

*Unaudited Interim Condensed Consolidated Financial Statements of*



*For the three-month period ended June 30, 2012*

# **CERES GLOBAL AG CORP.**

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**June 30, 2012**

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**CERES GLOBAL AG CORP.**  
**Interim Condensed Consolidated Balance Sheets**  
*(Unaudited)*

	<u>Note</u>	<b>June 30,</b> <b>2012</b>	<b>March 31,</b> <b>2012</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 26,745,896	\$ 29,733,963
Portfolio investments owned, at fair value	4	8,690,480	9,873,064
Due from Brokers	5	8,004,161	2,463,520
Derivatives	9(a)	2,884,912	2,955,578
Accounts receivable, trade		9,408,625	9,622,892
Inventories, grains		139,777,753	158,810,128
Income taxes recoverable		-	842,478
Prepaid expenses and sundry assets		1,502,094	2,140,943
<b>Current assets</b>		<b>197,013,921</b>	<b>216,442,566</b>
<b>Investments in associates</b>		<b>3,161,954</b>	<b>3,117,903</b>
<b>Intangible assets</b>		<b>305,430</b>	<b>299,250</b>
<b>Property, plant and equipment</b>	6	<b>73,778,818</b>	<b>72,538,042</b>
<b>Non-current assets</b>		<b>77,246,202</b>	<b>75,955,195</b>
<b>TOTAL ASSETS</b>		<b>\$ 274,260,123</b>	<b>\$ 292,397,761</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Bank indebtedness	7	\$ 64,946,116	\$ 79,439,289
Accounts payable and accrued liabilities		4,856,312	3,141,089
Derivatives	9(a)	1,264,084	2,917,960
Management fees payable	11(a)	253,056	267,223
Due to Manager	11(b)	-	55,000
Income taxes payable		382,019	-
Current portion of long-term debt	8	4,990,061	4,877,740
<b>Current liabilities</b>		<b>76,691,648</b>	<b>90,698,301</b>
<b>Long-term debt</b>	8	<b>42,587,902</b>	<b>42,959,816</b>
<b>Deferred income taxes</b>		<b>1,580,570</b>	<b>2,839,991</b>
<b>Non-current liabilities</b>		<b>44,168,472</b>	<b>45,799,807</b>
<b>TOTAL LIABILITIES</b>		<b>120,860,120</b>	<b>136,498,108</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	10(c)	139,535,758	140,678,062
Warrants	10(c)	202,384	202,384
Contributed surplus		9,026,038	9,026,038
Currency translation account		(995,955)	(3,290,879)
Retained earnings		5,631,778	9,284,048
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>153,400,003</b>	<b>155,899,653</b>
<b>SUBSEQUENT EVENTS (Note 15)</b>			
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 274,260,123</b>	<b>\$ 292,397,761</b>

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

ON BEHALF OF THE BOARD

"Mary Parniak" Director

"Brian Little" Director

**CERES GLOBAL AG CORP.****Interim Condensed Consolidated Statements of Comprehensive Income (Loss)****For the three-month periods ended June 30****(Unaudited)**

	Note	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		\$ 42,944,441	\$ 89,608,570
Cost of sales		(41,518,114)	(83,419,971)
<b>GROSS PROFIT</b>		<b>1,426,327</b>	<b>6,188,599</b>
General and administrative expenses		(2,421,854)	(2,756,125)
<b>(LOSS) INCOME FROM OPERATIONS</b>		<b>(995,527)</b>	<b>3,432,474</b>
Finance income (loss)	9(a)	(2,364,854)	(452,828)
Finance expenses		(1,798,048)	(1,618,076)
<b>(LOSS) INCOME BEFORE INCOME TAXES AND THE UNDERNOTED ITEM</b>		<b>(5,158,429)</b>	<b>1,361,570</b>
Provision for income taxes (recovered) expense		(1,083,770)	706,870
<b>(LOSS) INCOME BEFORE THE UNDERNOTED ITEM</b>		<b>(4,074,659)</b>	<b>654,700</b>
Share of net loss in investments in associates		44,050	(310,098)
<b>NET (LOSS) INCOME FOR THE PERIOD</b>		<b>(4,030,609)</b>	<b>344,602</b>
<b>Other comprehensive gain (loss) for the period</b>			
Gain (loss) on translation of foreign currency accounts of foreign operations		2,294,924	(844,709)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ (1,735,685)</b>	<b>\$ (500,107)</b>
<b>WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD</b>		<b>14,512,041</b>	<b>15,174,015</b>
<b>EARNINGS PER SHARE</b>			
Basic		\$ (0.28)	\$ 0.02
Diluted		\$ (0.28)	\$ 0.02

