



LETTER TO SHAREHOLDERS
THREE-MONTH AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2012

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, 2012.

Highlights for the nine-month period and the third quarter ended December 31, 2012 were as follows:

- **EBITDA:** Consolidated - nine-month period ended December 31, 2012: loss of \$7.89 million (loss of \$0.55 per share), quarter ended December 31, 2012: loss of \$5.34 million (loss of \$0.37 per share); Riverland Ag - nine-month period ended December 31, 2012: loss of \$1.06 million (loss of \$0.07 per share), quarter ended December 31, 2012: loss of \$2.85 million (loss of \$0.20 per share). Riverland Ag's EBITDA for the current quarter (Q3 2013), compared to the quarters ended June 30, 2012 (Q1 2013) and September 30, 2012 (Q2 2013), decreased from \$1.12 million for Q1 and \$0.66 million for Q2 to a loss of \$2.85 million in Q3, and is attributed to basis depreciation on certain inventory positions. The decrease in inventories also contributed to reduced carrying charge revenues during the quarter. Consolidated EBITDA in Q3 decreased from earnings of \$0.08 million in Q2 and a loss of \$2.63 million in Q1, to a loss of \$5.34 million in Q3. In addition to the decrease of \$3.47 million in gross profit in Q3 vs. Q2 for the reasons described above, this decrease in consolidated EBITDA in Q3 also reflects primarily the change in finance income for Q2 of \$0.90 million compared to a finance loss of \$1.14 million in Q3. This deterioration of \$2.04 million is attributable to a loss on currency hedging transactions of \$0.43 million in Q3 compared to a gain on currency hedging transactions for Q2 of \$1.75 million (an unfavourable change of \$2.18 million), which was slightly offset by a reduced quarter-to-quarter decrease in the unrealized loss on portfolio investments in Q3 of \$0.21 million. Riverland EBITDA in Q3 decreased by \$3.51 million compared to Q2, reflecting a decrease in Gross profit of \$3.47 million in the quarter and a slight increase in General and administrative expenses.
- **Net income (loss):** Consolidated – nine-month period ended December 31, 2012: loss of \$12.29 million (loss of \$0.85 per share), quarter ended December 31, 2012: loss of \$7.13 million (loss of \$0.50 per share); Riverland Ag - nine-month period ended December 31, 2012: loss of \$6.25 million (loss of \$0.43 per share), quarter ended December 31, 2012: loss of \$4.83 million (loss of \$0.34 per share). Consolidated net loss includes the effect of Ceres' share of General and administrative expenses as follows: nine-month period ended December 31, 2012: \$4.25 million (\$0.29 per share), quarter ended December 31, 2012: \$1.56 million (\$0.11 per share), and consolidated Finance expenses as follows: nine-month period ended December 31, 2012: \$9.73 million (\$0.67 per share), quarter ended December 31, 2012: \$5.57 million (\$0.39 per share). Comparatively, consolidated Finance expenses for the quarter ended September 30, 2012 totalled \$2.36 million (\$0.16 per share), June 30, 2012 totalled \$1.80 million (\$0.12 per share), and for the quarter ended December 31, 2011

amounted to \$1.98 million (\$0.13 per share). In addition, the recovery for income taxes on a consolidated basis was \$3.98 million for Q3 (\$0.28 per share), whereas it was \$1.50 million for Q2 (\$0.10 per share) for Q2 and \$1.08 million for Q1 (\$0.07 per share). The increase in consolidated Finance expenses in Q3 shows the effect of a one-time charge for an early debt repayment penalty of \$2.47 million related to the full repayment of long-term debt on December 17, 2012 and the related amortization of the remaining unamortized financing costs of \$0.34 million plus the effects of an increase in Riverland Ag's short-term borrowings during the 9-month period ended December 31, 2012. Short-term borrowings decreased from \$79.44 million as at March 31, 2012 to \$64.95 million as at June 30, 2012, but increased to \$176.13 million as at September 30, 2012 and later to \$178.14 as at December 31, 2012. The changes in short-term borrowings follow primarily the changes in inventory levels during the period and the reduction of long-term debt during the year-to-date. Inventories decreased from \$158.81 million as at March 31, 2012 to \$139.78 million as at June 30, 2012, increased to \$249.12 million as at September 30, 2012 and decreased to \$189.58 million as at December 31, 2012. However, the balance of long-term debt was fully repaid on December 17, 2012, whereby the balance payable as at March 31, 2012 was \$48.28 million (before unamortized financing costs). The funds used to repay long-term debt were provided by the short-term borrowing facilities. Future savings resulting from the use of short-term borrowing facilities, for which we are paying an interest rate lower than the rates on the long-term debt, will start being realized in the following quarter. During this quarter, owned inventories decreased due to large deliveries of grains against the futures market and a drop in near futures prices for commodities by an overall average of 10%. While owned inventory positions were down during the quarter, our facility utilization remained consistent as inventory delivered during the quarter had not been loaded out in material amounts and we were therefore in a position to earn storage income.

- **Cash and Portfolio Investments:** As at December 31, 2012: total of \$29.76 million, being \$2.08 per share as at that date (September 30, 2012: \$34.0 million, \$2.37 per share; June 30, 2012: \$35.4 million, \$2.45 per share; March 31, 2012: total of \$39.6 million, \$2.72 per share). The decrease in cash and portfolio investments over the year-to-date reflects the effects of the continued repurchase of shares through the Normal Course Issuer Bid, the one-time early repayment penalty on long-term debt and the repayment of long-term debt balances, additional investments in property, plant and equipment, and the use of funds to finance certain growth initiatives on which Ceres is working. The restricted cash amount of \$6.16 million as at September 30, 2012 was partially used to fund regularly scheduled payments on long-term debt. The balance remaining as at December 17, 2012 was released by the lender on the final and full repayment of long-term debt.
- **Shareholders' equity per common share:** As at December 31, 2012, consolidated shareholders' equity per common share is \$9.89 (September 30, 2012: \$10.29; June 30, 2012: \$10.61; March 31, 2012: \$10.69; December 31, 2011: \$10.83). The decrease during the quarter is attributable to the consolidated net loss of \$7.13 million, which was partially offset by a currency translation gain of \$1.31 million related to the un-hedged portion of Ceres' investment in the net assets of Riverland Ag denominated in U.S. dollars and by discounts totaling \$0.07 million realized on shares repurchased in the Normal Course Issuer Bid. This currency translation gain was caused in Q3 by a decrease of 1.19% in the value of the Canadian dollar against the U.S. dollar.
- **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, 2012, Ceres purchased 18,100 shares for a total cost of approximately \$0.11 million. The average purchase price per share during this quarter, under the normal course issuer bid, was \$6.00 (quarter ended September 30, 2012: 110,100 shares were purchased for \$0.66 million, for an average purchase price per share of

\$5.99; quarter ended June 30, 2012: 118,400 shares were purchased for \$0.76 million, for an average purchase price per share of \$6.45; quarter ended March 31, 2012: 109,800 shares were purchased for \$0.64 million, for an average purchase price per share of \$5.78).

