

*Unaudited Interim Condensed Consolidated Financial Statements of*



*For the three-month and six-month periods ended December 31, 2016 and 2015  
(Expressed in US Dollars)*

**CERES GLOBAL AG CORP.**  
**Table of Contents**  
**December 31, 2016**

---

	<u>Page</u>
Interim Condensed Consolidated Balance Sheets	1
Interim Condensed Consolidated Statements of Comprehensive Income (Loss)	2
Interim Condensed Consolidated Statements of Cash Flows	3
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity	4
Notes to the Interim Condensed Consolidated Financial Statements	5 – 18



# CERES GLOBAL AG CORP.

## Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three-month and six-month periods ended December 31

Expressed in USD

(Unaudited)

	Note	3 Months		6 Months	
		2016	2015	2016	2015
REVENUES	\$	131,838,022	\$ 61,410,957	\$ 287,765,383	\$ 134,366,795
Cost of sales		(128,967,537)	(69,195,408)	(283,023,855)	(141,051,519)
<b>GROSS PROFIT (LOSS)</b>		<b>2,870,485</b>	<b>(7,784,451)</b>	<b>4,741,528</b>	<b>(6,684,724)</b>
General and administrative expenses		(2,091,291)	(2,035,557)	(4,567,430)	(3,968,149)
<b>INCOME (LOSS) FROM OPERATIONS</b>		<b>779,194</b>	<b>(9,820,008)</b>	<b>174,098</b>	<b>(10,652,873)</b>
Finance income (loss)	9	55,659	99,602	225,980	1,209,589
Revaluation of derivative warrant liability		1,302	464,507	104,145	1,003,446
Gain on sale of property, plant and equipment	7	-	204,952	-	204,952
Interest expense	10	(964,803)	(1,136,129)	(1,918,973)	(1,860,274)
<b>INCOME (LOSS) BEFORE INCOME TAXES AND UNDERNOTED ITEM</b>		<b>(128,648)</b>	<b>(10,187,076)</b>	<b>(1,414,750)</b>	<b>(10,095,160)</b>
Income tax (expense) recovery		10,762	(6,664)	7,850	(757)
<b>INCOME (LOSS) BEFORE UNDERNOTED ITEM</b>		<b>(117,886)</b>	<b>(10,193,740)</b>	<b>(1,406,900)</b>	<b>(10,095,917)</b>
Share of net income (loss) in investments in associate(s)		(35,102)	111,756	(102,031)	74,849
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		<b>(152,988)</b>	<b>(10,081,984)</b>	<b>(1,508,931)</b>	<b>(10,021,068)</b>
<b>Other comprehensive income (loss) for the period</b>					
Net investment hedge -- net income		-	1,017,384	-	1,017,384
(Loss) gain on translation of foreign currency accounts of foreign operations		(1,813,924)	(3,303,902)	(3,058,921)	(9,127,043)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	\$	<b>(1,966,912)</b>	<b>(12,368,502)</b>	<b>(4,567,852)</b>	<b>(18,130,727)</b>
<b>WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD</b>		<b>27,303,167</b>	<b>27,057,655</b>	<b>27,095,954</b>	<b>27,057,655</b>
<b>EARNINGS (LOSS) PER SHARE</b>					
Basic	\$	<b>(0.01)</b>	<b>(0.37)</b>	<b>(0.06)</b>	<b>(0.37)</b>
Diluted	\$	<b>(0.01)</b>	<b>(0.37)</b>	<b>(0.06)</b>	<b>(0.37)</b>
<b>Supplemental disclosure of selected information:</b>					
Depreciation included in Cost of sales	\$	1,145,959	\$ 753,726	\$ 2,303,682	\$ 1,396,397
Depreciation included in General and administrative expenses	\$	21,670	\$ 18,438	\$ 43,050	\$ 29,775
Amortization of financing costs included in Interest expense	\$	172,094	\$ 104,413	\$ 344,188	\$ 208,751
Personnel costs included in Cost of sales	\$	251,915	\$ 349,091	\$ 602,160	\$ 698,430
Personnel costs included in General and administrative expenses	\$	187,162	\$ 231,274	\$ 351,725	\$ 430,443

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# CERES GLOBAL AG CORP.