**Supplemental disclosure of selected information:**

Depreciation included in Cost of sales		\$ 697,073	\$ 523,826
Depreciation included in General and administrative expenses		\$ 35,871	\$ 32,518
Amortization of financing costs included in Finance expenses		\$ 192,248	\$ 141,669
Personnel costs included in Cost of sales	16	\$ 415,875	\$ 482,501
Personnel costs included in General and administrative expenses	16	\$ 139,741	\$ 108,199

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

# CERES GLOBAL AG CORP.

## Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended June 30

(Unaudited)

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) income for the period		\$ (4,030,609)	\$ 344,602
Adjustments for:			
Amortization of property, plant and equipment		732,944	556,344
Realized gain on sale of investments		-	(579,051)
Change in fair value of investments		1,432,584	1,092,727
Finance expense		1,798,048	1,618,076
Income tax (recovery) expense		(1,083,770)	706,870
Share of net (income) loss in investments in associates		(44,050)	310,098
		(1,194,853)	4,049,666
Changes in non-cash working capital accounts	13	17,857,697	68,269,006
Interest paid		(1,660,255)	(2,047,356)
Income taxes recovered		1,010,400	9,995
<b>Cash flow provided by operating activities</b>		<b>16,012,989</b>	<b>70,281,311</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments		(250,000)	-
Proceeds from sale of investments, short sales and option premiums		-	4,357,163
Acquisition of property, plant and equipment	6	(570,812)	(3,128,843)
<b>Cash flow (used in) provided by investing activities</b>		<b>(820,812)</b>	<b>1,228,320</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net repayment of bank indebtedness		(16,166,400)	(44,039,450)
Net repayment of repurchase obligations		-	(24,860,968)
Repayment of long-term debt		(1,275,630)	(846,912)
Repurchase of common shares under normal course issuer bid	10(b)	(763,965)	(881,948)
<b>Cash flow used in financing activities</b>		<b>(18,205,995)</b>	<b>(70,629,278)</b>
<b>Foreign exchange cash flow adjustment on accounts denominated in a foreign currency</b>		<b>25,751</b>	<b>(42,397)</b>
<b>(Decrease) increase in cash for the period</b>		<b>(2,988,067)</b>	<b>837,956</b>
Cash, beginning of period		29,733,963	46,836,841
<b>Cash, end of period</b>		<b>\$ 26,745,896</b>	<b>\$ 47,674,797</b>

The accompanying notes are an integral part of these financial statements

**CERES GLOBAL AG CORP.**

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

**For the three-month periods ended June 30**

*(Unaudited)*

	<u>Note</u>	<u>Common shares</u>	<u>Warrants</u>	<u>Contributed surplus</u>	<u>Cumulative translation account</u>	<u>Retained earnings (deficit)</u>	<u>Total</u>
<b>Balances, April 1, 2012</b>		<b>\$ 140,678,062</b>	<b>\$ 202,384</b>	<b>\$ 9,026,038</b>	<b>\$ (3,290,879)</b>	<b>\$ 9,284,048</b>	<b>\$ 155,899,653</b>
<i>Changes in three-month period ended June 30, 2012</i>							
Repurchases under normal course issuer bid	10(b)	(1,142,304)	-	-	-	378,339	(763,965)
Other comprehensive income		-	-	-	2,294,924	-	2,294,924
Net loss for the period		-	-	-	-	(4,030,609)	(4,030,609)
<b>Balances, June 30, 2012</b>		<b>\$ 139,535,758</b>	<b>\$ 202,384</b>	<b>\$ 9,026,038</b>	<b>\$ (995,955)</b>	<b>\$ 5,631,778</b>	<b>\$ 153,400,003</b>
<b>Balances, April 1, 2011</b>		<b>\$ 146,947,393</b>	<b>\$ 202,384</b>	<b>\$ 9,026,038</b>	<b>\$ (5,786,261)</b>	<b>\$ 10,954,155</b>	<b>\$ 161,343,709</b>
<i>Changes in three-month period ended June 30, 2011</i>							
Repurchases under normal course issuer bid	10(b)	(1,022,227)	-	-	-	140,279	(881,948)
Other comprehensive loss		-	-	-	(844,709)	-	(844,709)
Net income for the period		-	-	-	-	344,602	344,602
<b>Balances, June 30, 2011</b>		<b>\$ 145,925,166</b>	<b>\$ 202,384</b>	<b>\$ 9,026,038</b>	<b>\$ (6,630,970)</b>	<b>\$ 11,439,036</b>	<b>\$ 159,961,654</b>