Overall, results were disappointing for Riverland Ag for the quarter. The major factors contributing to the loss in Q3 2013, and to the decline in earnings compared to Q3 2012 and Q2 2013, were:

- Strategic Delivery of Inventory: A loss of \$2.4 million as a result of a strategic decision to deliver a significant amount of inventory in the quarter against December 2012 futures contracts. During this quarter, carrying charges continued to be depressed. After determining the demand for terminal load out inventories was satisfied, Riverland Management determined the best market for these inventories was the futures delivery market. Because some of these inventories had been marked to market at levels higher than parity, a \$2.4 million loss was incurred. These inventories are off the balance sheet, but remain in our facilities and are earning full storage income;
- Early Debt Repayment Penalty: A \$2.47 million early debt repayment penalty related to paying off the balance of Riverland Ag's long-term debt in Q3;
- Canadian Dollar: A loss of \$0.43 million on currency hedging transactions in Q3 compared, to a gain on currency hedging transactions of \$1.75 million in Q2 and a gain of \$0.46 million for the quarter ended December 31, 2011; and,
- Reduced carrying income compared to last year.

An impact to consider is that our deliveries, along with other industry deliveries against the December futures contract, have contributed with other market events to create a much more attractive carrying charge market that Riverland should benefit from going forward.

Largely as a result of the large grain deliveries made during this quarter, Riverland Ag's credit needs changed significantly. Therefore, management decided to pay off Riverland Ag's long-term debt in favour of using its operating line of credit going forward, which bears interest at a substantially lower rate. This early repayment gave rise to a \$2.47 million early debt repayment penalty. It is expected this amount will be recovered over the next 18 months, due to the lower cost of borrowing against the operating facility.

As mentioned in the previous quarter, the transition to an open market in Canada for wheat and barley has been slower than originally expected, as farmers have been reluctant to move wheat off the farm in the levels originally anticipated. As of January 2013, some industry analysts indicate that approximately 50 per cent of last year's Canadian wheat crop is still on farm waiting to be moved to market. As also mentioned in the previous quarter's earnings release, the result is we expect more movement of grain in the 4th quarter, which will help us rebuild utilization at our facilities. Early planting indications are that seeded acres will rise in Canada for spring wheat, which should force farmer sales to clear room. We continue to believe that the flow of Canadian grain to the United States will increase over the next few quarters. As one of the largest independent grain companies, with over 50 million bushels of storage located in the Upper Lakes and Mississippi River area strategically close to the Canadian border, Riverland Ag is in a unique position to benefit from the structural changes occurring in the North American cereal grain market.

Our 25% investment in Stewart Southern Railway (“SSR”), located in the southeastern area of Saskatchewan, continued its strong growth trend during this quarter. For the quarter, SSR earned \$1.05 million, resulting in Ceres’ 25% ownership interest generating \$0.26 million of equity earnings during the quarter, which is consistent with the previous quarter. In the last 2 quarters, Ceres SSR investment has generated a 36% return on its original investment. This result is remarkable, as it was achieved while the Crescent Point Energy loading terminal expanded and SSR bulked up its staffing and resources to service this large expansion. During the quarter, the daily volume of oil shipments averaged slightly higher than the 15,500 bpd in the previous quarter. The expansion of the Crescent Point Energy oil loading terminal was completed at the end of the quarter and has a capacity of over 40,000 bpd. At the very end of the third quarter, with the expansion completed, oil shipments were averaging over 30,000 bpd and are likely to increase from there over the next calendar year. Shipments of agricultural commodities continued on their pace from the last quarter. Ceres’ original investment in SSR cost \$1.68 million for its 25% interest. Given the performance to date coupled with the strong growth in volume and profitability expected, we believe the fair value of this investment is significantly greater than the value presented on our balance sheet and NAV.

On February 5, 2013, Ceres issued a press release outlining the Northgate, Saskatchewan commodities logistics hub (“Northgate”). It was the experience with SSR and Riverland Ag that led us to acquire a significant parcel of land that underpins this logistics hub. As this project is developed, Northgate along with SSR will form our Commodity Logistics Division, which will become an ever greater portion of our business and provide a balance to the Riverland Ag business.

Ceres’ 25% investment in Canterra Seeds Holdings Ltd. is showing favourable results and signs of improvement for the quarter, reporting net income of \$1.98 million (compared to net income of \$1.10 million for the quarter ended December 31, 2011). Ceres’s 25% share of that net income was \$0.50 million for the quarter. While this quarter is typically when the majority of sales and profitability is achieved, it has been a strong improvement over the past year.

We feel that despite the challenges in earnings over the past few quarters, Ceres’ asset value continues to remain strong and is positioned well for the future, in Riverland Ag, as the structural changes in the North American cereal grain markets continue to evolve, and within our Commodity Logistics Division.

Outlook

While we are very pleased with the fast growth of SSR and are excited about the potential of our Northgate commodities logistics hub, we are disappointed in the results of our Riverland Ag investment. As a result, we launched some key operational initiatives during the quarter that will benefit future quarters and have continued our internal strategic review with management of Riverland Ag. We expect to make some key decisions over the coming months. Management of Ceres will continue to work to maximize the value of all of our investments.

Gary Selke
Chief Executive Officer

Michael Detlefsen
President

Jason Gould
Chief Financial Officer

February 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 interim 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, 2012 and 2011, which are prepared in accordance with International Financial Reporting Standards ("IFRS") and presented on Schedule A attached to this interim report. Wherever applicable, other comparative figures have also been reported in accordance with 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 11, 2013. Unless otherwise indicated, dollar amounts are reported in Canadian dollars ("CAD").

FORWARD-LOOKING INFORMATION

This interim management discussion and analysis ("MD&A") contains information that is "forward-looking information", "forward-looking statements" and "future oriented financial information" (collectively herein referred to as "forward-looking statements") within the meaning of applicable securities laws. The words "anticipate", "expect", "believe", "may", "could", "should", "estimate", "plan", "project", "intend", "outlook", "forecast", "likely", "probably" or other similar words are used to identify such forward-looking information. Forward-looking statements in this document are intended to provide Ceres' shareholders and potential investors with information regarding Ceres and its subsidiaries, including Management's assessment of future financial and operational plans and outlook for Ceres and its subsidiaries. Forward-looking statements in this document may include, among others, statements regarding future operations and results, anticipated business prospects and financial performance of Ceres and its subsidiaries, expectations or projections about the future, strategies and goals for growth, expected and future cash flows, costs, planned capital expenditures, anticipated capital projects, construction and completion dates, operating and financial results, critical accounting estimates and the expected financial and operational consequences of future commitments.

All forward-looking statements reflect Ceres' beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. All of the Corporation's forward-looking statements are qualified by the assumptions that are stated or inherent therein, including the assumptions listed below. Although Ceres believes these assumptions are reasonable, this list is not exhaustive of factors that may affect any of the forward-looking statements.

