



**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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This Management’s Discussion and Analysis (“Annual MD&A”) dated September 22, 2016 should be read in conjunction with the audited Consolidated Financial Statements for the fifteen-month period ended June 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 March 31, 2015 (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](http://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 Canadian dollars (“CAD”) 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 has a fifteen month fiscal period that is reported in this Annual Report for the fiscal-period ending June 30, 2016. In conjunction with the change in fiscal year, Ceres will

change its reporting and presentation currency to USD. The Corporation will begin reporting in USD as at and for the three-month period ending 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>	Fifteen-month period ended June 30, 2016	Twelve-month period ended March 31, 2015	Twelve-month period ended March 31, 2014	Three months ended June 30,	
				2016	2015
Revenues (1)	\$ 505.5	\$ 192.8	\$ 232.4	\$ 149.3	\$ 59.3
Gross profit (loss) (1)	\$ (0.7)	\$ 11.7	\$ 4.4	\$ 2.4	\$ 1.9
Income (loss) from operations (1)	\$ (14.0)	\$ 1.0	\$ (12.9)	\$ (0.4)	\$ (0.6)
Net income (loss) (1)	\$ (15.8)	\$ (1.4)	\$ (19.3)	\$ (1.9)	\$ (1.7)
Common shares outstanding for period	27.0	18.4	14.3	27.0	27.1
Loss per share - Basic (1)	\$ (0.58)	\$ (0.08)	\$ (1.35)	\$ (0.07)	\$ (0.06)
Loss per share - Diluted (1)	\$ (0.58)	\$ (0.08)	\$ (1.35)	\$ (0.07)	\$ (0.06)
As at:					
Total assets	\$ 330.2	\$ 308.9	\$ 232.2		
Total bank indebtedness, current (2)	\$ 72.0	\$ 37.3	\$ 87.6		
Term debt (3)	\$ 29.6	\$ 30.4	\$ -		
Shareholders' equity (1)	\$ 204.2	\$ 218.8	\$ 134.1		
Return on shareholders' equity (4)	-7.7%	-0.6%	-14.4%		

(1) Inclusive of the durum wheat loss of \$10.3 million for the fifteen-month period ended June 30, 2016

(2) Includes Bank indebtedness, repurchase obligations and outstanding cheques in excess of cash on hand

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

(4) Includes current portion of long-term debt

### HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2016

- In an environment of low commodity prices with suppressed margin opportunities, the Corporation increased gross profit and the volume of company-owned bushels handled compared to the three months ended June 30, 2015.
- Gross profit of \$2.4 million for the quarter-ended June 30, 2016 compared to \$1.9 million for the same quarter in 2015.
- Handled approximately 18 million bushels of grain and oilseed during the quarter, compared to 6.7 bushels for the same quarter in 2015.

- Loaded 1,146 railcars of grain, oilseed, and propane, including 13 unit trains, destined for the US, Latin American, and Asian markets out of Northgate as defined below compared to 317 railcars for the quarter-ended June 30, 2015.
- Acquired 116,700 shares in conjunction with its normal course issuer bids compared to 51,900 for the quarter-ended March 31, 2016 (and nil for the quarter-ended June 30, 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”).

## **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 June 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, 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, while also utilizing the grain operating facility at the Northgate Commodity Logistics Centre, with aggregate storage capacity of approximately 43 million bushels. Through March 15, 2016, the Corporation’s grain division also managed two facilities in Wyoming on behalf of their owner, Briess Industries Inc. (“Briess”). 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 \$100 million grain, oil, 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. Therefore, fiscal year 2016 is the first full year of operations at the site. 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 June 30, 2016, the number of grain and oilseed railcars loaded out of the Northgate facility increased nearly three-and-a-half times compared to the twelve-month period ended June 30, 2015. For the same twelve-month period in 2016 compared to 2015, the number of propane railcars loaded out has increased nearly five-and-a-half times.

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. Under this strategic agreement, the Corporation unloads propane from inbound trucks loading it into railcars for shipment into the US market via the BNSF from Northgate, Saskatchewan. This provides a direct link and an added access point for propane to enter the US market.

In conjunction with Northgate operations, the Corporation has incurred \$5.2 million in operating expenses at the facility for the fifteen-month period ended June 30, 2016 (2015: \$0.9 million).

During the three-months ended June 30, 2016, the Corporation, through a third-party contractor, completed construction of the high-speed elevator in April 2016. While Phase 1 was completed in October 2015, the completion of the final phase of construction included a concrete slipform, the concrete grain bins, and cleaner dust system. The construction was completed within fiscal budget and finished slightly ahead of the May 2016 target date.

As part of the capital investment at Northgate, as at June 30, 2016, the Corporation has property, plant and equipment of approximately \$84 million (as at March 31, 2015: \$49.9 million). This is inclusive of land acquisition costs, environmental costs, mass grading, site preparation, the grain transloader and related equipment, rail track costs, and permanent high-speed inland terminal elevator constructions costs.