## Interim Condensed Consolidated Statements of Cash Flows

For the six-month periods ended December 31

Expressed in USD

(Unaudited)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Net (loss) income for the period		\$ (1,508,931)	\$ (10,021,068)
Adjustments for:			
Depreciation of property, plant and equipment		2,346,732	1,426,172
Revaluation of derivative warrant liability		(104,145)	(1,003,446)
Interest expense	10	1,918,973	1,860,274
Income taxes (recovery)		(7,850)	757
Share incentive compensation	14	96,586	60,543
Deferred share units issued to Directors and fair value adjustment		99,579	145,838
Share of net income (loss) in investments in associate(s)		102,031	(74,849)
Revaluation of portfolio investments	9	-	(1,031,658)
Revaluation for future payments to Front Street Capital		(43,553)	(187,879)
Changes in non-cash working capital accounts	15	18,989,869	(13,104,213)
Interest paid		(1,656,247)	(1,531,554)
Income taxes recovered (paid)		(17,340)	(2,267)
<b>Cash flow provided by (used in) operating activities</b>		<b>20,215,704</b>	<b>(23,463,350)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	7	(7,517,943)	(11,799,606)
<b>Cash flow used in investing activities</b>		<b>(7,517,943)</b>	<b>(11,799,606)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds of bank indebtedness		(8,695,000)	21,000,000
Repayment of term loan	8	(8,642,379)	-
Net proceeds (repayment) of repurchase obligations		-	14,772,604
Financing costs paid	8	(305,000)	(498,764)
Warrants exercised	12	5,425,492	-
Repurchase of common shares under normal course issuer bid	12	(284,912)	-
<b>Cash flow (used in) provided by financing activities</b>		<b>(12,501,799)</b>	<b>35,273,840</b>
<b>Foreign exchange cash flow adjustment on accounts denominated in a foreign currency</b>		<b>(184,336)</b>	<b>(8,744)</b>
<b>Increase (decrease) in cash for the period</b>		<b>11,626</b>	<b>2,140</b>
Cash, beginning of period		(110,261)	2,916,289
<b>Cash and cash equivalents, end of period</b>		<b>\$ (98,635)</b>	<b>\$ 2,918,429</b>
Cash		1,064,374	2,918,429
Cheques issued in excess of cash on hand		(1,163,009)	-
<b>Cash and cash equivalents, end of period</b>		<b>\$ (98,635)</b>	<b>\$ 2,918,429</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**CERES GLOBAL AG CORP.**

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

For the six-month periods ended December 31

Expressed in USD

(Unaudited)

	Note	Common shares	Deferred share units	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
<b>Balances, April 1, 2015</b>		<b>\$ 200,640,476</b>	<b>\$ 277,108</b>	<b>\$ 9,279,338</b>	<b>\$ (18,105,009)</b>	<b>\$ (18,988,256)</b>	<b>\$ 173,103,657</b>
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	122,952	-	-	-	122,952
Redemption of Deferred Share Units for cash	13	33,158	(33,158)	-	-	-	-
Fair value adjustment of Deferred Share Units		-	24,285	-	-	-	24,285
Share incentive compensation	14	-	-	38,208	-	-	38,208
Issuance costs of common shares, December 4, 2014	12	(56,824)	-	-	-	-	(56,824)
<i>Comprehensive Income (Loss)</i>							
Other comprehensive gain		-	-	-	1,197,567	-	1,197,567
Net loss for the period		-	-	-	-	(1,388,707)	(1,388,707)
<b>Balances, June 30, 2015</b>		<b>\$ 200,616,810</b>	<b>\$ 391,187</b>	<b>\$ 9,317,546</b>	<b>\$ (16,907,442)</b>	<b>\$ (20,376,963)</b>	<b>\$ 173,041,138</b>
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	184,048	-	-	-	184,048
Fair value adjustment of Deferred Share Units		-	(38,210)	-	-	-	(38,210)
Share incentive compensation	14	-	-	60,543	-	-	60,543
<i>Comprehensive Income (Loss)</i>							
Other comprehensive loss		-	-	-	(9,127,043)	-	(9,127,043)
Net investment hedge - net income		-	-	-	1,017,384	-	1,017,384
Net loss for the period		-	-	-	-	(10,021,068)	(10,021,068)
<b>Balances, December 31, 2015</b>		<b>\$ 200,616,810</b>	<b>\$ 537,025</b>	<b>\$ 9,378,089</b>	<b>\$ (25,017,101)</b>	<b>\$ (30,398,031)</b>	<b>\$ 155,116,792</b>
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	134,226	-	-	-	134,226
Fair value adjustment of Deferred Share Units		-	(54,289)	-	-	-	(54,289)
Repurchases under normal course issuer bid	12	(1,010,830)	-	-	-	348,736	(662,094)
Share incentive compensation	14	-	-	53,458	-	-	53,458
<i>Comprehensive Income (Loss)</i>							
Other comprehensive gain		-	-	-	3,656,147	-	3,656,147
Net loss for the period		-	-	-	-	(646,480)	(646,480)
<b>Balances, June 30, 2016</b>		<b>\$ 199,605,980</b>	<b>\$ 616,962</b>	<b>\$ 9,431,547</b>	<b>\$ (21,360,954)</b>	<b>\$ (30,695,775)</b>	<b>\$ 157,597,760</b>
<i>Transactions with Shareholders</i>							
Issuance of Deferred Share Units	13	-	119,589	-	-	-	119,589
Fair value adjustment of Deferred Share Units		-	(20,010)	-	-	-	(20,010)
Repurchases under normal course issuer bid	12	(418,790)	-	-	-	133,878	(284,912)
Share incentive compensation	14	-	-	96,586	-	-	96,586
Exercise of warrants	11	5,425,492	-	-	-	-	5,425,492
<i>Comprehensive Income (Loss)</i>							
Other comprehensive loss		-	-	-	(3,058,921)	-	(3,058,921)
Net loss for the period		-	-	-	-	(1,508,931)	(1,508,931)
<b>Balances, December 31, 2016</b>		<b>\$ 204,612,682</b>	<b>\$ 716,541</b>	<b>\$ 9,528,133</b>	<b>\$ (24,419,875)</b>	<b>\$ (32,070,828)</b>	<b>\$ 158,366,653</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2016

