

Unaudited Interim Condensed Consolidated Financial Statements of



For the three-month periods ended September 30, 2018 and 2017

(Expressed in US Dollars)

CERES GLOBAL AG CORP

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CERES GLOBAL AG CORP.

Interim Condensed Consolidated Balance Sheets

Unaudited

<i>(In thousands of USD)</i>	September 30,	June 30,
	2018	2018
	<hr/>	<hr/>
Assets		
Current assets:		
Cash	\$ 1,773	\$ 960
Due from brokers (Note 5)	3,431	1,923
Unrealized gains on open cash contracts (Note 6)	11,941	8,131
Accounts receivable	17,446	16,580
Accounts receivable due from associates (Note 15)	7	29
Inventories, grains	91,001	43,952
Prepaid expenses and sundry assets	1,702	1,946
Portfolio investments (Note 6)	2,742	2,694
	<hr/>	<hr/>
Total current assets	130,043	76,215
Deferred tax asset	71	172
Investments in associates	7,238	7,289
Property, plant and equipment (Note 7)	104,491	104,025
Intangible assets (Note 16)	4,172	300
	<hr/>	<hr/>
Total assets	\$ 246,015	\$ 188,001
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (Note 8)	\$ 58,955	\$ 10,910
Current portion of long-term debt (Note 9)	5,000	5,000
Accounts payable and accrued liabilities	31,672	16,574
Accounts payable due to associates (Note 15)	40	36
Unrealized losses on open cash contracts (Note 6)	3,435	3,323
Contingent consideration - current (Note 16)	550	—
	<hr/>	<hr/>
Total current liabilities	99,652	35,843
Long-term debt (Note 9)	4,715	4,661
Contingent consideration - non-current (Note 16)	780	—
	<hr/>	<hr/>
Total liabilities	105,147	40,504
Shareholders' equity:		
Common shares (Note 12)	203,358	203,358
Deferred share units (Note 13)	786	801
Contributed surplus	9,792	9,771
Accumulated other comprehensive income (loss)	(21,216)	(22,355)
Deficit	(51,852)	(44,078)
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Total shareholders' equity	140,868	147,497
Legal (Note 17)		
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 246,015	\$ 188,001
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The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ON BEHALF OF THE BOARD

Signed "Gary Mize" Director

Signed "Doug Speers" Director

CERES GLOBAL AG CORP.

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

Three months ended September 30, 2018 and 2017

Unaudited

(In thousands of USD except shares and loss per share)

	2018	2017
Revenues	\$ 88,432	\$ 130,638
Cost of sales	(83,443)	(127,575)
Gross profit	4,989	3,063
General and administrative expenses	(3,767)	(2,544)
Income (loss) from operations	1,222	519
Finance income (loss) (Note 10)	40	(246)
Interest expense (Note 11)	(686)	(930)
Legal Settlement (Note 18)	(8,228)	—
Gain (loss) on property, plant and equipment	—	(63)
Income (loss) before income taxes and undernoted items	(7,652)	(720)
Income tax (expense) recovered	(28)	(2)
Share of net income (loss) of associates	(94)	(84)
Net income (loss)	(7,774)	(806)
Components of comprehensive income (loss):		
Gain (loss) on currency translation adjustment	1,139	3,106
Total comprehensive income (loss)	\$ (6,635)	\$ 2,300
Weighted-average number of shares for the period (Note 12)	27,934,991	27,910,413
Loss per share:		
Basic	\$ (0.28)	\$ (0.03)
Diluted	(0.28)	(0.03)
Supplemental disclosure of selected information:		
Depreciation included in Cost of sales	\$ (1,107)	\$ (1,228)
Depreciation included in General and administrative expenses	(16)	(22)
Amortization of financing costs included in Interest expense	(99)	(127)
Personnel costs included in Cost of sales	(1,684)	(1,553)
Personnel costs included in General and administrative expenses	(1,868)	(1,518)

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

CERES GLOBAL AG CORP.