### **Overall Performance**

The Corporation recognized a net loss for the quarter ended June 30, 2016 of \$1.9 million, compared to a net loss of \$3.5 million in the fourth quarter of the prior year. Items affecting the quarter ended June 30, 2016, compared to the quarter ended June 30, 2015 included:

- Corporation recognized a net loss of \$1.9 million compared to a loss of \$1.7 million in 2015.
- Gross profit for the quarter-ended June 30, 2016, totaled \$2.4 million compared to \$1.9 million for the same quarter ended June 30, 2015. Increased gross profit was driven by greater net trading margins for the quarter that resulted from enhanced carrying income in the futures market along with an increase in company-owned stocks in-store and increased storage and rental income.
- General and administrative expenses totaled \$2.8 million compared to \$2.5 million for the quarter-ended June 30, 2016. The \$0.3 million increase was driven by \$0.2 million increase in labor and personnel costs, as the Corporation expanded its grain trading and merchandising group. (See "General and Administrative Expenses" below for a further discussion.)
- Interest expense totaled \$1.2 million for the quarter-ended June 30, 2016 compared to \$0.7 million for the same quarter in 2015. The increase of \$0.5 million is a result of greater daily average borrowings on the revolving line of credit during the quarter-ended June 30, 2016 compared to the three-month period ended

June 30, 2015, as funds from the December 2014 Rights Offering were used to pay down the borrowings on the revolving credit facility during the quarter-ended June 30, 2015.

### **Impact of Foreign Currency**

While the financial accounts of the Corporation are reported in CAD, the Corporation incurs and transacts revenues and expenses in CAD and USD. With the exception of revenues earned from transloading propane at Northgate, all of the Corporation's revenues are earned and transacted in USD. Of the Corporation's nine grain elevators, seven incur operating expenses that are denominated in USD. All of the Corporation's grain division general and administrative expenses are incurred in USD, while a significant portion of the Ceres' corporate general and administrative are incurred in USD but recorded in CAD. Thus, all revenues and expenses that are denominated in USD are translated into CAD using the average exchange rates prevailing at the dates of the transactions. As a result, the weakened CAD has increased revenues and expenses.

Furthermore, the weakened CAD has a similar effect on the Corporation's balance sheet. Of the Corporation's \$330 million total assets, \$230 million are denominated in USD, which as at June 30, 2016, totaled US\$178 million. (As at March 31, 2015, the Corporation's total assets were \$309 million, with \$249 million denominated in USD, or US\$196 million.) The Corporation's USD denominated assets and liabilities are translated to CAD at the spot rate as at the reporting date. Similar to the translation effect on revenues and expenses, the weakened CAD increases the CAD equivalent of the USD denominated assets and liabilities of the Corporation.

As previously announced, along with changing its fiscal year-end from March 31 to June 30, the Corporation will change its reporting and presentation currency to USD. The Corporation will commence reporting in USD as at and for the three-month period ending September 30, 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 fifteen-months ended June 30, 2016, revenues totaled \$505.5 million (for the twelve-months ended March 31, 2015: \$192.8). For the fifteen-months ended June 30, 2016, the Corporation sold 57.3 million bushels of grain and oilseed compared to 22.6 million bushels for the twelve-months ended March 31, 2015.

For the quarter ended June 30, 2016, revenues totaled \$149.3 million compared to \$59.3 million for the quarter ended June 30, 2015, as the Corporation sold 18.7 million bushels of grain and oilseed compared to 5.4 million for the quarter ended June 30, 2015.

The table below represents a summary of the components of gross profit for the fiscal periods ended June 30, 2016 and March 31, 2015 and the three-months ended June 30, 2016 and 2015:

<i>(in millions)</i>	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Net trading margin	\$ 11.4	\$ 21.8	\$ 5.2	\$ 4.6
Storage and rental income	11.1	6.5	2.5	1.8
Logistics and energy transloading	1.1	-	0.4	0.2
Management service revenue	2.0	-	-	-
Operating expenses included in Cost of sales	(21.3)	(13.9)	(4.4)	(3.9)
Depreciation expense included in Cost of sales	(5.0)	(2.7)	(1.3)	(0.8)
Gross profit (loss)	<u>\$ (0.7)</u>	<u>\$ 11.7</u>	<u>\$ 2.4</u>	<u>\$ 1.9</u>

For the fifteen-months ended June 30, 2016, the Corporation recognized a gross loss of \$0.7 million compared to a gross profit of \$11.7 million for the twelve-months ended March 31, 2015. The decline in gross profit was primarily driven by a reduction in net trading margin.

#### Net trading margin

For the fifteen-month period ended June 30, 2016, the Corporation recognized \$11.4 million in net trading margin. Excluding the net trading loss of durum in the fifteen-month period ended June 30, 2016 of \$10.3 million, and the durum net trading margin of \$6.8 million for the twelve-month period ended March 31, 2015, total net trading margins total \$21.7 million and \$15 million for the fifteen-month and twelve-month period ended June 30, 2016 and 2015, respectively. Consequently, the decline in net trading margin for the fifteen-month period ended June 30, 2016 compared to the twelve-month period ended June 30, 2015, was driven primarily by the reduction in the durum wheat trading margin of \$17.1 million from prior year. The durum loss was due to the durum price declines on the Corporation's durum inventories during the quarter ended December 31, 2015. While price volatility is normal in commodity markets, the drop in durum prices through early calendar 2015, through 2015's harvest year, extending through calendar year 2015, was far greater than normal, as the market moved from near \$20 per bushel to below \$10 per bushel.

The price decline in the durum market was two-fold: (1.) Canada & U.S. supplies were not as tight as forecasted earlier in the year, and; (2.) other durum crops around the world produced high yields and increased global supplies. Since that time the Corporation has implemented a number of measures to better mitigate the risk of a similar event from reoccurring, which include: (a.) lowering the flat-priced volume limit for trading durum; (b.) increased the number of steps and involvement of senior management in the decision-making process around trading durum; (c.) an alternation of the durum business model to focus more on supply chain versus flat priced trading.