Key assumptions have been made in connection with the forward-looking statements in this interim MD&A. These include, but are not limited to, the following:

- expected movement to more integrated North American grain commodity markets created by changes in the powers of the Canadian Wheat Board;
- continued compliance by Riverland Ag with loan covenants;
- expected increases in Riverland Ag facilities utilization;

- the volume and quality of grain held on-farm by producers in North America;
- the benefits to be realized by the review of Riverland Ag's business assets;
- the demand for and supply of grains;
- agricultural commodity prices;
- general financial conditions for Western Canadian and American agricultural producers;
- the market share that will be achieved by the Corporation;
- the extent of customer defaults in connection with credit provided by Riverland Ag;
- the ability of Stewart Southern Railway to continue its growth trend in grain and oil shipments by rail, without service disruption;
- Riverland Ag's ability to maintain existing customer contracts and relationships;
- realizing the benefits from the early repayment of long-term debt;
- the successful completion of the Northgate commodities logistics hub;
- the impact of competition;
- no further material change in the regulatory environment in Canada;
- the ability to maintain existing financing on acceptable terms; and
- trends concerning currency exchange and interest rates.

The preceding list is not exhaustive of all possible factors. All factors should be considered carefully when making decisions with respect to Ceres. Factors that could cause actual results or events to differ materially from current expectations include, among others, risks related to weather, politics and governments, changes in environmental and other laws and regulations, competitive factors in agricultural, food processing and feed sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments, global and local economic conditions, the ability of Ceres to successfully implement strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Corporation's assets, the availability and price of commodities and regulatory environment, processes and decisions. By its nature, forward-looking information is subject to various risks and uncertainties, including those risks discussed in other sections of this interim MD&A and in other filing and communications, any of which could cause Ceres' actual results and experience to differ materially from the anticipated results or published expectations. Additional information on these and other factors is available in the reports filed by Ceres with Canadian securities regulators. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date of this interim MD&A or otherwise, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. Ceres undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

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 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 (loss) from investments in associates and the gain or loss on sale or impairment of property, plant and equipment. 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.

OVERVIEWS

Ceres

Ceres is invested in two primary operating businesses, Riverland Ag, a North American commercial grain storage business and Stewart Southern Railway, which is a short-line rail company based in Southeastern Saskatchewan.

Riverland Ag

Riverland Ag is an agricultural grain supply ingredient business that owns and operates fourteen (14) 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, whereby the third-party owns the inventory and pays Riverland Ag for storage and elevation.

Riverland Ag is primarily focused on the storage and handling of cereal grains with particular emphasis on wheat, oats, barley and rye. In the case of wheat and oats, both of these crops have futures markets which the company uses to hedge its inventories. For barley and rye, where no futures markets exist, it primarily stores the grain under contract with end users. Riverland Ag earns revenues in three primary areas:

- Carrying income, when it hedges its owned inventory positions against the futures markets and earns the difference between spot and deferred prices;

- Storage revenue, when it is paid for the use of its space by entities that have inventory deposited in Riverland Ag's delivery facility or by food and beverage companies; and
- Merchandising gains, when its owned inventory positions are sold or marked up in value as a result of movements in the market values of those grains above the prices at which it was acquired.

Grains purchased by Riverland are primarily bought from third party grain companies in the United States and Canada with certain locations also procuring directly from farmers. In the case of our Ralston, Wyoming facility, virtually all grain purchased is via direct-contracting with farmers. Grains are usually sold to food and beverage companies, and occasionally are delivered into the futures market.

The nature and position of Riverland Ag's assets allow it to be flexible in different types of grain markets, but typically it performs best in an environment of strong production, resulting in surplus grains that need to be stored, combined with a futures market in contango.

A trend that has existed for a number of years has involved corn and soybeans absorbing acreage farther north, at the expense of cereal grain production. The result of this situation, both in the near term and in the future, will be an ever increasing reliance on Canada to produce cereal grains. The most dramatic example of this is represented by the production of oats, which until the 1980's, was a significant crop in the United States. However, America now imports the majority of its food quality oats consumption from Canada. Consequently, while nearly all of Riverland Ag's facilities are in the U.S., what occurs in Canada's cereal grain production industry is very important.

Stewart Southern Railway

Ceres owns a 25% interest in Stewart Southern Railway ("SSR"), which is a 132 kilometre (82-mile) short-line railway that extends from Richardson, Saskatchewan (just southeast of Regina) to Stoughton, Saskatchewan. SSR was purchased from the Canadian Pacific Railway, with which it has haulage agreements. Historically, SSR only shipped grain and has been challenged by low local production caused by high levels of precipitation and flooding over the past two years. Since February 2012, SSR began shipping oil from the Stoughton area for the first time and monthly volumes have grown steadily. With an expansion completed at Stoughton oil trans-loading facility at the end of December, 2012, the oil loading capacity has increased to over 40,000 bpd of production to become one of the largest crude oil by rail loading sites in Western Canada. As SSR absorbs this large growth, it will look for increased shipment opportunities in oil and other products.

Northgate, Saskatchewan Commodities Logistics Hub

As reported below in this interim MD&A (Subsequent event), Ceres currently owns 1,500 acres of land at Northgate, Saskatchewan, where it intends to construct a new commodity logistics hub including two high-efficiency rail loops, each capable of handling unit trains of up to 120 railcars. One loop will be dedicated to a grain handling and shipping facility, and the other to trans-loading and shipping oil. In addition, a logistics centre will unload imported equipment and materials for Saskatchewan's booming resource economy.

The connection to BNSF Railway's network will give shippers direct access to customers in 28 American states, numerous Pacific and Gulf ports, and Mexico along BNSF's 32,000 mile network, including over 45 crude-by-rail destinations. Access to many other strategic interior locations and Atlantic ports are also available through BNSF's rail connections.

Construction is planned to commence in the spring, subject to receipt of all necessary permits and approvals and finalization of agreements with project partners, with initial grain and oil shipments expected later in 2013. The total capital cost is budgeted to be \$90 million. The facility will be built over three years, and has been designed ultimately to handle up to 40 million bushels of grain annually and 70,000 barrels of oil per day. More than 100 construction jobs will be created, and about 30 ongoing jobs once the facility is fully operational.

The Scoular Company (Scoular), a major U.S.-based agricultural marketing company, is partnering with Ceres on the project. Scoular will fund, own and operate the grain handling facility. Ceres' grain subsidiary, Riverland Ag, will be a major customer of the grain facility, and will work closely with Scoular on the procurement of certain grains.

RESULTS OF OPERATIONS FOR THE NINE-MONTH PERIOD AND THE QUARTER ENDED DECEMBER 31, 2012

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, 2012, revenues totalled \$162.65 million and gross profit was \$0.09 million (2011: revenues totalled \$147.29 million and gross profit was \$15.20 million). For the nine-month period ended December 31, 2012, the gross profit percentage was 0.05% (2011: 10.32%).

For the quarter ended December 31, 2012, revenues were \$84.57 million (2011: \$22.64 million) and the gross loss was \$2.41 million (2011: gross profit of \$4.86 million). The gross profit percentage for the quarter ended December 31, 2012 was a negative 2.85 per cent (2011: positive 21.49 per cent). The decrease in the gross profit percentage for the quarter, compared to the prior year, is attributable primarily to reduced trading gains in the current quarter and a strategic decision to deliver certain grains against December 2012 futures contracts, as discussed below.

