

Consolidated Financial Statements of



For the years ended March 31, 2015 and 2014

CERES GLOBAL AG CORP.
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March 31, 2015 and 2014

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Management's Responsibility for Financial Reporting

These consolidated financial statements of the Corporation are the responsibility of management. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") using information available to June 4, 2015 and management's best estimates and judgments, where appropriate.

Management has established a system of internal accounting and administrative controls to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly authorized and recorded, and financial records are properly maintained for the preparation of reliable financial statements.

The Board of Directors discharges its responsibility for the consolidated financial statements primarily through its Audit Committee, which comprises members of the Board of Directors. The Audit Committee meets with management and with the external auditors to discuss the results of the audit examination and review the consolidated financial statements of the Corporation. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The financial statements have been approved by the Board of Directors and have been audited by KPMG LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards. Their Independent Auditors' Report outlines their responsibilities, the scope of their audit, and their opinion on the accompanying consolidated financial statements. KPMG LLP has full and unrestricted access to the Audit Committee.

Patrick Bracken
Chief Executive Officer

Mark Kucala
Chief Financial Officer



KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ceres Global Ag Corp.

We have audited the accompanying consolidated financial statements of Ceres Global Ag Corp., which comprise the consolidated balance sheets as at March 31, 2015 and March 31, 2014, the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ceres Global Ag Corp. as at March 31, 2015 and March 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

June 4, 2015

Winnipeg, Canada

CERES GLOBAL AG CORP.
Consolidated Balance Sheets

	Note	March 31, <u>2015</u>	March 31, <u>2014</u>
ASSETS			
Current			
Cash		\$ 5,136,032	\$ 12,009,400
Portfolio investments	14(d)	848,163	848,163
Due from Brokers	6	8,641,335	4,620,007
Derivatives	14(a)	9,472,984	2,965,891
Accounts receivable, trade		7,910,824	6,757,757
Inventories, grains	5	147,940,077	113,320,466
Sales taxes recoverable		1,137,391	1,469,543
Income taxes recoverable		-	58,465
Assets held for sale	7	-	18,233,455
Prepaid expenses and sundry assets		1,410,699	1,477,376
Current assets		182,497,505	161,760,523
Investments in associates	8	5,619,412	4,625,667
Intangible assets		379,260	331,650
Investment property	9	-	14,803,988
Property, plant and equipment	10	120,450,079	50,687,083
Non-current assets		126,448,751	70,448,388
TOTAL ASSETS		\$ 308,946,256	\$ 232,208,911
LIABILITIES			
Current			
Bank indebtedness	11	\$ 18,736,400	\$ 71,746,950
Accounts payable and accrued liabilities		17,388,202	7,567,634
Repurchase obligations	13	18,635,451	15,941,080
Derivatives	14(a)	2,607,280	1,752,256
Provision for future payments to Front Street Capital	17	344,000	970,000
Warrants	15(c)	1,719,000	-
Current liabilities		59,430,333	97,977,920
Long-term debt	12	30,381,310	-
Deferred income taxes	18	296,971	156,534
Non-current liabilities		30,678,281	156,534
TOTAL LIABILITIES		90,108,614	98,134,454
SHAREHOLDERS' EQUITY			
Common shares	15(e)	208,884,960	137,100,022
Deferred share units	16	319,820	62,500
Contributed surplus		9,228,422	9,228,422
Currency translation account		22,179,246	8,072,943
Deficit		(21,774,806)	(20,389,430)
TOTAL SHAREHOLDERS' EQUITY		218,837,642	134,074,457
COMMITMENTS	10		
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 308,946,256	\$ 232,208,911

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

ON BEHALF OF THE BOARD

Signed "Harold Wolkin" Director

Signed "Doug Speers" Director

CERES GLOBAL AG CORP.**Consolidated Statements of Comprehensive Income (Loss)**

For years ended March 31, 2015 and 2014

	<u>Note</u>	<u>2015</u>	<u>2014</u>
REVENUES		\$ 192,765,006	\$ 232,353,830
Cost of sales		(181,073,981)	(227,982,570)
GROSS PROFIT		11,691,025	4,371,260
General and administrative expenses		(10,742,873)	(17,227,514)
INCOME (LOSS) FROM OPERATIONS		948,152	(12,856,254)
Finance loss	14(b)	(188,963)	(2,918,839)
Finance expenses	14(c)	(2,906,495)	(4,717,551)
Loss on impairment of assets held for sale	7	-	(763,201)
Gain on sale of property, plant and equipment		-	199,540
LOSS BEFORE INCOME TAXES AND UNDERNOTED ITEM		(2,147,306)	(21,056,305)
Income taxes (recovered)	18	419,315	(1,322,628)
LOSS BEFORE UNDERNOTED ITEM		(2,566,621)	(19,733,677)
Share of net income in investments in associates	8	1,181,245	463,700
LOSS FOR THE PERIOD		(1,385,376)	(19,269,977)
Other comprehensive gain for the period			
Gain on translation of foreign currency accounts of foreign operations		14,106,303	9,365,847
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		\$ 12,720,927	\$ (9,904,130)
WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD		18,360,019	14,260,601
LOSS PER SHARE			
Basic		\$ (0.08)	\$ (1.35)
Diluted		\$ (0.08)	\$ (1.35)
Supplemental disclosure of selected information:			
Depreciation included in Cost of sales	10	\$ 2,742,253	\$ 2,843,568
Depreciation included in General and administrative expenses	10	\$ 79,470	\$ 156,167
Amortization of financing costs included in Finance expenses		\$ 742,445	\$ 530,988
Personnel costs included in Cost of sales		\$ 1,663,530	\$ 1,527,417
Personnel costs included in General and administrative expenses		\$ 520,687	\$ 442,982

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

CERES GLOBAL AG CORP.
Consolidated Statements of Cash Flows
For the years ended March 31 2015 and 2014

	<u>Note</u>	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		\$ (1,385,376)	\$ (19,269,977)
Adjustments for:			
Depreciation of property, plant and equipment	10	2,821,723	2,999,735
Revaluation of warrants conditionally issued	15(c)	75,000	-
Realized loss on sale of investments		-	2,974,760
Unrealized increase in fair value of investments		-	(513,896)
Loss on assets held for sale		-	763,201
Realized gain on sale of property, plant and equipment		-	(199,540)
Finance expenses		2,906,495	4,717,551
Income tax expense (recovery)	18	419,315	(1,322,628)
Deferred share units issued to Directors and fair value adjustment	16	276,032	62,500
Share of net income in investments in associates	8	(1,181,245)	(463,700)
Changes in non-cash working capital accounts	20	(24,014,566)	79,030,214
Interest paid		(2,471,290)	(4,634,761)
Income taxes recovered (paid)		(170,017)	955,867
Cash flow provided by (used in) operating activities		(22,723,929)	65,099,326
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposition of assets held for sale	7	6,759,240	-
Proceeds from sale of investments		-	3,189,928
Dividend received from associate		187,500	125,000
Repayment of loan receivable from associate		-	62,500
Acquisition of, and costs capitalized on, investment property	9	(5,052,271)	(9,806,713)
Proceeds from sale of property, plant and equipment		-	1,549,940
Acquisition of property, plant and equipment	10	(24,444,302)	(2,509,343)
Cash flow used in investing activities		(22,549,833)	(7,388,688)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (repayment of) bank indebtedness	11	(56,885,000)	(52,670,000)
Proceeds from term loans	12	29,065,000	-
Net repayment of repurchase obligations	13	365,329	(12,939,394)
Financing costs paid	11, 12	(1,933,734)	(105,340)
Proceeds from common shares issued	15(e)	75,000,000	-
Share issuance costs	15(e)	(1,571,062)	-
Deferred share units redeemed	16	(18,712)	-
Repurchase of common shares under normal course issuer bid		-	(964,424)
Cash flow provided by (used in) financing activities		44,021,821	(66,679,158)
Foreign exchange cash flow adjustment on accounts denominated in a foreign currency		(5,621,427)	534,084
Increase (decrease) in cash for the period		(6,873,368)	(8,434,436)
Cash, beginning of period		12,009,400	20,443,836
Cash, end of period		\$ 5,136,032	\$ 12,009,400

The accompanying notes are an integral part of these financial statements

CERES GLOBAL AG CORP.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended March 31, 2015 and 2014