Durum aside and excluding the impact of the weakened CAD, the Corporation's net trading margin increased \$6.7 million, which was attributable to strong carry income in the futures market along with an increased in trading activity compared to prior year as evidenced by sales bushels totaling 57.3 million compared to 22.6 million for the twelve-months ended March 31, 2015.

During the quarter ended June 30, 2016, the Corporation's total net trading margin totaled \$5.2 million compared to \$4.6 million for the quarter ended June 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. While the overall trading margin increased during the quarter ending June 30, 2016 compared June 30, 2015, the margin per bushel was significantly less at \$0.27 compared to \$0.85. This was due to a significant increase in inventory value of products the Corporation was holding during the quarter ending June 30, 2015 and not due to a difference in trading margins.

#### Storage and rental income

The Corporation's storage and rental income totaled \$11.1 million for the fifteen-months ended June 30, 2016 compared to \$6.5 million for the twelve-months ended March 31, 2015. During the fifteen-month period ended June 30, 2016, the Corporation had, on average, more bushels in-store than during the twelve-month period March 31, 2015.

During the quarter-ended June 30, 2016, the Corporation's storage and rental income amounted to \$2.5 million while totaling \$1.8 million for the quarter-ended June 30, 2015. The increase in storage for the quarter-ended June 30, 2016, was attributable to an increase in the number of bushels stored, and the storage and handling rates for each storage agreement.

#### 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 has amounted to approximately \$1.1 million for the fifteen-months ended June 30, 2016, while \$0.4 million was recognized in the quarter ended June 30, 2016.

#### Management service revenue

As we disclosed in our MD&A for the twelve- and three-month period ended March 31, 2016, in March 2013, the Corporation sold a grain elevator in Ralston, Wyoming, and a related barley seed plant in Powell, Wyoming, to Briess. As part of the sale, the Corporation agreed to manage the facility for Briess for three years, and to, among other things, contract malting barley with producers on behalf of Briess. If the Corporation met certain annual performance targets based on the number of bushels contracted, Ceres would receive a contingency payment at the end of the three year term of USD \$1.5 million. In March 2016, the Corporation earned and recognized the contingency following the completion of the final year's barley contracting for crop year 2016, receiving USD \$1.5 million.

#### Operating expenses and depreciation

A significant majority of the Corporation's operating expenses are incurred in USD, and the Corporation has seven operating facilities in the United States. The impact of the USD-to-CAD fluctuation is significant to operating and depreciation expense. A majority of the operating expenses incurred at the Corporation's Port Colborne, Ontario, and Northgate, Saskatchewan, facilities are incurred in CAD.

For the fifteen-month period ended June 30, 2016, operating and depreciation expenses totaled \$26.3 million compared to \$16.6 for the twelve-month period ended March 31, 2015. Operating and depreciation expenses from operating Northgate total \$5.2 million primarily driven by labor and depreciation expense with the commencement of the grain operations, and the high-speed grain terminal being placed into service and depreciating during the 15 months ended June 30, 2016. Excluding Northgate expenses, total operating and depreciation expenses amounted to \$21.1 million. The largest operating expense categories that make up the \$21.1 million are labor expenses of \$7.7 million, depreciation expense of \$3.9 million, property tax of \$2.3 million, and utilities expense of \$2.2 million.

For the three-month period ending June 30, 2016, total operating and depreciation expense totaled \$5.7 million compared to \$4.7 million for the same period in 2015. On a CAD basis, much of the increase was driven by operations at Northgate increasing \$0.9 million in operating expenses and depreciation compared to the same

period in the prior year. The increase in Northgate depreciation expense of \$0.4 million is a result of placing the assets from the final phase of construction into service which include a concrete slipform, the concrete grain bins, and cleaner dust system. Excluding Northgate, the operating and depreciation expense is comparable for the quarter ended June 30, 2016 to the quarter ended June 30, 2015.

The table below represents the total number of bushels handled at the Corporation's elevator facilities for the company-owned grains and for grain handled for third-party storage tenants for the fiscal periods ended June 30, 2016 and March 31, 2015 and the three-months ended June 30, 2016 and 2015.

<i>(Bushels in millions)</i>	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Total bushels handled	<b>55.8</b>	37.9	<b>18.7</b>	6.7

The following table represents the net trading margins per bushel relative to company-owned bushels handled; storage and rental income per bushel of third-party owned inventory handled; along with the operating and depreciation expenses per bushel for all bushels handled for the fifteen-month and twelve-months ended June 30, 2016 and March 31, 2015, respectively, along with the three-month periods ended June 30, 2016 and 2015.

<i>(Dollars per bushel handled)</i>	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Average gross profit before undernoted expenses	<b>\$ 0.40</b>	\$ 0.75	<b>\$ 0.41</b>	\$ 0.96
Operating and depreciation expense	<b>(0.47)</b>	(0.44)	<b>(0.30)</b>	(0.70)
Gross profit (loss) per bushel handled	<b>\$ (0.07)</b>	\$ 0.31	<b>\$ 0.11</b>	\$ 0.26

\* Exclusive of management service and logistics and energy transloading revenues

Gross profit analysis for the fifteen-month period ended June 30, 2016

Gross profit per bushel handled was a loss of 7-cents per bushel compared to a profit of 3-cents per bushel for the twelve-months ended March 31, 2015. The decline was driven by a reduction in net trading margin per bushel handled of company-owned grain, which was predominantly driven by the trading losses the Corporation experienced in durum during the fifteen-month period ended June 30, 2016. Excluding the durum wheat net trading margin (loss) per bushel handled for the fifteen-month ended June 30, 2016 and the twelve-month period ended March 31, 2015, net trading margins totaled \$0.84 compared to \$1.07, respectively for the two periods.