In Q3 2013, the gross profit percentage and EBITDA amounts for Riverland Ag deteriorated compared to Q3 2012, due to a combination of reduced trading gains and lower overall inventory levels at our facilities coupled with reduced carrying charges and reduced basis revenue. As reported in the previous quarter, 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 that occurred in Q2 of fiscal 2012. As mentioned in previous quarters, Riverland Ag adopted a plan to strategically rebuild facility utilization, which would gain momentum with the 2012 North American grain harvest. As the current and prior quarters progressed, Riverland Ag successfully began the rebuilding of its inventory with net additions to inventory from the 2012 harvest.

However, as a result of a strategic decision by management to deliver a significant amount of inventory in the quarter against December 2012 futures contracts, in Q3 2013, Riverland Ag incurred a one-time loss of \$2.4 million. During this quarter, carrying charges continued to be depressed. After determining the demand for terminal load out inventories was satisfied, Riverland Management determined the best market for these inventories was the futures delivery market. Because some of these inventories had been marked to market at levels higher than parity, this \$2.4 million loss was incurred. These inventories came off the balance sheet, but remain in our facilities and are earning full storage income from the buyers. These deliveries are reflected in the significant increase in revenues in Q3, compared to the prior 2 quarters for FYE 2013 (\$42.94 million in Q1 2013 and \$35.13 million in Q2 2013). During this quarter, the gross profit percentage decreased from 3.32 per cent in Q1 2013 and 3.04 per cent in Q2 2013 to a gross loss percentage of 2.85 per cent, which reflects the reduced trading gains previously discussed in this report and reduced carrying income and basis gains.

General and Administrative Expenses

For the nine-month period ended December 31, 2012, general and administrative expenses totalled \$7.67 million (2011: \$8.49 million), representing a decrease of \$0.82 million for the nine-month period year-to-date. For the nine-month period ended December 31, 2012, general and administrative expenses include Ceres corporate-level costs for management fees of \$2.40 million (2011: \$2.70 million) and other expenses of \$1.84 million (2011: \$1.80 million). The decrease in management fees is consistent with the decrease 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 \$501,000 (2011: \$536,200), portfolio and corporate transaction costs of \$481,000 (2011: \$349,700) and other general and administrative expenses totalling \$860,500 (2011: \$918,600). Professional fees decreased due to decreases in audit fees and consulting fees, as the larger scope of the work including Riverland Ag and the conversion to IFRS occurred during the fiscal year ended March 31, 2012. Portfolio and corporate transaction costs for 2012 increased to reflect greater activity concerning potential corporate transactions in 2012. For the nine-month period ended December 31, 2012 there was also a decrease of \$0.54 million in general and administrative expenses for Riverland Ag, compared to the nine-month period ended December 31, 2011.

For the quarter ended December 31, 2012, general and administrative expenses totalled \$2.63 million, which is somewhat greater than total general and administrative expenses for the quarter ended December 31, 2011 of \$2.34 million. The quarter-over-quarter increase in general and administrative expenses is \$0.29 million. Of this increase, \$0.31 million is attributable to increases in Ceres corporate-level costs, including management fees (down by \$28,500), professional fees (up by \$207,300), portfolio and corporate transaction costs (up by \$223,100) and other general and administrative expenses (down by \$93,100).

Finance income (loss)

For the three-month and nine-month periods ended December 31, 2012 and 2011, finance income (loss) includes the following:

| <i>(in thousands of dollars)</i> | 3 months | | 9 months | |
|--|---------------------|---------------------|---------------------|---------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Dividend revenues, net of withholding taxes | \$ - | \$ 4.0 | \$ - | \$ 21.2 |
| Interest and other revenues, net of interest expense on bonds sold short | 20.6 | 0.1 | 20.7 | 3.6 |
| Realized loss on sale of investments | - | (5,830.3) | - | (5,251.3) |
| Realized loss on sale of property, plant and equipment | (112.1) | - | (24.2) | - |
| Realized gain (loss) on currency-hedging transactions | (433.7) | 463.8 | 285.5 | (1,308.7) |
| Realized and unrealized (loss) gain on foreign exchange | 6.1 | (12.1) | (2.2) | 97.9 |
| Change in fair value of investments | (616.3) | 3,272.8 | (2,878.4) | 2,511.4 |
| | \$ (1,135.5) | \$ (2,101.9) | \$ (2,598.6) | \$ (3,925.9) |

Investment revenues (dividends, interest and other revenues) earned by Ceres on its non-Riverland Ag assets are now insignificant, and reflect the divestiture commencing in June 2010 and continuing thereafter of a significant number of portfolio investments to fund the acquisition in that month of Riverland Ag, its future growth in Riverland Ag and other potential investments in industry-related businesses. Realized gains on the sale of investments reflect different levels of activity during the respective quarters (during the nine-month period ended December 31, 2012, no portfolio investments were sold; whereas in the quarter ended December 31, 2011, shares of three different portfolio holdings were sold). Variances in realized and unrealized gains and losses for foreign exchange, currency-hedging and the remaining portfolio investments reflect fluctuations in the currency and equity markets.

Finance expenses

For the nine-month periods and the quarters ended December 31, 2012 and 2011, finance expenses all relate to Riverland Ag and include interest on short-term and long-term debt plus the amortization of related financing transaction costs and an early payment penalty on long-term debt. For the nine-month period ended December 31, 2012, finance expenses totalled \$9.73 million (2011: \$5.09 million). For the quarter ended December 31, 2012 (Q3 2013), finance expenses were \$5.57 million (2011: \$1.98 million). For the quarters ended September 30, 2012 (Q2 2013), June 30, 2012 (Q1 2013) and March 31, 2012 (Q4 2012), finance expenses were \$2.36 million, \$1.8 million and \$2.1 million, respectively. The increase in Finance expenses in Q3 shows the effect of the one-time charge for the early debt repayment penalty of \$2.47 million and the related amortization of the remaining unamortized financing costs of \$0.34 million plus the effects of an increase in Riverland Ag's short-term borrowings during the 9-month period ended December 31, 2012. Short-term borrowings decreased from \$79.44 million as at March 31, 2012 to \$64.95 million as at June 30, 2012, but increased to \$176.13 million as at September 30, 2012 and later to \$178.14 as at December 31, 2012. The changes in short-term borrowings follow primarily the changes in inventory levels during the period and the repayment of long-term debt during the year-to-date. Inventories decreased from \$158.81 million as at March 31, 2012 to \$139.78 million as at June 30, 2012, increased to \$249.12 million as at September 30, 2012 and decreased to \$189.58 million as at December 31, 2012. However, the balance of long-term debt was fully repaid on December 17, 2012 (long-term debt as at March 31, 2012 was \$48.28 million, before unamortized financing costs). The funds used to repay long-term debt were provided by the short-term borrowing facilities. Savings resulting from the use of short-term borrowing facilities, for which we are paying a lower rate of interest compared to rates related to long-term debt, will start being realized in the following quarter. During the quarter, inventory values

decreased as a result of the sale of the Iona facility, the delivery of grain on December 2012 futures contracts and a 10 per cent decrease in overall commodity prices.