Interim Condensed Consolidated Statements of Cash Flows

Three months ended September 30, 2018 and 2017

<i>(In thousands of USD)</i>	2018	2017
Operating activities:		
Net loss	\$ (7,774)	\$ (806)
Adjustments for:		
Depreciation of property, plant and equipment	1,123	1,250
Interest expense	686	930
Revaluation of portfolio investments	—	486
Loss on disposal of property, plant and equipment	—	63
Deferred income tax	101	—
Income tax expense	24	—
Share-based compensation	(53)	29
Share of net loss of associates	94	84
Revaluation for future payments to Front Street Capital	—	(10)
Changes in non-cash working capital accounts:		
Due from brokers	(1,508)	(4,086)
Increase (Decrease) in net open cash contracts	(3,698)	(9,834)
Accounts receivable	(570)	(4,348)
Accounts receivable due from associates	22	—
Inventories, grains	(46,538)	20,743
Prepaid expenses and sundry assets	(43)	337
Accounts payable and accrued liabilities	14,468	9,620
Accounts payable due to associate(s)	3	—
Income tax paid	(154)	—
Interest paid	(453)	(841)
Net cash provided by (used in) operating activities	(44,270)	13,617
Investing activities:		
Disposition of assets held for sale	—	(63)
Acquisition of Nature's Organic Grist, LLC, net	(2,570)	—
Acquisition of property, plant and equipment	(342)	(1,279)
Net cash provided by (used in) investing activities	(2,912)	(1,342)
Financing activities:		
Net proceeds (repayment) of bank indebtedness	48,000	(13,573)
Net cash provided by (used in) financing activities	48,000	(13,573)
Effect of exchange rate changes on cash	(5)	(2)
Increase in cash	813	(1,300)
Cash, beginning of period	960	585
Cash, end of period	\$ 1,773	\$ (715)
Cash	1,773	1,691
Cheques issued in excess of cash on hand	—	(2,406)
Cash	\$ 1,773	\$ (715)

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

CERES GLOBAL AG CORP.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Three months ended September 30, 2018 and 2017

<i>(In thousands of USD)</i>	<u>Common shares</u>	<u>Deferred share units</u>	<u>Contributed surplus</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Deficit</u>	<u>Total shareholders' equity</u>
Balances, June 30, 2018	\$ 203,358	\$ 801	\$ 9,771	\$ (22,355)	\$ (44,078)	\$ 147,497
Issuance of Deferred Share Units	—	82	—	—	—	82
Redemption of Deferred Share Units	—	—	—	—	—	—
Fair value adjustment of Deferred Share Units	—	(97)	—	—	—	(97)
Share incentive compensation	—	—	21	—	—	21
Stock option modification	—	—	—	—	—	—
Net loss	—	—	—	—	(7,774)	(7,774)
Other comprehensive income (loss)	—	—	—	1,139	—	1,139
Foreign currency translation adjustments	—	—	—	—	—	—
Balances, September 30, 2018	<u>\$ 203,358</u>	<u>\$ 786</u>	<u>\$ 9,792</u>	<u>\$ (21,216)</u>	<u>\$ (51,852)</u>	<u>\$ 140,868</u>
Balances, June 30, 2017	\$ 203,263	\$ 771	\$ 9,632	\$ (21,385)	\$ (43,522)	\$ 148,759
Issuance of Deferred Share Units	—	78	—	—	—	78
Fair value adjustment of Deferred Share Units	—	(97)	—	—	—	(97)
Share incentive compensation	6	—	48	—	—	54
Net loss	—	—	—	—	(806)	(806)
Other comprehensive income	—	—	—	3,106	—	3,106
Foreign currency translation adjustments	—	—	—	—	—	—
Balances, September 30, 2017	<u>\$ 203,269</u>	<u>\$ 752</u>	<u>\$ 9,680</u>	<u>\$ (18,279)</u>	<u>\$ (44,328)</u>	<u>\$ 151,094</u>

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

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

(1) CORPORATE STATUS, REPORTING AND NATURE OF OPERATIONS

Ceres Global Ag Corp. (hereinafter referred to as “Ceres” or the “Corporation”) was incorporated on November 1, 2007, as amended on December 6, 2007, under the provisions of the *Business Corporations Act* (Ontario). On April 1, 2013, Ceres Global Ag Corp. amalgamated with Corus Land Holding Corp. In addition, on April 1, 2014, Ceres Global Ag Corp. amalgamated with Riverland Agriculture Ltd. and Ceres Canada Holding Corp. Thereafter, the amalgamated corporations continued operating as Ceres Global Ag Corp. Ceres is a corporation domiciled in Canada, with its head office located in St. Louis Park, Minnesota, United States.

These interim condensed consolidated financial statements of Ceres as at and for the quarters ended September 30, 2018 and 2017 include the accounts of Ceres and its wholly owned subsidiaries, Ceres U.S. Holding Corp., Riverland Ag Corp. (“Riverland Ag”), Natures Organic Grist, LLC, and Ceres Global Ag Corp Mexico S.A. de C.V. (“Ceres Mexico”). All intercompany transactions and balances have been eliminated. The Corporation is an agricultural cereal grain storage, customer-specific procurement and supply ingredient company that operates six grain storage, handling and merchandising facilities in the state of Minnesota and the provinces of Ontario and Saskatchewan, with a combined licensed capacity of 29.7 million bushels.

(2) BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting (“IAS 34”). Certain information and disclosures normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. Accounting, estimation and valuation policies have been consistently applied to all periods presented herein, in accordance with IFRS.

These interim condensed consolidated financial statements were authorized for issue by the board of the directors of the Corporation (the “Board of Directors”) on November 13, 2018.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in United States Dollars (“USD”), which is different from the Corporation’s functional currency of Canadian Dollars (“CAD”).

Basis of measurement

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

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Inventories of agricultural commodities are measured at fair value less costs to sell.