Expressed in USD

(Unaudited)

---

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

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

These interim condensed consolidated financial statements of Ceres as at and for the three-month and six-month periods ended December 31, 2016 and 2015 include the accounts of Ceres and its wholly owned subsidiaries Ceres U.S. Holding Corp. and Riverland Ag Corp. (“Riverland Ag”). All intercompany transactions and balances have been eliminated. In combination with Riverland Ag, the Corporation is an agricultural cereal grain storage, customer-specific procurement and supply ingredient company that owns and operates nine (9) grain storage, handling and merchandising facilities in the states of Minnesota and New York, and the provinces of Ontario and Saskatchewan, with a combined licensed capacity of 43 million bushels.

The Corporation has one reportable segment while having two operating segments: (1) grain trading, handling and storage, and; (2) logistics, which includes transloading non-grain commodities on behalf of third-party customers. With the exception of \$511,678 of revenue recognized for the six-month period ended December 31, 2016 (2015: \$682,699), all of the Corporation’s revenues for the six-month periods ended December 31, 2016 and 2015 are generated through grain trading, handling and storage, which total \$287,765,383 (2015: \$134,366,795).

### 2. BASIS OF PREPARATION

#### Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and with International Accounting Standards (“IAS”) 34 – *Interim Financial Reporting* (“IAS 34”). Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. Accounting, estimation and valuation policies have been consistently applied to all periods presented herein, in accordance with IFRS.

These interim condensed consolidated financial statements were authorized for issue by the board of the directors of the Corporation (the “Board of Directors”) on February 14, 2017.

#### Fiscal year

On February 10, 2016, the Board of Directors approved a change in the fiscal year from April 1 to March 31 to July 1 to June 30. As a result of the change, the Corporation had a fifteen month fiscal year which was reported in the Corporation’s annual report for the fiscal-year ending June 30, 2016.

#### Functional and presentation currency

These interim condensed consolidated financial statements are presented in United States Dollars (“USD”), which is different from the Corporation’s functional currency of Canadian Dollars (“CAD”). This represents a change in accounting policy and is the first year the Company has used USD as a presentation currency. These interim condensed consolidated financial statements follow the same accounting principles

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

---

as those outlined the notes to the annual financial statements for the fifteen-month period ended June 30, 2016 except for the change of the presentation currency from the CAD to the USD as explained in the section below.

Effective July 1, 2016 the Corporation changed its presentation currency from the CAD to the USD. The change in presentation currency is to better reflect the Corporation's business activities. There has been no change to Ceres' functional currency (CAD) or its subsidiaries functional currencies (USD). In making this change to the USD presentation currency, the Corporation followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates and has applied the change retrospectively as if the new presentation currency had always been the Corporation's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new USD presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new USD presentation currency using the closing current exchange rate at the date of each balance sheet;
- Income and expenses for each statement of comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment listed as Accumulated Other Comprehensive Income on the Balance Sheet).

In addition to the comparative financial statements, the Company has presented a third statement of financial position as at April 1, 2015 as required by IFRS upon application of a voluntary change in accounting policy.

**Basis of measurement**

These interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value; and
- inventories are measured at fair value less costs to sell.

**Use of estimates and judgments**

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.