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, 2012 and 2011:

| EBITDA (in thousands of dollars) | <u>3 months, 2012</u> | | <u>9 months, 2012</u> | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | <i>Consolidated</i> | <i>Riverland Ag</i> | <i>Consolidated</i> | <i>Riverland Ag</i> |
| Periods ended December 31, 2012 | | | | |
| Net loss for the period | \$ (7,125.0) | \$ (4,833.5) | \$ (12,288.8) | \$ (6,245.4) |
| Add (deduct): | | | | |
| finance expenses | 5,574.3 | 5,574.3 | 9,729.4 | 9,729.4 |
| income taxes recovery | (3,982.3) | (3,982.3) | (6,571.0) | (6,571.0) |
| loss on sale of property, plant and equipment | 112.1 | 112.1 | 112.1 | 112.1 |
| share of net (income) loss in associates | (642.0) | (448.0) | (1,052.8) | (275.3) |
| depreciation on property, plant and equipment | 727.7 | 727.7 | 2,186.1 | 2,186.1 |
| | \$ (5,335.2) | \$ (2,849.7) | \$ (7,885.0) | \$ (1,064.1) |

| EBITDA (in thousands of dollars) | <u>3 months, 2012</u> | | <u>3 months, 2011</u> | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | <i>Consolidated</i> | <i>Riverland Ag</i> | <i>Consolidated</i> | <i>Riverland Ag</i> |
| Periods ended December 31 | | | | |
| Net (loss) income for the period | \$ (7,125.0) | \$ (4,833.5) | \$ (1,703.6) | \$ 1,705.7 |
| Add (deduct): | | | | |
| finance expenses | 5,574.3 | 5,574.3 | 1,980.7 | 1,980.7 |
| income taxes recovery | (3,982.3) | (3,982.3) | 372.7 | 372.7 |
| loss on sale of property, plant and equipment | 112.1 | 112.1 | - | - |
| share of net (income) loss in associates | (642.0) | (448.0) | (225.2) | (276.7) |
| depreciation on property, plant and equipment | 727.7 | 727.7 | 725.9 | 725.9 |
| | \$ (5,335.2) | \$ (2,849.7) | \$ 1,150.5 | \$ 4,508.3 |

On a quarter-by-quarter basis, consolidated net loss is affected by the amount of finance income (loss) recognized in the accounts, which consists primarily of realized losses on the sale of portfolio investments, realized gains and losses on currency-hedging transactions, realized and unrealized gains and losses on foreign exchange and the unrealized gains and losses in the fair value of portfolio investments. For the quarter ended December 31, 2012, consolidated net loss includes finance loss of \$1.14 million (2011: finance loss of \$2.10 million). Excluding the effect of the finance loss for the quarter ended December 31, 2012, adjusted consolidated EBITDA would have been a loss of \$4.20 million (2011: consolidated EBITDA would have been \$3.25 million). Fluctuations in this adjusted consolidated EBITDA reflect changes in the equity and currency markets.

The decrease in EBITDA for Riverland Ag for the quarter ended December 31, 2012 over EBITDA for the quarter ended December 31, 2011 is \$7.36 million. This decrease is primarily the result of a decrease of \$7.27 million in gross profit on substantially greater revenues in 2012, plus a slight increase in general and administrative expenses of \$0.09 million. The decrease in gross profit for the quarter ended December 31, 2012 compared to 2011 reflects primarily basis depreciation on certain inventories and includes a one-time loss of \$2.4 million on the deliveries

of certain grains against December 2012 futures contracts as part of management's strategic decision as discussed in paragraphs above.

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, 2012:

(in thousands, except per share amounts)

| | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Reporting dates | <u>2012-12-31</u> | <u>2012-09-30</u> | <u>2012-06-30</u> | <u>2012-03-31</u> | <u>2011-12-31</u> | <u>2011-09-30</u> | <u>2011-06-30</u> | <u>2011-03-31</u> |
| | Q3 2013** | Q2 2013** | Q1 2013** | Q4 2012** | Q3 2012** | Q2 2012** | Q1 2012** | Q4 2011** |
| Revenues | \$ 84,575 | \$ 35,132 | \$ 42,944 | \$ 37,123 | \$ 22,639 | \$ 35,044 | \$ 89,609 | \$ 35,647 |
| Gross profit (loss) | \$ (2,407) | \$ 1,066 | \$ 1,426 | \$ 755 | \$ 4,865 | \$ 4,147 | \$ 6,189 | \$ 6,318 |
| Income (loss) from operations | \$ (5,040) | \$ (1,550) | \$ (996) | \$ (1,663) | \$ 2,526 | \$ 748 | \$ 3,432 | \$ 3,877 |
| Net income (loss) | \$ (7,125) | \$ (1,133) | \$ (4,031) | \$ (414) | \$ (1,704) | \$ (2,033) | \$ 345 | \$ 2,022 |
| Weighted-average number of common shares for the quarter | 14,336 | 14,406 | 14,512 | 14,640 | 14,941 | 15,047 | 15,174 | 15,311 |
| Basic and fully diluted earnings (loss) per share | \$ (0.50) | \$ (0.08) | \$ (0.28) | \$ (0.02) | \$ (0.11) | \$ (0.14) | \$ 0.02 | \$ 0.13 |
| EBITDA, consolidated | \$ (5,335) | \$ 78 | \$ (2,627) | \$ 1,223 | \$ 1,150 | \$ 2 | \$ 3,536 | \$ 4,964 |
| EBITDA per share, consolidated | \$ (0.37) | \$ 0.01 | \$ (0.18) | \$ 0.08 | \$ 0.08 | \$ - | \$ 0.23 | \$ 0.32 |
| EBITDA, Riverland Ag | \$ (2,850) | \$ 663 | \$ 1,122 | \$ 269 | \$ 4,508 | \$ 3,266 | \$ 4,924 | \$ 4,924 |
| EBITDA per share, Riverland Ag | \$ (0.20) | \$ 0.05 | \$ 0.08 | \$ 0.02 | \$ 0.30 | \$ 0.22 | \$ 0.35 | \$ 0.32 |
| Cash and portfolio investments, net of shorts and options, as at reporting date | \$ 29,764 | \$ 33,995 | \$ 35,436 | \$ 39,607 | \$ 45,176 | \$ 48,253 | \$ 60,855 | \$ 64,385 |
| Shareholders' equity, as at reporting date | \$ 141,812 | \$ 147,734 | \$ 153,400 | \$ 155,900 | \$ 159,615 | \$ 165,792 | \$ 159,962 | \$ 161,344 |
| Shareholders' equity per common share, as at reporting date | \$ 9.89 | \$ 10.29 | \$ 10.61 | \$ 10.69 | \$ 10.83 | \$ 11.07 | \$ 10.58 | \$ 10.59 |

** 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:

Revenues: As a commercial commodities storage business, revenues may vary from quarter to quarter. The Corporation has the flexibility to be opportunistic in its decision to sell or might be caught by having to make unexpected delivery sales in certain inverted markets. The large increase in sales in Q3 2013 is attributable to large quantities of certain grains delivered on futures contracts in December 2012, and in Q1 2012 were attributable to large amounts of spring wheat being delivered in the market during that quarter.

Gross profit / Income from operations: The drop in gross profit that has occurred in the last three quarters is a combination of reduced carrying income and basis income against a lower inventory

level, the one-time loss on the strategic deliveries of certain grains against December 2012 futures contracts and the effect of the basis depreciation on certain inventories.

