

Unaudited Interim Condensed Consolidated Financial Statements of



*For the three-month and nine-month periods ended December 31, 2013 and
December 31, 2012*

CERES GLOBAL AG CORP.

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December 31, 2013

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

	<u>Notes</u>	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>
ASSETS			
Current			
Cash		\$ 6,467,536	\$ 20,443,836
Portfolio investments owned, at fair value	4	848,163	6,488,254
Due from Brokers	5	6,045,963	11,943,310
Derivatives	10(a)	3,480,177	2,311,882
Accounts receivable, trade		8,155,438	13,215,771
Accounts receivable, other	17	1,437,801	-
Inventories, grains		106,380,747	164,750,108
Income taxes recoverable		1,077,944	-
Prepaid expenses and sundry assets		1,084,045	1,458,362
Current assets		134,977,814	220,611,523
Investments in associates		4,782,066	4,349,467
Intangible assets		319,080	304,800
Investment property	6, 17	12,842,763	4,975,921
Property, plant and equipment	7	66,791,301	66,007,982
Non-current assets		84,735,210	75,638,170
TOTAL ASSETS		\$ 219,713,024	\$ 296,249,693
LIABILITIES			
Current			
Bank indebtedness	8	\$ 74,260,525	\$ 116,327,864
Accounts payable and accrued liabilities		10,189,897	5,296,033
Repurchase obligations	9	3,340,162	27,130,501
Derivatives	10(a)	800,087	1,627,645
Income taxes payable		-	260,539
Management fees payable	12(a)	1,582,000	250,763
Due to Manager	12(b)	-	268,565
Current liabilities		90,172,671	151,161,910
Non-current liability, deferred income taxes		213,774	207,272
TOTAL LIABILITIES		90,386,445	151,369,182
SHAREHOLDERS' EQUITY			
Common shares	11(d)	137,083,083	138,298,904
Warrants	11(d)	-	202,384
Contributed surplus		9,228,422	9,026,038
Currency translation account		3,795,139	(1,292,904)
Deficit		(20,780,065)	(1,353,911)
TOTAL SHAREHOLDERS' EQUITY		129,326,579	144,880,511
SUBSEQUENT EVENT	15		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 219,713,024	\$ 296,249,693

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

ON BEHALF OF THE BOARD

"James Vanasek" Director

"Gary Mize" Director

CERES GLOBAL AG CORP.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

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

(Unaudited)

	Note	3 months		9 months	
		2013	2012 (Note 16)	2013	2012 (Note 16)
REVENUES		\$ 54,812,688	\$ 84,574,608	\$ 198,904,279	\$ 162,650,943
Cost of sales		(54,686,267)	(86,981,665)	(198,203,738)	(162,565,310)
GROSS PROFIT (LOSS)		126,421	(2,407,057)	700,541	85,633
General and administrative expenses	12(a)	(1,470,156)	(2,632,582)	(15,919,092)	(7,670,396)
LOSS FROM OPERATIONS		(1,343,735)	(5,039,639)	(15,218,551)	(7,584,763)
Realized gain (loss) on sale of property, plant and equipment		19,629	(112,148)	196,415	(24,222)
Finance loss	10(a)	(1,041,781)	(1,023,322)	(2,890,796)	(2,574,354)
Finance expenses		(1,262,530)	(5,574,288)	(3,586,542)	(9,729,387)
LOSS BEFORE INCOME TAXES AND UNDERNOTED ITEM		(3,628,417)	(11,749,397)	(21,499,474)	(19,912,726)
Income taxes recovery		(1,014,628)	(3,982,342)	(1,218,762)	(6,571,043)
LOSS BEFORE UNDERNOTED ITEM		(2,613,789)	(7,767,055)	(20,280,712)	(13,341,683)
Share of net income in investments in associates		481,037	642,043	620,099	1,052,845
NET LOSS FOR THE PERIOD		(2,132,752)	(7,125,012)	(19,660,613)	(12,288,838)
Other comprehensive gain (loss) for the period					
Gain (loss) on translation of foreign currency accounts of foreign operations		3,503,613	1,311,356	5,088,043	(267,299)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		\$ 1,370,861	\$ (5,813,656)	\$ (14,572,570)	\$ (12,556,137)
WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD		14,209,760	14,336,399	14,277,594	14,417,710
LOSS PER SHARE					
Basic		\$ (0.15)	\$ (0.50)	\$ (1.38)	\$ (0.85)
Diluted		\$ (0.15)	\$ (0.50)	\$ (1.38)	\$ (0.85)

Supplemental disclosure of selected information:

Depreciation included in Cost of sales	\$ 705,192	\$ 692,451	\$ 2,095,325	\$ 2,079,639
Depreciation included in General and administrative expenses	\$ 39,306	\$ 35,201	\$ 115,394	\$ 106,435
Amortization of financing costs included in Finance expenses	\$ 113,319	\$ 533,444	\$ 336,003	\$ 1,017,822
Personnel costs included in Cost of sales	\$ 382,431	\$ 428,249	\$ 1,091,370	\$ 1,312,340
Personnel costs included in General and administrative expenses	\$ 80,380	\$ 115,259	\$ 277,238	\$ 365,078

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 and nine-month periods ended December 31 (Unaudited)

	<u>Note</u>	<u>3 months</u>		<u>9 months</u>	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
CASHFLOWS FROM OPERATING ACTIVITIES					
Net loss for the period		\$ (2,132,752)	\$ (7,125,012)	\$ (19,660,613)	\$ (12,288,838)
Adjustments for:					
Depreciation of property, plant and equipment		744,498	727,652	2,210,719	2,186,074
Realized loss (gain) on sale of property, plant and equipment		(19,629)	112,148	(196,415)	112,148
Realized loss on sale of investments		2,974,760	-	2,974,760	-
Change in fair value of investments		(1,914,729)	616,327	(513,896)	2,878,396
Finance expense		1,262,530	5,574,288	3,586,542	9,729,387
Income tax recovery		(1,014,628)	(3,982,342)	(1,218,762)	(6,571,043)
Share of net income in investments in associates		(481,037)	(642,043)	(620,099)	(1,052,845)
		(580,987)	(4,718,982)	(13,437,764)	(5,006,721)
Changes in non-cash working capital accounts	14	13,281,986	46,217,906	79,313,434	(41,905,464)
Interest paid		(1,168,435)	(4,906,551)	(3,491,113)	(8,377,685)
Income taxes (paid) recovered		(22,635)	26,023	(90,141)	1,029,023
Cash flow provided by (used in) operating activities		11,509,929	36,618,396	62,294,416	(54,260,847)
CASHFLOWS FROM INVESTING ACTIVITIES					
Purchase of investments, investments sold short and options		-	(800,000)	-	(1,050,000)
Proceeds from sale of investments		3,189,928	-	3,189,928	-
Dividend received from investment in associate		125,000	-	125,000	-
Repayment of loan receivable from associate		62,500	-	62,500	-
Acquisition of, and costs capitalized on, investment property	6	(3,796,179)	(102,990)	(7,855,485)	(739,997)
Proceeds from sale of property, plant and equipment		29,592	499,550	1,525,663	499,550
Acquisition of property, plant and equipment	7	(764,609)	(375,698)	(1,381,775)	(1,319,651)
Cash flow used in investing activities		(1,153,768)	(779,138)	(4,334,169)	(2,610,098)
CASHFLOWS FROM FINANCING ACTIVITIES					
Net (repayment of) proceeds from bank indebtedness		(17,798,100)	(14,221,400)	(46,660,500)	45,958,600
Net (repayment of) proceeds from repurchase obligations		2,698,215	13,622,809	(24,432,286)	53,621,379
Financing costs paid		-	(34,398)	-	(821,753)
Repayment of long-term debt		-	(45,828,028)	-	(48,360,603)
Change in restricted cash		-	6,157,208	-	-
Repurchase of common shares under normal course issuer bid	11(b)	(85,652)	(108,674)	(981,362)	(1,531,991)
Cash flow provided by (used in) financing activities		(15,185,537)	(40,412,483)	(72,074,148)	48,865,632
Foreign exchange cash flow adjustment on accounts denominated in a foreign currency					
		464,722	158,035	137,601	(9,414)
Decrease in cash for the period		(4,364,654)	(4,415,190)	(13,976,300)	(8,014,727)
Cash, beginning of period		10,832,190	26,134,426	20,443,836	29,733,963
Cash, end of period		\$ 6,467,536	\$ 21,719,236	\$ 6,467,536	\$ 21,719,236

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 nine-month periods ended December 31

(Unaudited)