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

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

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

Ceres Global Ag Corp. (hereinafter referred to as “Ceres” or the “Corporation”) was incorporated on November 1, 2007, as amended on December 6, 2007, under the provisions of the *Business Corporations Act* (Ontario). Ceres is a corporation domiciled in Canada, and the address of its registered office is 33 Yonge Street, Suite 600, Toronto, Ontario, Canada, M5E 1G4. These interim condensed consolidated financial statements of Ceres as at and for the three-month period June 30, 2012 include the accounts of Ceres and its six wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

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

### 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 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 Audit Committee of the Board of Directors on August 8, 2012.

#### Functional and presentation currency

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

#### 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 statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Inventories 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

June 30, 2012

(Unaudited)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Interim condensed consolidated financial statements

These interim condensed consolidated financial statements should be read in conjunction with Ceres' audited consolidated financial statements for the year ended March 31, 2012. The Corporation's significant accounting policies were presented in Note 3 of those audited financial statements.

### 4. PORTFOLIO INVESTMENTS

	<u>June 30, 2012</u>	<u>March 31, 2012</u>
Total fair value	\$ 8,690,480	\$ 9,873,064
Total cost	\$ 12,650,857	\$ 12,387,501

### 5. DUE FROM (TO) BROKERS

Due from Broker for Ceres' portfolio investments represents amounts at the custodian brokers from settled and unsettled trades. Due from Broker for Riverland Ag for commodity futures and options contracts represents margin deposits and open trade equity maintained by a broker in connection with such contracts.

Due to Broker for Riverland Ag for commodity futures and options contracts represents the excess of open trade deficiencies on such contracts over the aggregate of minimum collateral requirements on deposit with the broker.

### 6. PROPERTY, PLANT AND EQUIPMENT

	<u>June 30,</u> <u>2012</u>	<u>March 31,</u> <u>2012</u>
Buildings and silos/elevators	\$ 64,494,918	\$ 62,883,609
Machinery and equipment	3,526,011	3,380,918
Furniture, fixtures, office equipment, computer software, and other property, plant and equipment	1,761,182	1,664,782
Land	9,153,706	8,696,994
	78,935,817	76,626,303
Less: accumulated depreciation	(5,156,999)	(4,088,261)
	<u>\$ 73,778,818</u>	<u>\$ 72,538,042</u>

For the three-month period ended June 30, 2012, additions to property, plant and equipment totalled \$570,812 (three-month period ended June 30, 2011: \$3,128,843).



# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 7. BANK INDEBTEDNESS

Riverland Ag has a revolving credit agreement with a lender based in the United States of America, for a syndicated committed facility of USD\$180 million, and secured by predominantly all assets of Riverland Ag, including cash but excluding property, plant and equipment. The obligation is guaranteed by Riverland Ag and by Ceres Canada Holding Corp., Ceres U.S. Holding Corp., and Riverland Canada. The credit agreement is subject to borrowing base limitations. The agreement may be extended by mutual agreement of Riverland Ag and the lenders prior to the expiration of the agreement.

Borrowings bear interest at LIBOR plus 4.00 per cent, with interest was calculated and paid monthly. Amounts under the credit agreement that remain undrawn are subject to a commitment fee of 0.75 per cent per annum payable quarterly in arrears on the average daily undrawn amount.

As described in Note 14 (Management of capital), this credit facility has certain covenants pertaining to the accounts of Riverland Ag. As at June 30, 2012 and March 31, 2012, Riverland Ag was in compliance with all debt covenants.

The following is a summary of the carrying amount of bank indebtedness:

	<u>June 30, 2012</u>		<u>March 31, 2012</u>	
	<u>in USD</u>	<u>in CAD</u>	<u>in USD</u>	<u>in CAD</u>
Revolving line of credit	\$ 64,000,000	\$ 65,158,400	\$ 80,000,000	\$ 79,800,000
Unamortized financing costs	(208,509)	(212,284)	(361,615)	(360,711)
	<b>\$ 63,791,491</b>	<b>\$ 64,946,116</b>	<b>\$ 79,638,385</b>	<b>\$ 79,439,289</b>

### 8. LONG-TERM DEBT

Riverland Ag has a ten-year term loan agreement in the amount of USD\$10 million with Great Western Bank, bearing a fixed annual interest rate of 6.60 per cent ("GWB loan #2"). This loan matures on February 12, 2021, and is guaranteed by Riverland Ag and the Corporation's wholly owned subsidiaries. The loan is repayable in 120 equal monthly principal installments of USD\$83,333 plus interest.

