



MANAGEMENT’S DISCUSSION AND ANALYSIS

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This Management’s Discussion and Analysis (“MD&A”) dated November 9, 2016 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements for the three month period ended September 30, 2016 of Ceres Global Ag Corp. (“Ceres”, the “Corporation”, “we”, “our”, and “us”), and the Corporation’s audited consolidated financial statements for the year ended June 30, 2016 (the “Annual Consolidated Financial Statements”). Additional information about Ceres filed with Canadian securities regulatory authorities, including the quarterly and annual report and the annual information form, is available online at www.sedar.com.

Basis of Presentation

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. All information is reported in United States dollars (“USD”) unless otherwise specified.

Non-IFRS Financial Measures

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS. These measures include “EBITDA” (Earnings before interest, income tax, depreciation and amortization) and “Return on shareholders’ equity”, neither of which have a standardized meaning under IFRS. See “Non-IFRS Financial Measures and Reconciliations.”

Change in Fiscal Year-End

On February 10, 2016, the Board of Directors approved a change in the fiscal year end from March 31 to June 30. As a result of the change, the Corporation had a fifteen month fiscal year ending June 30, 2016. In conjunction with the change in fiscal year, Ceres changed its reporting and presentation currency to USD

commencing in this three month period ended September 30, 2016. Ceres believes that these changes will give investors a view of the Corporation's financial performance that better aligns the fiscal year with that of the agricultural crop year.

Risks and Forward Looking Information

The Corporation's financial and operational performance is potentially affected by a number of factors, including, but not limited to, the factors described in "Key Assumptions & Advisories".

This MD&A contains forward-looking information based on the Corporation's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, including those discussed in this MD&A and the Corporation's other disclosure documents, many of which are beyond the Corporation's control. Users of this information are cautioned that actual results may differ materially. See "Key Assumptions and Advisories" for information on material risk factors and assumptions underlying the Corporation's forward-looking information.

1. FINANCIAL AND OPERATING RESULTS

<i>(in millions except per share)</i>	Three months ended September 30,		Fifteen-month period ended
	2016	2015	June 30, 2016
Revenues	\$ 155.9	\$ 73.0	\$ 385.8
Gross profit (loss)	\$ 1.9	\$ 1.1	\$ (0.5)
Income (loss) from operations	\$ (0.6)	\$ (0.8)	\$ (10.6)
Net income (loss)	\$ (1.4)	\$ 0.10	\$ (12.1)
Common shares outstanding for period	26.9	27.1	27.0
Loss per share - Basic	\$ (0.05)	\$ 0.00	\$ (0.45)
Loss per share - Diluted	\$ (0.05)	\$ 0.00	\$ (0.45)
As at:			
Total assets	\$ 264.8	\$ 307.4	\$ 254.8
Total bank indebtedness, current (1)	\$ 54.4	\$ 86.0	\$ 55.6
Term debt (3)	\$ 22.9	\$ 24.1	\$ 22.9
Shareholders' equity	\$ 155.1	\$ 167.4	\$ 157.6
Return on shareholders' equity (2)	-0.9%	0.1%	-7.7%

(1) Includes Bank indebtedness and outstanding cheques in excess of cash on hand

(2) Non-IFRS measure. See Non-IFRS Financial Measures and Reconciliations section

(3) Includes current portion of long-term debt

Highlights for the three months ended September 30, 2016

- In an environment of low commodity prices with suppressed margin opportunities, the Corporation increased gross profit due to higher volumes handled.
- Gross profit of \$1.9 million for the quarter ended September 30, 2016 compared to \$1.1 million for the same quarter in 2015.
- Handled approximately 25.0 million bushels of grain and oilseed during the quarter through our elevators, compared to 11.3 bushels for the same quarter in 2015.
- Direct shipped from origin to end user 9.9 million bushels during the quarter, compared to 4.3 million bushels for the same quarter in 2015.
- Continued the construction of the fertilizer storage warehouse at Northgate in conjunction with the agreement to handle and store fertilizer on behalf of Koch Fertilizer Canada, ULC ("Koch"). The project is on time and on budget, and is expected to be fully operational by May, 2017.

Who We Are

While having one reportable segment, the Corporation operates in two business units: (1) grain storage, handling and merchandising unit, and; (2) commodity logistics. Ceres' grain storage, handling, and merchandising unit is anchored by a collection of nine (9) grain storage and handling assets in Minnesota, New York, Saskatchewan and Ontario having aggregate storage capacity of approximately 43 million bushels as at September 30, 2016, including 5.4 million bushels of idled capacity. The Corporation's Commodity Logistics unit is focused on the development of a commodity logistics centre in Northgate, Saskatchewan. The Northgate Commodities Logistics Centre ("Northgate" or the "NCLC") is a state-of-the-art grain, agriculture services, and oilfield supplies transloading site, which is being developed in conjunction with several potential energy and agricultural input company partners and connected to Burlington Northern Santa Fe Railway (the "BNSF"). Ceres also has a 25% interest in Stewart Southern Railway Inc., a short-line railway with a range of 130 kilometres that operates in Southeastern Saskatchewan.

Grain Division

The Corporation's grain division is engaged in grain storage, procurement, and merchandising of specialty grains and oilseeds such as oats, barley, rye, hard red spring wheat, durum wheat, canola and pulses through nine grain storage and handling facilities in Minnesota, New York, Saskatchewan and Ontario. Four of the grain storage facilities are located at deep-water ports in the Great Lakes, and one is located on the Minnesota River, which is tributary to the Mississippi River, allowing access for vessels and barges and enabling the efficient import and export of grains globally. Approximately 34 million bushels of the Corporation's facilities are "regular" for delivery for both spring wheat against the Minneapolis Grain Exchange futures contract and oats against the Chicago Board of Trade futures contract. In addition, spring wheat and oats sourced by the Corporation out of Canada are eligible for delivery against the respective futures contract.