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 quarter ended December 31, 2012, revenues were \$84.57 million (2011: \$22.64 million), gross profit was a loss of \$2.41 million (2011: gross profit of \$4.86 million) and the gross profit percentage was loss of 2.85 per cent (2011: profit of 21.49 per cent). The decrease in the gross profit percentage for the quarter, compared to the same quarter in the prior year, is attributable primarily to continued reduced carrying charge income, reduced basis revenue, the one-time loss on the strategic deliveries of certain grains against December 2012 futures contracts and lower trading gains against overall lower inventory levels. Trading losses incurred in Q3 2013 are expected to be more than offset by a greater future expected contango carry and full storage revenue on delivered grains. For the three immediately preceding quarters, selected figures are as follows: quarter ended September 30, 2012: revenues were \$35.13 million, gross profit was \$1.07 million, and the gross profit percentage was 3.04 per cent; quarter ended June 30, 2012: revenues were \$42.9 million, gross profit was \$1.4 million, and the gross profit percentage was 3.32 per cent; quarter ended March 31, 2012: revenues were \$37.1 million, gross profit was \$0.8 million and the gross profit percentage was 2.03 per cent. Therefore, compared to the three prior quarters, revenues in Q3 were up due to the deliveries on December 2012 futures contracts.

Compared to operating results for several recent quarters in fiscal 2011 and 2012, the results for Q1, Q2 and Q3 of FYE 2013 are weak due to the continued reduced carrying charge environment in the year-to-date and lower relative basis gains against overall lower inventory levels. In addition, market conditions that allowed Riverland Ag to generate trading gains in Q1, Q2 and Q3 of FYE 2012 were not present during Q1, Q2 and Q3 of FYE 2013, which lowered financial performance on a comparative basis.

During the year ended March 31, 2012, Riverland Ag increased its revolving line of credit facility to USD\$180 million. As at December 31, 2012, Riverland Ag owes USD\$126 million on this line of credit (March 31, 2012: USD\$80 million). 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. Furthermore, this increased facility greatly enhances Riverland Ag's flexibility in pursuing grain opportunities created by changes to the Canadian Wheat Board's powers and the movement to more integrated North America markets. Finally, Riverland Ag used this facility to effectively finance the full repayment of the long-term debt loans payable, which had a balance of \$48.28 million as at March 31, 2012 (before unamortized financing costs). Consequently, as at December 31, 2012, Riverland Ag is no longer indebted to Great Western Bank for long-term loans. Starting in Q4 2013, Riverland Ag will realize savings resulting from the reduced interest costs related to borrowings on the amount formerly financed by long-term debt (which carried interest ranging from 5.35 per cent to 6.60 per cent). On the early repayment of the long-term debt, Riverland Ag paid a penalty of \$2.47 million. It is expected that the payback period on this penalty will be approximately 18 months. With the sale of the Iona facility, coupled with our delivery strategy, it

was determined our capital needs changed and, as a result, it was decided to pay off the term debt facility and rely on our operating facility, at a lower interest cost.

As previously reported, on July 31, 2012 Riverland Ag renewed the revolving line of credit facility for an additional two years. Commencing thereon, interest is at LIBOR plus 3.75 per cent (formerly at LIBOR plus 4.00 per cent), and certain covenants were modified.

Management continues to identify growth opportunities, in both upstream and downstream segments. During the quarter, Riverland Ag entered into a joint agreement with Consolidated Grain and Barge Co. (“CGB”), whereby CGB will rent space and utilize the barge shipping capability of our Savage, Minnesota facility to purchase and ship grain beginning on February 1, 2013. Having a partner such as CGB validates the position and strength of our assets and we will continue to look to partner with companies such as CGB for handling agreements which will enhance the diversification of the revenue base for Riverland Ag. In addition, management will continue to optimize its mix of grains to maximize the utilization of its storage space and earnings on grains in storage.

As mentioned in the previous quarter, the transition to an open market in Canada for wheat and barley has been slower than originally expected, as farmers have been reluctant to move wheat off the farm in the levels originally anticipated. As of January 2013, some industry analysts indicate that approximately 50 per cent of last year’s Canadian wheat crop is still on farm waiting to be moved to market. As also mentioned in the previous quarter’s earnings release, the result is we expect more movement of grain in the 4th quarter, which will help us rebuild utilization at our facilities. Early planting indications are that seeded acres will rise in Canada for spring wheat, which should force farmer sales to clear room. We continue to believe that the flow of Canadian grain to the United States will increase over the next few quarters. As one of the largest independent grain companies, with over 50 million bushels of storage located in the Upper Lakes and Mississippi River area strategically close to the Canadian border, Riverland Ag is in a unique position to benefit from the structural changes occurring in the North American cereal grain market.

BUSINESS REVIEW - STEWART SOUTHERN RAILWAY

Ceres has a 25% investment in Stewart Southern Railway (“SSR”, held separately from Riverland Ag), which is a short-line railway operating in south-eastern Saskatchewan. SSR continued its strong growth trend during the quarter. For the quarter, SSR earned \$1.05 million, resulting in Ceres’ 25% ownership interest generating \$0.26 million of equity earnings during the quarter, which is consistent with the previous quarter. In the last 2 quarters, Ceres SSR investment has generated approximately a 36% return on its original investment. This result is remarkable, as it was achieved while the Crescent Point Energy loading terminal expanded and SSR bulked up its staffing and resources to service this large expansion. During the quarter, the daily volume of oil shipments averaged slightly higher than the 15,500 bpd in the previous quarter. The expansion of the Crescent Point Energy oil loading terminal was completed at the end of the quarter and has a capacity of over 40,000 bpd. At the very end of this quarter, with the expansion completed, oil shipments were averaging over 30,000 bpd and are likely to increase from there over the next calendar year. Shipments of agricultural commodities continued on their pace from the last quarter. Ceres original investment in SSR cost \$1.68 million for its 25% interest. Given the performance to date coupled with the strong growth in volume and profitability expected, we believe the fair value of this investment is significantly greater than the value presented on our balance sheet and NAV.

FINANCIAL POSITION AS AT DECEMBER 31, 2012

The following is a summary of the portfolio investments and cash on hand as at December 31, 2012 and March 31, 2012:

| | December 31, <u>2012</u> | March 31, <u>2012</u> |
|--------------------------------------|-----------------------------|--------------------------|
| Portfolio investments, at fair value | \$ 8,044,668 | \$ 9,873,064 |
| Cash | \$ 21,719,236 | \$ 29,733,963 |

Portfolio investments

As at December 31, 2012, the percentage of the fair value of the portfolio invested in public companies was 60.54 per cent of the total portfolio, and in private companies was 39.46 per cent (March 31, 2012: public companies: 60.89 per cent of the total portfolio; private companies: 39.11 per cent). Nonetheless, as at December 31, 2012, 2.24 per cent of shareholders' equity is represented by portfolio investments in private companies (March 31, 2012: 2.48 per cent). As at December 31, 2012, 3.43 per cent of shareholders' equity is invested in equity instruments of a publicly traded companies located in Canada (March 31, 2012: 3.86 per cent).