CERES GLOBAL AG CORP.

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

(3) SIGNIFICANT ACCOUNTING POLICIES

These interim condensed consolidated financial statements should be read in conjunction with Ceres' annual consolidated financial statements for the year ended June 30, 2018. The Corporation's significant accounting policies were presented in Note 3 of those financial statements.

IFRS 9 – Financial Instruments

Beginning on July 1, 2018, the Company adopted IFRS 9, Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and provides detailed guidance on classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. There was no material impact to the Company's consolidated financial statements with regards to the changes in IFRS 9 on the classification and measurement of financial assets and liabilities and hedge accounting.

We completed a detailed assessment of our financial assets and liabilities as at September 30, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Due from brokers	FVTPL	FVTPL
Unrealized gains/losses on open cash contracts	FVTPL	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Accounts receivable due from associates	Amortized cost	Amortized cost
Portfolio investments	FVTPL	FVTPL
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Accounts payable due to associates	Amortized cost	Amortized cost
Share-based payment accruals	FVTPL	FVTPL
Bank indebtedness	Amortized cost	Amortized cost
Term debt	Amortized cost	Amortized cost
Contingent consideration	FVTPL	FVTPL

IFRS 15 – Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and the related Interpretations on revenue recognition. IFRS 15 establishes a single comprehensive model for recognizing revenues from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services.

The Corporation's grain revenue transactions consist of a single performance obligation to transfer promised goods. The Corporation recognizes revenue when it has fulfilled a performance obligation, which is typically

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September 30, 2018 and 2017

when the grain is shipped from the Ceres facility. In accordance with IFRS 15, the Corporation follows a policy of recognizing sales revenue at the time of delivery of the product and when all the following have occurred: a sales agreement is in place, title and risk of loss have passed, pricing is fixed or determinable, and collection is reasonably assured. Grain storage, rental and other operating income are recorded as earned on an accrual basis. Freight costs and handling charges related to sales are presented gross in Revenues and Cost of sales.

The Company adopted IFRS 15, as of July 1, 2018, using the modified retrospective transition method, which involves not restating periods prior to the date of initial application. The application of IFRS 15 required no adjustment to the Company's interim financial statements for the three months ended September 30, 2018, as the amount and timing of substantially all of its revenues is, and will continue to be, recognized at a point in time.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in profit or loss as incurred, except if related to the issue of debt or equity securities. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Any goodwill that arises is tested at least annually for impairment.

(4) STANDARDS ISSUED BUT NOT EFFECTIVE

The standards that are issued but not yet effective up to the date of issuance of the Corporation's consolidated financial statements are listed below. This listing includes those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The new standard is effective for annual periods beginning on or after January 1, 2019 and, as such, will be applicable to the Corporation's fiscal year beginning July 1, 2019. Although early adoption is permitted, the Corporation does not intend to early adopt this standard and is currently evaluating the impact adopting this standard will have on the consolidated financial statements. The Corporation expects to record right of use assets and related lease liabilities and expects increased depreciation and interest expenses and decreased operating expenses in cost of sales.

(5) DUE FROM BROKERS

"Due from brokers" represents unrealized gains and losses due from custodian brokers on commodity futures and options contracts in addition to margin deposits in the form of cash that are held by custodian brokers

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Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

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

Amounts due from brokers represent the following:

<i>(in thousands of USD)</i>	September 30, 2018	June 30, 2018
Margin deposits	\$ 3,149	\$ 2,216
Unrealized gains on futures contracts and options, at fair value	386	271
	3,535	2,487
Unrealized losses on futures contracts and options, at fair value	(104)	(564)
Due from brokers	<u>\$ 3,431</u>	<u>\$ 1,923</u>

(6) FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Corporation's financial assets and liabilities that are measured at fair value in the consolidated balance sheets are categorized by level according to the significance of the inputs used in making the measurements. The Corporation recognizes transfers between fair value measurements hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels in the quarter ended September 30, 2018.

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Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

The following table presents information about the financial assets and liabilities measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used to determine such fair values.

<i>(in thousands of USD)</i>	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Portfolio investments	\$ —	\$ —	\$ 2,742	\$ 2,742
Due from broker, unrealized gains on futures and options (Note 5)	386	—	—	386
Unrealized gains on open cash contracts (derivatives)	—	11,941	—	11,941
Due from broker, unrealized losses on futures and options (Note 5)	(104)	—	—	(104)
Unrealized losses on open cash contracts (derivatives)	—	(3,435)	—	(3,435)
Provision for future payments to Front Street Capital, included in Accounts Payable	—	—	—	—
	<u>\$ 282</u>	<u>\$ 8,506</u>	<u>\$ 2,742</u>	<u>\$ 11,530</u>