The majority of the grain division's current storage space is utilized to benefit from grain trading, arbitrage and merchandising opportunities. Management determines which of the Corporation's facilities is to be employed for the storage or throughput of a particular grain shipment based on the source of the grain shipment, the elevator location relative to the end customers, the cost of logistics to transport the grain, and the availability of space in the intended elevator. In addition, the Corporation stores and handles grain for third-party customers.

Northgate Commodities Logistics Centre

Ceres owns approximately 1,300 acres of land at Northgate, Saskatchewan, where it is constructing a commodities logistics centre designed to utilize high-efficiency rail loops, capable of handling unit trains of up to 120 railcars. The NCLC will be a C\$100 million grain, oil, and natural gas liquids terminal and is connected to the BNSF with plans to further build out infrastructure to support storing and handling of phosphate-based fertilizer, which is described in further detail within the "Outlook" below.

The Corporation commenced its initial grain operations at Northgate in October 2014, operating the facility with a grain transloader for six months during the year-ended March 31, 2015. Phase one of the elevator was operational in November 2015 and elevator was fully operational in May 2016. As part of its grain operations, the Corporation contracts grain and oilseed purchases from western Canadian producers that are delivered by truck and unloaded at the NCLC grain terminal. Ceres has the option of storing the grain on-site or loading it into outbound railcars to customer end-users, or to the Corporation's existing facilities, taking advantage of the value and strategic location of its current asset base.

For the twelve-month period ended September 30, 2016, the number of grain and oilseed railcars loaded out of the Northgate facility increased 389% compared to the twelve-month period ended September 30, 2015.

Concurrent with its grain operations at NCLC, in April 2015, the Corporation entered into an agreement with Elbow River Marketing ("ERM"), a wholly owned subsidiary of Parkland Fuel Corporation, to transload

propane at Northgate. This strategic agreement provides a direct link and an added access point for propane to enter the US market.

Overall Performance

The Corporation recognized a net loss for the quarter ended September 30, 2016 of \$1.4 million, compared to a net gain of \$61 thousand in the three-month period ending September 30, 2015. Items affecting the three-month period ended September 30, 2016, compared to the three-month period ended September 30, 2015 included:

- Gross profit for the quarter ended September 30, 2016, totaled \$1.9 million compared to \$1.1 million for the same quarter ended September 30, 2015. The increase in gross profit was obtained through an increase in bushel volume while trading at suppressed margins.
- General and administrative expenses totaled \$2.5 million compared to \$1.9 million for the quarter ended September 30, 2015. The \$0.6 million increase was driven by legal fees and an increase in labor and personnel costs.
- Interest expense totaled \$1.0 million for the quarter ended September 30, 2016 compared to \$0.7 million for the same quarter in 2015.
- Finance Income totalled \$0.2 million for the quarter compared to \$1.1 million for the same quarter in 2015 due to a gain from investment revaluation in September, 2015.
- Revaluation of derivative warrant liability for the quarter ended September 30, 2016 was a gain of \$0.1 compared to a gain of \$0.5 million for the same quarter September 30, 2015. The warrants will expire in December 2016.

Revenues and Gross Profit

The Corporation's grain division is principally involved in an agricultural commodity-based business, in which changes in selling prices generally move in relation to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the business deals in will have a relatively equal impact on sales and cost of sales. Accordingly, management believes it is more important to focus on changes in gross profit and bushels handled than on changes in revenue dollars.

For the three months ended September 30, 2016, revenues totaled \$156 million compared to \$73 million for the three months ended September 30, 2015, as the Corporation settled 30 million bushels of grain and oilseed sales compared to 9.4 million bushels for the three months ended September 30, 2015.

The table below represents a summary of the components of gross profit for the fiscal periods ended September 30, 2016 and 2015:

<i>(in millions)</i>	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015
Net trading margin	\$ 5.0	\$ 3.7
Storage and rental income	1.4	1.3
Logistics and energy transloading	0.2	0.2
Operating expenses included in Cost of sales	(3.5)	(3.5)
Depreciation expense included in Cost of sales	(1.2)	(0.6)
Gross profit (loss)	<u>\$ 1.9</u>	<u>\$ 1.1</u>

For the three months ended September 30, 2016, the Corporation recognized a gross profit of \$1.9 million compared to a gross profit of \$1.1 million for the quarter ended September 30, 2015. The increase in gross profit was primarily driven by an increase in net trading margin in an environment of low commodity prices with suppressed margins.

Net trading margin

During the quarter ended September 30, 2016, the Corporation's total net trading margin totaled \$5.0 million compared to \$3.7 million for the quarter ended September 30, 2015. The increase in trading margin was most attributable to the expansion of the Corporation's commodity trading portfolio and geographical regions into which the Corporation sold, which included oilseed destined to the Asian market and trading corn into the Latin American market.

Storage and rental income

The Corporation's storage and rental income totaled \$1.4 million for the three months ended September 30, 2016 compared to \$1.3 million for the three months ended September 30, 2015. During the three month period ended September 30, 2016, the Corporation's bushels handled of third-party grain increased by 100% versus the same quarter in 2015. However, the bushels handled were at a lower rate versus the same quarter in the prior year.