Riverland Ag has a 10-year secured term loan agreement in the amount of USD\$40.5 million with Great Western Bank, bearing a fixed annual interest rate of 5.35 per cent ("GWB loan #3"). This loan matures on December 12, 2021 and is guaranteed by Riverland Ag and the Corporation's wholly owned subsidiaries. The loan is repayable in 120 monthly installments requiring a level principal repayment of USD\$337,500 plus interest.

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 8. LONG-TERM DEBT (continued)

Long-term debt is summarized as follows:

	<u>June 30, 2012</u>		<u>March 31, 2012</u>	
	<u>in USD</u>	<u>in CAD</u>	<u>in USD</u>	<u>in CAD</u>
GWB loan #2	\$ 8,666,667	\$ 8,823,534	\$ 8,916,667	\$ 8,894,375
GWB loan #3	38,475,000	39,171,397	39,487,500	39,388,781
	47,141,667	47,994,931	48,404,167	48,283,156
Unamortized financing costs	(409,554)	(416,968)	(446,717)	(445,600)
Net carrying amounts	46,732,113	47,577,963	47,957,450	47,837,556
Portion due within twelve months	(5,050,000)	(5,141,405)	(5,050,000)	(5,037,375)
Unamortized financing costs on current portion	148,653	151,344	160,035	159,635
Current portion, net of unamortized financing costs	(4,901,347)	(4,990,061)	(4,889,965)	(4,877,740)
Long-term portion of term loans payable, net of unamortized financing costs	\$ 41,830,766	\$ 42,587,902	\$ 43,067,485	\$ 42,959,816

As at June 30, 2012, the annual remaining principal repayments of long-term debt over the next five fiscal years are as follows:

	<u>in USD</u>	<u>in CAD</u>
Fiscal year ending March 31, 2013	\$ 3,787,500	\$3,856,054
Fiscal year ending March 31, 2014	5,050,000	5,141,405
Fiscal year ending March 31, 2015	5,050,000	5,141,405
Fiscal year ending March 31, 2016	5,050,000	5,141,405
Fiscal year ending March 31, 2017	5,050,000	5,141,405
Thereafter until the fiscal year ending March 31, 2022	23,154,167	23,573,257
	\$ 47,141,667	\$ 47,994,931

USD amounts were translated to CAD using the exchange rate effective as at the reporting dates. As at the date of preparation of these interim condensed consolidated financial statements, management cannot predict with reasonable certainty the exchange rate that would apply on the dates on which interest and principal payments are due. Future foreign exchange rates will vary from the rate as at the reporting dates and such variances may be material.

As described in Note 14 (Management of capital), both term loans have certain restrictive debt covenant requirements, which Riverland Ag is required to meet. As at June 30, 2012 and March 31, 2012, Riverland Ag was in compliance with all debt covenants.

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 9. FINANCIAL INSTRUMENTS

#### (a) Fair value of financial instruments

The fair value of financial instruments closely approximates their carrying values.

Derivative assets and Derivative liabilities, which are held for trading and valued at fair value through profit and loss, include the following:

	June 30, <u>2012</u>	March 31, <u>2012</u>
<u>Derivative assets</u>		
Unrealized gains on open cash contracts	\$ 2,884,912	\$ 2,955,578
<u>Derivative liabilities</u>		
Unrealized losses on open cash contracts	\$ (1,264,084)	\$ (2,917,960)

Finance income (loss) for the three-month periods ended June 30, 2012 and 2011 include the following:

	2012	2011
Dividend revenues, net of withholding taxes	\$ -	\$ 13,681
Interest and other revenues	115	1,859
Realized gain on sale of property, plant and equipment	87,926	-
Realized gain on sale of investments	-	579,051
Realized (loss) gain on currency-hedging transactions	(1,030,853)	31,465
Realized and unrealized gain on foreign exchange	10,542	13,843
Change in fair value of investments	(1,432,584)	(1,092,727)
	<u>\$ (2,364,854)</u>	<u>\$ (452,828)</u>

#### (b) Management of financial instruments risks

In the normal course of business, the Corporation is exposed to various financial instruments risks, including market risk (consisting of price risk, commodity risk, interest rate risk and currency risk), credit risk, 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.