<i>(in thousands of USD)</i>	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Portfolio investments	\$ —	\$ —	\$ 2,694	\$ 2,694
Due from broker, unrealized gains on futures and options (Note 5)	271	—	—	271
Unrealized gains on open cash contracts (derivatives)	—	8,131	—	8,131
Due from broker, unrealized losses on futures and options (Note 5)	(564)	—	—	(564)
Unrealized losses on open cash contracts (derivatives)	—	(3,323)	—	(3,323)
Provision for future payments to Front Street Capital, included in Accounts Payable	—	—	—	—
	<u>\$ (293)</u>	<u>\$ 4,808</u>	<u>\$ 2,694</u>	<u>\$ 7,209</u>

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Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

Reconciliation of Level 3 fair values:

(in thousands of USD)

		Level 3	
Balance at June 30, 2018	\$	2,694	
Currency translation differences		48	
Balance at September 30, 2018	\$	2,742	

Management of financial instruments risks

In the normal course of business, the Corporation is exposed to various financial instruments risks, including market risk (consisting of price risk, commodity risk, interest rate risk and currency risk), credit risk, custodian and prime brokerage risks, and liquidity risk. The Corporation's overall risk management program seeks to minimize potentially adverse effects of those risks on the Corporation's financial performance. The Corporation may use derivative financial instruments to mitigate certain risk exposures. The Corporation may invest in non-public and public issuers and assets.

Price risk

As at September 30, 2018, the Corporation's market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at September 30, 2018, the Corporation's portfolio investments are solely in private companies. Therefore, market factors affecting the value of the portfolio investments are primarily changes in fair value of the investments and the Corporation's ability to liquidate the investments.

Management has determined the effect on the results of operations of the Corporation for the quarter ended September 30, 2018 if the fair value of each of the portfolio investments as at September 30, 2018 had increased or decreased by 10%, using the fair market value of the portfolio investments as at that date and the number of shares then issued and outstanding, and with all other variables remaining constant.

The potential effects on the result of operations for the quarter ending September 30, 2018 would be as follows:

		(Increase) decrease in net loss		(Increase) decrease in loss per share
<i>(in thousands of USD except loss per share)</i>				
10% increase in fair value of portfolio investments	\$	274	\$	0.01
10% decrease in fair value of portfolio investments	\$	(274)	\$	(0.01)

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Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

Commodity risk

Management has determined the effect on the results of operations of the Corporation for the quarter ended September 30, 2018 if the fair value of each of the open cash contracts as at September 30, 2018 had increased or decreased by 5%, using the open cash contracts as at that date and the number of shares then issued and outstanding, and with all other variables remaining constant.

The potential effects on the result of operations for the quarter ending September 30, 2018 would be as follows:

<i>(in thousands of USD except loss per share)</i>	(Increase) decrease in net loss	(Increase) decrease in loss per share
5% increase in bid/ask prices of commodities	\$ 48	\$ 0.00
5% decrease in bid/ask prices of commodities	\$ (48)	\$ 0.00

Interest rate risk

As at September 30, 2018, Ceres had no long or short portfolio positions in any interest-bearing investment securities.

As at September 30, 2018, except for cash on deposit, the amounts of which vary from time-to-time and on which the Corporation earns interest at nominal variable interest rates, the Corporation had no other variable rate interest-bearing financial assets. As at those dates, a notional increase or decrease in interest rates applicable to cash on deposit would not have materially affected interest revenue and the results of operations. Therefore, as at September 30, 2018, the Corporation's assets are not directly exposed to any significant degree to cash flow interest rate risk due to changes in prevailing market interest rates.

As disclosed in Note 8 (Bank Indebtedness), as at September 30, 2018, the Corporation's Credit Facility (as defined herein) bears interest at an annual rate of 3.875% plus overnight LIBOR. As at September 30, 2018, management has determined the effect on the future results of operations of the Corporation if the variable interest rate component applicable on that date was to increase by 25 basis points ("25 bps"), using the balance of the revolving credit facility payable as at that date and the number of shares then issued and outstanding, and with all other variables remaining constant.

Furthermore, as at September 30, 2018, the Corporation's term loan (Note 9) bears interest at an annual rate of 5.25% plus one month LIBOR. As at September 30, 2018, management has determined the effect on the future results of operations of the Corporation if the variable interest rate component applicable on that date on the term loan was to increase by 25 bps, using the balance of the term loan payable as at that date and the number of shares then issued and outstanding, and with all other variables remaining constant.

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Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

On that basis, the potential effects on the result of operations for the quarter ending September 30, 2018 would be as follows:

<i>(in thousands of USD except loss per share)</i>	Increase net loss	Increase loss per share
<u>Revolving credit facility</u>		
25 bps increase in annual interest rate	\$ 17	\$ 0.00
<u>Term loan</u>		
25 bps increase in annual interest rate	\$ 6	\$ 0.00

Credit risk

Credit risk is the risk a counterparty would be unable to pay for amounts due to the Corporation in accordance with the terms and conditions of the debt instruments. As at September 30, 2018, the Corporation is subject to credit risk concerning cash, amounts due from brokers, trade accounts receivable, and to the extent that open cash contracts for grain commodities have given rise to unrealized gains. The maximum exposure to credit risk on those assets is limited to the carrying value of those assets. The Corporation uses various grain contracts as part of its overall grain merchandising strategies. Performance on these contracts is dependent on delivery of the grain or a customer buy-out. There is counter-party risk associated with non-performance, which may have the potential of creating losses. Management has assessed the counter-party risk and believes that insignificant losses, if any, would result from non-performance.