Logistics and energy transloading

The Corporation earns a service fee for handling liquefied petroleum gas ("LPG" or "propane") at Northgate. The Corporation earns all of its propane transloading revenue in CAD. Total propane transloading was \$0.2 million for the three-month period ended September 30, 2016 which was the same for the quarter ended September 30, 2015.

Operating expenses and depreciation

For the three-month period ending September 30, 2016, operating and depreciation expense totaled \$4.7 million compared to \$4.1 million for the same period in 2015. The biggest driver of this increase is depreciation of \$0.6 million, namely, at Northgate due to it becoming operational in the second half of the prior year. As previously announced, the Corporation has idled three assets. The cost savings from this was \$0.5 million this quarter compared to the same quarter a year ago. Due to significant volume increases, the costs in the remaining facilities increased by \$0.5 million dollars, namely at Duluth Storage and Northgate which have increased bushels handled by 462% over the same quarter of the prior year. The cost per bushel handled at the facilities was 18.4 cents for the quarter ended September 30, 2016 compared to 36.2 cents for the same quarter in the prior year.

The table below represents the total number of bushels handled at the Corporation's elevator facilities and bushels shipped directly from origin to end user for the three months ended September 30, 2016 and September 30, 2015:

<i>(Bushels in millions)</i>	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015
Elevator Bushels Handled	25.0	11.3
Direct Ship Bushels	9.9	4.3

General and Administrative Expenses

General and administrative expense is composed of three components: corporate level administrative expenses, administrative expenses associated with operating the grain division (exclusive of those expenses incurred at

grain facilities, which are captured in cost of sales and are a reduction to gross profit as described above), and the revaluation of the provision for future payments to Front Street Capital. In addition, the corporate administrative expenses are inclusive of non-grain business growth initiatives.

The following table sets out the components of the Corporation's consolidated general and administrative expenses for the three-months ended September 30, 2016 and 2015:

<i>(in millions)</i>	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015
Corporate administration	\$ 1.0	\$ 0.8
Operating administration	1.5	1.2
Revaluation of provision of Front Street Capital	-	(0.1)
Total general and administrative expense	<u>\$ 2.5</u>	<u>\$ 1.9</u>

For the three-month period ended September 30, 2016, general and administrative expenses totaled \$2.5 million compared to \$1.9 million in the quarter ended September 30, 2015.

For the quarter ending September 30, 2016, corporate administrative expenses total \$1.0 million dollars. This is a net increase of \$0.2 million over the same period in the prior year. During the quarter ended September 30, 2016, the Corporation experienced higher than normal legal expense related to the legal dispute brought against the Corporation as we reported and disclosed within footnote 17 in the Interim Condensed Consolidated Financial Statements.

The grain division's administrative expenses for the three month period ended September 30, 2016 totaled \$1.5 million. The \$0.3 million increase in expense is primarily due to year-end accounting expense which were recorded in a different period in prior years.

Finance Income

For the three-month period ended September 30, 2016, finance income totalled \$170 thousand compared to finance income of \$1.1 million during the three month period ended September 30, 2015. Finance income is composed of realized and unrealized losses on foreign exchange transactions and currency hedging transactions along with revaluation gains of portfolio investments.

For the three-month period ended September 30, 2016, the decrease compared to the three month period ended September 30, 2015 is attributable to the prior year revaluation of the Corporation's investment in Canterra Seeds Holdings, Ltd. ("Canterra" or "the Investee"). Until September 2015, the Corporation held a 25% equity interest in Canterra that had a carrying value of \$1,755,518. This investment, accounted for using the equity method, was classified on the Consolidated Balance Sheet as "Investments in associates". During the quarter ended September 30, 2015, the Investee issued additional common equity shares, resulting in the dilution of the Corporation's equity interest to 17%. As such, the Corporation no longer had significant influence over the financial and operating policies of the Investee. Therefore Ceres reclassified its investment to portfolio investments for the period ended September 30, 2015 and recorded it at fair value, recognizing a gain of \$1.0 million classified within the Consolidated Statement of Comprehensive Income as "Finance Income".

Revaluation of Derivative Warrant Liability

As described in Note 11 of the Interim Condensed Consolidated Financial Statements for the three-month period ended September 30, 2016, in connection with the completion of the Rights Offering, on December 4, 2014,

Ceres issued an aggregate of 2,083,334 warrants to the stand-by purchasers. The warrants issued were conditional upon approval at the Corporation's annual general meeting ("AGM"), which was obtained at the AGM on August 7, 2015. Furthermore, the stand-by warrants were issued at a fixed exercise price of CAD \$5.84 and are each exercisable into one common share of the Corporation. The warrants have an expiry date 24 months after issuance, or December 4, 2016.

In the event that the warrants are being exercised prior to the occurrence of a change of control of the Corporation, but after a transaction that will cause a change of control has been publicly announced, in lieu of exercising the warrants, the holders of warrants can elect a cashless exercise to receive common shares equal to: the difference between the ten-day Volume-Weighted Average Price ("VWAP") of the Corporation's stock price and C\$5.84; multiplied by the number of common shares in respect of which the election is made; divided by the ten-day VWAP of the Corporation's stock price. If a warrant holder exercises this option, there will be variability in the number of shares issued per warrant.

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in the fair value recognized in the statement of operations and comprehensive loss at each period end. If the warrants are exercised and converted to common shares, or are extinguished upon the expiration of the outstanding warrants, it will not result in the outlay of any cash by the Corporation.

As at September 30, 2016, the fair value of the Warrants is estimated using the Black-Scholes pricing model with the following assumptions: an average risk free interest rate of 0.51%; an average expected volatility factor of 13.20%; an expected dividend yield of nil; and expected remaining life of 0.18 years. The fair value of the stand-by warrants as at September 30, 2016, was estimated at \$1.5 thousand (as at June 30, 2016: \$105.0 thousand).