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 9. FINANCIAL INSTRUMENTS (continued)

(b) Management of financial instruments risks (continued)

#### Price risk

As at June 30, 2012 and March 31, 2012, the Corporation's market risk pertaining to portfolio investments is potentially affected by two main components, being changes in actual market prices and changes in foreign exchange rates. The Corporation's sensitivity to foreign currency movements is reported below (Currency risk).

Notwithstanding these factors, the following is a summary of the effect on the results of operations of the Corporation, if the bid or ask prices of each of the portfolio investments (including investments owned, short sales and written options) as at June 30, 2012 and March 31, 2012 had increased or decreased by 10 per cent, with all other variables remaining constant:

	<u>June 30, 2012</u>		<u>March 31, 2012</u>	
	Increase (decrease) in earnings in net income	Increase (decrease) in earnings per share	Increase (decrease) in earnings in net income	Increase (decrease) in earnings per share
<u>Change in bid/ask prices of investments</u>				
10% increase in bid-ask prices	\$ 869,048	\$ 0.06	\$ 199,850	\$ 0.01
10% decrease in bid-ask prices	\$ (869,048)	\$ (0.06)	\$ (199,850)	\$ (0.01)

#### Commodity risk

The following is a summary of the effect on the results of operations of the Corporation, if the fair value of each of the open cash contracts as at June 30, 2012 and March 31, 2012 had increased or decreased by 5 per cent, with all other variables remaining constant:

	<u>June 30, 2012</u>		<u>March 31, 2012</u>	
	Increase (decrease) in earnings in net income	Increase (decrease) in earnings per share	Increase (decrease) in earnings in net income	Increase (decrease) in earnings per share
<u>Change in bid/ask prices of commodities</u>				
5% increase in bid-ask prices	\$ 331,364	\$ 0.02	\$ 126,572	\$ 0.01
5% decrease in bid-ask prices	\$ (331,364)	\$ (0.02)	\$ (126,572)	\$ (0.01)

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 9. FINANCIAL INSTRUMENTS (continued)

(b) Management of financial instruments risks (continued)

#### Interest rate risk

As at June 30, 2012 and March 31, 2012, Riverland Ag has a variable rate interest-bearing liability in the form of its revolving credit facility. As disclosed in Note 7 (Bank indebtedness), Riverland Ag's revolving credit facility bears interest at an annual rate of LIBOR plus 4.00 per cent. As at June 30, 2012 and March 31, 2012, 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. On that basis, the potential effects on the future result of operations would be as follows:

	<u>June 30, 2012</u>		<u>March 31, 2012</u>	
	Decrease in net income	Decrease in earnings per share	Decrease in net income	Decrease in earnings per share
<u>Change in interest rate on revolving facility</u>				
25 bps increase in annual interest rate	\$ (162,896)	\$ (0.01)	\$ (199,500)	\$ (0.01)

#### Credit risk

Credit risk is the risk a counterparty would be unable to pay amounts due to the Corporation in accordance with the terms and conditions of the debt instruments. As at June 30, 2012 and March 31, 2012, the Corporation is subject to credit risk concerning cash, amounts due from brokers, trade accounts receivable, and to the extent that certain open cash contracts for grain commodities as at those dates gave rise to unrealized gains thereon. The maximum exposure to credit risk on those assets is limited to the carrying value of those assets.

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 counter-party risk associated with non-performance, which may have the potential of creating losses for the Corporation. The Corporation's management has assessed the counter-party risk and believes that insignificant losses, if any, would result from non-performance.

Riverland Ag regularly evaluates its credit risk concerning its trade accounts receivable to the extent that such receivables may be concentrated in certain industries or with significant customers. Riverland minimizes this risk by having a diverse customer base and established credit policies. The aging of Riverland Ag's trade accounts receivable are substantially current. Based on its review and assessment of its trade accounts receivable, management of Riverland Ag has determined that no allowance for doubtful accounts is warranted, and management is confident in its ability to collect outstanding trade accounts receivable.