**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

---

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These interim condensed consolidated financial statements should be read in conjunction with Ceres' audited consolidated financial statements for the fifteen-month period ended June 30, 2016. The Corporation's significant accounting policies were presented in Note 3 of those audited financial statements.

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

**IFRS 9 – Financial Instruments**

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

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

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

**IFRS 16 – Leases**

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

**5. DUE FROM BROKERS**

"Due from brokers" represents unrealized gains and losses due from custodian brokers on commodity futures and options contracts in addition to margin deposits in the form of cash that are held by custodian brokers in connection with such contracts. Amounts due from brokers are offset by amounts due to the same brokers, under the terms and conditions of enforceable master netting arrangements in effect with all

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

brokers, through which the Corporation executes its transactions and for which the Corporation intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. Amounts due from brokers represent the following:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Margin deposits	\$ 2,703,262	\$ 5,453,861	\$ 5,161,959
Unrealized gains on futures contracts and options, at fair value	<u>53,065</u>	<u>128,518</u>	<u>2,114,710</u>
	<u>2,756,327</u>	<u>5,582,379</u>	<u>7,276,669</u>
Unrealized losses on futures contracts and options, at fair value	<u>(28,685)</u>	<u>(123,560)</u>	<u>(441,251)</u>
	<u>\$ 2,727,642</u>	<u>\$ 5,458,819</u>	<u>\$ 6,835,418</u>

**6. FINANCIAL INSTRUMENTS**

**(a) Fair Value of Financial Instruments**

The Corporation's financial assets and liabilities that are measured at fair value in the consolidated balance sheets are categorized by level according to the significance of the inputs used in making the measurements. The Corporation recognizes transfers between fair value measurements hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels in the six-month period ended December 31, 2016 and the fifteen-month period ended June 30, 2016.

The following table presents information about the financial assets and liabilities measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used to determine such fair values.

	<u>December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Portfolio investments	\$ -	\$ 2,632,246	\$ 631,203	\$ 3,263,449
Due from brokers, unrealized gains on futures and options (Note 5)	53,065	-	-	53,065
Unrealized gains on open cash contracts (derivatives)	-	6,353,324	-	6,353,324
Due from brokers, unrealized losses on futures and options (Note 5)	(28,685)	-	-	(28,685)
Unrealized losses on open cash contracts (derivatives)	-	(4,651,773)	-	(4,651,773)
Provision for future payments to Front Street Capital	-	(29,768)	-	(29,768)
	<u>\$ 24,380</u>	<u>\$ 4,304,029</u>	<u>\$ 631,203</u>	<u>\$ 4,959,612</u>

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2016

Expressed in USD

(Unaudited)

	<b>June 30, 2016</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Portfolio investments	\$ -	\$ 2,729,868	\$ 654,801	\$ 3,384,669
Due from brokers, unrealized gains on futures and options (Note 5)	128,518	-	-	128,518
Unrealized gains on open cash contracts (derivatives)	-	5,106,168	-	5,106,168
Due to brokers, unrealized losses on futures and options (Note 5)	(123,560)	-	-	(123,560)
Unrealized losses on open cash contracts (derivatives)	-	(2,568,309)	-	(2,568,309)
Derivative warrant liability	-	(104,971)	-	(104,971)
Provision for future payments to Front Street Capital	-	(73,325)	-	(73,325)
	<u>\$ 4,958</u>	<u>\$ 5,089,431</u>	<u>\$ 654,801</u>	<u>\$ 5,749,190</u>

### (b) Management of Financial Instruments Risks

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

#### Price risk

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

The following is a summary of the effect on the results of operations of the Corporation for the six month period ended December 31, 2016, if the fair value of each of the portfolio investments as at December 31, 2016 had increased or decreased by 10%, with all other variables remaining constant:

	<b>December 31, 2016</b>	
	<b>(Increase) decrease in net loss</b>	<b>(Increase) decrease in loss per share</b>
Change in fair value of investments		
10% increase in fair value	\$ 338,467	\$ 0.01
10% decrease in fair value	\$ (338,467)	\$ (0.01)

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

---

Commodity risk

The following is a summary of the effect on the results of operations of the Corporation for the six month period ended December 31, 2016, if the fair value of each of the open cash contracts as at December 31, 2016 had increased or decreased by 5%, with all other variables remaining constant:

	<u>December 31, 2016</u>	
	<u>(Increase)</u> <u>decrease</u> <u>in net loss</u>	<u>(Increase)</u> <u>decrease</u> <u>in loss</u> <u>per share</u>
<u>Change in bid/ask prices of commodities</u>		
5% increase in bid-ask prices	\$ (1,524,715)	\$ (0.06)
5% decrease in bid-ask prices	\$ 1,524,715	\$ 0.06

Interest rate risk

As at December 31, 2016, Ceres had no long or short portfolio positions in any interest-bearing investment securities.

