management fees payable to the Manager amounted to $409,433 (March 31, 2011: $294,092; December 31, 2010: $304,267). For the nine-month periods ended December 31, 2011 and 2010, the Statements of Comprehensive Income reflect no provision for an incentive fee. As at December 31, 2011, March 31, 2011 and December 31, 2010, there was no liability for an incentive fee.

For the quarter ended December 31, 2011, management fees of $846,091 were charged to operations and included with general and administrative expenses (quarter ended December 31, 2010: $903,924).

(b) Due to Manager

As at December 31, 2011, March 31, 2011, and December 31, 2010, the Corporation has no significant liability to the Manager.

SIGNIFICANT ACCOUNTING POLICIES

The preparation of Ceres' consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from current estimates. Management reviews these estimates periodically and, as adjustments become necessary, they are reported in the Statement of Comprehensive Income in the period in which they become known.

The following significant accounting policies involve the use of estimates.

<u>*Financial instruments*</u>
Trade accounts receivable, dividends, interest and other receivables are classified as loans and receivables. All other financial assets are held for trading and classified at fair value through profit or loss. Current liabilities and long-term debt are classified as other liabilities, except Derivative liabilities (unrealized losses on open cash contracts, unrealized loss on forward foreign

exchange contracts, and unearned premium on written options) and investments sold short, which are held-for-trading and classified at fair value through profit or loss. The carrying value of financial assets classified as current assets and the carrying fair value of financial liabilities classified as current liabilities approximate the fair value thereof given their short-term maturities. The carrying value of long-term debt, before the effect of the unamortized amount of financing transaction costs, is not materially different than the fair value of the principal amount of the loans.

Valuation of investments in private companies

The fair value of financial instruments not traded in an active market (including, but not limited to: over-the-counter derivatives and debentures, and securities in private companies, warrants and restricted securities, among others) is determined using valuation techniques. Depending on various circumstances, the Corporation may use several methods and make 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.

Derivative contracts other than written options

Riverland Ag 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. These derivative contracts have not been designated as fair value hedges and are valued at market price. Changes in the market price 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 as a component of Cost of sales. Unrealized gains and losses on these derivative contracts are recognized on the Balance Sheet and classified as Due from Broker and Derivative assets (Unrealized gains on open cash contracts) and Derivative liabilities (Unrealized losses on open cash contracts).

Recognition of Riverland Ag revenues

Riverland Ag recognizes sales revenue at the time of delivery of the product 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 income is recorded as earned on an accrual basis. Freight costs and handling charges related to sales are presented in the Statement of Comprehensive Income 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 in Cost of sales.

Inventories

Inventories consist of agricultural grain commodities owned by Riverland Ag, and are stated at fair value less costs to sell. Changes in the fair value less costs to sell of inventories of agricultural grain commodities are recognized in the determination of income for the period, as a component of Cost of sales.

Property, plant, and equipment

Property, plant, and equipment are stated at their fair value as at the date of the Acquisition. Amortization is calculated using the straight-line method over the estimated useful lives of the respective classes of assets, as follows:

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

Riverland Ag reviews property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the expected fair value of such assets might not be sufficient to support the carrying amount of the assets.

CHANGES IN ACCOUNTING ESTIMATES

Restatement of gain on acquisition of subsidiaries in the interim condensed consolidated financial statements for the nine-month period ended December 31, 2010

The interim consolidated financial statements as at and for the nine-month period ended December 31, 2010 have been restated to reflect the final fair value adjustments related to the Acquisition and an adjustment for additional depreciation on the fair value adjustments and the related effect on the deferred tax liability, which were recognized in the annual financial statements for the year ended March 31, 2011 under previous Canadian GAAP and IFRS. These restatement adjustments include the following:

Adjustments to current and deferred income tax balances	$ (100,852)
Adjustment to fair value of property, plant and equipment, net of related depreciation for the period	3,731,545
Adjustment to deferred tax liability related to adjustments on property, plant and equipment	(1,642,473)
Other adjustments, including purchase price adjustments and adjustments to certain opening balances	(167,690)
Total increase in gain on acquisition of subsidiaries, included in net income	**1,820,530**
Adjustment to translation of foreign currency accounts of foreign operations related to the foregoing	(50,805)
Total adjustments to comprehensive income	**$ 1,769,725**

CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board announced that, on January 1, 2011, IFRS will replace Canadian standards and interpretations as Canadian generally accepted accounting principles (hereinafter referred to as "Canadian GAAP") for publicly accountable enterprises. Consequently, Ceres adopted IFRS for its fiscal year commencing on April 1, 2011, and has prepared IFRS financial statements for the interim periods and the fiscal year end commencing on that date, with restatement of comparative information.