For the quarter ended September 30, 2016, the revaluation of derivative warrant liability was an unrealized gain of \$103 thousand compared to an unrealized gain of \$539 thousand for the quarter ended September 30, 2015. An unrealized gain or loss for a particular period is directly related to the change in the fair value, which is primarily driven by the remaining life of the warrants at the revaluation date. It is also inversely related to the change in stock price for a particular period. As such, the remaining life decreasing from 0.43 years as of June 30, 2016 to 0.18 years at September 30, 2016 combined with a C\$0.25 decrease in stock price over that same period contributed to the unrealized gain for the quarter.

Interest Expense

<i>(in thousands)</i>	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015
Interest on revolving credit facility	\$ (427.4)	\$ (327.2)
Long-term debt	(354.6)	(333.1)
Amortization of financing costs paid	(172.1)	(104.3)
Interest income and other interest expense	-	40.5
Total Interest Expense	<u>\$ (954.1)</u>	<u>\$ (724.1)</u>

For the quarter ended September 30, 2016, interest expense totaled \$1.0 million compared to \$724 thousand for the quarter ended September 30, 2015. The higher interest expense on the revolving credit facility is primarily driven by slightly higher inventory and larger average accounts receivable.

Income Taxes

Income taxes for the three-month period ended September 30, 2016 amounted to an expense of \$2.9 thousand compared to a recovery of \$5.9 thousand for the three-months ended June 30, 2016.

Share of Net Income (Loss) in Investments in Associates

In the three-month period ended September 30, 2016, the Corporation recognized a loss in its net share in investments in associates of \$67 thousand on Ceres' portion of the net loss of Stewart Southern Railway.

Other Comprehensive income (loss) for the period

Gain (loss) on translation of foreign currency accounts of foreign operations

Gains and losses pertaining to translation of foreign operations relate to net assets of CAD functional currency operations, which are translated into USD using the rate at the reporting date, while related net income (or loss) is translated using the average rate for the period.

For the three-month period ended September 30, 2016, the Corporation recognized a net loss on translation of foreign accounts totaling \$1.2 million, compared to a net loss of \$4.7 million for the three-month period ended September 30, 2015.

The Corporation will generally recognize a gain on translation of foreign currency accounts when the spot rate from CAD to USD as at the balance sheet date is stronger than the average exchange rate for the period. When the spot rate at the balance sheet rate is weaker than the average rate, a loss is generally recognized, but a gain or loss is also driven by the change from the previous quarter for all non-monetary assets

For the three-month periods ended September 30, 2016 and September 30, 2015 and the fifteen-month period ended June 30, 2016, the spot rate at which CAD denominated assets and liabilities are translated to USD along with the daily average CAD to USD rates for comparative purposes were as follows:

	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015	Fifteen-month period ended June 30, 2016
Spot rate at balance sheet	0.7610	0.7540	0.7718
Average exchange rate	0.7670	0.7648	0.7665

2. QUARTERLY FINANCIAL DATA

<i>(in millions except per share)</i>	Q1 2017	Q5 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenues	\$ 155.9	\$ 115.8	\$ 87.3	\$ 61.4	\$ 73.0	\$ 48.3	\$ 44.0	\$ 61.4
Gross profit (loss)	\$ 1.9	\$ 1.9	\$ 2.8	\$ (7.8)	\$ 1.1	\$ 1.5	\$ (0.2)	\$ 4.8
Income (loss) from operations	\$ (0.6)	\$ (0.3)	\$ 0.9	\$ (9.8)	\$ (0.8)	\$ (0.5)	\$ (2.0)	\$ 2.9
Net income (loss)	\$ (1.4)	\$ (1.5)	\$ 0.8	\$ (10.1)	\$ 0.1	\$ (1.4)	\$ (2.8)	\$ 2.0
Return on shareholders' equity ¹	-0.9%	-0.9%	0.5%	-6.5%	0.0%	-0.8%	-1.6%	1.1%
Weighted-average number of common shares for the quarter	26.9	26.9	27.0	27.1	27.1	27.1	27.1	17.9
Basic and fully diluted earnings (loss) per share	\$ (0.05)	\$ (0.05)	\$ 0.03	\$ (0.37)	\$ 0.00	\$ (0.05)	\$ (0.10)	\$ 0.11
EBITDA ¹	\$ 0.7	\$ 0.5	\$ 1.9	\$ (8.9)	\$ 0.9	\$ 0.0	\$ (1.3)	\$ 3.4
EBITDA per share	\$ 0.03	\$ 0.02	\$ 0.07	\$ (0.33)	\$ 0.03	\$.0	\$ (0.05)	\$ 0.19
Shareholders' equity, as at reporting date	\$ 155.1	\$ 157.6	\$ 160.1	\$ 155.1	\$ 167.4	\$ 173.0	\$ 173.1	\$ 184.6
Shareholders' equity per common share, as at reporting date	\$ 5.77	\$ 5.86	\$ 5.92	\$ 5.73	\$ 6.19	\$ 6.40	\$ 6.40	\$ 6.82
Volumes								
Elevator bushels handled	25.0	18.7	9.4	10.8	10.1	6.7	7.4	9.6
Direct ship bushels	9.9	9.4	3.2	4.2	4.3	0.4	nil	nil

¹Non-IFRS measurement. See Note 8 below for further information

Revenues: The Corporation's revenue is currently generated by its grain division, and revenues are predominantly composed of the sale of grain, storage and rental income, and other operating income that is earned. Since a significant portion of revenue is generated through the sale of grain, as a commercial commodities merchandizing business, revenues can vary from quarter-to-quarter due to fluctuations of agricultural commodity prices. The Corporation has the flexibility to be opportunistic in its decisions to buy, sell or hold inventory based on market conditions such as grain supply, demand, and grain values.