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

As disclosed in Note 8 (Credit Facility and Financing), as at December 31, 2016, the Corporation's Credit Facility (as defined herein) bears interest at an annual rate of 3.875% plus overnight LIBOR. As at December 31, 2016, management has determined the effect on the future results of operations of the Corporation, if the variable interest rate component applicable on those dates on the revolving credit facility were to increase by 25 basis points ("25 bps") as at those dates respectively, using the balance of the revolving credit facility payable as at those dates, using the number of shares then issued and outstanding, and with all other variables remaining constant.

Furthermore, as at December 31, 2016, the Corporation's term loan bears interest at an annual rate of 5.25% plus one month LIBOR. As at December 31, 2016, management has determined the effect on the future results of operations of the Corporation, if the variable interest rate component applicable on those dates on the term loan were to increase by 25 bps as at those dates respectively, using the balance of the term loan payable as at those dates, using the number of shares then issued and outstanding, and with all other variables remaining constant.

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

---

On that basis, the potential effects on the result of operations for the six-month period ending December 31, 2016 would be as follows:

	<u>December 31, 2016</u>	
	<b>Increase in net loss</b>	<b>Increase in loss per share</b>
<u>Change in interest rate on revolving facility</u>		
25 bps increase in annual interest rate	\$ (58,846)	\$ (0.00)
<u>Change in interest rate on term loan</u>		
25 bps increase in annual interest rate	\$ (19,603)	\$ (0.00)

Currency risk

In the normal course of business, Ceres may hold assets or have liabilities denominated in currencies other than USD.

Therefore, Ceres is exposed to currency risk, as the value of any assets or liabilities denominated in currencies other than USD will vary due to changes in foreign exchange rates.

As at December 31, 2016, the following is a summary, at fair value, of Ceres' exposure to significant currency risks:

	<u>December 31, 2016</u>
<u>Currency</u>	<u>Net asset (liability) exposure</u>
Canadian Dollars	(CAD \$352,809)

The following is a summary of the effect on Ceres' other comprehensive income (loss) for the six month period ended December 31, 2016 if the USD had become 5% stronger or weaker against the CAD as at December 31, 2016, with all other variables remaining constant, related to monetary assets and liabilities denominated in foreign currencies:

	<u>December 31, 2016</u>	
	<b>(Increase) decrease in net loss</b>	<b>(Increase) decrease in loss per share</b>
<u>Change in foreign exchange rate</u>		
USD 5% stronger	\$ (12,503)	\$ (0.00)
USD 5% weaker	\$ 13,819	\$ 0.00

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2016

Expressed in USD

(Unaudited)

Currency risk for Ceres relates to grain transactions denominated in a currency other than USD and the translation of its accounts from the functional currency CAD to the presentation currency USD for the purposes of the consolidated financial reporting of Ceres. Adjustments related to the translation of accounts from the functional currency to the presentation currency are included as other comprehensive income (loss) and have no effect on the determination of net income for the reporting period.

### Other financial instruments

The carrying values of cash and cash equivalents, accounts receivable, bank indebtedness, account payable and accrued liabilities approximate their fair values as at December 31, 2016 due to the short-term nature of these instruments. The carrying value of long-term debt approximates fair value as at December 31, 2016.

## 7. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Buildings and silos/elevators	\$ 83,148,059	\$ 79,349,445	\$ 56,290,655
Machinery and equipment	23,017,059	23,449,513	5,110,713
Furniture, fixtures, computers, office equipment & other assets	3,840,290	3,709,467	2,736,202
Land	22,088,732	22,708,494	23,311,179
Construction in progress	9,515,428	3,266,374	17,750,132
	<u>141,609,568</u>	<u>132,483,293</u>	<u>105,198,881</u>
Less: accumulated depreciation	<u>(20,840,865)</u>	<u>(13,666,253)</u>	<u>(9,921,173)</u>
	<u>\$ 120,768,703</u>	<u>\$ 118,817,040</u>	<u>\$ 95,277,708</u>

As at December 31, 2016, property, plant and equipment additions accrued but not yet paid totaled \$3,494,364 (as at June 30, 2016: \$4,391,103). In addition, as at December 31, 2016, the Corporation had assets under construction of \$9,515,428 (June 30, 2016: \$3,266,374) consisting primarily of the fertilizer storage infrastructure at Northgate.