	<u>Note</u>	<u>Common shares</u>	<u>Warrants</u>	<u>Contributed surplus</u>	<u>Currency translation account</u>	<u>Retained earnings (deficit)</u>	<u>Total</u>
Balances, April 1, 2013		\$ 138,298,904	\$ 202,384	\$ 9,026,038	\$ (1,292,904)	\$ (1,353,911)	\$ 144,880,511
<i>Changes in nine-month period ended December 31, 2013</i>							
Expiry of warrants, June 11, 2013	11(c)	-	(202,384)	202,384	-	-	-
Repurchases under normal course issuer bid	11(b)	(1,215,821)	-	-	-	234,459	(981,362)
Other comprehensive income		-	-	-	5,088,043	-	5,088,043
Net loss for the period		-	-	-	-	(19,660,613)	(19,660,613)
Balances, December 31, 2013		\$ 137,083,083	\$ -	\$ 9,228,422	\$ 3,795,139	\$ (20,780,065)	\$ 129,326,579
Balances, April 1, 2012		\$ 140,678,062	\$ 202,384	\$ 9,026,038	\$ (3,290,879)	\$ 9,284,048	\$ 155,899,653
<i>Changes in nine-month period ended December 31, 2012</i>							
Repurchases under normal course issuer bid	11(b)	(2,379,158)	-	-	-	847,167	(1,531,991)
Other comprehensive loss		-	-	-	(267,299)	-	(267,299)
Net loss for the period		-	-	-	-	(12,288,838)	(12,288,838)
Balances, December 31, 2012		\$ 138,298,904	\$ 202,384	\$ 9,026,038	\$ (3,558,178)	\$ (2,157,623)	\$ 141,811,525

The accompanying notes are an integral part of these financial statements

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(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). Ceres is a corporation domiciled in Canada, and the address of its registered office is 1920 Yonge Street, Suite 200, Toronto, Ontario, Canada, M4S 3E2. These interim condensed consolidated financial statements of Ceres as at and for the three-month and nine-month periods ended December 31, 2013 and December 31, 2012 include the accounts of Ceres and its nine 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 ten storage and handling facilities in the states of Minnesota, New York, Wisconsin and the province of Ontario, with a combined licensed capacity of 50,000,000 bushels. Riverland Ag also manages two facilities in Wyoming on behalf of its customer-owner.

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 February 14, 2014.

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

December 31, 2013

(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, 2013. The Corporation's significant accounting policies were presented in Note 3 of those audited financial statements.

Changes in accounting policies

Commencing April 1, 2013, the Corporation adopted IFRS 10 *Consolidated Financial Statements*, as well as the consequential amendments to IAS 28 *Investments in Associates and Joint Ventures*. IFRS 10 provides a single model to be applied in the control analysis for all investees, and defines control as when an investor has power over an investee and has the ability to use its power over the investee to affect the amount of the investor's returns. The effect of the adoption of IFRS 10 on the Corporation's consolidated financial position or results of operations is not material.

Commencing April 1, 2013, the Corporation adopted IFRS 12 *Disclosures of Interests in Other Entities*, which integrates all of the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. The required disclosures provide information to evaluate the nature of, and risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial statements. The effect of the adoption of IFRS 12 is expected to result in certain additional disclosures in the Corporation's annual consolidated financial statements.

Commencing April 1, 2013, the Corporation adopted IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. The effect of the adoption of IFRS 13 is expected to result in certain additional disclosures in the Corporation's annual consolidated financial statements.

Commencing April 1, 2013, the Corporation adopted the new disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. The effective date for the amendments to IFRS 7 is for annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position; or subject to master netting arrangements or similar arrangements. The effect of the adoption of the new disclosure requirements in IFRS 7 is reflected in Note 5 (Due from (to) Brokers).

4. PORTFOLIO INVESTMENTS

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Total fair value	\$ 848,163	\$ 6,488,254
Total cost	\$ 7,231,818	\$ 13,396,506

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

5. DUE FROM (TO) BROKERS

Due from Brokers for Ceres' portfolio investments represents amounts at the custodian brokers from settled and unsettled trades.

Due from Brokers 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. Amounts due from Brokers are offset by amounts due to the same Brokers, under the terms and conditions of enforceable master netting arrangements in effect with all brokers, through which Riverland Ag executes its transactions and for which Riverland Ag intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

As at December 31, 2013 and March 31, 2013, the amounts due from Brokers represent the following:

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Amounts due from Brokers, for margin deposits and unrealized gains on future contracts and options	\$ 21,969,026	\$ 14,448,802
Amounts due to Brokers, for unrealized losses on future contracts and options, in excess of margin deposits	(15,923,063)	(2,505,492)
	<u>\$ 6,045,963</u>	<u>\$ 11,943,310</u>

6. INVESTMENT PROPERTY

Investment property is stated at cost. Investment property includes land currently in development, and being held for capital appreciation and not otherwise utilized by Ceres. On initial recognition, investment property is measured at cost, including directly attributable expenditures that are capitalized on the basis it is probable that future economic benefits associated with the expenditure related to the investment property will flow to Ceres and the cost of such expenditure can be measured reliably. As at December 31, 2013, management has determined that the fair value of investment property approximates cost, on the basis that investment property was acquired recently and there are no significant conditions that would indicate that fair value varies materially from cost. As at the date of preparation of these interim condensed consolidated financial statements, Ceres has not engaged an independent valuator to determine the fair value of investment property.