Furthermore, the Corporation's storage and rental income per bushel handled increased in the fifteen-months ended June 30, 2016 compared to the twelve-months ended March 31, 2015. The favorable change is attributable to: (1) a decline in third-party bushels handled compared to the twelve-months ended March 31, 2015; (2) having more third-party storage bushels held in-store on average throughout the fifteen-months ended June 30, 2016 compared to the twelve-months ended March 31, 2015; (3) at more favorable storage and handling rates as per the third-party storage contracts. The slight increase in operating and depreciation expense is predominantly driven by operating expenses incurred at Northgate.

Gross profit analysis for the three-month period ended June 30, 2016

Gross profit per bushel handled for the three-month period ended June 30, 2016 was 11-cents compared to 26-cents for the same period in 2015. The reduction in gross profit per bushel handled was driven by a decline in the net trading margin per bushel handled and storage and rental income per bushels handled. The decline was predominantly driven by a three-fold increase in the amount of third-party bushels handled while storage and rental income increase less than double. Operating and depreciation expense per bushel handled declined to 30-cents for the three-months ended June 30, 2016 compared to 70-cents for the same three months in 2015. While total bushels handled increased nearly 3-fold from the three-months ended June 30, 2015 to 2016, expense only increased just over 1.5-times due to a portion of these costs being fixed.

**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 fiscal periods ended June 30, 2016 and March 31, 2015 and the three-months ended June 30, 2016 and 2015:

<i>(in millions)</i>	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Corporate administration	\$ 5.8	\$ 6.1	\$ 1.3	\$ 1.1
Grain Division administration	7.6	5.2	1.5	1.2
Revaluation of provision of Front Street Capital	(0.2)	(0.6)	-	0.2
Total general and administrative expense	<u>\$ 13.2</u>	<u>\$ 10.7</u>	<u>\$ 2.8</u>	<u>\$ 2.5</u>

For the fifteen-month period ended June 30, 2016, general and administrative expenses totaled \$13.2 million compared to \$10.7 million in the twelve-month period ended March 31, 2015.

Corporate administrative expenses declined due to a reduction in spending. In the previous year, the corporation incurred expenses in connection with the finalization and build-out of Northgate prior to commencing operations there, in addition to expenses indirectly associated with the corporation's rights offering (the "Rights Offering"), which were not direct costs relating to share issuance. In the twelve-month period ended March 31, 2015, the Corporation incurred non-capitalized consulting and third-party service costs associated with Northgate, including legal fees and licensing, and site services, while those expenses were nominal in the fifteen-month period ended June 30, 2016.

The grain division's administrative expenses for the fifteen-month period ended June 30, 2016 totaled \$7.6 million. The largest administrative expense categories that make up the \$7.6 million are labor expenses of \$5.2 million, accounting and legal services of \$0.5 and travel expenses of \$0.4 million. The increase in grain division administrative expenses is primarily driven by labor and personnel costs, as the Corporation expanded its grain trading and merchandising group and grain settlements team, and added an internal human resources manager.

The magnitude of the revaluation in the provision for future payments due to Front Street Capital is predominantly due to the inverse correlation between the liability and the Corporation's stock price. During the twelve-month period ending March 31, 2015, the stock price declined at a greater rate compared to the fifteen-month period ended June 30, 2016. This led to a reduction in the unrealized gain due to revaluation of the

provision for the fifteen-month period ended June 30, 2016 compared to the twelve-month period ended March 31, 2015.

General and administrative expense increased \$0.3 million for the three-month period ending March 31, 2016 compared to 2015. The increase was driven by \$0.2 million increase in labor and personnel costs, as the Corporation expanded its grain trading and merchandising group. Additionally, the Corporation incurred increased legal expenses related to the legal dispute brought against the Corporation as we reported and disclosed within footnote 21 in the Annual Financial Statements.

### **Finance Income**

For the fifteen-month period ended June 30, 2016, finance income totalled \$1.6 million compared to finance loss of \$189 thousand during the twelve-month period end March 31, 2015. For the quarter ended June 30, 2016, the Corporation incurred a finance loss of \$130 thousand, which represented a \$43 thousand increase compared to the finance loss of \$87 for the quarter ended June 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 fifteen-month period ended June 30, 2016, the increase compared to the twelve-month period ended March 31, 2015 is attributable to the revaluation of the Corporations investment in Canterra Seeds Holdings, Ltd. (“Canterra” or “the Investee”) as we previously reported for the quarter ended September 30, 2015. Until September 30, 2015, the Corporation held a 25% equity interest in Canterra that had a carrying value of \$2,168,767. 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, during the fifteen-month period ended June 30, 2016, Ceres reclassified its investment to portfolio investments and recorded it at fair value, recognizing a gain of \$1,368,247 classified within the Consolidated Statement of Comprehensive Income as “Finance income”.