## 8. CREDIT FACILITY AND FINANCING

On December 30, 2016, the Corporation amended its uncommitted credit facility (the "Credit Facility"), which now expires on December 29, 2017. The maximum borrowings under the revolving facility are \$67,500,000. Borrowings bear an interest rate of overnight LIBOR plus 3.875% per annum, and interest is calculated and paid on a monthly basis. The Credit Facility is subject to borrowing base limitations. Amounts under the Credit Facility that remain undrawn are not subject to a commitment fee. The Credit Facility has certain covenants pertaining to the accounts of the Corporation and as at December 31, 2016, the Corporation was in compliance with all covenants.

Prior to the December 30, 2016 amendment, maximum borrowings under the Credit Facility were \$120,000,000, subject to interest of overnight LIBOR plus 2.875% per annum, with interest calculated and paid monthly.

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2016

Expressed in USD

(Unaudited)

As at December 31, 2016, June 30, 2016 and April 1, 2015, the carrying amount of bank indebtedness is summarized as follows:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Revolving line of credit	\$ 46,305,000	\$ 55,000,000	\$ 15,000,000
Unamortized financing costs	(305,000)	(249,383)	(179,244)
Cheques issued in excess of cash on hand	1,163,009	833,483	-
	<u>\$ 47,163,009</u>	<u>\$ 55,584,100</u>	<u>\$ 14,820,756</u>

On December 29, 2016, the Corporation paid down the principal on its term loan facility agreement by the amount of \$1,642,379 in accordance with the principal payment schedule included in the agreement. Additionally, the Corporation made an additional principal payment of \$7,000,000, reducing the principal to \$15,000,000 and amended the existing term loan facility agreement. The agreement was revised to reflect the \$15,000,000 debt with a term of 3 years. The interest rate of one month LIBOR plus 5.25% is consistent with the previous term loan agreement. In accordance with the amended agreement, the next principal payment on the term loan is payable on December 29, 2017 for the amount of \$3,000,000 with a principal payment of \$5,000,000 payable on December 28, 2018 and \$7,000,000 payable on December 27, 2019. The loan has an effective interest rate of 6.30% plus one month LIBOR.

As at December 31, 2016, June 30, 2016 and April 1, 2015, the carrying amount of the term loan is summarized as follows:

	<u>December 31, 2016</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Total term debt	\$ 15,000,000	\$ 23,642,379	\$ 25,000,000
Unamortized financing costs	(645,928)	(740,734)	(967,956)
	<u>14,354,072</u>	<u>22,901,645</u>	<u>24,032,044</u>
Less: Current portion of long-term debt	(3,000,000)	(1,642,379)	-
Long-term debt	<u>\$ 11,354,072</u>	<u>\$ 21,259,266</u>	<u>\$ 24,032,044</u>

### 9. FINANCE INCOME (LOSS)

The following table presents realized and unrealized gain (loss) on foreign exchange and the revaluation of portfolio investments for the six-months ended December 31, 2016 and 2015:

The period ended December 31,	<u>3 months</u>		<u>6 months</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Realized and unrealized loss on foreign exchange	\$ 67,550	\$ (97,087)	\$ 229,956	\$ 16,021
Realized and unrealized gain on currency hedging	(11,891)	196,689	(3,976)	161,910
Revaluation of portfolio investments	-	-	-	1,031,658
	<u>\$ 55,659</u>	<u>\$ 99,602</u>	<u>\$ 225,980</u>	<u>\$ 1,209,589</u>

As at June 30, 2015, the Corporation held a 25% equity interest in Canterra Seeds Holdings, Ltd. ("Canterra" or "the Investee") that had a carrying value of \$1,755,518. This investment, accounted for using

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2016

Expressed in USD

(Unaudited)

the equity method, was classified on the Consolidated Balance Sheet as “Investments in associates”. During the quarter ended September 30, 2015, the Investee issued additional common equity shares, resulting in the dilution of the Corporation’s equity interest to 17% and the Corporation no longer having a significant influence over the financial and operating policies of the Investee. Therefore, during the three month period ended September 30, 2015, Ceres reclassified its investment to portfolio investments and recorded it at fair value, recognizing a gain of \$1,031,658 classified within the Statement of Comprehensive Loss as “Finance income”.