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 9. FINANCIAL INSTRUMENTS (continued)

(b) Management of financial instruments risks (continued)

#### Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments, as at June 30, 2012 and March 31, 2012:

<u>June 30, 2012</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	<u>3 to 5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 64,946,116	\$ 65,158,400	\$ 65,158,400	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	4,856,312	4,856,312	4,856,312	-	-	-
Derivatives	1,264,084	1,264,084	1,264,084	-	-	-
Management fees payable	253,056	253,056	253,056	-	-	-
Income taxes payable	382,019	382,019	382,019	-	-	-
Long-term debt	47,577,963	60,596,248	7,688,157	7,400,416	20,478,792	25,028,884
	<u>\$ 119,279,550</u>	<u>\$ 132,510,119</u>	<u>\$ 79,602,028</u>	<u>\$ 7,400,416</u>	<u>\$ 20,478,792</u>	<u>\$ 25,028,884</u>

<u>March 31, 2012</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	<u>3 to 5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 79,439,289	\$ 79,800,000	\$ 79,800,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	3,141,089	3,141,089	3,141,089	-	-	-
Derivatives	2,917,960	2,917,960	2,917,960	-	-	-
Management fees payable	267,223	267,223	267,223	-	-	-
Due to Manager	55,000	55,000	55,000	-	-	-
Long-term debt	47,837,556	61,298,947	7,603,273	7,321,304	20,276,459	26,097,911
	<u>\$ 133,658,117</u>	<u>\$ 147,480,219</u>	<u>\$ 93,784,545</u>	<u>\$ 7,321,304</u>	<u>\$ 20,276,459</u>	<u>\$ 26,097,911</u>

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 9. FINANCIAL INSTRUMENTS (continued):

(b) Management of financial instruments risks (continued)

#### Currency risk

In the normal course of business, Ceres may hold assets or have liabilities denominated in currencies other than Canadian dollars (its presentation and functional currency, and referred to in this section as “CAD”). Therefore, Ceres is exposed to currency risk, as the value of any assets or liabilities denominated in currencies other than CAD will vary due to changes in foreign exchange rates.

The following is a summary, at fair value, of Ceres’ exposure to currency risks:

<u>Currency</u>	<u>June 30, 2012</u>		<u>March 31, 2012</u>	
	<u>Net asset exposure*</u>	<u>Net forward contracts (to sell foreign currency)</u>	<u>Net asset exposure*</u>	<u>Net forward contracts (to sell foreign currency)</u>
U.S. dollars	\$ 2,530,933	\$ 32,200,000	\$ 2,530,933	\$ 32,494,151
Australian dollars	\$ 804	\$ -	\$ 803	\$ -

\*Exposure excludes the effect of forward foreign exchange contracts.

As at June 30, 2012, Ceres was committed to a forward foreign exchange contract executed on that date and due July 31, 2012, as noted in the preceding table.

The following is a summary of the effect on the results of operations of the Corporation if the CAD had become 5 per cent stronger or weaker against each of the other currencies as at June 30, 2012 and March 31, 2012, with all other variables remaining constant, related to assets and liabilities denominated in foreign currencies and to the forward foreign exchange contracts:

<u>Change in foreign exchange rate</u>	<u>June 30, 2012</u>		<u>March 31, 2012</u>	
	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>
CAD 5% stronger	\$ 1,517,518	\$ 0.10	\$ 1,502,954	\$ 0.10
CAD 5% weaker	\$ (1,504,589)	\$ (0.10)	\$ (1,490,274)	\$ (0.10)

**CERES GLOBAL AG CORP.****Notes to the Interim Condensed Consolidated Financial Statements****June 30, 2012***(Unaudited)***9. FINANCIAL INSTRUMENTS (continued):***(c) Fair value measurements*

The following is a summary of the classification of financial instruments carried at fair value (portfolio investments and derivatives assets and liabilities, and of (options and forward foreign exchange contracts)) using the hierarchy of inputs described in Note 3 (Summary of significant accounting policies – fair value measurements):

<u>June 30, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Equities, long	\$ 4,170,512	\$ -	\$ 4,519,968	\$ 8,690,480
Derivative assets	-	2,884,912	-	2,884,912
Inventories, grains	-	139,607,658	-	139,607,658
Due to broker, unrealized losses on futures and options	(1,124,296)	-	-	(1,124,296)
Derivative liabilities	-	(1,264,084)	-	(1,264,084)
	\$ 3,046,216	\$ 141,228,486	\$ 4,519,968	\$ 148,794,670

The following is a reconciliation of the changes in the equities, long, measured at fair value using unobservable inputs (Level 3), for the three-month period ended June 30, 2012:

Balance, April 1, 2012	\$ 3,861,027
Transfers in/out	-
Net purchase	250,000
Change in fair value of Level 3 portfolio investments	408,941
	\$ 4,519,968