	Note	Common shares	Warrants	Deferred share units	Contributed surplus	Currency translation account	Deficit	Total
Balances, April 1, 2014		\$ 137,100,022	\$ -	\$ 62,500	\$ 9,228,422	\$ 8,072,943	\$ (20,389,430)	\$ 134,074,457
Transactions with Shareholders								
Issuance of Deferred Share Units	16	-	-	260,859	-	-	-	260,859
Redemption of Deferred Share Units for cash	16	-	-	(18,717)	-	-	-	(18,717)
Fair value adjustment of Deferred Share Units	16	-	-	15,178	-	-	-	15,178
Issuance of common shares, December 4, 2014	15(e)	73,428,938	-	-	-	-	-	73,428,938
Warrants, conditionally issued, December 4, 2014	15(c)	(1,644,000)	-	-	-	-	-	(1,644,000)
Total transactions with Shareholders		71,784,938	-	257,320	-	-	-	72,042,258
Comprehensive Income								
Other comprehensive income		-	-	-	-	14,106,303	-	14,106,303
Net loss for the period		-	-	-	-	-	(1,385,376)	(1,385,376)
Total Comprehensive Income		-	-	-	-	14,106,303	(1,385,376)	12,720,927
Balances, March 31, 2015		\$ 208,884,960	\$ -	\$ 319,820	\$ 9,228,422	\$ 22,179,246	\$ (21,774,806)	\$ 218,837,642
Balances, April 1, 2013		\$ 138,298,904	\$ 202,384	\$ -	\$ 9,026,038	\$ (1,292,904)	\$ (1,353,911)	\$ 144,880,511
Transactions with Shareholders								
Expiry of warrants, June 11, 2013	15(c)	-	(202,384)	-	202,384	-	-	-
Repurchases under normal course issuer bid	15(b)	(1,198,882)	-	-	-	-	234,458	(964,424)
Issuance of Deferred Share Units		-	-	62,500	-	-	-	62,500
Total transactions with Shareholders		(1,198,882)	(202,384)	62,500	202,384	-	234,458	(901,924)
Comprehensive Income								
Other comprehensive income		-	-	-	-	9,365,847	-	9,365,847
Net loss for the period		-	-	-	-	-	(19,269,977)	(19,269,977)
Total Comprehensive Income		-	-	-	-	9,365,847	(19,269,977)	(9,904,130)
Balances, March 31, 2014		\$ 137,100,022	\$ -	\$ 62,500	\$ 9,228,422	\$ 8,072,943	\$ (20,389,430)	\$ 134,074,457

The accompanying notes are an integral part of these financial statements

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

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. Thereafter, the amalgamated corporation continued operating as Ceres Global Ag Corp. Ceres is a corporation domiciled in Canada, with its head office located at 36 Toronto Street, Suite 850, Toronto, Ontario, Canada, M5C 2C5.

These consolidated financial statements of Ceres as at and for the year ended March 31, 2015 include the accounts of Ceres and its wholly owned subsidiaries Ceres Canada Holding Corp., Riverland Agriculture limited (“Riverland Canada”), Ceres U.S. Holding Corp., and Riverland Ag Corp. (“Riverland Ag”). All intercompany transactions and balances have been eliminated.

Unless otherwise stated, Riverland Ag and Riverland Canada will be collectively referred to as Riverland Ag. Riverland Ag 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 province of Ontario, with a combined licensed capacity of 47 million bushels. Riverland Ag also manages two (2) facilities in Wyoming on behalf of its customer-owner.

All of the Corporation’s revenues for the years ended March 31, 2015 and 2014 are generated by Riverland Ag in the United States and Canada, which represents the Corporation’s only reportable segment. Furthermore, as at March 31, 2015, of the Corporation’s \$309.0 million in total assets, \$248.9 million are domiciled in the United States, while \$60.1 million are domiciled in Canada. As at March 31, 2014, the Corporation had \$199.6 million in total assets domiciled in the United States while \$32.6 million were domiciled in Canada.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting, estimation and valuation policies, as described below, have been consistently applied to all periods presented herein.

These consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors on June 4, 2015.

Functional and presentation currency

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

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

2. BASIS OF PREPARATION (continued)

Basis of measurement (continued)

- 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements.

Investments in associates

Associates are entities in which Ceres has significant influence, but has no control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity. Ceres has a 25% equity ownership interest in two Canadian companies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The Corporation's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation's share of the after-tax net income (or net loss) and of the changes in equity during a reporting period, after adjustments (if any) to align the accounting policies with those of the Corporation, from the date that significant influence commences until the date that significant influence ceases. If the Corporation's accumulated share of net losses in an associate were to exceed the carrying amount of its interest in that associate, the carrying amount of that interest, including any long-term investments, would be reduced to nil and the recognition of further losses would be discontinued except to the extent the Corporation were to have an obligation or were to have made payments on behalf of the associate.

The Corporation reviews its investments in associates for impairment whenever events or changes in business circumstances indicate that the carrying amount of the investments may not be recoverable. Evidence of impairment in value might include the absence of an ability to recover the carrying amount of the investments, the inability of the associates to sustain earnings capacity that would justify the carrying amount of the investments, or, where applicable, estimated sales proceeds that are insufficient to recover the carrying amount of the investments. If the recoverable amount of the investments is determined to be less than the carrying amount, an impairment write-down is recorded based on the excess of the carrying amount over management's estimate of the recoverable amount.

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Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction costs

Portfolio transaction costs include brokerage commissions incurred in the purchase and sale of portfolio securities in which Ceres invests. Corporate transaction costs include costs directly attributable to the acquisition of subsidiaries and the investments in associates. All such costs are expensed in the period incurred and classified with General and administrative expenses in the Statement of Comprehensive Income (Loss).

Transaction costs related to the issuance of equity instruments of the Corporation or its subsidiaries are accounted for as a reduction of the stated capital of the equity securities issued. Transaction costs related to the issuance of debt instruments of the Corporation or its subsidiaries are considered in the determination of amortized cost using the effective interest method for the measurement of non-derivative financial liabilities, and relate to bank indebtedness. Transaction costs related to Bank indebtedness are amortized using the straight-line method over the term of the financing arrangement while transaction costs for Long-term debt is amortized using the effective interest method.

Classification of financial instruments

Financial assets

A financial asset is classified at fair value through profit or loss, if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions in accordance with the Corporation's documented risk management and investment strategies. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income or loss. Portfolio investments represent non-derivative financial assets classified as held for trading. The Corporation's unrealized gains on open cash contracts are derivative financial assets classified as held for trading.

Financial assets having fixed or determinable payments, and which are not quoted in an active market are defined as loans and receivables. Such assets are initially recognized at fair value plus directly attributable transaction costs, if any. Thereafter, loans and receivables are measured at amortized cost using the effective interest method, less impairment losses, if any. Loans and receivables include due from Brokers, and accounts receivable, trade.

Financial liabilities

Unrealized losses on open cash contracts are classified as held for trading and valued at fair value through profit or loss. The provision for future payment to Front Street Capital is also valued at fair value through profit and loss. Non-derivative financial liabilities of the Corporation include bank indebtedness, accounts payable and accrued liabilities, repurchase obligations, management fees payable, and due to Manager. These financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Thereafter, these financial liabilities are measured at amortized cost using the effective interest method.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of financial instruments (continued)

Equity

Common shares and unconditional warrants

Common shares and certain warrants are classified as equity. Incremental costs directly attributable to the issue of common shares and warrants are recognized as a deduction from equity, net of the effects of income taxes, if any.

Contributed surplus

The value of warrants issued that have expired is recognized as contributed surplus, net of the effects of income taxes, if any.

Repurchase of common shares

When common shares recognized as equity are repurchased, the amount of the consideration paid (which may include directly attributable transaction costs) is recognized as a deduction from equity, net of the effects of income taxes, if any. The portion of the consideration paid that represents the value of the stated capital of the shares repurchased is deducted from the carrying amount of common shares. Any difference between the total consideration paid and the stated capital amount of the shares repurchased is added to (or deducted from) retained earnings, as applicable.

Valuation of investments

Portfolio investments are held for trading, and are measured and reported at fair value. Securities and ownership interests over which the Corporation exercises significant influence or control are accounted for using the equity-accounting model or through consolidation, as appropriate.

As at a reporting date, the fair value of financial instruments traded in active markets (primarily equity securities of public companies and related derivative instruments, if any) is based on the bid price for investments held by the Corporation, and on the asking price for investments sold short, if any. The fair value of financial instruments not traded in an active market (including but not limited to: securities in private companies, warrants and restricted securities) is determined using valuation techniques. Depending on various circumstances, the Corporation may use several methods and makes assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Recognition of investments

Purchases and sales of investments are recognized on the trade date, being the date on which the Corporation commits to purchase or sell an investment. Investments cease to be recognized when the rights to receive cash flows from the investments have expired or the Corporation has transferred substantially all risks and rewards of ownership.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative contracts

Ceres may purchase forward foreign exchange contracts to act as an economic hedge against assets and liabilities denominated in foreign currencies. As at a reporting date, forward foreign exchange contracts are valued based on the difference between the forward contract rate and the forward bid rate (for currency held). Unrealized gains and losses, if any, on these forward contracts used to hedge foreign currency assets and liabilities are presented separately on the Balance Sheet and included in Derivative assets or Derivative liabilities, as applicable, and are recognized in the Statement of Comprehensive Income (Loss) as a component of Finance income (loss) and included with the change in fair value of investments. Upon the closing out of these contracts, any gains or losses on foreign exchange are reported in Finance income (loss) in the Statement of Comprehensive Income (Loss) as realized gain (loss) on currency hedging transactions.

To reduce price risk caused by market fluctuations, Riverland Ag generally follows a policy of using exchange-traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. Riverland Ag will also use exchange-traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies may be significantly influenced by factors such as the volatility of the relationship between the value of exchange-traded commodities futures contracts and the cash prices of the underlying commodities, and volatility of freight markets. Derivative contracts have not been designated, and are not accounted for, as fair value hedges. Management determines fair value based on exchange-quoted prices, and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets. Realized and unrealized gains and losses in the value of inventories of merchandisable agricultural commodities, forward cash purchase and sales contracts, and exchange-traded futures contracts are recognized in the Statement of Comprehensive Income (Loss) as a component of Cost of sales. Unrealized gains and losses on these derivative contracts are recognized in earnings and classified on the Balance Sheet as Due from Broker, Derivative assets or Derivative liabilities, as applicable.