Gross profit (loss) & income (loss) from operations: The Corporation's grain division is principally involved in an agricultural commodity-based business, in which changes in selling prices generally move in relation to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities are expected to have a relatively equal impact on sales and cost of sales. Therefore, management of the company believes it is more important to focus on changes in gross profit and bushels handled rather than changes in revenue dollars. Gross profit may vary from quarter to quarter depending on gains from trading, carrying income, and basis income against changing inventory levels.

3. LIQUIDITY & CASH FLOW

<i>(in thousands)</i>	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015
Net Cash Provided by (Used in)		
Operating activities	\$ 5,014	\$ (5,582)
Investing activities	<u>(3,820)</u>	<u>(6,808)</u>
Net Cash Used Before Financing Activities	1,194	(12,390)
Financing Activities	(1,009)	57,000
Foreign Exchange Cash Flow Adjustment on Accounts Denominated in a Foreign Currency	<u>(237)</u>	<u>(723)</u>
Increase/(Decrease) in Cash and Cash Equivalents	<u>\$ (52)</u>	<u>\$ 43,887</u>

Operating Activities

Cash generated from operating activities was \$10.6 million higher in the three-month period ended September 30, 2016 compared to the same period in 2015 primarily as a result of an increase of \$10.1 million in cash flow generated from the net change in non-cash working capital. The increase in cash flow generated from changes in non-cash working capital was primarily attributable to increases in accounts payable and accrued liabilities balances, which increased by \$13.6 million between June 30, 2016 and September 30, 2016. In comparison, from June 30, 2015 to September 30, 2015, accounts payable and accrued liabilities balances increased by \$6.4 million. The increase relates to an increase of unsettled grain purchases due to timing of settlement. This increase was partially offset by an increase in inventory balances of \$7.4 million between June 30, 2016 and September 30, 2016. In comparison, from June 30, 2015 to September 30, 2015, inventory balances increased by \$14.4 million.

Investing Activities

The Corporation's primary investing activities are acquisitions of property, plant and equipment. During the three-months ended September 30, 2016, cash used in investing activities were \$3.8 million, solely comprised of additions of property, plant and equipment primarily related to progress payments made on construction of the fertilizer storage facility at Northgate. This was a decrease from cash used in the investing activities of the same period in 2015 which totalled \$6.8 million, also used for purchases of property, plant and equipment but for the development of the grain elevator at Northgate.

Financing Activities

During the three months ended September 30, 2016, the Corporation used \$1.0 million in cash for financing activities compared to \$57.0 million being provided by financing activities in the three months ended September 30, 2015. The \$1.0 million in cash used in financing activities for the three-month period ended September 30, 2016 related to the repayment of borrowings on the revolving credit facility. The \$57.0 million provided by financing activities for the three months ended September 30, 2015 can be attributed directly to funds borrowed on the revolving credit facility.

Available Sources of Liquidity

The Corporation's sources of liquidity as at September 30, 2016 include available funds under its revolving credit facility (the "Credit Facility"). Management believes that cash flow from operations will be adequate to fund operating expenditures, maintenance capital, interest, and any income tax obligations. Growth capital expenditures in the next twelve months are expected to be funded by cash on hand and borrowing against the

Credit Facility. Any additional debt incurred is expected to be serviced by the anticipated increases in cash flow and will only be borrowed within the Corporation's debt covenant limits.

In addition, the Corporation's Credit Facility at September 30, 2016 contains certain covenants, including a covenant that the Corporation maintain minimum working capital of not less than \$23,155,295. As at September 30, 2016 the Corporation's working capital – defined as current assets less current liabilities – totaled \$32.4 million. In addition to working capital, the covenants include the maintenance of “consolidated debt” to “consolidated tangible net worth” (as defined in the agreement) of not more than 4.0 to 1.0; consolidated tangible net worth of not less than \$123,494,906; certain limitations on capital expenditures and interest coverage ratio of not less than 1.25.

As at September 30, 2016, the Corporation was unable to fulfill its interest coverage ratio financial covenant as required under its term loan facility agreement. Subsequent to September 30, but prior to the issuance of the Interim Condensed Consolidated Financial Statements, Ceres received an irrevocable waiver of the covenant violation from its lender, and as a result, the lender cannot demand payment of the debt as a result of the breach.

However, while the waiver of the September 30, 2016 financial covenant occurred subsequent to September 30, 2016, but prior to the issuance date, IFRS requires this liability to be classified as current since the Corporation did not have an unconditional right at the balance sheet date to defer the settlement of the debt for at least 12 months.

Therefore, the term loan less unamortized financing cost are classified within “Current portion of long-term debt” on the Interim Condensed Consolidated Balance Sheet as at September 30, 2016. The Corporation expects that the debt will be repaid in accordance with the original payment terms.