<u>March 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Equities, long	\$ 6,012,037	\$ -	\$ 3,861,027	\$ 9,873,064
Derivative assets	-	2,955,578	-	2,955,578
Inventories, grains	-	158,400,586	-	158,400,586
Due to broker, unrealized losses on futures and options	(6,590,043)	-	-	(6,590,043)
Derivative liabilities	-	(2,917,960)	-	(2,917,960)
	\$ (578,006)	\$ 158,438,204	\$ 3,861,027	\$ 161,721,225



# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited)

### 10. SHARE CAPITAL AND WARRANTS

(a) *Authorized*

Unlimited number of voting, participating Common Shares, without par value; and 150,000 Common Share Purchase Warrants, expiring on June 11, 2013 and entitling each holder thereof to acquire one Common Share of the Corporation at a price of \$10.40 each.

(b) *Normal Course Issuer Bids*

2010-2011 Normal Course Issuer Bid

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, 2011 to June 30, 2011, Ceres purchased 105,954 Shares under the 2010-2011 NCIB for an aggregate consideration of \$881,948. The stated capital value of the repurchased Shares was \$1,022,227. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$140,279, has been allocated during the three-month period ended June 30, 2011 to Retained Earnings.

2011-2012 Normal Course Issuer Bid

On October 13, 2011, Ceres announced a normal course issuer bid (“the 2011-2012 NCIB”) commencing on October 17, 2011. For the period from April 1, 2012 to June 30, 2012, Ceres purchased 118,400 Shares under the 2011-2012 NCIB for an aggregate consideration of \$763,965. The stated capital value of these repurchased Shares was \$1,142,304. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$378,339, has been allocated to Retained Earnings in the three-month period ended June 30, 2012.

(c) *Issued and outstanding as at June 30, 2012 and March 31, 2012*

The following is a summary of the changes in the Common Shares and Warrants during the year ended March 31, 2012 (“FYE 2012”) and for the three-month period ended June 30, 2012 (“FYTD 2013”):

	<u>Common shares</u>		<u>Warrants</u>	
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>
<b>Balances, April 1, 2011</b>	<b>15,231,116</b>	<b>\$ 146,947,393</b>	<b>150,000</b>	<b>\$ 202,384</b>
<i>Changes in FYE 2012</i>				
Repurchases under normal course issuer bid	(649,817)	(6,269,331)	-	-
<b>Balances, March 31, 2012</b>	<b>14,581,299</b>	<b>\$ 140,678,062</b>	<b>150,000</b>	<b>\$ 202,384</b>
<i>Changes in FYTD 2013</i>				
Repurchases under normal course issuer bid	(118,400)	(1,142,304)	-	-
<b>Balances, June 30, 2012</b>	<b>14,462,899</b>	<b>\$ 139,535,758</b>	<b>150,000</b>	<b>\$ 202,384</b>

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 11. MANAGEMENT FEES AND OTHER EXPENSES

#### (a) Management fees

For the three-month period ended June 30, 2012, management fees charged to operations total \$803,672 (three-month period ended June 30, 2011: \$995,336). Management fees are included with General and administrative expenses. As at June 30, 2012, management fees payable to the Manager amounted to \$253,056 (March 31, 2012: \$267,223).

#### (b) Other expenses

The Corporation is responsible for paying fees and expenses incurred in its operations and administration, except fees and expenses to be borne by the Manager as set out in the Management Agreement. In addition to the Management Fees and Incentive Fees (if any) payable to the Manager, the Corporation shall reimburse the Manager for all expenses it incurs related to its duties (including payments to third parties in that regard) to the extent such expenses were incurred for and on behalf of the Corporation. As at June 30, 2012, no significant balances were due to the Manager (March 31, 2012: \$55,000 was due to the Manager).

### 12. RELATED PARTY TRANSACTIONS

#### (a) Management fees

The amounts charged to operations related to management fees have been reported in Note 11(a) (Management fees and other expenses – management fees).