### **Revaluation of Derivative Warrant Liability**

As described in Note 15 of the Consolidated Financial Statements for the fifteen-month period ended June 30, 2016 and twelve-month period ended March 31, 2015, 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 6, 2015. Furthermore, the stand-by warrants were issued at a fixed exercise price of \$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 VWAP of the Corporation’s stock price and \$5.84; multiplied by the number of common shares in respect of which the election is made; divided by the ten-day VWAP of the Corporation’s stock price. If a warrant holder 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 June 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 0.52%; an average expected volatility factor of 15.68%; an expected dividend yield of nil; and expected remaining life of 0.43 years. The fair value of the stand-by warrants as at June 30, 2016, was estimated at \$136,000 (as at March 31, 2015: \$1,719,000).

Revaluation of derivative warrant liability was an unrealized gain of \$1.6 million for the fifteen-month period ended June 30, 2016 compared to an unrealized loss of \$75 thousand for the twelve-month period ended March 31, 2015. For the quarter ended June 30, 2016, the revaluation of derivative warrant liability was an unrealized loss of \$40 thousand compared to an unrealized loss of \$836 thousand for the quarter ended June 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. For the fifteen-month period from April 1, 2015 to June 30, 2016, the unrealized gain of \$1.6 million is attributable to the decrease in the life of the warrants from 1.68 years remaining at March 31, 2015, to 0.43 years at June 30, 2016. Additionally, for the fifteen-month period from April 1, 2015 to June 30, 2016, our stock price decreased from \$6.00 at March 31, 2015 to \$5.35 at June 30, 2016, which also decreased the fair value.

As the unrealized gain or loss for a particular period is inversely related to the change in the stock price for the respective period, the \$0.40 increase in the stock price for the three-month period from March 31, 2016 to June 30, 2016 resulted in an unrealized loss for the quarter.

## Interest Expense

<i>(in thousands)</i>	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Interest on revolving credit facility	\$ (2,682.7)	\$ (1,761.2)	\$ (581.4)	\$ (201.8)
Interest on repurchase obligations	(234.5)	(137.5)	-	(15.1)
Long-term debt	(2,215.8)	(402.4)	(438.5)	(423.3)
Amortization of financing costs paid	(860.4)	(742.4)	(221.2)	(127.8)
Interest income and other interest expense	115.8	137.0	-	1.5
Total general and administrative expense	<u>\$ (5,877.6)</u>	<u>\$ (2,906.5)</u>	<u>\$ (1,241.1)</u>	<u>\$ (766.5)</u>

For the fifteen-months ended June 30, 2016, interest expense totaled \$5.9 million and \$2.9 million for the twelve-month period ended March 31, 2015. Interest expense for the fifteen months ended June 30, 2016 included fifteen months of interest on the term loan that was obtained during the prior fiscal year on December 30, 2014<sup>1</sup>. The Corporation's daily average borrowings on the revolving line of credit was \$51.4 million during the fifteen months ended June 30, 2016.

For the quarter ended June 30, 2016, interest expense totaled \$1.2 million compared to \$767 thousand for the quarter ended June 30, 2015. The increase was driven by the interest on the revolving credit facility, which increased \$379.6 for three months ended June 30, 2016 compared to the same three months in 2015. The average daily borrowings for the quarter ended June 30, 2016 increased from \$21.7 million USD to \$55.8 million USD for the quarters ended June 30, 2015 and June 30, 2016, respectively, as funds from the December 2014 Rights

<sup>1</sup> While the Corporation's corporate term debt was obtained on December 30, 2014, prior to this date, and commencing on June 27, 2014, the Corporation had obtained a bridge loan from Macquarie Bank in the amount of US\$20 million. Since the bridge loan was directly used to fund the initial build-out at Northgate, the related interest expense was capitalized as financing costs to property, plant and equipment.

Offering were used to pay down the borrowings on the revolving credit facility during the quarter-ended June 30, 2015.

### **Income Taxes**

Income taxes for the fifteen-month period ended June 30, 2016 amounted to a recovery of \$0.3 million compared to an expense of \$0.4 million for the twelve months ended March 31, 2015. The expense in the prior year related to current income taxes incurred while the recovery in 2016 relates to deferred income taxes. Income taxes expense for the quarter ended June 30, 2016 totalled \$25 thousand compared to a recovery of \$320 thousand for the quarter ended June 30, 2015.

### **Share of Net Income (Loss) in Investments in Associates**

For the fifteen months ended June 30, 2016, the Corporation's share of net income in its investment in associates was \$0.3 million compared to \$1.2 million for the twelve-month period ended March 31, 2015. For the quarter ended June 30, 2016, the Corporation's share of a net loss in its investment in associates was \$41 thousand compared to net income of \$304 thousand for the quarter ended June 30, 2015.

For the fifteen-months ended June 30, 2016, the decline is primarily driven by prior year's recognition of equity share of income in Canterra of \$0.9 million. As disclosed above, upon dilution due to the Investee issuing additional common equity shares and Ceres no longer having significant influence over the financial and operating policies of the Investee, Ceres records its investments in Canterra at fair value as classified on the Consolidated Balance Sheet within "Portfolio investments". Any change in the fair value is recorded in Finance income within the Consolidated Statement of Comprehensive Loss.

In the three-month period ended June 30, 2015, the Corporation recognized a gain in its net share in investments in associates of \$304 thousand: \$315 thousand related to a gain associated with Canterra, and a loss of \$11 thousand recognized in Ceres' portion of net income earned by SSR. For the three months ended March 31, 2016, the Corporation's share of a net loss of \$41 thousand related to the Stewart Southern Railway Inc. The decline in the share of net income (loss) in investment in associates was driven by a decline SSR's profitability.