Liquidity risk

As at September 30, 2016 and June 30, 2016, the following are the contractual maturities of financial liabilities, excluding interest payments:

<u>September 30, 2016</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year</u>	<u>2 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>
Bank indebtedness	\$ 54,414,034	\$ 54,538,726	\$ 54,538,726	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	28,534,033	28,534,033	28,534,033	-	-	-
Repurchase obligations	-	-	-	-	-	-
Derivatives	3,806,933	3,806,933	3,806,933	-	-	-
Provision for future payments to Front Street Capital	37,289	37,289	37,289	-	-	-
Warrants	1,522	1,522	1,522	-	-	-
Long-term debt ¹	22,949,048	23,642,379	1,642,379	5,000,000	17,000,000	-

¹With consideration of the debt covenant waiver received subsequent to September 30, 2016

<u>June 30, 2016</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	\$ 55,584,100	\$ 55,833,483	\$ 55,833,483	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	16,007,014	16,007,014	16,007,014	-	-	-
Repurchase obligations	-	-	-	-	-	-
Derivatives	2,568,309	2,568,309	2,568,309	-	-	-
Provision for future payments to Front Street Capital	73,325	73,325	73,325	-	-	-
Warrants	104,971	104,971	104,971	-	-	-
Long-term debt	22,901,645	23,642,379	1,642,379	5,000,000	17,000,000	-

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.

4. CAPITAL RESOURCES

The Corporation utilizes the Credit Facility to finance its grain trading operations, which primarily consist of purchases of grain inventories, financing of accounts receivable and hedging activities, less accounts payable. Levels of short-term debt fluctuate based on changes in underlying commodity prices and the timing of grain purchases.

Credit Facility

As disclosed in the Interim Condensed Consolidated Financial Statements for the three-month period ended September 30, 2016, on December 18, 2015, the Corporation renewed and amended its uncommitted \$120 million credit facility, which now expires on December 18, 2016. Borrowings bear an interest rate dependent on the facility utilization level: at any time the utilization level is less than 50%, overnight LIBOR plus 2.875% per annum, and at any time that the utilization level is greater than or equal to 50%, overnight LIBOR plus 2.750% per annum. Interest is calculated and paid on a monthly basis. The Credit Facility is subject to borrowing base limitations. Amounts under the Credit Agreement that remain undrawn are not subject to a commitment fee.

Term Debt

In addition, as noted in the Annual Consolidated Financial Statements, on June 27, 2014, Ceres entered into a senior secured term loan facility agreement (the "Loan") for \$20 million with Macquarie Bank to finance further development and early stage construction of Northgate.

Subsequent to that, and in conjunction with amending and extending the syndicated uncommitted credit agreement on December 30, 2014, the Corporation entered into a senior secured term loan facility agreement (the "New Loan") for \$25 million with Macquarie Bank. The New Loan is for a term of 5 years with an interest rate of one month LIBOR plus 5.25%. The New Loan extinguished and replaced the previous loan originated on June 27, 2014, which had an initial term maturing on December 29, 2014.

The New Loan is for \$25,000,000 with a term of 5 years, an interest rate of one month LIBOR plus 5.25%. On November 17, 2015, immediately following the closure of the sale of Electric Steel, the Corporation used the net sales proceeds to repay a portion of its outstanding term debt in accordance with the terms of the New Loan. The total amount repaid on the term debt was \$1,357,621 (CAD \$1,808,895). The next principal payment on the term loan is payable on December 29, 2016 for the amount of \$1,642,379 with the following principal

payments of \$5,000,000 payable on each of December 29, 2017, and December 28, 2018, and \$12,000,000 payable on December 27, 2019. The New Loan has an effective interest rate of 6.21% plus one month LIBOR.

Equity Financing & Rights Offering

On December 4, 2014, the Corporation successfully completed a fully backstopped rights offering. The Rights Offering was fully subscribed at a price of CAD \$5.84. The Corporation issued 12,842,465 common shares for aggregate gross proceeds of approximately \$66.1 million. Costs incurred relating to the issuance of shares totaled \$1.4 million.

Normal Course Issuer Bid

During the three-month period ended September 30, 2016, the Corporation purchased Shares under normal course issuer bids, the purpose of which was to provide Ceres with a mechanism to decrease the potential spread between the net asset value per Share and the market price of the common shares. On June 9, 2016, Ceres announced a normal course issuer bid (“the 2016-2017 NCIB”) which commenced on June 12, 2016. Using the facilities of the TSX and in accordance with its rules and policies, Ceres intends to purchase up to a maximum of 1,595,765 of its Common Shares, representing approximately 10 percent of its unrestricted public float as of June 2, 2016, subject to a maximum aggregate purchase price of \$5 million pursuant to restrictions under the Corporation’s Credit Facility. The 2016-2017 NCIB will conclude on the earlier of the date on which purchases under the 2016-2017 NCIB have been completed and June 11, 2017. Ceres may purchase up to a daily maximum of 2,119 Common Shares under the 2016-2017 NCIB, except for purchases made in accordance with the “block purchase” exception under applicable Toronto Stock Exchange (“TSX”) rules and policies.

During the three months ended September 30, 2016, the Corporation purchased a total of 2,400 common shares under the normal course issuer bid for aggregate cash consideration of \$9,288. The stated capital value of these repurchased Shares was \$14,152. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$4,864, was allocated to Retained Earnings in the three-month period ended September 30, 2016. Subsequent to the quarter ended September 30, 2016, between October 1 and October 31, 2016, the Corporation purchased 8,338 shares under the normal course issuer bid for aggregate cash consideration of \$34,067.

During the three-month period ended September 30, 2015, the Corporation did not purchase any Shares under any Normal Course Issuer Bid.

5. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies and Standards Issued But Not Yet Effective

These interim condensed consolidated financial statements should be read in conjunction with Ceres’ audited consolidated financial statements for the fifteen-month period ended June 30, 2016. The Corporation’s significant accounting policies were presented in Note 3 of those audited financial statements. Refer to Note 4 of the interim condensed consolidated financial statements for standards issued but not yet effective.