During the year ended March 31, 2012, Ceres reduced its legacy public portfolio investments by selling certain positions. Proceeds from the sale of investments were used to fund various strategic investment initiatives and the on-going Normal Course Issuer Bid. During the nine-month period ended December 31, 2012, no portfolio holdings were sold; however, Ceres made additional investments in existing names totalling \$1.05 million. In addition, during the three-month and nine-month periods ended December 31, 2012, the decrease in fair value of portfolio investments is attributable primarily to losses in value of Ceres' investment in EcoSynthetix Inc. and Windtronics, LLC.

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, 2012, the Corporation had a forward foreign exchange contract for USD\$30 million, having a term of 31 days (March 31, 2012: forward foreign exchange contract for USD\$32.49 million, term of 31 days).

Effects of changes in the rate of foreign exchange

As at December 31, 2012, for accounting purposes, Ceres' investment in the net assets of Riverland Ag Corp. is USD\$103.02 million. During this quarter, the CAD became weaker against the USD by 1.19 per cent. This change is the cause of the Gain on translation of foreign currency accounts of foreign operations in the amount of CAD\$1.31 million reported as other comprehensive gain in the interim condensed consolidated statement of comprehensive income (loss) for the quarter ended December 31, 2012.

Riverland Ag Corp.'s reporting and functional currency is the USD. Riverland Ag Corp. has no assets or liabilities denominated in currencies other than USD. Therefore, it is not directly exposed to currency risk in its normal operations. Currency risk related to the accounts of Riverland Ag Corp. relates primarily to the translation of its USD accounts into CAD for the purposes of Ceres' consolidated financial reporting. Adjustments related to the translation of Riverland Ag Corp.'s USD assets and liabilities are included as other comprehensive income (loss) and have no effect on the determination of Ceres' consolidated net income for an interim or annual reporting period.

Furthermore, as reported in Note 11(b) of these interim condensed consolidated financial statements (Financial instruments – management of financial instruments risk, currency risk), and as mentioned above in the portfolio investments discussion, as at December 31, 2012, Ceres has a forward foreign exchange contract for USD\$30 million having a term of 31 days. Management monitors changes in foreign exchange rates on an on-going basis and considers appropriate strategies and actions related to the accounts of Riverland Ag Corp. and to the Ceres' direct exposure to changes in the USD, as and when the need arises.

Other assets and liabilities

As at December 31, 2012, the consolidated balance sheet reflects changes in the assets and liabilities of the Corporation since March 31, 2012. During the nine-month period ended December 31, 2012, total assets increased by approximately \$35.23 million, caused primarily by the following increases (decreases), in millions of dollars:

| | |
|----------------------------------|-----------|
| • cash and portfolio investments | (\$ 9.84) |
| • trade accounts receivables | \$ 3.54 |
| • inventories | \$ 30.77 |
| • other current assets | \$ 7.09 |
| • investments in associates | \$ 1.05 |
| • investment property | \$ 0.74 |
| • property, plant and equipment | (\$ 1.65) |
| • deferred tax assets | \$ 3.53 |

The decrease in property, plant and equipment reflects (a) some additional investment in existing elevator facilities and machinery, (b) the sale of a small facility, (c) the effects of changes in the exchange rate with the U.S. dollar used to translate accounts of Riverland Ag to Canadian dollars, and (d) the effects of depreciation expense.

During the same period, total liabilities increased by approximately \$49.32 million, being an increase of 36.13 per cent in the value of total liabilities compared to March 31, 2012. Excluding a decrease of \$2.84 million in the deferred income tax liability, total liabilities increased by \$52.16 million, or 39.03 per cent. The increase in liabilities reflects primarily the increase of the aggregate of short-term credit facility liabilities, which increased by \$98.71 million, less the repayment of long-term debt of \$47.84 million, and which mirrors a significant increase in inventories.

LIQUIDITY AND CAPITAL RESOURCES

Following Ceres' acquisition of Riverland Ag in June 2010, Ceres began an orderly liquidation of its investment portfolio to generate cash to support the growth of Riverland Ag and invest in other agricultural industry-related businesses. As at December 31, 2012, Ceres had \$21.72 million of cash available for future investment, and approximately \$8.04 million invested in minority positions in several companies (March 31, 2012: \$29.73 million of cash and approximately \$9.87 million invested in minority positions in several companies). Ceres continues to monitor market opportunities to liquidate portfolio 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 cash flow generated by Riverland Ag's operations, are available to support the continued growth of Riverland Ag.

As at December 31, 2012, Riverland Ag has the following short-term credit facilities:

- A syndicated committed facility of up to USD\$180 million, under a 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. On July 31, 2012, Riverland Ag renewed this facility for an additional two years. Commencing thereon, interest is calculated at LIBOR plus 3.75 per cent, calculated and paid monthly and certain covenants were modified. Prior thereto, borrowings were subject to interest at LIBOR plus 4.00 per cent, calculated and paid monthly. As at December 31, 2012, the balance payable by Riverland Ag on the committed revolving credit line (excluding the effect of unamortized financing costs) is USD\$126 million (CAD\$125.36 million) (March 31, 2012: the balance payable by Riverland Ag was USD\$80 million, then being CAD\$79.80 million).
- A repurchase commitment facility under its product financing arrangement with Macquarie Commodities (USA), Inc. (“MCUSA”). Riverland Ag may periodically enter 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, 2012, Riverland Ag had a repurchase liability of USD\$53.67 million (CAD\$53.40 million) (March 31, 2012: \$nil). As at December 31, 2012, fixed interest rates on the open repurchase commitments ranged from 4.06 per cent to 4.46 per cent.

As at December 31, 2012 and March 31, 2012, Riverland Ag was in compliance with debt covenants concerning the short-term credit facilities.

On December 17, 2012, Riverland Ag repaid all of its then outstanding term notes payable due to Great Western Bank (“GWB”). The amount of principal then repaid was USD\$44.62 million (CAD\$43.91 million). On repayment, Riverland Ag also paid an early debt repayment penalty of USD\$2.51 million (CAD\$2.47 million) and amortized the full amount of the remaining unamortized financing costs of USD\$0.35 million (CAD\$0.34 million) related to long-term debt. The debt repayment penalty amount and the amortization of the long-term debt financing costs are included in finance expenses.

On August 1, 2012, Riverland Ag opened a cash account with GWB and deposited cash of USD\$7.55 million, which then represented the aggregate of principal and interest payments due for a twelve-month period ending July 31, 2013 on Riverland Ag’s long-term debt. On December 17, 2012, following the repayment of the term loans, GWB released the unused restricted cash amount to Riverland Ag.

Riverland Ag used its short-term credit facility to finance the full repayment of the long-term debt loans payable. Starting in Q4 2013, Riverland Ag expects to realize savings resulting from the reduced interest costs related to borrowings on the amount formerly financed by long-term debt (which carried interest at rates ranging from 5.35 per cent to 6.60 per cent). It is expected the payback period on this penalty will be approximately 18 months.

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 \$0.20 million. 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, 2012 and the year ended March 31, 2012, no Warrants were exercised. As at December 31, 2012 and March 31, 2012, no stock options are outstanding. No stock options were granted during the nine-month period ended December 31, 2012 and the year ended March 31, 2012.

On October 7, 2010, Ceres announced a normal course issuer bid (“the 2010-2011 NCIB”) commencing on October 8, 2010. 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 \$2.11 million. The stated capital value of the repurchased Shares was \$2.66 million. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$0.55 million for this period has been allocated to Retained Earnings during the nine-month period ended December 31, 2011.