#### (b) Key management personnel

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

	<u>2012</u>	<u>2011</u>
Salaries and other compensation, senior executive officers	\$ 185,661	\$ 114,938
Personnel costs, senior executive officers	10,664	3,517
Directors' fees	34,815	19,118
	<u>\$ 231,140</u>	<u>\$ 137,573</u>

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

(Unaudited)

### 13. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS

	<u>2012</u>	<u>2011</u>
Increase in due from Broker, commodity futures contracts	\$ (5,448,247)	\$ (3,155,581)
(Increase) decrease in net derivative assets	(1,570,465)	444,555
Decrease (increase) in accounts receivable	409,872	(1,179,628)
Decrease in inventories	22,143,314	71,646,009
Decrease in prepaid expenses	677,575	16,676
Increase in accounts payable and accrued liabilities	1,714,816	372,329
(Decrease) increase in management fees payable	(14,168)	124,646
Decrease in due to Manager	(55,000)	-
	<u>\$ 17,857,697</u>	<u>\$ 68,269,006</u>

### 14. MANAGEMENT OF CAPITAL

Riverland Ag, the operating subsidiary of Ceres, has capital requirements imposed by its lenders. As at June 30, 2012, Riverland Ag is required to comply with the following primary financial covenants and ratios, among others:

#### Revolving credit facility (Note 7)

This credit facility has certain covenants, including the maintenance of:

- (a) the ratio of “consolidated debt” to “consolidated tangible net worth” (as defined by the agreement) of not more than 4.0 to 1.0;
- (b) consolidated working capital of not less than USD\$30 million; and
- (c) consolidated tangible net worth of not less than USD\$70 million.

#### Secured term loans (Note 8)

The term loans are subject to the following restrictive debt covenant requirements:

- (a) a ratio of “liabilities” to “tangible net worth” (as defined by the agreement) of 2.5 to 1.0 or more;
- (b) consolidated working capital of not less than USD\$30 million;
- (c) consolidated net worth of not less than USD\$70 million;
- (d) a minimum “debt service coverage ratio” of not less than 0.70 to 1.00, which was revised on June 30, 2012 from the previous ratio of not less than 1.05 to 1.00; and
- (e) other restrictions including the payment of dividends or other distributions to shareholders.

As at June 30, 2012 and March 31, 2012, Riverland Ag complies with debt covenants for the revolving credit facility and the secured term loans.

# CERES GLOBAL AG CORP.

## Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2012

*(Unaudited)*

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### 15. SUBSEQUENT EVENTS

#### Renewal of revolving line of credit facility

On July 31, 2012, Riverland Ag renewed its committed revolving credit agreement (Note 7) for an additional two years. The amount of the revolving line of credit facility remains USD\$180 million, and there is no change in the identity of the guarantors of the facility. The credit agreement is subject to borrowing base limitations. The revolver is secured by predominantly all assets of Riverland Ag, including cash but excluding property, plant, and equipment.

Borrowings will bear interest at LIBOR plus 3.75%. Interest will be calculated and paid monthly. Amounts under the credit agreement that remain undrawn will be subject to commitment fees on a graduated scale, which will be payable quarterly in arrears on the average daily undrawn amount. The renewed revolving credit facility has certain covenants, including the maintenance of the ratio of “consolidated debt” to “consolidated tangible net worth” (as defined by the agreement) of not more than 4.00 to 1.00, consolidated minimum working capital of not less than USD\$50 million, and consolidated tangible net worth of not less than USD\$90 million. The revolving credit facility will also subject to a “debt service coverage ratio”, which will also apply to the long-term debt facilities described in Note 8, as follows:

- a) a minimum ratio of 0.60 to 1.00 for the quarter ending September 30, 2012;
- b) a minimum ratio of 0.65 to 1.00 for the quarter ending December 31, 2012;
- c) a minimum ratio of 0.70 to 1.00 for the quarter ending March 31, 2013;
- d) a minimum ratio of 1.25 to 1.00 for the quarter ending June 30, 2013; and
- e) a minimum ratio of 1.50 to 1.00 thereafter.

#### Restricted cash deposit

On August 1, 2012, Riverland Ag opened a cash account with Great Western Bank (“GWB”), its lender under the long-term facility, and deposited cash of USD\$7.6 million. This amount represents the aggregate of principal and interest payments due until July 31, 2013 on the Company’s long-term debt. The deposit is restricted, and GWB will withdraw funds from this account on a monthly basis, as and when principal and interest payments are due.

### 16. COMPARATIVE FIGURES

Comparative figures concerning personnel costs included in Cost of sales and in General and administrative expenses, as previously reported as “Supplemental disclosure of selected information” in the interim condensed consolidated statement of comprehensive income for the quarter ended June 30, 2011, have been reclassified for that quarter. Previously reported figures included amounts only for Riverland’s contribution to the 401(k) plan for the period. Reclassified figures also now include other personnel costs also recorded in Cost of sales that were inadvertently omitted. These reclassifications have no effect on net income for that period.