For the nine-month period ended December 31, 2013 and for the year ended March 31, 2013, changes to the investment property are as follows:

	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>
Investment property, cost as at beginning of period	\$ 4,975,921	\$ 2,900,582
Investment property additions (adjustments)	(3,603)	830,993
Costs capitalized	7,859,088	1,240,727
	<u>7,855,485</u>	<u>2,071,720</u>
Foreign currency translation adjustments	11,357	3,619
Investment property, cost as at end of period	<u>\$ 12,842,763</u>	<u>\$ 4,975,921</u>

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

7. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2013</u>	<u>March 31, 2013</u>
Buildings and silos/elevators	\$ 63,375,496	\$ 61,607,549
Machinery and equipment	4,372,493	3,835,820
Furniture, fixtures, office equipment, computer software, and other property, plant and equipment	2,228,960	1,728,162
Land	6,020,185	5,810,194
	<u>75,997,134</u>	<u>72,981,725</u>
Less: accumulated depreciation	<u>(9,205,833)</u>	<u>(6,973,743)</u>
	<u>\$ 66,791,301</u>	<u>\$ 66,007,982</u>

For the nine-month period ended December 31, 2013, acquisitions of property, plant and equipment totaled \$1,381,775 and for the quarter then ended, acquisitions of property, plant and equipment totaled \$764,609 (nine-month period ended December 31, 2012: \$1,319,651; quarter ended December 31, 2012: \$375,698). For the nine-month period ended December 31, 2013, certain property, plant and equipment was sold for proceeds of \$1,525,663, realizing a gain of \$196,415 (nine-month-period ended December 31, 2012: property, plant and equipment was sold for proceeds of \$499,550, realizing a loss of \$112,148). For the quarter ended December 31, 2013, certain property, plant and equipment was sold for proceeds of \$29,592, realizing a gain of \$19,629 (quarter ended December 31, 2012: property, plant and equipment was sold for proceeds of \$499,550, realizing a loss of \$112,148).

8. 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.

For the period from April 1, 2012 to July 30, 2012, borrowings were subject to interest at LIBOR plus 4.00 per cent, with interest calculated and paid monthly. Thereafter, and pursuant to the amended and restated agreement, borrowings were subject to interest at LIBOR plus 3.75 per cent, with interest calculated and paid monthly. The credit agreement is subject to certain commitment fees based on a graduated scale depending on the amount of the credit facility that remains undrawn. Commitment fees are payable quarterly in arrears on the average daily undrawn amount.

This credit facility has certain covenants and ratios pertaining to the accounts of Riverland Ag. As at December 31, 2013 and March 31, 2013, Riverland Ag was in compliance with all debt covenants and ratios for the revolving credit facility.

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

8. BANK INDEBTEDNESS (continued)

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

	<u>December 31, 2013</u>		<u>March 31, 2013</u>	
	<u>in USD</u>	<u>in CAD</u>	<u>in USD</u>	<u>in CAD</u>
Revolving line of credit	\$ 70,000,000	\$ 74,452,000	\$ 115,000,000	\$ 116,840,000
Unamortized financing costs	(180,025)	(191,475)	(504,071)	(512,136)
	\$ 69,819,975	\$ 74,260,525	\$ 114,495,929	\$ 116,327,864

9. REPURCHASE OBLIGATIONS

As at March 31, 2013, Riverland Ag had open repurchase commitments under its product financing arrangement with Macquarie Commodities (USA), Inc. ("MCUSA") to repurchase 4,000,000 bushels of certain grains. Under the product financing arrangement, Riverland Ag sold MCUSA grains under contract and simultaneously entered into contracts to repurchase the grains during the first quarter of the fiscal year ending March 31, 2014 ("FYE 2014"). Since Riverland Ag is obligated to repurchase these commodities from MCUSA, it has not recognized these transactions as sales. As at March 31, 2013, the Corporation continues to recognize the inventory owned by Riverland Ag in this regard on its consolidated balance sheet and has recorded a liability of USD\$26,703,249 at that date (CAD\$27,130,501), plus accrued interest payable. As at March 31, 2013, the fixed interest rates on the open repurchase commitments range from 3.99 per cent to 4.05 per cent.