The Corporation regularly evaluates its credit risk concerning its trade accounts receivable to the extent that such receivables may be concentrated with significant customers. The Corporation minimizes this risk by having a diverse customer base and established credit policies. The aging of the Corporation's trade accounts receivable is substantially current. As at September 30, 2018, the allowance for doubtful accounts was \$43 thousand.

The Corporation had two customers that each individually represented more than 10% of total revenue for the quarter ended September 30, 2018, comprising 12% and 10% of total revenue. For the quarter ended September 30, 2017, the Corporation had two customers that individually represented more than 10% of total revenue, comprising 14% and 11% of total revenue.

Custody and prime brokerage risk

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

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Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2018 and 2017

Liquidity risk

As at September 30, 2018 and June 30, 2018, the following are the contractual maturities of financial liabilities, excluding interest payments:

<u>September 30, 2018</u>	Contractual					
<i>(in thousands of USD)</i>	Carrying Amount	Cash Flows	1 Year	2 years	3 to 5 years	More than 5 years
Bank indebtedness	\$ 58,955	\$ 59,000	\$ 59,000	\$ -	\$ -	-
Accounts payable and accrued liabilities	31,672	31,672	31,672	-	-	-
Accounts payable due to associates	40	40	40	-	-	-
Unrealized losses on open cash contracts	3,435	3,435	3,435	-	-	-
Long-term debt (Note 9)	9,715	10,000	5,000	5,000	-	-
Contingent consideration	1,330	1,330	550	410	370	-
Operating lease obligations	-	1,085	453	377	255	-
Capital lease obligations	33	38	8	8	22	-

June 30, 2018

<u>June 30, 2018</u>	Contractual					
<i>(in thousands of USD)</i>	Carrying Amount	Cash Flows	1 Year	2 years	3 to 5 years	More than 5 years
Bank indebtedness	\$ 10,910	\$ 11,000	\$ 11,000	\$ -	\$ -	-
Accounts payable and accrued liabilities	16,574	16,574	16,574	-	-	-
Accounts payable due to associates	36	36	36	-	-	-
Unrealized losses on open cash contracts	3,323	3,323	3,323	-	-	-
Long-term debt (Note 9)	9,661	10,000	5,000	5,000	-	-
Operating lease obligations	-	1,213	475	388	350	-
Capital lease obligation(s)	45	52	11	10	31	-

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, and the active management of trade accounts receivable. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

Currency risk

In the normal course of business, Ceres may hold assets or have liabilities denominated in currencies other than USD. Therefore, Ceres is exposed to currency risk, as the value of any monetary assets or liabilities denominated in currencies other than USD will vary due to changes in foreign exchange rates.

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As at September 30, 2018, the following is a summary, at fair value, of Ceres' exposure to currency risks on monetary assets and liabilities:

<i>(in thousands of CAD)</i>	Net asset (liability) exposure
	<u> </u>
Canadian dollars	\$ 37

The following is a summary of the effect on Ceres' profit or loss for the quarter ended September 30, 2018 if the USD had become 5% stronger or weaker against the CAD as at September 30, 2018, with all other variables remaining constant, related to monetary assets and liabilities denominated in CAD:

<i>(in thousands of USD except loss per share)</i>	Increase (decrease) in net loss	Increase (decrease) in loss per share
	<u> </u>	<u> </u>
CAD 5% Stronger	\$ 2	\$ 0.00
CAD 5% Weaker	\$ (1)	\$ 0.00

Currency risk for Ceres relates to transactions denominated in a currency other than USD and the translation of its accounts from the functional currency CAD to the presentation currency USD for the purposes of the consolidated financial reporting of Ceres. Adjustments related to the translation of accounts from the functional currency to the presentation currency are included as other comprehensive income (loss) and have no effect on the determination of profit or loss for the reporting period.