Fair value measurements

The Corporation uses a valuation hierarchy as a framework for disclosing fair values, based on the inputs to measure the fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities including exchange-traded derivative contracts that can be assessed at measurement date;

Level 2 – inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable inputs for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs are unobservable inputs based on the Corporation's own assumptions used to measure assets and liabilities at fair value (i.e. inputs are unobservable).

CERES GLOBAL AG CORP.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation, transactions of Canadian dollar functional currency entities

Foreign currency transactions are translated into CAD using the exchange rates prevailing at the dates of the transactions. As at a reporting date, assets and liabilities denominated in a foreign currency are translated into CAD, as follows:

- Foreign currency monetary items are translated using the spot exchange rate in effect at the reporting date, and;
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate(s) in effect as at the date(s) on which fair value was determined.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation as at a reporting date of assets and liabilities denominated in foreign currencies are reflected in the Statement of Comprehensive Income (Loss). Translation gains or losses on securities included in the investment portfolio of the Corporation are recognized in Finance income (loss) in the Statement of Comprehensive Income (Loss) and classified with the change in fair value of investments.

Foreign currency translation, non-CAD functional currency entities

Foreign operating entities and its functional currency is the U.S. dollar ("USD"). For the preparation of these consolidated financial statements, all assets and liabilities are translated into the presentation currency of Canadian dollars using the foreign exchange rate in effect as at the reporting date with income statement accounts translated using the average exchange rate for the reporting or applicable period. Translation adjustments arising from changes in exchange rates are reported as a component of other comprehensive income and form part of the cumulative translation account in shareholders' equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation account related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

Revenue recognition, net sales and cost of sales

The Corporation follows a policy of recognizing sales revenue at the time of delivery of the product and when all of the following have occurred: a sales agreement is in place, title and risk of loss have passed, pricing is fixed or determinable, and collection is reasonably assured. Grain storage, rental and other operating income are recorded as earned on an accrual basis. Freight costs and handling charges related to sales are presented gross in Revenues and Cost of sales.

Other direct and indirect costs associated with inventory and storage, including payroll and benefits of elevator employees, depreciation of buildings, silos and elevators, utilities and other similar costs are classified with Cost of sales. Income and expenses are recorded on an accrual basis. Investment transactions are recognized on the trade date. Dividend revenues are recognized on the ex-dividend date. Interest and other revenues are recognized as earned. Realized gains and losses from the sale of investments are calculated using the average cost method. The change over a reporting period of the difference between the fair value and the cost of portfolio investments is recognized in Finance income (loss) in the Statement of Comprehensive Income (Loss) as an unrealized increase (decrease) in fair value of investments.

CERES GLOBAL AG CORP.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance income (loss)

Finance income (loss) pertains to revenues, gains and losses related to the investing activity of the Corporation, and includes:

- Interest revenues on interest-bearing securities and cash balances;
- Dividend revenues, if any, from portfolio investments;
- Realized gains (losses) on sale of portfolio investments;
- Realized gains (losses) on currency-hedging transactions;
- Realized and unrealized gains (losses) on foreign exchange; and
- Unrealized increase (decrease) in fair value of investments.

Depending on the movements of equity and other markets, finance income and losses will vary for each reporting period.

Finance expenses

Finance expenses represent the aggregate of interest expense on borrowings and the amortization of financing transaction costs.

Inventories

Inventories represent agricultural grain commodities and are stated at fair value less costs to sell. Fair value is primarily determined from market prices quoted on public commodity exchanges, adjusted for expected freight costs to normal delivery points and a price premium or discount to cover local supply and demand factors as estimated by management. Changes in the fair value less costs to sell inventories of agricultural grain commodities are recognized in profit or loss as and when they occur, and such changes are included as a component of cost of sales.

Assets held for sales

Assets are classified as held for sale when all the following criteria are met:

- management commits to a plan to sell the asset;
- the asset is available for immediate sale in its present condition;
- an active program to locate a buyer to complete the plan to sell the asset have been initiated;
- the sale of the asset is probable, and is expected to be completed within one year;
- the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or discontinued.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is de-recognized when replaced. Repairs and maintenance costs are expensed as incurred.

Property, plant and equipment are reviewed for impairment at the end of each reporting period to assess whether there is any indication of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated as the higher of fair value less costs of disposal and value in use.

Land is not depreciated. Depreciation on the other assets is provided for on a straight-line basis over the estimated useful lives of assets as follows:

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

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Gains and losses on disposals of property, plant and equipment are determined by comparing the disposal proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of income.

Repurchase obligations

The Corporation periodically enters into sale/repurchase agreements whereby the Corporation receives cash in exchange for selling inventory to a commodity trading financial institution and the Corporation agrees to repurchase the inventory from financial institution at a fixed rate on a future date. The Corporation accounts for these as product financing arrangements, and accordingly, these transactions are treated as borrowings and commodity inventory in the Company's consolidated financial statements and no sales and purchases are reported in the consolidated financial statements.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as at the reporting date. Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied on the same taxable entity by the same taxation authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Loss per Share

Loss per Share ("EPS") is reported for basic and diluted net income (loss). Basic EPS is calculated by dividing net income (loss) for the reporting period by the weighted-average number of common shares outstanding during the reporting period. Diluted EPS is calculated by adjusting net income (loss) and the weighted-average number of common shares outstanding for the effects, if any, of all potentially dilutive common shares, resulting from the exercise of Warrants or the redemption of Deferred Share Units outstanding as at the end of a reporting period. The effect of the potential issuance of common shares related to the redemption of Deferred Share Units on diluted EPS has not been determined, as it is anti-dilutive in a period of loss.

Share-based payments

Deferred Share Unit

The Corporation has established a Directors' Deferred Share Unit Plan (the "DSU Plan"), which became effective on March 10, 2014 and is an equity-settled share-based payment plan. Under the DSU Plan, a director who is not an employee of the Corporation or any affiliate and who is a non-executive Chair of the Board is an Eligible Director. Any Eligible Director may elect to receive some or all the Annual Cash Remuneration amount (as defined in the DSU Plan) for that Director in the form of Deferred Share Units ("DSUs"). DSUs are settled by the issuance of common shares on the Entitlement Date (as defined under the DSU Plan), which is a date after the end of a director's term of service with the Board.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Deferred Share Unit (continued)

As at the dates on which DSUs are issued under the Plan, the Corporation recognizes as an expense the portion of the Directors' fees issued in the form of DSUs issued to the Director, which are issued at fair value, and the Corporation increases shareholders' equity by an equal amount. The Corporation revalues DSUs as at each reporting period-end, based on the volume-weighted average trading price per common share of the Corporation on the Toronto Stock Exchange during the immediately preceding five (5) trading days. Revaluation adjustments are recognized as an increase or decrease in the expense for Directors' fees during the reporting period, with a corresponding increase or decrease in shareholders' equity.

Stock Options

Stock options are equity-settled share-based payment transactions. The Corporation follows the fair value method to measure stock option awards it grants to certain officers, key employees and consultants of the Corporation and its subsidiaries. The fair value of stock options on the date the options are granted is determined by the Black Scholes option pricing model with assumptions for risk-free interest rate, dividend yield, volatility of the expected market price of the Corporation's common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations, as applicable. Compensation is amortized to earnings over the vesting period of the related option. The Corporation uses graded or accelerated amortization, which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

Stock Appreciation Rights

Stock Appreciation Rights ("SARs") may be granted to officers, certain employees and consultants of the Corporation on such terms and conditions determined by the Board of Directors (the "Board"). Stand Alone SARs are cash-settled share-based payment transactions and are measured at the fair value of the liability as at the date the Stand-Alone SARs are granted. At the end of each reporting period, the Corporation re-measures the fair value of the liability for such Stand-Alone SARs, and any changes in fair value of that liability is recognized in profit or loss for the period. Tandem SARs are granted with stock options. Tandem SARs shall be settled by the payment or the delivery of cash or common shares, as may be determined by the Board. Any portion of Tandem SARs to be settled for cash shall be measured using the measurement standards described for Stand-Alone SARs. The portion, if any, of the Tandem SARs to be settled by the issuance of common shares shall be measured using the measurement standards that apply to stock options awards, as described in the preceding paragraph.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected share price volatility. Changes in the underlying assumptions can materially affect fair value estimates. Therefore, existing models do not necessarily provide reliable measurement of the fair value of the Corporation's stock options.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future changes in accounting standards

On May 28, 2014, the International Accounting Standards Board issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2017. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on April 1, 2017. The Corporation is evaluating the effects related to the future adoption of IFRS 15. The Corporation does not currently expect to early adopt this new standard.

On December 18, 2014, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on April 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Effective for annual reporting periods beginning on or after January 1, 2018, the current standard for financial instruments (IAS 39 *Financial Instruments – Recognition and Measurement*) will be replaced by IFRS 9 *Financial Instruments*. The new standard will replace the current multiple classification and measurement models for financial assets and liabilities with a single model having only two classification categories: amortized cost and fair value. The Corporation is evaluating the effects related to the future adoption of IFRS 9. The Corporation does not currently expect to early adopt this new standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The timely preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from estimates. Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The following summarizes the accounting judgments, estimates and assumptions management considers significant:

Valuation of investments

Portfolio investments are held for trading, are measured and reported at fair value, and may include securities not traded in an active market. The fair value of such securities is determined using valuation techniques. Depending on various circumstances, the Corporation may use several methods and makes assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option-pricing models and other valuation techniques commonly used by market participants.