As at December 31, 2013, Riverland Ag has open repurchase commitments under a product financing arrangement with Icestar B.V., a wholly owned subsidiary of ABN AMRO Securities USA LLC, to repurchase 500,000 bushels of certain grains. As at December 31, 2013, the Corporation continues to recognize the inventory owned by Riverland Ag in this regard on its consolidated balance sheet and has recorded a liability of USD\$3,140,431 at that date (CAD\$3,340,162), plus accrued interest payable. As at December 31, 2013, the fixed interest rate on this open repurchase commitment was 3.06 per cent.

CERES GLOBAL AG CORP.**Notes to the Interim Condensed Consolidated Financial Statements****December 31, 2013***(Unaudited)***10. 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:

	December 31, <u>2013</u>	March 31, <u>2013</u>
<u>Derivative assets</u>		
Unrealized gains on open cash contracts	\$ 3,480,177	\$ 2,301,181
Unrealized gain on forward foreign exchange contracts	-	10,701
	<u>\$ 3,480,177</u>	<u>\$ 2,311,882</u>
<u>Derivative liabilities</u>		
Unrealized losses on open cash contracts	<u>\$ (800,087)</u>	<u>\$ (1,627,645)</u>

For the three-month and nine-month periods ended December 31, 2013 and 2012, finance loss includes the following:

	<u>3 months</u>		<u>9 months</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Interest and other revenues	\$ 4,006	\$ 20,608	\$ 4,009	\$ 20,725
Realized loss on sale of investments	(2,974,760)	-	(2,974,760)	-
Realized gain (loss) on currency-hedging transactions	-	(433,720)	(468,891)	285,497
Realized and unrealized gain (loss) on foreign exchange	14,244	6,117	34,950	(2,180)
Change in fair value of investments	1,914,729	(616,327)	513,896	(2,878,396)
	<u>\$ (1,041,781)</u>	<u>\$ (1,023,322)</u>	<u>\$ (2,890,796)</u>	<u>\$ (2,574,354)</u>

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

10. FINANCIAL INSTRUMENTS (continued)

(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.

Price risk

As at December 31, 2013 and March 31, 2013, 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 as at December 31, 2013 and March 31, 2013 had increased or decreased by 10 per cent, with all other variables remaining constant:

	<u>December 31, 2013</u>		<u>March 31, 2013</u>	
	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
<u>Change in bid/ask prices of investments</u>				
10% increase in bid-ask prices	\$ 84,816	\$ 0.01	\$ 648,825	\$ 0.05
10% decrease in bid-ask prices	\$ (84,816)	\$ (0.01)	\$ (648,825)	\$ (0.05)

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 December 31, 2013 and March 31, 2013 had increased or decreased by 5 per cent, with all other variables remaining constant:

	<u>December 31, 2013</u>		<u>March 31, 2013</u>	
	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
<u>Change in bid/ask prices of commodities</u>				
5% increase in bid-ask prices	\$ 35,294	\$ 0.002	\$ 1,658,491	\$ 0.12
5% decrease in bid-ask prices	\$ (35,294)	\$ (0.002)	\$ (1,658,491)	\$ (0.12)

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

10. FINANCIAL INSTRUMENTS (continued)

(b) Management of financial instruments risks (continued)

Interest rate risk

As at December 31, 2013 and March 31, 2013, Riverland Ag has a variable rate interest-bearing liability in the form of its revolving credit facility. As disclosed in Note 8 (Bank indebtedness), Riverland Ag's revolving credit facility bears interest at an annual rate of LIBOR plus 3.75 per cent. As at December 31, 2013 and March 31, 2013, 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>December 31, 2013</u>		<u>March 31, 2013</u>	
	Decrease in net <u>income</u>	Decrease in earnings <u>per share</u>	Decrease in net <u>income</u>	Decrease in earnings <u>per share</u>
<u>Change in interest rate on revolving facility</u>				
25 bps increase in annual interest rate	\$ (186,130)	\$ (0.01)	\$ (292,100)	\$ (0.02)

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 December 31, 2013 and March 31, 2013, 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

December 31, 2013

(Unaudited)

10. 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 December 31, 2013 and March 31, 2013:

<u>December 31, 2013</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>2 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>
Bank indebtedness	\$ 74,260,525	\$ 74,452,000	\$ 74,452,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	10,189,897	10,189,897	10,189,897	-	-	-
Repurchase obligations	3,340,162	3,340,162	3,340,162	-	-	-
Derivatives	800,087	800,087	800,087	-	-	-
Management fees payable	1,582,000	1,582,000	1,582,000	-	-	-
	<u>\$ 90,172,671</u>	<u>\$ 90,364,146</u>	<u>\$ 90,364,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>March 31, 2013</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>2 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>
Bank indebtedness	\$ 116,327,864	\$ 116,840,000	\$ 116,840,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	5,296,033	5,296,033	5,296,033	-	-	-
Repurchase obligations	27,130,501	27,130,501	27,130,501	-	-	-
Derivatives	1,627,645	1,627,645	1,627,645	-	-	-
Income taxes payable	260,539	260,539	260,539	-	-	-
Management fees payable	250,763	250,763	250,763	-	-	-
Due to Manager	268,565	268,565	268,565	-	-	-
	<u>\$ 151,161,910</u>	<u>\$ 151,674,046</u>	<u>\$ 151,674,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

10. 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>December 31, 2013</u>		<u>March 31, 2013</u>	
	Net asset (net liability) exposure	Net forward contracts (to sell foreign currency)	Net asset exposure*	Net forward contracts (to sell foreign currency)
U.S. dollars	\$ (425,581)	\$ -	\$ 537,484	\$ 30,000,000
Australian dollars	\$ 812	\$ -	\$ 809	\$ -

*Exposure excludes the effect of forward foreign exchange contracts.

As at December 31, 2013, Ceres had no commitment concerning any forward foreign exchange contract. As at March 31, 2013, Ceres was committed to a forward foreign exchange contract executed on March 27, 2013 and due April 30, 2013, in the amount 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 December 31, 2013 and March 31, 2013, with all other variables remaining constant, related to assets and liabilities denominated in foreign currencies and to forward foreign exchange contracts:

<u>Change in foreign exchange rate</u>	<u>December 31, 2013</u>		<u>March 31, 2013</u>	
	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
CAD 5% stronger	\$ 21,518	\$ 0.002	\$ 1,498,554	\$ 0.10
CAD 5% weaker	\$ (23,783)	\$ (0.002)	\$ (1,495,812)	\$ (0.10)

CERES GLOBAL AG CORP.**Notes to the Interim Condensed Consolidated Financial Statements****December 31, 2013***(Unaudited)***10. FINANCIAL INSTRUMENTS (continued):***(c) Fair value measurements*

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

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Equities, long	\$ -	\$ -	\$ 848,163	\$ 848,163
Due from broker, unrealized gains on futures and options	457,489	-	-	457,489
Derivative assets	-	3,480,177	-	3,480,177
Inventories, grains	-	102,093,796	-	102,093,796
Derivative liabilities	-	(800,087)	-	(800,087)
Provision for additional payments to the Manager	-	(1,400,000)	-	(1,400,000)
	\$ 457,489	\$ 103,373,886	\$ 848,163	\$ 104,679,538

During the period, equities having a fair value of \$718,685 were transferred from Level 2 to Level 1. This transfer occurred when restricted shares acquired by the Corporation were converted into unrestricted common shares (in the normal course of business and following a hold period).

The following is a reconciliation of the changes in the equities, long, measured at fair value using unobservable inputs (Level 3), for the nine-month period ended December 31, 2013:

Balance, April 1, 2013	\$ 1,688,919
Transfer from Level 3 to Level 2	-
Net purchase	-
Change in fair value of Level 3 portfolio investments	(840,756)
	\$ 848,163

<u>March 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Equities, long	\$ 4,080,650	\$ 718,685	\$ 1,688,919	\$ 6,488,254
Due from Broker, unrealized gains on futures and options	3,678,406	-	-	3,678,406
Derivative assets	-	2,311,882	-	2,311,882
Inventories, grains	-	156,965,289	-	156,965,289
Derivative liabilities	-	(1,627,645)	-	(1,627,645)
	\$ 7,759,056	\$ 158,368,211	\$ 1,688,919	\$ 167,816,186

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

11. SHARE CAPITAL AND WARRANTS

(a) Authorized

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

(b) Normal Course Issuer Bids

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 October 16, 2012, Ceres purchased 246,600 Shares under the 2011-2012 NCIB for an aggregate consideration of \$1,531,991. The stated capital value of these repurchased Shares was \$2,379,158. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$847,167, has been allocated to Retained Earnings in the nine-month period ended December 31, 2012.