On October 13, 2011, Ceres announced a normal course issuer bid (“the 2011-2012 NCIB”) commencing on October 17, 2011. 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 \$1.39 million. The stated capital value of these repurchased Shares was \$2.55 million. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$1.16 million, has been allocated to Retained Earnings during the nine-month period ended December 31, 2011.

For the nine-month period ended December 31, 2012, Ceres purchased 246,600 Shares under the 2011-2012 NCIB for an aggregate consideration of \$1.53 million. The stated capital value of these repurchased Shares was \$2.38 million. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$0.85 million, has been allocated to Retained Earnings in the nine-month period ended December 31, 2012.

The following are the consolidated contractual maturities of all financial liabilities, including interest payments, as at December 31, 2012:

| | Carrying amount | Contractual cash flows | 1 year | 2 years | 3 to 5 years | More than 5 years |
|--|-----------------------|---------------------------|-----------------------|-------------|-----------------|----------------------|
| Bank indebtedness | \$ 124,748,436 | \$ 125,357,400 | \$ 125,357,400 | \$ - | \$ - | \$ - |
| Repurchase obligations | 53,395,967 | 53,395,967 | 53,395,967 | - | - | - |
| Accounts payable and accrued liabilities | 6,377,557 | 6,377,557 | 6,377,557 | - | - | - |
| Derivatives | 847,795 | 847,795 | 847,795 | - | - | - |
| Management fees payable | 275,049 | 275,049 | 275,049 | - | - | - |
| Due to Manager | 174,526 | 174,526 | 174,526 | - | - | - |
| | <u>\$ 185,819,330</u> | <u>\$ 186,428,294</u> | <u>\$ 186,428,294</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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.

MARKET OUTLOOK AND BUSINESS RISKS

Market Outlook

Riverland Ag

Despite the drought that occurred in the U.S. Midwest, cereal grain production this past year was very strong in North America, with production of wheat increasing in Canada and the United States compared to the prior year. This increased production coupled with the deregulation of the Canadian wheat market with the removal of the Canadian Wheat Board's marketing monopoly creates a much more dynamic market for Riverland Ag to participate in, going forward. Despite this long term positive trend for Riverland Ag, the Canadian farmer has not moved the grain that was originally expected over the last quarter, with some analysts estimating that 50 per cent of last year's harvest is still on farm. This grain will have to move as it makes way for the 2013 crop and Riverland Ag is positioned well to take advantage of this movement. Initial seeding forecast for 2013 are for an increase in spring wheat acres, which would be a positive event.

Canadian oat production, which is Riverland Ag's primary sourcing area, was consistent with previous years with a wide range of quality being observed but is facing a similar lack of movement as Spring Wheat. As a result of the opening up of the Canadian wheat market, we generally expect the business to be more balanced between spring wheat and oats. This is driven by an ability to source a much larger spring wheat market, both in terms of quantity and variability in quality, than existed in the past. The combination of the removal of the CWB monopoly and the Minneapolis Grain Exchange ("MGEX") accepting Canadian wheat for delivery against its contracts, Riverland Ag can now originate and hedge Canadian spring wheat in a market that is approximately 1.5 times larger than it was before the departure of the CWB. The significant increase in the size of the spring wheat tributary to the MGEX wheat futures contract should add to its size and flexibility and should make it a much more vibrant arena for hedging going forward. In conjunction with the increase in the geographic foot print of Minneapolis spring wheat, a wider variety of quality will now be available, which should benefit companies with commercial storage.

As mentioned previously, with the removal of the CWB monopoly, we expect that a more integrated North American grain market will develop. As this occurs, we expect new sourcing paradigms to develop based on an increased north-south flow of grain versus the historical east-west flow such as the Northgate commodities logistics hub that Ceres has announced.

Stewart Southern Railway

SSR should benefit from increased oil shipment, as the expansion in daily capacity to 40,000 bpd was completed in December 2012. All indications are that the shipper on the line will seek to maximize capacity. Grain shipments, have returned with the 2012 harvest and look to continue through the year; however, it is oil shipments that are the key driver of the success and growth of this company. As SSR management and operations absorb the large growth of the Stoughton oil shipments, they will look to drive growth in new areas.

Business Risks

Risks related to the portfolio investments

As at December 31, 2012, Ceres' portfolio investments currently consist of publicly traded equities of entities located in Canada, and of equities in private companies located in Canada and the United States of America. As at that date, total investment in non-public issuers represents 2.24% of consolidated shareholders' equity (March 31, 2012: 2.48% of consolidated 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 is 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 the effect 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 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, 2012: \$12.50 million; March 31, 2012: \$2.46 million) and as Derivative assets or Derivative liabilities, as applicable, in unrealized net gains (losses) on open cash contracts (as at December 31, 2012: unrealized gains of \$2.28 million and unrealized losses of \$0.85 million; March 31, 2012: unrealized gains of \$2.96 million and unrealized losses of \$2.92 million).

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, 2012, the realized gain on foreign currency hedging transactions was \$0.29 million (nine-month period ended December 31, 2011: loss of \$1.31 million). For the quarter ended December 31, 2012, the realized loss on foreign currency hedging transactions was \$0.43 million (quarter ended December 31, 2011: gain of \$0.46 million). As at December 31, 2012 and March 31, 2012, 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.

OUTSTANDING SHARE DATA

As at February 11, 2013 and December 31, 2012, the issued and outstanding equity securities of the Corporation consisted of 14,334,699 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, 2012, management fees of \$2.40 million were charged to operations and included with general and administrative expenses (nine-month period ended December 31, 2011: \$2.70 million). As at December 31, 2012, management fees payable to the Manager amounted to \$0.28 million (March 31, 2012: \$0.27 million; December 31, 2011: \$0.41 million). For the nine-month periods ended December 31, 2012 and 2011, the Statements of Comprehensive Income (Loss) reflect no provision for an incentive fee. As at December 31, 2012, March 31, 2012 and December 31, 2011, there was no liability for an incentive fee.

For the quarter ended December 31, 2012, management fees of \$0.82 million were charged to operations and included with general and administrative expenses (quarter ended December 31, 2011: \$0.85 million).

(b) Due to Manager

As at December 31, 2012, the Corporation had a liability to the Manager in the amount of \$174,526 (March 31, 2012: \$55,000).

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.

Financial instruments

Trade accounts receivable 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), 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 commodity contracts

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.

SUBSEQUENT EVENT

On February 5, 2013, Ceres announced a plan to develop a logistics hub located in Northgate, Saskatchewan on 1,500 acres owned by Ceres. Construction is expected to begin later in calendar 2013, and is expected to be built over a period of three years at a budgeted cost of \$90 million. This project is subject to receipt of all necessary permits and approvals, and the finalization of agreements with project partners.

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, 2012, 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, 2012, 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 International Financial Reporting Standards (IFRS). 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, 2012 and ended on December 31, 2012, there have been no changes in Ceres' ICFR that has materially affected, or is reasonably likely to materially affect, Ceres' ICFR.

Gary Selke
Chief Executive Officer

Michael Detlefsen
President

Jason Gould
Chief Financial Officer

February 11, 2013