### 10. INTEREST EXPENSE

The following table presents interest income (expense) for the three-month and six-month periods ended December 31, 2016 and 2015:

Period ended December 31,	<u>3 months</u>		<u>6 months</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest on revolving line of credit	\$ (447,507)	\$ (644,371)	\$ (874,937)	\$ (971,613)
Interest on repurchase obligation	-	(83,176)	-	(83,176)
Interest on term debt	(345,202)	(350,392)	(699,848)	(683,538)
Amortization of financing costs	(172,094)	(104,413)	(344,188)	(208,751)
Interest income and other interest expense	-	46,223	-	86,804
	<u>\$ (964,803)</u>	<u>\$ (1,136,129)</u>	<u>\$ (1,918,973)</u>	<u>\$ (1,860,274)</u>

### 11. DERIVATIVE WARRANT LIABILITY

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

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

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in the fair value recognized in the statement of operations and comprehensive loss at each period end.

On November 30, 2016, 1,250,000 Warrants were exercised into 1,250,000 Common Shares at an exercise price of CAD \$5.84 for total consideration of \$5,425,492 (CAD \$7,300,000). On December 4, 2016, the



**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

---

remaining 833,334 Warrants expired and were canceled, resulting in no warrant liability as at December 31, 2016 (as at June 30, 2016: \$104,971).

**12. SHAREHOLDERS' CAPITAL**

During the six-month period ended December 31, 2016, the Corporation purchased Shares under normal course issuer bids, the purpose of which was to provide Ceres with a mechanism to decrease the potential spread between the net asset value per Share and the market price of the common shares. On June 9, 2016, Ceres announced a normal course issuer bid ("the 2016-2017 NCIB") which commenced on June 12, 2016. Using the facilities of the Toronto Stock Exchange ("TSX") and in accordance with its rules and policies, Ceres may purchase up to a maximum of 1,595,765 of its Common Shares, representing approximately 10 percent of its unrestricted public float as of June 2, 2016, subject to a maximum aggregate purchase price of \$5 million pursuant to restrictions under the Corporation's Credit Facility. The 2016-2017 NCIB will conclude on the earlier of the date on which purchases under the 2016-2017 NCIB have been completed and June 11, 2017. Ceres may purchase up to a daily maximum of 2,119 Common Shares under the 2016-2017 NCIB, except for purchases made in accordance with the "block purchase" exception under applicable TSX rules and policies.

During the six months ended December 31, 2016, the Corporation purchased a total of 72,471 common shares under the normal course issuer bid for aggregate cash consideration of \$284,912. The stated capital value of these repurchased Shares was \$418,790. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$133,878, was allocated to Retained Earnings in the six-month period ended December 31, 2016.

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

As at December 31, 2016, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 45.4% of the outstanding Common Shares (compared to 40.7% as at June 30, 2016).

Authorized capital of Ceres consists of an unlimited number of common shares. Changes to shareholders' capital were as follows:

	Number of shares	Amount
<b>Balances, April 1, 2015</b>	<b>27,050,673</b>	<b>\$200,640,476</b>
Redemption of deferred share units	6,982	33,158
Share issuance costs	-	(56,824)
Repurchases under normal course issuer bid	(168,600)	(1,010,830)
<b>Balances, June 30, 2016</b>	<b>26,889,055</b>	<b>\$199,605,980</b>
Repurchases under normal course issuer bid	(72,471)	(418,790)
Exercise of warrants	1,250,000	5,425,492
<b>Balances, December 31, 2016</b>	<b>28,066,584</b>	<b>\$204,612,682</b>

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2016

Expressed in USD

(Unaudited)

### 13. DEFERRED SHARE UNITS

The following table summarizes the information related to deferred share units (“DSUs”):

	<b>July 1, 2016 to December 31, 2016</b>	<b>April 1, 2015 to June 30, 2016</b>
	<b>Number of DSUs</b>	<b>Number of DSUs</b>
Deferred share units, beginning of period	142,717	52,813
Granted	30,547	96,888
Redeemed	-	(6,983)
Balance, end of period	<b>173,264</b>	<b>142,717</b>

### 14. STOCK OPTION PLAN

During the six months ended December 31, 2016, Ceres granted stock options (“options”) under the Corporation’s stock option plan to certain officers and employees of the Corporation. The exercise price is fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares.