Inventories and Commodity Derivatives

To reduce price risk caused by market fluctuations, the Corporation generally follows a policy of using exchange traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Corporation will also use exchange traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS (CONTINUED)

Inventories and Commodity Derivatives (continued)

volatility of the relationship between the value of exchange traded commodities futures contracts and the cash prices of the underlying commodities, and volatility of freight markets.

Derivative instruments, including futures contracts, forward commitments, options and other similar types of contracts and commitments based on commodity derivatives, are carried at their fair value. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets. While the Corporation considers its commodity contracts to be effective economic hedges, the Corporation does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts and grain inventories are recognized in earnings immediately in cost of sales in the accompanying Statement of Comprehensive Loss. Unrealized gains and losses on these derivative contracts are included in due from broker, derivative asset and liabilities on the accompanying consolidated balance sheets.

Estimates and assumptions are required in determination of fair values of commodity inventories, particularly for those commodities where exchange-traded prices are not available. For these inventories, management assesses the available quote market prices and applied judgment in determining the effect local market conditions on those.

5. INVENTORIES

As at March 31, 2015 and 2014, the Corporation held \$147,940,077 and \$109,684,490 of inventories at fair value less costs to sell, respectively. \$3,635,976 of inventories were held at lower of cost or market at March 31, 2014 compared nil at March 31, 2015.

For the years ended March 31, 2015 and 2014, inventories recognized as an expense through cost of sales totaled \$191,026,575 and \$217,679,277, respectively. Furthermore, as at March 31, 2015 and 2014, the carrying amount of inventories pledged as security against the Corporation's repurchase obligations totaled \$18,692,777 and \$14,804,027, respectively.

6. DUE FROM (TO) BROKERS

Due from Brokers is composed of commodity futures and options contracts and margin deposits in the form of cash 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 the Company executes its transactions and for which it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

6. DUE FROM (TO) BROKERS (continued)

As at March 31, 2015 and 2014, the amounts due from Brokers represent the following:

	<u>2015</u>	<u>2014</u>
Due from Brokers		
Margin deposits	\$ 6,525,747	\$ 4,725,570
Unrealized gains on future contracts and options, at fair value	2,673,417	55,242
	<u>9,199,164</u>	<u>4,780,812</u>
Due to Brokers		
Unrealized losses on future contracts and options, at fair value	(557,829)	(160,805)
	<u>\$ 8,641,335</u>	<u>\$ 4,620,007</u>

7. ASSETS HELD FOR SALE

During the quarter ended September 30, 2014, the Company discontinued its plan to sell its Savage, Minnesota, facility after a decision was made in the quarter then ended to retain and use the facility to complement future strategic initiatives. Accordingly, in the quarter then ended, the Company reclassified the assets from assets held for sale to property, plant and equipment. During the quarter in which it was reclassified, the Corporation recognized \$235,928 of depreciation expense, representing what would have been recognized for the year ended March 31, 2015 had the asset been classified as property, plant and equipment.

On May 23, 2014, the Corporation closed the sale of the Manitowoc grain storage facility, for gross proceeds of \$6,759,240. At March 31, 2014, the net book value relating to Manitowoc had been written down to an amount equal to the gross proceeds from the sale. As a result, there was no effect on the Statement of Comprehensive Loss for the three-month period ended June 30, 2014. Pursuant to the purchase and sales agreement, Riverland Ag is leasing back from the purchaser one million bushels of storage capacity at the Manitowoc grain facility for a three-year term.

As at March 31, 2015, the Company has no assets held for sale; however, as at March 31, 2014 the major classes of assets held for sale were as follows:

<i>March 31, 2014</i>	<u>Manitowoc</u>	<u>Savage</u>	<u>Totals</u>
Land	\$ 118,782	\$ 1,093,308	\$ 1,212,090
Buildings and silos / elevators	6,830,873	9,973,350	16,804,223
Machinery and equipment	504,838	261,206	766,044
Furniture and fixtures, computers, office equipment and other assets	200,556	51,490	252,046
	<u>7,655,049</u>	<u>11,379,354</u>	<u>19,034,403</u>
Impairment loss on reclassification as assets held for sale	(763,201)	-	(763,201)
Foreign currency translation adjustment	(37,747)	-	(37,747)
	<u>\$ 6,854,101</u>	<u>\$ 11,379,354</u>	<u>\$ 18,233,455</u>

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

8. INVESTMENT IN ASSOCIATES

	<u>2015</u>	<u>2014</u>
Canterra Seeds Holdings, Ltd., common shares	\$ 1,854,207	\$ 1,165,473
Stewart Southern Railway Inc., common shares	3,765,205	3,460,194
	\$ 5,619,412	\$ 4,625,667

(a) *Investment in Canterra Seeds Holdings, Ltd. ("Canterra")*

Ceres holds a 25% equity interest in Canterra, a Canadian company. Canterra purchases, produces, and distributes seed varieties and related technologies to its customers throughout Western Canada and the Great Northern Plains and Pacific North West of the United States. Major operating decisions of Canterra are made by its Board of Directors and Ceres has a 25% voting right on Canterra's Board of Directors. Due to these factors, Ceres does not control Canterra, and accounts for its investment in Canterra using the equity method.

It is the Corporation's policy to record its portion of changes in Canterra's equity on a quarterly lag. Therefore, for year ended March 31, 2015, the Corporation has recorded its portion of Canterra's change in equity for the twelve months ended December 31, 2014.

The following table presents summarized financial information for Canterra (in thousands of CAD):

	<u>2015</u>	<u>2014</u>
Revenues	\$ 36,446	\$ 26,273
Income from continuing operations	\$ 2,792	\$ 2,117
Net income	\$ 2,840	\$ 2,120
Current assets	\$ 19,119	\$ 22,730
Non-current assets	\$ 764	\$ 847
Current liabilities	\$ 15,577	\$ 22,285

For the year-ended March 31, 2015, the Corporation's consolidated Statement of Comprehensive Income (Loss) includes the Corporation's share of net income of Canterra for \$688,734 (2014: net loss of \$356,706).

Included below is a reconciliation of the Corporation's 25% portion in Canterra's equity to the carrying value reported on the Consolidated Balance Sheets as at March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investee's equity as at March 31	\$ 4,306,429	\$ 1,292,291
Corporation's 25% portion of Canterra's equity	\$ 1,076,607	\$ 323,073
Identifiable intangible asset, net of accumulated amortization	\$ 777,600	\$ 842,400
Carrying value	\$ 1,854,207	\$ 1,165,473

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

8. INVESTMENT IN ASSOCIATES (continued)

(b) *Investment in Stewart Southern Railway Inc. (“SSR”)*

Ceres holds a 25% equity interest in SSR, a Canadian company. Ceres also holds rights to a 25% voting position on SSR’s Board of Directors. SSR operates a 132-kilometre (82-mile) short-line railway in southeastern Saskatchewan. Major operating decisions of SSR are made by its Board of Directors and Ceres does not have a majority of the board seats. Due to these factors, Ceres does not control SSR, and accounts for its investment in SSR using the equity method.

The following table presents summarized financial information for SSR (in thousands of CAD):

	<u>2015</u>	<u>2014</u>
Revenues	\$ 7,919	\$ 10,532
Income from continuing operations	\$ 2,716	\$ 3,311
Net income	\$ 1,970	\$ 3,311
Current assets	\$ 4,789	\$ 4,922
Non-current assets	\$ 11,792	\$ 10,603
Current liabilities	\$ 2,079	\$ 2,255
Non-current liabilities	\$ 33	\$ 20

For the year-ended March 31, 2015, the Corporation’s consolidated Statement of Comprehensive Income included the Corporation’s share in the change of SSR’s net income of \$492,511 (2014: \$820,406). During the year-ended March 31, 2015, the Corporation received a dividend from SSR for \$187,500 (2014: \$125,000).

Included below is a reconciliation of the Corporation’s 25% portion in SSR’s equity to the carrying value reported on the Consolidated Balance Sheets as at March 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Investee's equity as at March 31	\$ 14,469,482	\$ 13,249,439
Corporation's 25% portion of SSR equity	\$ 3,617,370	\$ 3,312,359
Goodwill	\$ 147,835	\$ 147,835
Carrying value	\$ 3,765,205	\$ 3,460,194

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
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9. INVESTMENT PROPERTY

During the quarter ended September 30, 2014, management determined that the assets at the Northgate Commodities Logistics Centre (“NCLC” or “Northgate”) no longer met the criteria to be classified as Investment Property under *IAS 40 – Investment Property* based on management’s decision to solely develop and operate NCLC as owner and operator of the facility. Based on this decision, management had determined that the appropriate classification for the assets at the NCLC would be Property, plant and equipment, as guided by *IAS 16 – Property, Plant and Equipment*. The reclassification to Property, plant and equipment had no retroactive implications, as the accounting policy elected to account for previously classified Investment Property was the cost model, which is consistent with *IAS 16*.