### **Other Comprehensive income (loss) for the period**

#### *Net investment hedge – net income*

During the fifteen-month period ended June 30, 2016, the Corporation hedged a portion of its investment in a US subsidiary through US dollars futures contracts, which mitigated the foreign currency risk arising from the subsidiary's net assets. The Corporation settled the USD futures hedge and realized a gain of \$1.4 million (2015: nil), which has been recognized in other comprehensive income.

#### *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 USD functional currency operations, which are translated into CAD using the rate at the reporting date, while related net income (or loss) is translated using the average rate for the period.

For the fifteen-month period ended June 30, 2016, the Corporation recognized a net loss on translation of foreign accounts totaling \$37 thousand, compared to a gain of \$14.1 million for the twelve-month period ended March 31, 2015.

The Corporation will generally recognize a gain on translation of foreign currency accounts when the spot rate from USD to CAD as at the balance sheet date is weaker than the average exchange rate for the period. When the spot rate at the balance sheet rate is stronger than the average rate, a loss is recognized.

For the fifteen-month period ended June 30, 2016 and twelve month period ended March 31, 2015, the spot rate at which USD denominated assets and liabilities are translated to CAD along with the daily average USD to CAD rates for comparative purposes were as follows:

	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Spot rate at balance sheet	<b>1.30</b>	1.27	<b>1.30</b>	1.24
Average exchange rate	<b>1.31</b>	1.14	<b>1.29</b>	1.23

## 2. QUARTERLY FINANCIAL DATA

	3 months 6/30/2016	3 months 3/31/2016	3 months 12/31/2015	3 months 9/30/2015	3 months 6/30/2015	3 months 3/31/2015	3 months 12/31/2014	3 months 9/30/2014
	Q5 2016	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Reporting dates (in millions except per share)								
Revenues	\$ 149.3	\$ 119.4	\$ 82.3	\$ 95.2	\$ 59.3	\$ 54.5	\$ 69.7	\$ 17.1
Gross profit (loss)	\$ 2.4	\$ 3.9	\$ (10.4)	\$ 1.5	\$ 1.9	\$ (0.2)	\$ 5.4	\$ 5.3
Income (loss) from operations	\$ (0.4)	\$ 1.3	\$ (13.1)	\$ (1.1)	\$ (0.6)	\$ (2.5)	\$ 3.3	\$ 2.4
Net income (loss)	\$ (1.9)	\$ 1.2	\$ (13.4)	\$ 0.1	\$ (1.7)	\$ (3.5)	\$ 2.3	\$ 1.9
Return on shareholders' equity	-0.9%	0.6%	-6.2%	0.0%	-0.8%	-1.6%	1.1%	1.4%
Weighted-average number of common shares for the quarter	\$ 26.9	\$ 27.0	\$ 27.1	27.1	27.1	27.1	17.9	14.2
Basic and fully diluted earnings (loss) per share	\$ (0.07)	\$ 0.04	\$ (0.50)	\$ 0.00	\$ (0.06)	\$ (0.13)	\$ 0.13	\$ 0.13
EBITDA	\$ 0.7	\$ 2.6	\$ (11.9)	\$ 1.3	\$ -	\$ (1.6)	\$ 3.8	\$ 3.2
EBITDA per share	\$ 0.03	\$ 0.10	\$ (0.44)	\$ 0.05	\$ -	\$ (0.06)	\$ 0.21	\$ 0.23
Cash and cash equivalents and portfolio investments, at reporting date (1)	\$ 4.2	\$ 10.4	\$ 8.4	\$ 67.1	\$ 4.4	\$ 6.0	\$ 86.3	\$ 13.7
Shareholders' equity, as at reporting date	\$ 204.2	\$ 207.6	\$ 215.1	\$ 224.5	\$ 213.8	\$ 218.8	\$ 214.1	\$ 135.0
Shareholders' equity per common share, as at reporting date	\$ 7.59	\$ 7.68	\$ 7.95	\$ 8.30	\$ 7.90	\$ 8.09	\$ 7.91	\$ 9.50

1) Inclusive of cheques issued in excess of cash on hand

**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>	<b>Fifteen-month period ended June 30, 2016</b>	<b>Twelve-month period ended March 31, 2016</b>
Net Cash Provided by (Used in)		
Operating activities	\$ 7,434	\$ (22,724)
Investing activities	<u>(39,258)</u>	<u>(22,550)</u>
Net Cash Used Before Financing Activities	(31,824)	(45,274)
Financing Activities	29,024	44,022
Foreign Exchange Cash Flow Adjustment on Accounts Denominated in a Foreign Currency	<u>(2,478)</u>	<u>(5,621)</u>
Decrease in Cash and Cash Equivalents	<u>\$ (5,278)</u>	<u>\$ (6,873)</u>
Cash and Cash Equivalents (Outstanding cheques)	\$ (143)	\$ 5,136

#### Operating Activities

Cash provided operating activities was \$7.4 million for the fifteen month period ended June 30, 2016, \$30.1 greater than the twelve months ending March 31, 2015 predominantly due to the change in non-cash working capital accounts of \$44.4 million from a net decrease of \$24.0 million for the twelve months ended March 31, 2015, to an increase of \$20.4 million for the fifteen months ended June 30, 2016. The change in working capital was partially offset by the increase in net loss of \$14.4 million, from a net loss of \$1.4 million for the twelve-month period ended March 31, 2015, compared to a net loss of \$18.8 million for the fifteen months in ended June 30, 2016.