As at December 31, 2016, the outstanding Options are as follows:

	Number of Options	Weighted-average exercise price (CAD)	Weighted- average Remaining Contractual Term (Years)
<b>Outstanding as at April 1, 2015</b>	-	\$ -	-
Granted	322,500	6.72	5.00
Exercised	-	-	
Expired/forfeited	(44,169)	6.25	
<b>Outstanding as at June 30, 2016</b>	<b>278,331</b>	<b>\$ 6.71</b>	<b>4.53</b>
<b>Exercisable as at June 30, 2016</b>	<b>64,500</b>	<b>\$ 6.72</b>	<b>4.53</b>
<b>Outstanding as at June 30, 2016</b>	<b>278,331</b>	<b>\$ 6.71</b>	<b>4.53</b>
Granted	812,826	5.84	4.46
Exercised	-	-	
Expired/forfeited	-	-	
<b>Outstanding as at December 31, 2016</b>	<b>1,091,157</b>	<b>\$ 6.06</b>	<b>4.17</b>
<b>Exercisable as at December 31, 2016</b>	<b>338,123</b>	<b>\$ 6.14</b>	<b>3.55</b>

At the grant date, the fair value of the Options is estimated using the Black-Scholes pricing model with the following weighted-average assumptions: an average risk free interest rate of 0.73%; expected volatility of 24.93%; dividend yield of nil; an average expected option life of 3.32 years; 4.56 year vesting period; and average exercise price of CAD \$5.84. The weighted average grant date fair value of the Options granted

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

during the six months ended December 31, 2016, is CAD \$0.72 (six months ended December 31, 2015: CAD \$1.45).

The total Option compensation cost that has been included in general and administrative expenses for the six months ended December 31, 2016, amounted to \$96,586 (six months ended December 31, 2015: \$60,543) with the non-cash expense being accrued and classified within contributed surplus in the Interim Condensed Consolidated Balance Sheet.

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

<b>Six- month period ended December 31,</b>	<b>2016</b>	<b>2015</b>
Decrease (increase) in due from broker	\$ 2,731,177	\$ (4,581,295)
Decrease in net derivative assets	837,022	446,361
(Increase) decrease in accounts receivable	(4,136,197)	5,121,115
Decrease (increase) in inventories	12,808,895	(17,023,890)
(Increase) decrease in sales taxes recoverable	(233,550)	562,611
Decrease in prepaid expenses and sundry assets	937,003	926,790
Increase in accounts payable and accrued liabilities	6,045,519	1,444,095
	<b>\$ 18,989,869</b>	<b>\$ (13,104,213)</b>

**16. KEY MANAGEMENT COMPENSATION**

The remuneration of key management personnel of the Corporation, which includes both members of the Board of Directors and leadership team including the President and CEO, CFO and vice presidents, is set out below in aggregate:

Period ended December 31,	<b>3 Months</b>		<b>6 Months</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Salary and short-term employee/director benefits	\$ 280,549	\$300,827	\$ 535,608	\$ 600,901
Share-based compensation	123,687	85,576	171,462	198,017
	<b>\$ 404,236</b>	<b>\$386,403</b>	<b>\$ 707,070</b>	<b>\$ 798,918</b>

**17. CONTINGENCIES AND COMMITMENTS**

**(a) Legal**

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

During the year ended March 31, 2014, Ceres terminated its arrangements and ongoing discussions with The Scoular Company (“Scoular”) as a potential development partner with respect to the development and construction of a grain facility at the Northgate Commodities Logistics Centre (“NCLC”). The termination of discussions with Scoular may have implications for any amounts to be collected from the potential partner and amounts previously paid to Ceres by Scoular in respect to a certain portion of NCLC site

**CERES GLOBAL AG CORP.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**December 31, 2016**  
**Expressed in USD**  
**(Unaudited)**

---

preparation costs under a cost-sharing agreement. The recovery and/or reimbursement of such amounts, if any, will be subject to resolution of the claim described below.

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

As of the date hereof, the Corporation, based on the advice of its litigation counsel, does not believe that the claims alleged by Scoular have any legal merit, and therefore, the Corporation intends to vigorously defend the lawsuit. Prior to the termination of its relationship with Scoular, the counterparty paid CAD \$3,899,146 in costs related to the project. The Corporation does not believe that the counterparty is entitled to any of these costs based on the legal relationship that existed at the time and based on the claims alleged in the counterparty's complaint. On January 20, 2017, the court heard oral argument on the Corporation's motion for summary judgment, which seeks dismissal of all claims asserted by Scoular. The Court took the motion under advisement and indicated a written order would be issued. The Corporation anticipates that it will receive that order sometime in 2017.

The outcome of this complaint is difficult to assess or quantify. Scoular may seek recovery of large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for substantial periods of time. The cost to defend this complaint may be significant. In addition, this complaint, if decided adversely to the Corporation or settled by the Corporation, may result in liability material to the Corporation's financial statements as a whole or may materially and adversely affect the Corporation's business, financial position, cash flow and/or results of operations.

**(b) Commitments**

Capital expenditures contracted but not yet incurred are as follows:

	<b>December 31, 2016</b>	June 30, 2016
Property, plant and equipment	<b>\$ 3,201,603</b>	\$ 9,179,184