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(7) PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment comprised the following at September 30, 2018 and June 30, 2018:

<i>(in thousands of USD)</i>	Land	Buildings Silos & Elevators	Machinery & equipment	Office equipment & other assets	Construction in progress	Totals
Cost						
June 30, 2018	\$ 20,833	\$ 70,682	\$ 24,197	\$ 3,563	\$ 347	\$ 119,622
Additions	—	—	—	—	344	344
Placed in service	—	199	65	—	(264)	—
Currency translation	303	637	391	37	1	1,369
September 30, 2018	<u>21,136</u>	<u>71,518</u>	<u>24,653</u>	<u>3,600</u>	<u>428</u>	<u>121,335</u>
Accumulated depreciation						
June 30, 2018	—	(9,799)	(4,040)	(1,758)	—	(15,597)
Depreciation	—	(656)	(398)	(69)	—	(1,123)
Currency translation	—	(54)	(59)	(11)	—	(124)
September 30, 2018	<u>—</u>	<u>(10,509)</u>	<u>(4,497)</u>	<u>(1,838)</u>	<u>—</u>	<u>(16,844)</u>
Carrying amount						
September 30, 2018	<u>\$ 21,136</u>	<u>\$ 61,009</u>	<u>\$ 20,156</u>	<u>\$ 1,762</u>	<u>\$ 428</u>	<u>\$ 104,491</u>
June 30, 2018	<u>\$ 20,833</u>	<u>\$ 60,883</u>	<u>\$ 20,157</u>	<u>\$ 1,805</u>	<u>\$ 347</u>	<u>\$ 104,025</u>

Costs related to property, plant and equipment accrued but not yet paid totaled \$3.0 million as at September 30, 2018 and \$3.0 million as at June 30, 2018.

(8) BANK INDEBTEDNESS

On December 28, 2017, the Corporation amended its uncommitted credit facility (the “Credit Facility”), which now expires on December 27, 2018. The maximum borrowings under the revolving facility are \$67.5 million. Borrowings bear an annual interest rate of 3.875% plus overnight LIBOR, and interest is calculated and paid on a monthly basis. The Credit Facility is subject to borrowing base limitations. Amounts under the Credit Facility that remain undrawn are not subject to a commitment fee. The Credit Facility has certain covenants pertaining to the accounts of the Corporation, as at September 30, 2018, the Corporation was in compliance with all covenants.

As at September 30, 2018 and June 30, 2018, the Corporation had \$7.6 million and \$26.2 million in availability, respectively, on its revolving line of credit.

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As at September 30, 2018 and June 30, 2018, the carrying amount of bank indebtedness is summarized as follows:

<i>(in thousands of USD)</i>	September 30, 2018	June 30, 2018
Revolving line of credit	\$ 59,000	\$ 11,000
Unamortized financing costs	(45)	(90)
Bank indebtedness	\$ 58,955	\$ 10,910

(9) TERM LOAN

In accordance with the Corporation's senior secured term loan facility agreement with Macquarie Bank entered into on December 30, 2014 and subsequently amended, a principal payment of \$3.0 million was paid on December 29, 2017. On April 30, 2018, the Corporation paid an additional principal payment of \$2.0 million that was applied against the principal payment due on December 27, 2019. The next principal payment is payable on December 28, 2018 in the amount of \$5.0 million and the final principal payment is due on December 27, 2019 in the amount of \$5.0 million. The term loan has an annual interest rate of 5.25% plus one-month LIBOR.

In connection with the origination of the term loan, the Corporation paid transaction costs relating to the loan closure in the amount of \$1.0 million, which included legal fees and other related borrowing costs. Transaction costs directly attributable to the issuance of the term loan are recognized as a reduction in the balance of the loan, and are amortized over the term of the loan using the effective interest rate method.

<i>(in thousands of USD)</i>	September 30, 2018	June 30, 2018
Total term debt	\$ 10,000	\$ 10,000
Less current portion of long-term debt	(5,000)	(5,000)
	5,000	5,000
Unamortized financing costs	(285)	(339)
Total long-term debt	\$ 4,715	\$ 4,661

The term loan is secured by the following: (i) a security interest in substantially all of the personal property of Ceres; (ii) a charge and mortgage over substantially all of the real property and elevator assets held by Riverland Ag; and (iii) a pledge of substantially all of the equity interests and investment property held by the Corporation.

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(10) FINANCE INCOME (LOSS)

The following table presents realized and unrealized gains (losses) on foreign exchange, currency-hedging transactions and the revaluation of portfolio investments for the quarters ended September 30, 2018 and 2017:

<i>(in thousands of USD)</i>	<u>2018</u>	<u>2017</u>
Realized and unrealized gains on foreign exchange	\$ 40	\$ 129
Realized and unrealized gains on currency hedging transactions	-	111
Revaluation of portfolio investments	-	(486)
Finance income (loss)	<u>\$ 40</u>	<u>\$ (246)</u>

(11) INTEREST EXPENSE

The following table presents interest expense for the quarters ended September 30, 2018 and 2017:

<i>(in thousands of USD)</i>	<u>2018</u>	<u>2017</u>
Interest on revolving line of credit	\$ (396)	\$ (520)
Interest on repurchase obligation	-	(37)
Interest on long-term debt	(186)	(246)
Amortization of financing costs paid	(99)	(127)
Miscellaneous interest expense	(5)	-
Interest expense	<u>\$ (686)</u>	<u>\$ (930)</u>

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(12) COMMON SHARES

The following is a summary of the changes in the Common shares for the three-month period ended September 30, 2018 and twelve-month period ended June 30, 2018:

	<u>Common shares</u>	
	<u>Number of Shares</u>	<u>Amount (thousands of USD)</u>
Balances, June 30, 2017	27,909,596	\$ 203,263
Redemption of deferred share units	22,326	82
Directors' remuneration	3,069	13
Balances, June 30, 2018	27,934,991	203,358
Directors' remuneration	-	-
Balances, September 30, 2018	<u>27,934,991</u>	<u>\$ 203,358</u>

As at September 30, 2018 and June 30, 2018, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 43.7% and 43.7%, respectively, of the outstanding Common shares of the Corporation.