#### Investing Activities

The Corporation's primary investing activities are acquisitions of property, plant and equipment. During the fifteen months ended June 30, 2016, cash used in investing activities were \$39.3 million, which comprised of additions of property, plant and equipment of \$41.2 million, offset by the proceeds of \$1.9 million from the sale of the Electric Steel facility. The cash used for investing activities at NCLC totaled \$33.5 million of the \$41.2 million for the fifteen-month period ended June 30, 2016.

#### Financing Activities

During the fifteen months ended June 30, 2016, the Corporation had \$29.0 million in cash provided by financing activities compared to \$44.0 million for twelve months March 31, 2015. The \$29.0 million in cash provided by financing activities for the fifteen-month period ended June 30, 2016 consisted primarily of borrowings on the revolving credit facility. The \$44.0 million received from financing activities for the twelve months end March 31, 2015, was inclusive of net proceeds of \$73.6 million received from the Rights Offering in December 2014, which was used to pay down debt of \$56.9M. Additionally, the Corporation received \$29.0 million from the term loan credit facility.

### Available Sources of Liquidity

The Corporation's sources of liquidity as at June 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 June 30, 2016 contains certain covenants, including a covenant that the company maintain minimum working capital of not less than \$30 million. As at June 30, 2016 the Corporation's working capital – defined as current assets less current liabilities – totaled \$73.6 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 \$160 million; certain limitations on capital expenditures and interest coverage ratio of not less than 1.15. As at June 30, 2016 and March 31, 2015, the Corporation was in compliance with all of the above mentioned financial covenants.

### Liquidity risk

As at June 30, 2016 and March 31, 2015, the following are the contractual maturities of financial liabilities, excluding interest payments:

<u>June 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	\$ 72,014,760	\$ 72,337,860	\$ 72,337,860	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	20,738,687	20,738,687	20,738,687	-	-	-
Repurchase obligations	-	-	-	-	-	-
Derivatives	3,327,501	3,327,501	3,327,501	-	-	-
Provision for future payments to Front Street Capital	95,000	95,000	95,000	-	-	-
Warrants	136,000	136,000	136,000	-	-	-
Long-term debt (Note 10)	29,671,371	30,631,066	2,127,866	6,478,000	22,025,200	-

  

<u>March 31, 2015</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	\$ 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	30,381,310	31,605,000	-	3,792,600	27,812,400	-

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 Consolidated Financial Statements for the fifteen-month period ended June 30, 2016 and twelve-month period end March 31, 2015, on December 18, 2015, the Corporation renewed and amended its uncommitted US\$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 subject to borrowing base limitations. Amounts under the Credit Agreement that remain undrawn are not subject to a commitment fee. The Credit Facility has certain covenants pertaining to the accounts of the Corporation, and as at June 30, 2016, the Corporation was in compliance with all covenants.

Prior to the December 18, 2015 amendment, borrowings under the Credit Facility were subject to interest of overnight LIBOR plus 2.875% per annum, with interest calculated and paid monthly.

### **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 US\$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 US\$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 US\$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 US\$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 US\$1,642,379 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. 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 \$5.84. The Corporation issued 12,842,465 common shares for aggregate gross proceeds of approximately \$75 million. Costs incurred relating to the issuance of shares totaled \$1,640,421.

### **Normal Course Issuer Bid**

During the fifteen-month period ended June 30, 2016, the Corporation purchased Shares under normal course issuer bids with 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 10, 2015, Ceres announced a normal course issuer bid (“the 2015-2016 NCIB”) which commenced on June 12, 2015 and concluded on June 11, 2016. The Corporation renewed the normal course issuer bid (“the 2016-2017 NCIB”) commencing 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 fifteen-month period ended June 30, with purchases commencing period from February 11, 2016, the Corporation purchased a total of 168,600 common shares under its normal course issuer bids for aggregate cash consideration of \$852,847. The stated capital value of these repurchased Shares was \$1,301,592. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$448,745, was allocated to Retained Earnings in the fifteen-month period ended June 30, 2016.

During the twelve-month period ended March 31, 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**

Refer to Note 3 to the Annual Consolidated Financial Statements for information pertaining to accounting changes effective for the current fiscal year ending June 30, 2016, and information on 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 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**

### **MARKET OUTLOOK**

#### **Grain Division**

The 2015 cereal grain harvest resulted in high quality spring wheat, oats and durum wheat, which has led North America and the world in an over-supply situation that continued through the first-half of calendar 2016. As a

result of the supply in the market, for the quarter ended June 30, 2016, the Corporation was able to profit by carrying inventory during the quarter, capturing strong carrying charges on inventory hedged in the futures market, as deferred price in the futures market was greater than the nearby futures price. Thus, carrying income earned in the quarter was slightly offset by unrealized mark-to-market losses on premium declines on inventories held in-store.

Early indications of 2016 crop suggests strong yields with quantities that are slightly better than a ten-year average. We anticipate strong supplies to continue in spring wheat, oats and soft red winter wheat, which would perpetuate relatively flat premium levels through the first and potential second quarter of fiscal year 2017 due to static demand along with futures near ten-year lows. While premiums declined during the quarter ended June 30, 2016 and we expect to remain flat, management views favorable upside in the potential and likelihood of premium appreciation.