2013-2014 Normal Course Issuer Bid

On July 9, 2013, Ceres announced a normal course issuer bid (“the 2013-2014 NCIB”) commencing on July 11, 2013. Using the facilities of the TSX and in accordance with its rules and policies, Ceres intended to purchase up to 946,963 of its common Shares, representing approximately 10 per cent of its unrestricted public float as at July 5, 2013. For the period from July 11, 2013 to December 31, 2013, Ceres purchased 126,020 Shares under the 2013-2014 NCIB for an aggregate consideration of \$981,362. The stated capital value of these repurchased Shares was \$1,215,821. The excess of the stated capital value of the repurchased Shares over the cost thereof, being \$234,459, has been allocated to Retained Earnings in the nine-month period ended December 31, 2013.

(c) Expiry of Common Share Purchase Warrants

On June 11, 2013, the Common Share Purchase Warrants (collectively the “Warrants”) that were issued on June 11, 2010 to the vendors of Riverland Ag, expired and were cancelled. The Corporation allocated the aggregate stated capital value of the Warrants of \$202,384 to Contributed Surplus.

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

11. SHARE CAPITAL AND WARRANTS (continued)

(d) Issued and outstanding as at December 31, 2013 and March 31, 2013

The following is a summary of the changes in the Common Shares and Warrants during the year ended March 31, 2012 ("FYE 2013") and for the nine-month period ended December 31, 2013 ("FYTD 2014"):

	<u>Common shares</u>		<u>Warrants</u>	
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>
Balances, April 1, 2012	14,581,299	\$ 140,678,062	150,000	\$ 202,384
<i>Changes in FYE 2013</i>				
Repurchases under normal course issuer bid	(246,600)	(2,379,158)	-	-
Balances, March 31, 2013	14,334,699	\$ 138,298,904	150,000	\$ 202,384
<i>Changes in FYTD 2014</i>				
Expiry of Warrants, June 11, 2013	-	-	(150,000)	(202,384)
Repurchases under normal course issuer bid	(126,020)	(1,215,821)	-	-
Balances, December 31, 2013	14,208,679	\$ 137,083,083	-	\$ -

12. MANAGEMENT FEES AND OTHER EXPENSES

(a) Management fees

The following table presents information concerning management fee expense charged to the accounts of the Corporation for the three-month and nine-month periods ended December 31, 2013 and 2012:

<u>Management fees and related expenses</u>	<u>3 months</u>		<u>9 months</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Management fees (adjustments) and related HST	\$ (30,828)	\$ 817,554	\$ 1,512,421	\$ 2,404,161
Provision for management transition payment and related HST	-	-	5,650,000	-
Provision for additional payments to the Manager and related HST	-	-	1,582,000	-
	\$ (30,828)	\$ 817,554	\$ 8,744,421	\$ 2,404,161

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

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(Unaudited)

12. MANAGEMENT FEES AND OTHER EXPENSES (continued)

(a) Management fees (continued)

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

- The Management Agreement shall be terminated effective November 30, 2013;
- Monthly management fee payments to the Manager will end September 30, 2013;
- On October 1, 2013, Ceres will pay the Manager \$5 million plus HST of \$650,000;
- The Manager will be paid an additional \$1 million if the five-day volume-weighted average price of Ceres’ common shares (the “5-day VWAP”) reaches \$10 within five years, and a further \$1 million if the 5-day VWAP reaches \$11 during that 5-year period;
- The additional payments will become payable immediately if, prior to the fifth anniversary of the date of the Transition Agreement, there occurs either a change in control or a going private transaction for a price in excess of \$7.85 per share;
- Ceres will deposit into an escrow fund five per cent of any gross sale proceeds in excess of net book value and direct transaction costs from the sale of any of Ceres’ assets, to a maximum amount of \$1 million, and such escrow fund shall be paid to the Manager if the 5-day VWAP does not reach \$10 within five years;
- Until November 30, 2013, or such earlier date as Ceres may determine, the Manager will continue to provide existing services and support to the Corporation, including the services of the Chief Financial Officer and the Chief Transaction Officer with no additional management fee payable to the Manager after September 30, 2013; and
- Ceres will continue to be responsible for all other third-party costs and out-of-pocket costs consistent with past practice.

Management has determined that, as at December 31, 2013, the fair value of the additional payments provided for under the Transition Agreement is \$1.40 million plus HST of \$182,000. The fair value of each of the additional payments was determined using the binomial options pricing model, with a remaining term to September 30, 2018, using volatility of 50 per cent and a risk-free interest rate of 1.95 per cent. For the three-month and the nine-month periods ended December 31, 2013, the accounts of the Corporation include a provision for the management transition payment and the additional payments plus related HST.