Critical Accounting Estimates

The discussion and analysis of Ceres’ financial condition and results of operations are based upon the Corporation’s Interim Condensed Consolidated Financial Statements, which have been prepared in accordance with IFRS. Ceres’ significant accounting policies and accounting estimates are contained in the Annual Consolidated Financial Statements (see Notes 3 and 4, respectively, for the description of policies or references to notes where such policies are contained). The critical accounting estimates are valuation of investments; valuation of inventories and commodity derivatives; fair value of financial instruments; income taxes and the valuation of warrant obligations; and deferred share units, because they require Ceres to make assumptions

about matters that are potentially uncertain at the time the accounting estimate is made and due to the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

6. OUTLOOK

Grain Division

The 2016 cereal grain harvest in the U.S. and Canada began the growing season much like 2015 with timely rains and plenty of heat units, resulting in large supplies of all wheat classes, canola, oats, pulses and other specialty crops. Since that time spring wheat has experienced some quality issues, but for the most part fared well with overall high average protein and manageable toxin levels. This has put pressure on protein merchandizing margins as basis levels have remained relatively flat, especially in the U.S., and something we expect will continue through much of the 2016/17 crop year. Meanwhile, late and consistent rains have delayed harvest in Canada and led to significant quality issues in durum and oats. This has created price volatility for these products and better merchandizing opportunities for companies with diverse origination and assets that allow for quality segregation. Canola harvest has also been delayed, however, quality is holding up and overall size of the crop is large. This bodes well for Northgate as we expect to buy from farmers throughout the year to supply our key customers.

To maximize opportunities with this year's crop and future years, the Corporation remains focused on:

1. Increasing volumes merchandized both through and around its network, effectively lowering fixed cost per bushel handed and increasing revenues overall
2. Extending its reach on both ends of the supply chain to access more attractive margins.

Thus far volume goals are being achieved and trending in the right direction. Extending presence up and down the supply chain takes time to develop, but is also moving in the right direction as the Corporation increases its farmer-direct origination and key customer destination access in the U.S. and beyond.

Logistics Division

As mentioned in the Q5 and Year-End Fiscal 2016 Management Discussion and Analysis, Ceres entered into an agreement with Koch for the storage and handling of dry fertilizer products which will bring phosphate-based fertilizer to Northgate. At Northgate, Ceres will unload and warehouse the fertilizer in a new, state of the art 26,000 ton fertilizer storage terminal. The fertilizer will be loaded out by Ceres into trucks and distributed to Canadian farmers. The project is on time and on budget, and is expected to be fully operational by May, 2017.

While the partnership with Koch provides the international fertilizer producer access to the western Canadian market, Ceres views this partnership as a strategic compliment to its existing grain operations at Northgate. This arrangement will provide the Corporation's grain suppliers at Northgate the ability to backhaul grain, as local grain suppliers would reload their trucks with fertilizer after having unloaded grain and return to their origination. Management anticipates that this will greatly improve transportation economics, and further highlight Northgate as an advantageous pricing gateway.

In addition, the Corporation continues to unload LPG from inbound trucks and load into railcars for shipment into the US market via the BNSF from Northgate, Saskatchewan. The transloading of LPG has decreased recently as overall supply in Canada and North Dakota is lower and being shipped by truck to local markets. We believe volumes will remain light through the winter and pick up in the spring as Canadian LPG supplies increase and local truck demand post-winter decreases. Overall management anticipates that transloading propane will continue to be a steady business for the Corporation.

Lastly, management is exploring opportunities to build out and further develop the NCLC energy transloading business with additional tenant customers and the potential to handle other types of energy and industrial products such as oil field supplies, construction materials, and industrial parts and equipment. The Corporation is pursuing opportunities that further leverage the international port advantages of Northgate and its access into the U.S. or Canada, depending on which direction product is moving.

7. OTHER

CONTROLS ENVIRONMENT

Disclosure Controls and Procedures

Ceres maintains appropriate information systems, procedures, and controls to ensure that new information disclosed externally is complete, reliable, and timely. National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and that they have, as at September 30, 2016, designed the DC&P (or have caused such DC&P to be designed under their supervision) to provide reasonable assurance that material information relating to Ceres is made known to them by others, particularly during the period in which Ceres' annual filings are being prepared, and that information required to be disclosed by Ceres in its annual filings, interim filings or other reports filed or submitted by Ceres under applicable securities legislation is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Internal Controls over Financial Reporting

NI 52-109 also requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining internal control over financial reporting ("ICFR") and that they have, as at September 30, 2016, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). The control framework used by the Chief Executive Officer and the Chief Financial Officer to design Ceres' ICFR is the *Risk Management and Governance: Guidance on Control* (COCO Framework) published by CPA Canada (formerly The Canadian Institute of Chartered Accountants). There have been no material changes in the Corporation's internal control over financial reporting during the three month period ended September 30, 2016 that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Corporation's financial instruments and other instruments, including a discussion of risks and relevant risk sensitivities, can be found in Note 6 of the interim condensed consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has not engaged in any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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

Three months ended September 30	<u>2016</u>	<u>2015</u>
Salary and short-term employee/director benefits	\$ 255,059	\$ 300,074
Share-based compensation	<u>70,893</u>	<u>112,441</u>
	<u>\$ 325,952</u>	<u>\$ 412,515</u>

SHARES OUTSTANDING

As at November 9, 2016, the issued and outstanding equity securities of the Corporation consisted of 26,878,317 common shares.

CONTINGENCIES AND COMMITMENTS

See Note 17 of the interim condensed consolidated financial statements for disclosure of the Corporation's contingencies and commitments as at September 30, 2016.