During the quarter-ended June 30, 2016, the Corporation completed construction of the high-speed elevator in April 2016. The final phase of the construction included the completion of a concrete slipform, the concrete grain bins, and cleaner dust system. The construction was completed within fiscal budget, and finished slightly ahead of the May 2016 target date. The Corporation continued to increase operations at Northgate, loading railcars of grain and/or oilseed at Northgate destined to the United States milling market, Asian and Latin American.

Furthermore, the Corporation continues to execute on its strategy as being a preferred supplier to end-users throughout North America. While Ceres has expanded commodity trading into the oilseed space, originating canola from Canadian producers, and selling to the North American end-users and export gateways, the Corporation has also expanded into the Latin American markets. In addition, subsequent to June 30, 2016, the Corporation expanded its commodity trading portfolio with the addition of peas, lentils and flax, which will be originated at Northgate and exported into the Latin American and Asian markets.

Management expects that a full year of utilization of the high-speed elevator at Northgate, coupled with the expanded commodity trading portfolio and volume trade and customers reached, will contribute positively to the Corporation's net earnings in fiscal 2017.

### **Logistics Division**

In November 2015, Ceres entered into an agreement with Koch for the storage and handling of dry fertilizer products at Northgate. Koch will bring 65 - 80 car trains of phosphate-based fertilizer to Northgate, where Ceres will unload and warehouse it 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 grain fertilizer producers distributors. 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, in December 2015, the Corporation signed a contract with a construction vendor to build the fertilizer storage warehouse. The contract commitment totals USD \$9 million, which is based on the minimum guaranteed volume under the agreement with Koch. The Corporation broke-ground, beginning construction in April 2016 with completion targeted for spring 2017.

In addition, the Corporation continues to unload LPG from inbound trucks and loading LPG into railcars for shipment into the US market via the BNSF from Northgate, Saskatchewan. The transloading of LPG has continued grow through the quarter-ended June 30, 2016, as we transloaded a record number of railcars for a

fiscal quarter. Management anticipates that the transloading of propane will continue to grow, as the movement of LPG by rail out of Canada into the United States is a new trade flow for the product. As a result, market participants are becoming familiar with the new movement.

In addition, management is exploring opportunities to build out and further develop the NCLC energy transloading business with additional tenant customers, and the potential of handling other types of energy products. The Corporation is pursuing opportunities that further leverage the international port advantages of NCLC with other oilfield and agricultural inputs products. As we continue to assess the value proposition of crude oil handling and transloading, while assessing markets with Canadian and US sources of production that would be tributary to Northgate. In addition, we are working with potential partners to assess their crude oil distribution alternatives.

## **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 June 30, 2016, designed and evaluated the effectiveness of 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 June 30, 2016, designed and evaluated the effectiveness of 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 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 June 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 14 of the Annual Consolidated Financial Statements.

### **OFF-BALANCE SHEET ARRANGEMENTS**

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

## RELATED-PARTY TRANSACTIONS

The Corporation's related party transactions can be found in Note 19 of the Annual Consolidated Financial Statements.

## SHARES OUTSTANDING

As at September 22, 2016, the issued and outstanding equity securities of the Corporation consisted of 26,886,655 common shares.

## CONTINGENCIES AND COMMITMENTS

See Note 21 of the Annual Consolidated Financial Statements for disclosure of the Corporation's contingencies and commitments as at June 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 will change its reporting and presentation currency to USD. The Corporation will begin reporting in USD as at and for the three-month period ending 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 fifteen-month period ended June 30, 2016, twelve-month period ended March 31, 2015, and quarters ended June 30, 2016 and 2015.

<i>(in thousands)</i>	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Net income (loss) for the period	\$ (15,772)	\$ (1,385)	\$ (1,918)	\$ (1,700)
Add/(Deduct):				
Interest Expense	5,878	2,906	1,241	767
Revaluation of derivative warrant liability	(1,583)	75	40	836
Gain on sale of property, plant and equipment	(272)	-	-	-
Income taxes (recovered)	(285)	419	25	(320)
Share of net (income) loss in investments in associates	(367)	(1,181)	40	(304)
Depreciation on property, plant and equipment	5,057	2,821	1,257	778
	<u>(7,344)</u>	<u>\$ 3,655</u>	<u>685</u>	<u>\$ 57</u>

## 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 fifteen-month period ended June 30, 2016, twelve-month period ended March 31, 2015, and quarters ended June 30, 2016 and 2015.

<i>(in thousands)</i>	<b>Fifteen-month period ended June 30, 2016</b>	Twelve-month period ended March 31, 2015	<b>Three-month period ended June 30, 2016</b>	Three-month period ended June 30, 2015
Net income (loss) for the period	\$ (15,772)	\$ (1,385)	\$ (1,918)	\$ (1,700)
Total shareholders' equity as at reporting date	<b>204,184</b>	218,838	<b>204,184</b>	213,775
	<b>-7.7%</b>	-0.6%	<b>-0.9%</b>	-0.8%

## Total Gross Profit (Loss) and General & Administrative Expenses in USD

As disclosed above, the Corporation earns substantially all of its revenues, and incurs much of its operating expenses, in USD. Similarly, the Corporation incurs much of its general and administrative expenses in USD. As a result, and due to the significant decline in the CAD for the three and fifteen-month periods ended June 30, 2016, compared to the twelve-month period ended March 31, 2015 and three month period ended June 30, 2016, management places an importance in evaluating and analyzing gross profits (losses) and general and administrative expenses in USD.

## 9. KEY ASSUMPTIONS & ADVISORIES

### FORWARD LOOKING INFORMATION

This annual 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.