As at December 31, 2013 and March 31, 2013, the current liability for management fees payable includes the following:

	December 31, <u>2013</u>	March 31, <u>2013</u>
Management fees payable and related HST	\$ -	\$ 250,763
Provision for additional payments and related HST	1,582,000	-
	<u>\$ 1,582,000</u>	<u>\$ 250,763</u>

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2013

(Unaudited)

12. MANAGEMENT FEES AND OTHER EXPENSES (continued)

(a) Management fees (continued)

The Corporation has negotiated an agreement with the Manager, whereby the Manager will continue to provide the management services of the Chief Financial Officer (the “CFO”) for the period from December 1, 2013 to March 31, 2014 (the “Term”). The monthly fee for this arrangement shall be \$25,000 plus HST. If, in its sole discretion, Ceres determines it no longer requires the management services of the CFO at any time during the Term, the CFO will immediately cease performing his duties and the monthly fee will be reduced by 50% for the remainder of the Term.

(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 payable to the Manager, Ceres 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 Ceres. As at December 31, 2013, the amount due to the Manager was \$nil (March 31, 2013: \$268,565).

13. RELATED PARTY TRANSACTIONS

(a) Management fees

The amounts charged to operations related to management fees have been reported in Note 12(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 and nine-month periods ended December 31, 2013 and 2012:

	<u>3 months</u>		<u>9 months</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salaries and other compensation, senior executive officers	\$ 301,212	\$ 182,152	\$ 821,766	\$ 550,754
Personnel costs, senior executive officers	7,182	15,827	27,250	47,855
Directors' fees	129,083	14,662	317,051	84,380
	\$ 437,477	\$ 212,641	\$ 1,166,067	\$ 682,989

CERES GLOBAL AG CORP.

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(Unaudited)

14. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS

	<u>3 months</u>		<u>9 months</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
(Increase) decrease in due from Broker, commodity futures contracts	\$ 2,619,965	\$ (3,828,807)	\$ 6,294,805	\$ (10,085,589)
Decrease (increase) in net derivative assets	425,513	437,973	(1,925,420)	(1,405,332)
Decrease (increase) in accounts receivable	8,629,478	(4,458,019)	5,537,056	(3,582,663)
Increase in accounts receivable, other	(1,437,801)	-	(1,437,801)	-
(Increase) decrease in inventories	21,800,534	63,132,739	64,428,935	(31,317,134)
Decrease (increase) in prepaid expenses and sundry assets	(37,752)	763,793	413,308	1,434,791
Increase (decrease) in accounts payable and accrued liabilities	(11,975,472)	(10,031,616)	4,939,879	2,923,081
Increase (decrease) in management fees payable	(5,922,479)	45,515	1,331,237	7,826
(Decrease) increase in due to Manager	(820,000)	156,328	(268,565)	119,526
	<u>\$ 13,281,986</u>	<u>\$ 46,217,906</u>	<u>\$ 79,313,434</u>	<u>\$ (41,905,494)</u>

15. SUBSEQUENT EVENT

As at December 31, 2013, the balance of 'Accounts receivable, other' of \$1,437,801 represents an amount recoverable from The Scoular Company ("Scoular") pursuant to an agreement (the "Co-Funding Agreement") between Ceres and Scoular to co-fund the mass grading of the Northgate Commodities Logistics Centre ("NCLC") site. Subsequent to year-end, \$878,697 of this amount was collected. As at February 14, 2014, Scoular has advanced a total of \$3,899,146 to Ceres under the Co-Funding Agreement.

Subsequent to quarter-end, Ceres terminated its arrangements and ongoing discussions with Scoular with respect to the development and construction of a grain facility by Scoular at NCLC. The termination of discussions with Scoular may have implications for any amounts to be collected from Scoular and amounts previously paid to Ceres by Scoular in respect of NCLC site preparation costs. The recovery and/or reimbursement of such amounts, if any, will be subject to negotiations with Scoular.

16. COMPARATIVE FIGURES

Reclassification of comparative figures

Management has concluded it is more appropriate to present the Gain (loss) on sale of property, plant and equipment separately in the consolidated statement of comprehensive income (loss). In prior periods, the Gain (loss) on sale of property, plant and equipment was classified with Finance loss. As such, figures for the three-month and nine-month periods ended December 31, 2012 on the consolidated statement of comprehensive income (loss) have been reclassified to reflect this change. In management's opinion, this presentation provides users with more relevant information, as this reclassification distinguishes gains or losses on the sale of property, plant and equipment separately from finance income or losses, which should generally pertain to investment income and gains or losses related to portfolio investments and similar financial instruments.

These changes have no effect on consolidated net loss, consolidated comprehensive loss, consolidated retained earnings (deficit) or consolidated cash flows.