For the years ended March 31, 2015 and 2014, changes to the investment property are as follows:

	<u>2015</u>	<u>2014</u>
Cost, as at beginning of period	\$ 14,803,988	\$ 4,975,921
Investment property additions	-	12,397
Development and other construction costs capitalized	5,061,659	9,794,316
Foreign currency translation adjustments	(9,388)	21,354
	<u>19,856,259</u>	14,803,988
Amount reclassified to Property, plant and equipment	<u>(19,856,259)</u>	-
Cost, as at end of period	\$ -	\$ 14,803,988

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and silos/elevators	Machinery & equipment	Office equipment & other assets	Totals
<u>March 31, 2015</u>					
<u>Cost</u>					
Balances, April 1, 2014	5,045,257	46,732,781	3,621,399	2,859,009	58,258,446
Asset additions	2,593,946	5,091,401	1,951,816	23,133,860	32,771,023
Reclassification of investment property	19,856,259	-	-	-	19,856,259
Reclassification of assets held for sale	1,103,297	11,732,753	342,626	90,480	13,269,156
Foreign currency translation adjustments	871,233	7,605,711	545,123	(184,527)	8,837,540
Balances, March 31, 2015	29,469,992	71,162,646	6,460,964	25,898,822	132,992,424
<u>Accumulated depreciation</u>					
Balances, April 1, 2014	-	(5,962,716)	(689,203)	(919,444)	(7,571,363)
Depreciation charged to operations	-	(2,234,761)	(351,219)	(235,743)	(2,821,723)
Reclassification of assets held for sale	-	(1,674,416)	(79,033)	(32,389)	(1,785,838)
Foreign currency translation adjustments	-	209,039	(100,072)	(472,388)	(363,421)
Balances, March 31, 2015	-	(9,662,854)	(1,219,527)	(1,659,964)	(12,542,345)
Carrying amount, March 31, 2015	\$ 29,469,992	\$ 61,499,792	\$ 5,241,437	\$ 24,238,858	\$ 120,450,079
<u>March 31, 2014</u>					
<u>Cost</u>					
Balances, April 1, 2013	\$ 5,810,194	\$ 61,607,549	\$ 3,835,820	\$ 1,728,162	\$ 72,981,725
Asset additions	-	562,031	524,419	1,422,893	2,509,343
Disposals	(61,622)	(1,478,177)	(119,005)	(56,909)	(1,715,713)
Reclassification of assets held for sale	(1,212,090)	(19,251,988)	(951,023)	(395,623)	(21,810,724)
Foreign currency translation adjustments	508,775	5,293,366	331,188	160,486	6,293,815
Balances, March 31, 2014	5,045,257	46,732,781	3,621,399	2,859,009	58,258,446
<u>Accumulated depreciation</u>					
Balances, April 1, 2013	-	(5,727,015)	(532,506)	(714,222)	(6,973,743)
Depreciation charged to operations	-	(2,364,350)	(336,452)	(298,937)	(2,999,739)
Disposals	-	276,183	50,940	19,091	346,214
Reclassification of assets held for sale	-	2,447,765	184,979	143,576	2,776,320
Foreign currency translation adjustments	-	(595,299)	(56,164)	(68,952)	(720,415)
Balances, March 31, 2014	-	(5,962,716)	(689,203)	(919,444)	(7,571,363)
Carrying amount, March 31, 2014	\$ 5,045,257	\$ 40,770,065	\$ 2,932,196	\$ 1,939,565	\$ 50,687,083

Asset additions during the year ended March 31, 2015 accrued and not yet paid as at the reporting date totaled \$8,326,721 (2014: nil).

In addition, the Corporation has assets under construction of \$24,016,033 (2014: \$1,156,804) consisting primarily of the development of Northgate. As at March 31, 2015, property, plant and equipment relating to NCLC totaled \$49,958,486 with \$24,026,521 being land and land improvements; \$2,029,377 of buildings and elevators in-service; \$1,548,887 of rail track, machinery and equipment in-service; and

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
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10. PROPERTY, PLANT AND EQUIPMENT (continued)

\$302,224 of other assets. Accumulated depreciation expenses on the in-service property, plant and equipment totals \$30,573, all of which was incurred and recognized in the quarter-ending March 31, 2015.

For the year ended March 31, 2015, capitalized development and other construction costs include borrowing costs of \$1,576,316 (year ended March 31, 2014: \$nil). Under IAS 23 – *Borrowing Costs*, Ceres is required to capitalize all costs that are directly attributable to the construction of a qualifying asset. Borrowing costs are directly related to the term loan, which is used to finance the development and construction related to the assets in NCLC.

During the year ended March 31, 2015, the Corporation entered into contract with a Canadian railroad contractor to furnish and install the rail system at the NCLC, which was completed in the quarter ended March 31, 2015. The total contract price was \$5,325,527 and as at March 31, 2015 \$4,937,431 had been incurred.

During the year ended March 31, 2015, Ceres entered into a contract with a Canadian contractor to design and build an inland grain terminal at the NCLC. The design and build process commenced in early September 2014 with substantial completion of the project expected to be in March 2016. The total contract price is \$39,955,000, and as at March 31, 2015, \$14,571,230 has been incurred. The remaining commitment is expected to be met over the term of the contract through March 2016.

11. BANK INDEBTEDNESS

On December 30, 2014, the Corporation amended and extended its syndicated uncommitted US\$120,000,000, 364-day revolving credit agreement. The short-term obligation is guaranteed by Ceres Canada Holding Corp., Ceres U.S. Holding Corp., Riverland Ag Corp., and Riverland Canada. The credit agreement is subject to borrowing base limitations, and the revolver is secured by predominantly all assets of the Corporation, including cash but excluding other property, plant and equipment.

Borrowings bear interest at 2.875% plus overnight LIBOR. Interest is calculated and paid on a monthly basis. Amounts under the credit agreement that remain undrawn are not subject to a commitment. The credit facility has certain covenants pertaining to the accounts of the Corporation, and as at March 31, 2015 and 2014, the Corporation was in compliance with all debt covenants.

Prior to this agreement, Riverland had a revolving credit agreement that was substantially identical as it was syndicated and for US\$120,000,000 with borrowing bearing interest at 2.875% plus overnight LIBOR. As at March 31, 2015 and 2014, the Corporation had \$132,741,000 and \$60,802,500 in availability, respectively, on its revolving line of credit.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

11. BANK INDEBTEDNESS (continued)

As at March 31, 2015 and 2014, the carrying amount of bank indebtedness is summarized as follows:

	<u>2015</u>	<u>2014</u>
Revolving line of credit	\$ 18,963,000	\$ 71,857,500
Unamortized financing costs	(226,600)	(110,550)
	<u>\$ 18,736,400</u>	<u>\$ 71,746,950</u>

12. TERM LOAN

On June 27, 2014, Ceres entered into a senior secured term loan facility agreement (the “Loan”) for US\$20,000,000 to finance further development and early stage construction of Northgate. This Loan was for an initial term of six months maturing on December 29, 2014, with an ability to extend the term of the facility for a further six months at the request of Ceres and subject to the approval of the lender. For the first six months this loan bore an interest at a rate of 7.25%.

The Corporation paid an arrangement fee of 2.0% for the Loan, plus legal fees and other related borrowing costs. As reported in Note 10 (Property, Plant and Equipment) under *IAS 23 – Borrowing Costs*, Ceres has capitalized all borrowing costs directly attributable to the construction and development of the assets at Northgate.

In conjunction with amending and extending the syndicated uncommitted credit agreement described above, on December 30, 2014, the Corporation entered into a senior secured term loan facility agreement (the “New Loan”) for US\$25,000,000. This New Loan is for a term of 5 years with an interest rate of one month LIBOR plus 5.25%. This New Loan extinguished and replaced the previous loan originated on June 27, 2014. The first principal payment on the New Loan is payable on December 29, 2016 for the amount of US\$3,000,000 with the following principal payments of US\$5,000,000 payable on each of December 29, 2017, and December 28, 2018, and US\$12,000,000 payable on December 27, 2019.

Both the New Loan and the revolving credit agreement disclosed above, are secured by the following: (i) a security interest in substantially all of the personal property of Ceres and its guarantors; (ii) a charge and mortgage over substantially all of the real property and elevator assets held by Riverland Ag and Riverland Canada, and its guarantors; and (iii) a pledge of substantially all of the equity interests and investment property held by Ceres Canada Holding Corp. and each guarantor.

In connection with the New Loan, which has an effective interest rate of 6.21% + one month LIBOR, the Corporation paid transaction costs relating to the loan closure in the amount of \$1,278,902, which includes legal fees and other related borrowing costs. Transaction costs directly attributable to the issuance of the New Loan are recognized as a reduction in the balance of the New Loan, and are amortized over the term of the loan using the effective interest rate method.

CERES GLOBAL AG CORP.
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12. TERM LOAN (continued)

	<u>2015</u>		<u>2014</u>	
	<u>USD</u>	<u>CAD</u>	<u>USD</u>	<u>CAD</u>
Long-term debt	\$ 25,000,000	\$ 31,605,000	\$ -	\$ -
Unamortized financing costs	(967,956)	(1,223,690)	-	-
	<u>\$ 24,032,044</u>	<u>\$ 30,381,310</u>	<u>\$ -</u>	<u>\$ -</u>

13. REPURCHASE OBLIGATIONS

As at March 31, 2015, the Corporation had two open repurchase commitment under its product financing arrangement to repurchase 2,500,000 bushels of certain grains. Under the product financing arrangement, the Corporation sold grain under contract and simultaneously entered into contracts to repurchase the grain during the first quarter of the fiscal year ending March 31, 2016. Since the Corporation is obligated to repurchase these commodities, it has not recognized these transactions as sales. As at March 31, 2015, the Corporation continues to recognize the inventory owned by Corporation in this regard on its consolidated balance sheet and has recorded a liability of \$18,635,451 (2014: \$15,941,080), plus accrued interest payable. As at March 31, 2015, the fixed interest rate on the open repurchase commitment is at 3.06% (2014: 3.08%).