CHANGE IN REPORTING CURRENCY AND YEAR-END

The Corporation has changed its fiscal year-end from March 31 to June 30. In conjunction with the change in fiscal year, Ceres has changed its reporting and presentation currency to USD as at and for this three-month period ended September 30, 2016.

8. NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

Certain financial measures in this MD&A and discussed below are not prescribed by and have a standardized meaning under IFRS. As such, they are unlikely to be comparable to similar measures presented by other issuers. These non-IFRS financial measures are included because management uses the information to analyze leverage, liquidity, and operating performance.

Earnings Before Interest, Income Taxes, Depreciation and Amortization

The Corporation believes the presentation of EBITDA can provide useful information to investors and shareholders as it provides increased transparency. EBITDA is one metric that is used by management to determine the Corporation's ability to service its debt and finance capital. EBITDA excludes gains and losses on property, plant and equipment and assets held for sale, as these items are considered to be non-reoccurring in nature.

The following table is a reconciliation of EBITDA for Ceres on a consolidated basis for the quarters ended September 30, 2016 and 2015.

<i>(in thousands)</i>	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015
Net income (loss) for the period	\$ (1,356)	\$ 61
Add/(Deduct):		
Interest Expense	954	724
Revaluation of derivative warrant liability	(103)	(539)
Gain on sale of property, plant and equipment	-	-
Income taxes (recovered)	3	(6)
Share of net (income) loss in investments in associates	67	37
Depreciation on property, plant and equipment	1,179	654
	\$ 744	\$ 931

Return on Shareholders' Equity

Ceres believes that the return on shareholders' equity can be an effective measure used to evaluate the performance of the business over time. Management uses this metric to analyze performance and set targets. Return on shareholders' equity is the quotient of the net income (loss) for the period and the total shareholders' equity as at the reporting date.

The following table is a calculation of return on shareholders' equity for the quarters ended September 30, 2016 and 2015.

<i>(in thousands)</i>	Three-month period ended September 30, 2016	Three-month period ended September 30, 2015
Net income (loss) for the period	\$ (1,356)	\$ 61
Total shareholders' equity as at reporting date	155,062	167,401
	-0.9%	0.0%

9. KEY ASSUMPTIONS & ADVISORIES

FORWARD LOOKING INFORMATION

This MD&A contains information that is “forward-looking information”, “forward-looking statements” and “future oriented financial information” (collectively herein referred to as “forward-looking statements”) within the meaning of applicable securities laws. Forward-looking statements in this document may include, among others, statements regarding future operations and results, anticipated business prospects and financial performance of Ceres and its subsidiaries, expectations or projections about the future, strategies and goals for growth, the action against Ceres initiated by the Scoular Company, expected and future cash flows, costs, planned capital expenditures, additional anticipated capital projects, construction and completion dates, including the plans, costs, timing and capital requirements for the development of the NCLC, operating and financial results, critical accounting estimates and the expected financial and operational consequences of future commitments.

Generally, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “outlook”, “likely”, “probably”, “going forward”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, “may have implications” or similar words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might”, or “will be taken”, “occur”, or “be achieved”. Forward-looking statements in this document are intended to provide Ceres’ shareholders and potential investors with information regarding Ceres and its subsidiaries, including Management’s assessment of future financial and operational plans and outlook for Ceres and its subsidiaries.

Forward-looking statements are based on the opinions and estimates of management at the date the information is made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Actual results or events may differ from those predicted in these forward-looking statements. All of the Corporation’s forward-looking statements are qualified by the assumptions that are stated or inherent therein, including the assumptions listed below. Although Ceres believes these assumptions are reasonable, this list is not exhaustive of factors that may affect any of the forward-looking statements.

KEY ASSUMPTIONS

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

- No material change in the regulatory environment in Canada and the United States;
- Supply and demand factors as well as the pricing environment for grains and other agricultural commodities;
- Fluctuation of currency and interest rates;
- General financial conditions for Western Canadian and American agricultural producers;
- Market share that will be achieved by the Corporation;
- Adequate and timely service from the railroad companies, and in particular from the Burlington Northern Santa Fe railroad at the NCLC;
- The ability of Ceres to successfully build and operate the Northgate grain elevator;
- The Corporation’s ability to successfully defend itself against, or settle, the dispute with The Scouler Company;
- Realization of economic benefits resulting from the synergies with NCLC; and
- The Corporation’s ability to maintain existing customer contracts and relationships coupled with its ability to increase its customer portfolio.

The preceding list is not an exhaustive list of all possible factors. All factors should be considered carefully when making decisions with respect to Ceres. Many such factors and events are not within the control of Ceres. Factors that could cause actual results or events to differ materially from current expectations include, among others, risks related to weather, politics and governments, changes in environmental and other laws and regulations, competitive factors in the agricultural, food processing and feed sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments, global and local economic conditions, the ability of Ceres to successfully implement strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Corporation’s assets, the availability and price of commodities, and the regulatory environment, processes and decisions. Ceres has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements. However, there may be other factors that might cause actions, events or results that are not anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to

be accurate, as actual results and future events could differ materially from those anticipated in such statements or information.

By its nature, forward-looking information is subject to various risks and uncertainties, including those risks discussed in other sections of this interim MD&A and in other filings and communications, any of which could cause Ceres' actual results and experience to differ materially from the anticipated results or published expectations. Additional information on these and other factors is available in the reports filed by Ceres with Canadian securities regulators. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date of this interim MD&A or otherwise, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. Ceres undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, change in management's estimates or opinions, future events or otherwise, except as required by law.