(13) DEFERRED SHARE UNITS

The following table summarizes the information related to deferred share units (“DSUs”):

	<u>Number of DSUs</u>	<u>Amount (thousands of USD)</u>
DSUs as at June 30, 2017	183,585	\$ 771
Units issued	91,244	323
Units redeemed	(22,326)	(82)
Fair value adjustment	-	(211)
DSUs as at June 30, 2018	252,503	801
Units issued	30,459	82
Fair value adjustment	-	(97)
DSUs as at September 30, 2018	<u>282,962</u>	<u>\$ 786</u>

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(14) STOCK OPTION PLAN

During the quarter ended September 30, 2018, Ceres granted stock options (“options”) under the Corporation’s stock option plan to certain officers and employees of the Corporation. The exercise price is fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares. As at September 30, 2018, the outstanding Options are as follows:

	<u>Number of Options</u>	<u>Weighted- average exercise price (CAD)</u>	<u>Weighted- average remaining contractual term (years)</u>
Outstanding as at June 30, 2017	1,091,879	\$ 6.00	3.91
Granted	340,500	5.84	4.23
Exercised	-	-	-
Expired/forfeited	<u>(59,042)</u>	<u>6.01</u>	<u>-</u>
Outstanding as at June 30, 2018	1,373,337	5.96	3.17
Granted	-	-	-
Exercised	-	-	-
Expired/forfeited	<u>(52,200)</u>	<u>5.84</u>	<u>-</u>
Outstanding as at September 30, 2018	<u><u>1,321,137</u></u>	<u><u>\$ 5.96</u></u>	<u><u>2.89</u></u>

At the grant date, the fair value of the Options was estimated using the Black-Scholes pricing model with the following weighted-average assumptions: an average risk-free interest rate of 1.67%; expected volatility of 20.6%; dividend yield of nil; an average expected option life of 3.25 years; and an average exercise price of CAD \$5.84. The weighted average grant date fair value of the Options granted during the quarter ended September 30, 2018, is CAD \$0.42 and CAD \$0.53 for the quarter ended September 30, 2017. As at September 30, 2018 and June 30, 2018, outstanding Options had exercise prices ranging from CAD \$5.84 to CAD \$6.75.

The total Option compensation cost included in general and administrative expenses for the quarter ended September 30, 2018 amounted to a gain of \$31 thousand and expense of \$48 thousand for the quarter ended September 30, 2017, with the non-cash expense being accrued and classified within contributed surplus in the Interim Condensed Consolidated Balance Sheet.

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(15) 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:

<i>(in thousands of USD)</i>	September 30, 2018	September 30, 2017
Salary and short-term employee/director benefits	\$ 515	\$ 290
Share-based compensation	(3)	18
	<u>\$ 512</u>	<u>\$ 308</u>

Savage Riverport, LLC

Ceres routinely transacts business directly with Savage Riverport, LLC. Such transactions are in the ordinary course of business and include storage and elevation fees for grain storage, as well as management fees. Related party revenue of \$20 thousand is included in total revenue in the Consolidated Statements of Net and Comprehensive Income (Loss) for the first quarter of fiscal year 2019. Related party expenses recorded in cost of sales are \$360 thousand for the first quarter of fiscal year 2019. As at September 30, 2018, the accounts receivable, due from Savage Riverport, LLC totaled \$7 thousand and accounts payable, due to Savage Riverport, LLC totaled \$40 thousand. Savage Riverport, LLC was formed on April 30, 2018 and, as such, there were no outstanding balances for the period ended September 30, 2017.

(16) BUSINESS COMBINATION

On July 11, 2018, the Company acquired 100% of the equity of Natures' Organic Grist, LLC ("NOG"), a supplier of organic and ancient grains (including cereal grains, pulses and seeds), milled flours, and feed products, for consideration as follows:

- Cash consideration \$2.8 million paid at closing, with an additional payment of \$475 thousand paid one month following the close for working capital acquired; and
- A performance based earn-out of up to \$3.2 million based on total NOG performance over a three-year period following closing which is fair valued at \$1.3 million using a probability factor of 50% for each of the three years of the contingent payments and a 10% discount rate.