14. FINANCIAL INSTRUMENTS

(a) *Fair value of financial instruments*

The carrying value of financial instruments measured at amortized cost, classified as current assets and current liabilities, such as cash equivalents, trade receivables, and accounts payable and accrued liabilities, approximate fair value due to the short-term maturity of the instruments. The carrying amount of the Corporation's long-term debt is an approximate fair value as it has an interest rate reflective of current market conditions at March 31, 2015.

Derivative assets and Derivative liabilities, which are held for trading and valued at fair value through profit and loss, are as follows as of March 31:

	<u>2015</u>	<u>2014</u>
<u>Derivative assets</u>		
Unrealized gains on open cash contracts	\$ 9,472,984	\$ 2,965,891
<u>Derivative liabilities</u>		
Unrealized losses on open cash contracts	\$ (2,607,280)	\$ 1,752,256

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

14. FINANCIAL INSTRUMENTS (continued)

(b) Finance loss

For the years ended March 31, 2015 and 2014, finance (loss) income includes the following:

	<u>2015</u>	<u>2014</u>
Interest and other revenues	\$ -	\$ 4,059
Realized loss on sale of investments	-	(2,974,760)
Realized gain (loss) on currency-hedging transactions	584,647	(468,891)
Realized and unrealized gain (loss) on foreign exchange	(773,610)	6,857
Unrealized increase (decrease) in fair value of investments	-	513,896
	\$ (188,963)	\$ (2,918,839)

(c) Finance expenses

For the years ended March 31, 2015 and 2014, finance expenses include the following:

	<u>2015</u>	<u>2014</u>
Interest on revolving line of credit	\$ (1,761,120)	\$ (4,028,687)
Interest on repurchase obligation	(137,549)	(158,057)
Long-term debt	(402,421)	-
Amortization of financing costs paid	(742,445)	(530,988)
Interest income and other interest expense	137,040	181
	\$ (2,906,495)	\$ (4,717,551)

(d) Portfolio investments

Portfolio investments are classified as held for trading, and consist of equity securities of private companies.

	<u>2015</u>	<u>2014</u>
Total fair value	\$ 848,163	\$ 848,163

Fair value for securities in private companies has been determined using primarily the market approach for recent and comparable transactions, adjusted by management to consider factors such as liquidity risk.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

14. FINANCIAL INSTRUMENTS (continued)

(e) 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, 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 March 31, 2015 and 2014, the Corporation's market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at March 31, 2015 and 2014, 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. As at March 31, 2015 and 2014, currency risk concerning the portfolio investments is no longer a significant risk issue, as the value of portfolio investments denominated in a currency other than Canadian dollars is not material.

Notwithstanding the foregoing, the following is a summary of the effect on the results of operations of the Corporation, if the fair value of each of the portfolio investments as at March 31, 2015 and 2014 had increased or decreased by 10%, with all other variables remaining constant:

	<u>2015</u>		<u>2014</u>	
	Increase (decrease)	Increase (decrease) in earnings per share	Increase (decrease)	Increase (decrease) in earnings per share
Change in fair value of investments	<u>in net income</u>	<u>per share</u>	<u>in net income</u>	<u>per share</u>
10% increase in fair value	\$ 84,816	\$ 0.00	\$ 84,816	\$ 0.00
10% decrease in fair value	\$ (84,816)	\$ (0.00)	\$ (84,816)	\$ (0.00)

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

14. FINANCIAL INSTRUMENTS (continued)

(e) *Management of financial instruments risks (continued)*

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 March 31, 2015 and 2014 had increased or decreased by 5%, with all other variables remaining constant:

	<u>2015</u>		<u>2014</u>	
	Increase (decrease)	Increase (decrease)	Increase (decrease)	Increase (decrease)
	in net income	in earnings per share	in net income	in earnings per share
<u>Change in bid/ask prices of commodities</u>				
5% increase in bid-ask prices	\$ 193,030	\$ 0.01	\$ 21,599	\$ 0.00
5% decrease in bid-ask prices	\$ (193,030)	\$ (0.01)	\$ (21,599)	\$ (0.00)

Interest rate risk

As at March 31, 2015 and 2014, the Corporation has no long or short portfolio positions in any interest-bearing investment securities.

As at March 31, 2015 and 2014, 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 securities. 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 March 31, 2015 and 2014, 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.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

14. FINANCIAL INSTRUMENTS (continued)

(e) *Management of financial instruments risks (continued)*

Interest rate risk

As disclosed in Note 11 (Bank Indebtedness) and Note 12 (Term Loan), as at March 31, 2015 and 2014, the Corporation's revolving credit facility bears interest at an annual rate of 2.875% plus overnight LIBOR along with its term loan bearing an interest 5.25% plus one-month LIBOR. As at March 31, 2015 and 2014, 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: (1) revolving credit facility; and (2) term loan were to both increase by 25 basis points ("25 bps") as at those dates, respectively. The potential effects on the future result of operations would be as follows:

	<u>2015</u>		<u>2014</u>	
	Increase in net loss	Increase in loss per share	Increase in net loss	Increase in loss per share
<u>Change in interest rate on revolving facility</u>				
25 bps increase in annual interest rate	\$ (54,611)	\$ (0.00)	\$ (179,644)	\$ (0.01)

Change in interest rate on term loan

25 bps increase in annual interest rate	\$ (149,384)	\$ (0.01)	\$ -	\$ -
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Ceres is not subject to cash flow interest rate risk concerning the repurchase obligations, as these liabilities bear interest at fixed rates.

Credit risk

Credit risk is the risk a counterparty would be unable to pay for amounts due to the Corporation in accordance with the terms and conditions of the debt instruments. As at March 31, 2015 and 2014, the Corporation is subject to credit risk concerning cash, amounts due from brokers, trade accounts receivable, and to the extent, open cash contracts for grain commodities that have given rise to unrealized gains. The maximum exposure to credit risk on those assets is limited to the carrying value of those assets. The Corporation 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. Management has assessed the counter-party risk and believes that insignificant losses, if any, would result from non-performance.

The Corporation 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. The Corporation minimizes this risk by having a diverse customer base and established credit policies. The aging of the Corporation's trade accounts receivable is substantially current. Based on its review and assessment of its trade accounts receivable, management has determined that as at March 31, 2015 and 2014, no allowance for doubtful accounts is warranted.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

14. FINANCIAL INSTRUMENTS (continued)

(e) *Management of financial instruments risks (continued)*

Custody and prime brokerage risk

There are risks involved with dealing with a custodian or broker who settle trades. In certain circumstances, the securities or other assets deposited with the custodian or broker may be exposed to credit risk with respect to those parties. In addition, there may be practical or timing problems associated with enforcing the Corporation's rights to its assets in the case of the insolvency of any such party. Notwithstanding the foregoing, management has evaluated the risk of loss related to the custodian or brokers and has determined this risk to be insignificant.

Liquidity risk

As at March 31, 2015 and 2014, the following are the contractual maturities of financial liabilities, excluding interest payments:

<u>2015</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	3 to <u>5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 18,736,400	\$ 18,963,000	\$ 18,963,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	17,388,202	17,388,202	17,388,202	-	-	-
Repurchase obligations	18,635,451	18,635,451	18,635,451	-	-	-
Derivatives	2,607,280	2,607,280	2,607,280	-	-	-
Provision for future payments to Front Street Capital	344,000	344,000	344,000	-	-	-
Warrants	1,719,000	1,719,000	1,719,000	-	-	-
Long-term debt (Note 12)	30,381,310	31,605,000	-	3,792,600	27,812,400	-

<u>2014</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	3 to <u>5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 71,746,950	\$ 71,857,500	\$ 71,857,500	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	7,567,634	7,567,634	7,567,634	-	-	-
Repurchase obligations	15,941,080	15,941,080	15,941,080	-	-	-
Derivatives	1,752,256	1,752,256	1,752,256	-	-	-
Provision for future payments to Front Street Capital	970,000	970,000	970,000	-	-	-

Future expected operational cash flows and sufficient assets are available to fund the settlement of these obligations in the normal course of business. In addition, the following factors allow for the substantial mitigation of liquidity risk: the prompt settlement of amounts due from brokers, the active management of trade accounts receivable and the lack of concentration risk related thereto. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

14. FINANCIAL INSTRUMENTS (continued)

(e) *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. 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.

As at March 31, 2015 and 2014, the following is a summary, at fair value, of Ceres' exposure to significant currency risks:

<u>Currency</u>	<u>2015</u>		<u>2014</u>	
	Net asset exposure*	Net futures contracts (to buy foreign currency)	Net asset exposure	Net futures contracts (to buy foreign currency)
U.S. dollars	\$ 840,344	\$ -	\$ 5,175,147	\$ -

*Exposure excludes the effect of future foreign exchange contracts

As at March 31, 2015 and 2014, the Corporation had no commitment to any futures foreign exchange contracts.