Ceres has completed all phases of its project plan and transitioned to IFRS effective April 1, 2011, with comparative information disclosed for 2010. Ceres retrospectively applied all effective IFRS standards and interpretations to determine the opening balance sheet as April 1, 2010. These interim condensed consolidated financial statements for the nine-month and three-month periods ended December 31, 2011 are prepared in accordance with IFRS. The adoption of IFRS did neither change Ceres' business strategies, nor did it influence primary business activities.

<u>First-time adoption of IFRS:</u>

Adjustments required on transition to IFRS were made retrospectively against retained earnings as at April 1, 2010, which is the date of transition and the date of the first comparative balance sheet, as presented in the unaudited interim condensed consolidated financial statements as at and for the quarter ended June 30, 2011. "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1") provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Management reviewed these exceptions and exemptions in IFRS 1 and has determined these do not apply to Ceres.

Explanation of transition to IFRS

IAS 1 – Presentation of Financial Statements
IAS 1 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The impact of adopting this IFRS standard resulted in the following changes.

Financial statement titles

Canadian GAAP	**IFRS**
Consolidated Balance Sheet	Same
Consolidated Statements of Income, Comprehensive Income and Accumulated Other Comprehensive Loss	Consolidated Statements of Comprehensive Income (note that changes in Accumulated Other Comprehensive Income or Loss are presented in the Consolidated Statements of Changes in Shareholders' Equity)
Consolidated Statements of Retained Earnings	Consolidated Statements of Changes in Shareholders' Equity
Consolidated Statements of Cash Flows	Same
Notes to the Consolidated Financial Statements	Same

Nature vs. Function method of reporting expenses

Under IFRS, the Corporation may choose to report revenues and expenses by "nature" or by "function". When classifying by "nature", revenues and expenses are aggregated in the Statement of Comprehensive Income according to their nature (for example: sales, interest revenues, depreciation of property, plant and equipment, purchase of inventories, freight costs, employee benefits and advertising) and are not reallocated among the functions within the Corporation. Classification by "function" aggregates revenues and expenses in accordance with the function to which they relate (for example: revenues, cost of sales, general and administrative expenses, finance income (loss) and finance expenses). Under Canadian GAAP, Ceres reported revenues and expenses using a mixture of both, by function for costs of sales, and by nature for all other operating accounts. In order to provide meaningful reporting, Ceres has chosen to report revenues and expenses by function.

In that regard, the following reclassifications were made to figures reported in the Statement of Comprehensive Income for the three-month and nine-month periods ended December 31, 2010:

- Grain-trading sales and Storage, rental and other operating income were reclassified as Revenues.
- Dividend revenues, Interest revenues, Realized gain (loss) on sale of investments, Realized gain (loss) on currency-hedging transactions, Realized and unrealized gain (loss) on foreign exchange, and Change in fair value of investments, were reclassified as Finance income (loss).
- Interest expenses on short-term debt and on long-term debt were reclassified to Finance expenses.
- Depreciation of property, plant and equipment for buildings and silos/elevators was reclassified to Cost of sales.
- Employee benefits related to silos/elevators labour expenses included in Cost of sales was reclassified to Cost of sales.
- Depreciation on all other property, plant and equipment was reclassified to General and administrative expenses.
- Management fees and Portfolio and corporate transaction costs have been reclassified to General and administrative expenses.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Ceres maintains appropriate information systems, procedures and controls to ensure that new information disclosed externally is complete, reliable and timely. National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and that they have, as at December 31, 2011, designed DC&P (or have caused such DC&P to be designed under their supervision) to provide reasonable assurance that material information relating to Ceres is made known to them by others, particularly during the period in which Ceres' annual filings are being prepared, and that information required to be disclosed by Ceres in its annual filings, interim filings or other reports filed or submitted by Ceres under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

Internal control over financial reporting

NI 52-109 also requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining internal control over financial reporting ("ICFR") and that they have, as at December 31, 2011, designed ICFR (or have caused such ICFR to be designed under their supervision) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The control framework used by the Chief Executive Officer and the Chief Financial Officer to design Ceres' ICFR is the *Risk Management and Governance: Guidance on Control* (COCO Framework) published by The Canadian Institute of Chartered Accountants. During the period beginning on April 1, 2011 and ended on December 31, 2011, there have been no changes in Ceres' ICFR that has materially affected, or is reasonably likely to materially affect, Ceres' ICFR.

Gary Selke	Michael Detlefsen	Jason Gould
Chief Executive Officer	*President*	*Chief Financial Officer*

February 8, 2012