<i>(in thousands of USD)</i>	July 11, 2018
Cash consideration	\$ 2,800
Working capital	475
Fair value of contingent consideration	<u>1,330</u>
Total consideration	<u>\$ 4,605</u>

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The acquisition of NOG was accounted for as a business combination. The purchase price has been allocated on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values as follows:

<i>(in thousands of USD)</i>	Nature's Organic Grist, LLC
Cash	\$ 936
Accounts receivable	274
Inventory	511
Other	96
Intangible assets	3,872
Total assets acquired	<u>5,689</u>
Accounts payable and accrued liabilities	<u>1,084</u>
Total liabilities assumed	<u>1,084</u>
Net assets acquired	<u>\$ 4,605</u>

The purchase price allocation has not been finalized. The Company will finalize the purchase price allocation upon making a final determination of the fair value of the assets acquired and the liabilities assumed. Any future adjustments will be recorded as adjustments to the purchase price allocation.

(17) SEGMENT REPORTING

As at September 30, 2018, the Company had three reportable segments: Grain, Supply Chain Services, and Corporate. As at September 30, 2017, the Company had two operating segments: Grain and Supply Chain Services. The Corporation's Grain segment is engaged in grain procurement and merchandising of specialty grains and oilseeds such as oats, barley, rye, hard red spring wheat, durum wheat, canola and pulses. The Supply Chain Services segment utilizes the Corporation's facilities to provide logistics services, storage and transloading for commodities and industrial products.

During the previous fiscal year, the Corporation had one reportable segment and two operating segments. Therefore, the information below provides the financial information for quarter ended September 30, 2017 in the three new reporting segments. The chief operating decision maker of the Corporation routinely reviews the profit and loss by segment, however, does not review the balance sheet at the segment level.

The accounting policies of the segments are the same as described in note 3 of the June 30, 2018 annual audited consolidated financial statements. Ceres' management evaluates performance based on profit or loss from operations before other items ("Income (loss) from operations").

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The following table presents information about reported segment profit or loss from the Statement of Comprehensive Income (Loss) for the quarter ended September 30, 2018:

<i>(In thousands of USD)</i>	Grain	Supply-Chain Services	Corporate	Total
Revenues	\$ 85,912	\$ 2,520	\$ —	\$ 88,432
Cost of sales	(82,113)	(1,330)	—	(83,443)
Gross profit	3,799	1,190	—	4,989
General and administrative expenses	(1,393)	(124)	(2,250)	(3,767)
Income (loss) from operations	2,406	1,066	(2,250)	1,222
Finance income (loss)	—	—	40	40
Interest expense	(441)	—	(245)	(686)
Legal Settlement	—	—	(8,228)	(8,228)
Gain (loss) on property, plant and equipment	—	—	—	—
Income (loss) before income taxes	1,965	1,066	(10,683)	(7,652)
Income tax (expense) recovered	—	—	(28)	(28)
Share of net income (loss) of associates	—	—	(94)	(94)
Net income (loss)	<u>\$ 1,965</u>	<u>\$ 1,066</u>	<u>\$ (10,805)</u>	<u>\$ (7,774)</u>

The following table presents information about reported segment profit or loss from the Statement of Comprehensive Income (Loss) for the quarter ended September 30, 2017:

<i>(In thousands of USD)</i>	Grain	Supply-Chain Services	Corporate	Total
Revenues	\$ 127,281	\$ 3,357	\$ —	\$ 130,638
Cost of sales	(126,142)	(1,433)	—	(127,575)
Gross profit	1,139	1,924	—	3,063
General and administrative expenses	(1,394)	(313)	(837)	(2,544)
Income (loss) from operations	(255)	1,611	(837)	519
Finance income (loss)	—	—	(246)	(246)
Interest expense	(634)	—	(296)	(930)
Gain (loss) on property, plant and equipment	—	—	(63)	(63)
Income (loss) before income taxes	(889)	1,611	(1,442)	(720)
Income tax (expense) recovered	—	—	(2)	(2)
Share of net income (loss) of associates	—	—	(84)	(84)
Net income (loss)	<u>\$ (889)</u>	<u>\$ 1,611</u>	<u>\$ (1,528)</u>	<u>\$ (806)</u>

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(18) LEGAL

The Corporation is involved in various legal claims and legal notices arising in the ordinary course of business. The Corporation believes it has adequately assessed each claim, and the necessity of a provision for such claims.

During the year ended March 31, 2014, Ceres terminated its arrangements and ongoing discussions with The Scoular Company (“Scoular”) as a potential development partner with respect to the development and construction of a grain facility at Northgate Logistics Centre (“NLC”). Scoular filed a breach of contract claim for injunctive relief and unspecified damages. On October 5, 2018, the Corporation settled the lawsuit for \$11.3 million, of which \$3.1 million was previously accrued, resulting in the recognition of an \$8.2 million expense recorded on the Interim Condensed Consolidated Statement of Comprehensive Income (Loss) for the quarter ended September 30, 2018. As at September 30, 2018, the Corporation has accrued for \$11.3 million related to the Scoular settlement.