The following is a summary of the effect on Ceres' results of operations if the CAD had become 5% stronger or weaker against the USD as at March 31, 2015 and 2014, with all other variables remaining constant, related to assets and liabilities denominated in foreign currencies:

<u>Change in foreign exchange rate</u>	<u>2015</u>		<u>2014</u>	
	Increase (decrease) in net income	Increase (decrease) in earnings per share	Increase (decrease) in net income	Increase (decrease) in earnings per share
C\$ 5% stronger	\$ (50,589)	\$ (0.00)	\$ (272,537)	\$ (0.02)
C\$ 5% weaker	\$ 55,914	\$ 0.00	\$ 301,225	\$ 0.02

Currency risk related to the accounts of Ceres' foreign subsidiary relates primarily to the translation of its accounts into CAD for the purposes of the consolidated financial reporting of Ceres. Adjustments related to the translation of foreign currency accounts of a foreign operation are included as other comprehensive income and have no effect on the determination of net income for the reporting period.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

14. FINANCIAL INSTRUMENTS (continued)

(f) *Fair value measurements*

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

<u>March 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Portfolio investments	\$ -	\$ -	\$ 848,163	\$ 848,163
Due from Broker, unrealized gains on futures and options (Note 6)	2,673,417	-	-	2,673,417
Derivative assets (Note 14(a))	-	9,472,984	-	9,472,984
Due to Broker, unrealized losses on futures and options (Note 6)	(557,829)	-	-	(557,829)
Derivative liabilities (Note 14(a))	-	(2,607,280)	-	(2,607,280)
Warrants (Note 15(c))	-	(1,719,000)	-	(1,719,000)
Provision for future payments to Front Street Capital	-	(344,000)	-	(344,000)
	\$ 2,115,588	\$ 4,803,704	\$ 848,163	\$ 7,766,455

<u>March 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Portfolio investments	\$ -	\$ -	\$ 848,163	\$ 848,163
Due from Broker, unrealized gains on futures and options (Note 6)	55,242	-	-	55,242
Derivative assets (Note 14(a))	-	2,965,891	-	2,965,891
Due to Broker, unrealized losses on futures and options (Note 6)	(160,805)	-	-	(160,805)
Derivative liabilities (Note 14(a))	-	(1,752,256)	-	(1,752,256)
Provision for future payments to Front Street Capital	-	(970,000)	-	(970,000)
	\$ (105,563)	\$ 243,635	\$ 848,163	\$ 986,235

During the year ended March 31, 2014, portfolio investments 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).

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
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15. SHARE CAPITAL AND WARRANTS

(a) Authorized

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

(b) Normal Course Issuer Bids

During the year ended March 31, 2015, the Corporation did not purchase any Shares under any Normal Course Issuer Bid.

During the year ended March 31, 2014, on July 9, 2013, Ceres announced a normal course issuer bid (the “2013-2014 NCIB”) commencing on July 11, 2013, 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. The 2013-2014 NCIB was scheduled to conclude on the earlier of the date on which purchases under the bid were completed and July 10, 2014. For the period from July 11, 2013 to October 15, 2013, Ceres purchased 126,020 common shares under the 2013-2014 NCIB for aggregate cash consideration of \$964,424. The stated capital value of these repurchased Shares was \$1,198,882. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$234,458, was allocated to Retained Earnings in the year ended March 31, 2014. The Corporation made no purchases under the 2013-2014 NCIB after October 15, 2013.

(c) Common Share Purchase Warrants

In connection with the completion of the rights offering, Ceres issued an aggregate of 2,083,334 warrants to the stand-by purchasers, with the issuance being conditional upon approval at the Corporation’s annual general meeting to be held in August 2015. In the event that such warrant approvals are not obtained, the Corporation will make a cash payment to the standby purchasers equal to the number of common shares subject to the applicable number of standby warrants multiplied by the amount (if any) by which the then-current mark price (basis the five-day VWAP) of the common shares exceeds the subscription price, provided that the amount shall not be less than 2% nor greater than 4% of such standby purchasers’ subscription commitment.

Furthermore, the stand-by warrants issued, subject to shareholder approval, were issued at a fixed price of \$5.84 and are each convertible into one common share of the Corporation. The warrants have an expiry date 24 months after issuance. The fair value of the stand-by warrants has been estimated at the date of issuance using the Black Scholes pricing model, using the following assumptions: an average risk free interest rate of 1.01%; an average expected volatility factor of 22.75%; an expected dividend yield of nil; and expected life of 2 years from issuance. The fair value of the stand-by warrants at the time of issuance was estimated at \$1,644,000. Due to the conditional nature and certain other net settlement terms of the warrants, they are not considered equity under IFRS as at March 31, 2015, and are classified as a current liability.

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 Consolidated Financial Statements
March 31, 2015 and 2014

15. SHARE CAPITAL AND WARRANTS (continued)

(d) Stock Option and Appreciation Rights

On March 10, 2014, the Board approved the Ceres Global Ag Corp. Stock Option Plan (the “Options Plan”). The Options Plan is available to certain officers, key employees and consultants of the Corporation and its subsidiaries. The purpose of the Options Plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Corporation and to benefit from its growth.

The Options Plan is administered by the Board, which shall determine (among other things) those officers, key employees and consultants who may be granted awards as Participants and the terms and conditions of any award to any such Participant. The Exercise Price of the options shall be fixed by the Board and shall be no less than 100% of the Market Price on the effective date of the award of the options, which may be granted for a term not exceeding ten (10) years. The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares issued and outstanding less the number of common shares reserved for issuance under the Corporation’s Directors Deferred Share Unit Plan (Note 16). Restrictions exist as to the number of options that may be granted to Insiders within any one-year period, and as to the number of, and the aggregate fair market value of, the common shares underlying the options that may be granted to any one Participant.

The Options Plan also provides for the Board to grant Stock Appreciation Rights (“SARs”) to certain officers, key employees and consultants of the Corporation. Stand-Alone SARs granted under the Plan shall become vested at such times, in such installments and subject to the terms and conditions of the Options Plan (including satisfaction of Performance Criteria and/or continued employment) as may be determined by the Board. The Base Price for each common share subject to a Stand-Alone SAR shall not be less than 100% of the Market Price of a common share on the Effective Date of the award of such Stand-Alone SAR. Tandem SARs may be granted at or after the Effective Date of the related award of options, and each Tandem SAR shall be subject to the same terms and conditions and denominated in the same currency as the option to which it relates and the additional terms and conditions under the Options Plan. Tandem SARs may be exercised only if and to the extent the options related thereto are then vested and exercisable. On exercise of a Tandem SAR, the related option shall be cancelled and the Participant shall be entitled to an amount in settlement of such Tandem SAR calculated and in such form as provided by the Options Plan.

As at March 31, 2015 and 2014, no stock options or SARs had been awarded.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
March 31, 2015 and 2014

15. SHARE CAPITAL AND WARRANTS (continued)

(e) *Issued and outstanding as at March 31, 2015 and 2014*

The following is a summary of the changes in the Common shares and Warrants for the year ended March 31, 2015 and 2014:

	<u>Common shares</u>		<u>Warrants</u>	
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>
Balances, April 1, 2013	14,334,699	\$ 138,298,904	150,000	\$ 202,384
Expiry of Warrants, June 11, 2013	-	-	(150,000)	(202,384)
Repurchases under normal course issuer bid	(126,020)	(1,198,882)	-	-
Balances, March 31, 2014	14,208,679	\$ 137,100,022	-	\$ -
Adjustment to outstanding common shares	(471)	-	-	-
Issuance of common shares, December 4, 2014	12,842,465	75,000,000	-	-
Share issuance costs	-	(1,571,062)	-	-
Warrants, conditionally issued, December 4, 2014, classified as liabilities	-	(1,644,000)	2,083,334	1,644,000
Balances, March 31, 2015	27,050,673	\$ 208,884,960	2,083,334	\$ 1,644,000

On December 4, 2014, the Corporation completed a fully backstopped rights offering (the “Offering”). The Offering was fully subscribed at a price of \$5.84. The Corporation issued 12,842,465 common shares for aggregate gross proceeds of \$75,000,000. Costs incurred relating to the issuance of shares totaled \$1,571,062.

16. DEFERRED SHARE UNIT PLAN

Effective January 1, 2014, Ceres has a Directors’ Deferred Share Unit Plan, whereby deferred share units (“DSU”) are issued to Eligible Directors, in lieu of cash, for a portion of Directors’ fees otherwise payable to Directors. The Fair Market Value of the DSUs on the date such units are calculated and issued represents the volume-weighted average trading price of Ceres’ common shares for the five trading days immediately preceding the date of issuance of the DSUs. Each DSU entitles the director to receive payment after the end of the director’s term in the form of common shares of the Corporation. Under the plan, the aggregate number of common shares issuable by Ceres under this Plan is limited to 450,000 common shares. Certain insider restrictions and annual dollar limits per Eligible Director exist. Dividends, if any, otherwise payable on the common shares represented by the DSUs are converted into additional DSUs based on the Fair Market Value as of the date on which any such dividends would be paid. The Plan also provides for the Board to award additional DSUs (referred to in the Plan agreement as “Matching DSUs”) to an Eligible Director who has elected to receive DSUs pertaining to his/her Annual Cash Remuneration amount (as defined by the Plan).

The Corporation intends to settle all DSUs with shares through the issuance of treasury shares. Compensation expense is included as part of Directors’ fees classified with general and administrative expenses, and is recognized in the accounts as and when services are rendered to the Corporation. DSUs

CERES GLOBAL AG CORP.
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16. DEFERRED SHARE UNIT PLAN (continued)

outstanding as at a reporting period-end are revalued at the fair market value as at that period and changes in the fair market value are recognized to Directors' fees in the period in which the changes occur.

The following is a summary of the changes in the number of DSUs issued and outstanding for the years ended March 31, 2015 and 2014:

	<u>2015</u>		<u>2014</u>	
	<u>number of</u>	<u>Fair Market</u>	<u>number of</u>	<u>Fair Market</u>
	<u>units</u>	<u>Value</u>	<u>units</u>	<u>Value</u>
Balance, beginning of period	8,912.73	\$ 7.01	-	\$ -
Units redeemed	(2,673.83)	\$ 7.00	-	\$ -
Units issued	46,573.84	\$ 6.06	8,912.73	\$ 7.01
Balance, end of period	52,812.74	\$ 6.06	8,912.73	\$ 7.01

17. MANAGEMENT FEES

The following table presents management fee expense charged to the accounts of the Corporation for the years ended March 31:

	<u>2015</u>	<u>2014</u>
Management fees and related HST	\$ -	\$ 1,327,357
Management transition payment	-	5,000,000
Revaluation of provision for future payments to Front Street Capital	(626,000)	970,000
	<u>\$ (626,000)</u>	<u>\$ 7,297,357</u>

On August 23, 2013, Ceres announced it entered into a Management Transition Agreement (the "Transition Agreement") with Front Street Capital 2004 ("Front Street Capital"), which provided, among other things, 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 provided for the following:

- The Management Agreement was terminated effective November 30, 2013;
- Monthly management fee payments to the Front Street Capital ended December 31, 2013;
- On October 1, 2013, Ceres paid the Front Street Capital \$5 million plus HST of \$650,000;
- Front Street Capital 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 at any time 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;

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17. MANAGEMENT FEES (continued)

Ceres shall deposit into an escrow fund 5% 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 amount shall be paid to the Manager if the 5-day VWAP does not reach \$10 within five years

As at March 31, 2015, management has determined the fair value of the potential additional payments provided for under the Transition Agreement is \$344,000 (March 31, 2014: \$970,000). As at March 31, 2015, the fair value of each additional payment was determined using the binomial options pricing model, with a remaining term to December 31, 2018, using volatility of 25% and a risk-free interest rate of 0.60% (March 31, 2014: remaining term to December 31, 2018, volatility of 35% and risk-free interest rate of 1.71%). Management recalculates the fair value of such potential additional payments as at each quarter-end and adjusts the provision recognized in the accounts in the quarter such adjustment would be necessary.

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18. INCOME TAXES

(a) *Reconciliation of statutory tax provision to the effective tax provision*

As the Corporation operates in several tax jurisdictions, its income is subject to taxation at various rates.

The provision for income taxes differs from the amount that would have resulted from applying the Canadian statutory income tax rates to income before income taxes for the following reasons:

	<u>2015</u>	<u>2014</u>
Loss before income taxes and share of net income in investments in associates:		
Canada	\$ (6,539,794)	(15,512,509)
United States of America	<u>4,392,488</u>	<u>(5,543,796)</u>
	<u>\$ (2,147,306)</u>	<u>(21,056,305)</u>
Combined statutory Canadian federal and Ontario corporate income tax rate	<u>26.5%</u>	<u>26.5%</u>
Provision for income taxes recoverable using statutory rate	\$ <u>(569,036)</u>	<u>(5,579,917)</u>
Adjusted for the income tax effect of:		
Difference in tax rates applicable to subsidiaries	551,696	(694,637)
U.S. state taxes, net of U.S. federal benefit	(143,492)	(527,158)
Intercompany dividend eliminated upon consolidations	(1,885,738)	(1,360,853)
Non-deductible portion of capital losses	-	455,375
Non-deductible portion of unrealized losses on investments (non-taxable portion of unrealized gains on investments)	64,594	(68,091)
Changes in unrecognized temporary difference on deferred income tax assets	2,850,338	6,540,780
Foreign exchange and other differences	<u>(449,047)</u>	<u>(88,127)</u>
	<u>988,351</u>	<u>4,257,289</u>
Income tax expense (recovered)	<u>\$ 419,315</u>	<u>(1,322,628)</u>

CERES GLOBAL AG CORP.
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18. INCOME TAXES (continued)

The components of the provision for income taxes are as follows:

	<u>2015</u>	<u>2014</u>
Canada		
Current	\$ 134,142	\$ (135,488)
Deferred	140,437	50,736
	<u>274,579</u>	<u>(84,752)</u>
United States of America - Federal		
Current	93,164	(1,247,356)
Deferred	-	-
	<u>93,164</u>	<u>(1,247,356)</u>
United States of America - State		
Current	51,572	9,480
Deferred	-	-
	<u>51,572</u>	<u>9,480</u>
Income tax expense (recovered)	\$ 419,315	\$ (1,322,628)

(b) *Deferred income tax liability*

The tax effects of temporary differences that give rise to significant elements of the net deferred income tax liability are as follows:

	<u>2015</u>	<u>2014</u>
Deferred tax assets:		
Non-capital and net operating losses carried-forward	\$ 29,682,633	27,172,420
Allowable capital losses carried forward	1,026,920	1,247,392
Deductible portion of unrealized depreciation of investments	845,834	981,910
Share issuance costs	389,640	-
Other temporary deductible differences, net of temporary taxable differences	6,044,365	2,458,877
Accrued interest not deductible until paid	861,641	705,739
	<u>38,851,033</u>	<u>32,566,338</u>
Deferred income tax liability, property, plant and equipment	<u>(18,224,407)</u>	<u>(15,417,555)</u>
	(18,224,407)	(15,417,555)
Unrecognized deferred tax assts	<u>(20,923,597)</u>	<u>(17,305,317)</u>
Noncurrent deferred tax liabilities, net	\$ (296,971)	(156,534)

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18. INCOME TAXES (continued)

(c) *Tax losses carried forward*

(i) Canadian operations

As at March 31, 2015, the Corporation has accumulated non-capital losses in the amount of \$46,447,367 relating to operations in Canada. The non-capital losses are being carried forward and, unless utilized, will expire in the following taxation years:

<u>Year of expiry</u>	<u>Amount</u>
2028	\$ 591,209
2029	2,064
2030	6,387,927
2031	5,943,058
2032	7,313,866
2033	7,179,113
2034	11,788,060
2035	7,242,070
	<u>\$ 46,447,367</u>

As at March 31, 2015, Ceres has accumulated capital losses totaling \$7,750,339, which are available indefinitely to be applied against capital gains in future taxation years. The potential income tax benefit of the capital losses has not been recognized in the financial statements.

(ii) Unites States of America operations

As at March 31, 2015, the Corporation has accumulated net operating losses in the amounts noted below in USD, for federal and state income tax purposes. These net operating losses are being carried forward and, unless utilized, will expire in the following taxation years:

<u>Year of expiry</u>	<u>Federal</u>	<u>State</u>
2027	\$ -	6,177,900
2028	-	2,742,186
2029	-	10,857,882
2030	-	12,769,195
2031	9,717,275	1,457,305
2032	3,686,320	501,671
2033	8,570,443	869,453
2034	12,772,909	3,514,695
	<u>\$ 34,746,947</u>	<u>38,890,287</u>

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19. RELATED PARTY TRANSACTIONS

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 years ended March 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Salaries and bonuses accrued, senior executive officers	\$ 2,068,766	\$ 1,188,149
Benefits, senior executive officers	43,070	34,859
Directors' fees	494,577	445,551
	<u>\$ 2,606,413</u>	<u>\$ 1,668,559</u>

As at March 31, 2015 and 2014, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 40.3% and 17.7%, respectively, of the outstanding Common shares of the Corporation.

20. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS

	<u>2015</u>	<u>2014</u>
Decrease (increase) in due from Broker, commodity futures contracts	\$ (3,022,080)	\$ 7,980,680
Increase in net derivative assets	(4,929,716)	(458,109)
Decrease (increase) in trade receivables	(1,455,462)	7,262,978
Decrease (increase) in inventories	(16,515,546)	62,834,829
Decrease (increase) in Sales taxes recoverable	332,152	(1,528,175)
Decrease in prepaid expenses and sundry assets	219,660	97,116
Increase in accounts payable and accrued liabilities	1,982,426	2,390,223
Decrease in management fees payable	-	(250,763)
Increase (decrease) in provision for future payment to Front Street Capital	(626,000)	970,000
(Decrease) increase in due to Manager	-	(268,565)
	<u>\$ (24,014,566)</u>	<u>\$ 79,030,214</u>

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21. CONTINGENT LIABILITIES

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 March 31, 2015, the Corporation has no provision for any contingent liabilities.

Furthermore, during the quarter ended March 31, 2014, Ceres terminated its arrangements and ongoing discussions with a potential development partner with respect to the development and construction of a grain facility at NCLC. The termination of discussions with the potential partner may have implications for any amounts to be collected from the potential partner and amounts previously paid to Ceres by the potential partner in respect to a certain portion of NCLC site 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 year ended March 31, 2015, the potential partner initiated an action against the Corporation for injunctive relief and unspecified damages relating to the development and construction of a grain facility at the Corporation's NCLC.

As of the date hereof, the Corporation, based on the advice of its litigation counsel, does not believe that the claims alleged by the former partner have any legal merit, and therefore, the Corporation intends to vigorously defend the lawsuit. Prior to the termination of its relationship with the former partner, the counterparty paid \$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. The outcome of this complaint is difficult to assess or quantify. The plaintiff 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.

22. SUBSEQUENT EVENT

Subsequent to March 31, 2015, the Corporation entered into an agreement to sell its Electric Steel grain facility in Minneapolis, Minnesota, to the University of Minnesota for gross proceeds of US\$1,450,000 subject to final approval by the University's Board of Regents. The Corporation is expecting to close on the sale in the first quarter of fiscal 2016. As at March 31, 2015, the carrying value of the related facility's property, plant and equipment totaled approximately US\$1,300,000 (CAD\$1,643,460).