

*Unaudited Interim Condensed Consolidated Financial Statements of*



*For the quarters ended September 30, 2019 and 2018*

*(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>	<b>September 30,</b>	<b>June 30,</b>
	<b>2019</b>	<b>2019</b>
	<hr/>	<hr/>
<b>Assets</b>		
Current assets:		
Cash	\$ 4,225	\$ 1,889
Due from brokers (note 4)	2,461	2,420
Unrealized gains on open cash contracts (note 5)	7,164	6,171
Accounts receivable	19,349	15,235
Accounts receivable due from associates (note 14)	404	134
Inventories, grains	113,933	75,065
Prepaid expenses and sundry assets	1,185	1,659
Portfolio investments (note 5)	758	766
Total current assets	<hr/> 149,479	<hr/> 103,339
Investments in associates	7,136	6,871
Property, plant and equipment (note 6)	100,898	102,004
Intangible assets	300	300
Right of use assets (note 3)	3,670	—
Long-lived assets (note 15)	17,568	—
Other assets	—	450
Total assets	<hr/> <hr/> \$ 279,051	<hr/> <hr/> \$ 212,964
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness (note 7)	\$ 41,140	\$ 33,694
Accounts payable and accrued liabilities	49,996	23,944
Accounts payable due to associates (note 14)	59	51
Unrealized losses on open cash contracts (note 5)	7,063	3,435
Contingent consideration - current	466	600
Current portion of term loan (note 8)	32	4,894
Current portion of lease obligations (note 3)	658	—
Total current liabilities	<hr/> 99,414	<hr/> 66,618
Term loan (note 8)	34,399	14,714
Long-term lease obligations (note 3)	2,689	—
Contingent consideration - non-current	423	868
Total liabilities	<hr/> 136,925	<hr/> 82,200
Shareholders' equity:		
Common shares (note 11)	172,300	203,358
Deferred share units (note 12)	1,454	1,387
Contributed surplus	7,246	9,475
Accumulated other comprehensive income (loss)	1,017	(22,239)
Deficit	(39,891)	(61,217)
Total shareholders' equity	<hr/> 142,126	<hr/> 130,764
Legal (note 17)	—	—
Total liabilities and shareholders' equity	<hr/> <hr/> \$ 279,051	<hr/> <hr/> \$ 212,964

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, 2019 and 2018

*Unaudited*

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

	<b>2019</b>	<b>2018</b>
Revenues	\$ 126,592	\$ 90,241
Cost of sales	(120,132)	(85,157)
Gross profit	6,460	5,084
General and administrative expenses	(3,655)	(3,767)
Income (loss) from operations	2,805	1,317
Finance income (loss) (note 9)	47	40
Interest expense (note 10)	(1,363)	(686)
Amortization of intangible assets	—	(835)
Revaluation of stock appreciation right liability	65	—
Legal settlement (note 17)	—	(8,228)
Income (loss) before income taxes and undernoted items	1,554	(8,392)
Income tax (expense) recovered	(62)	(28)
Share of net income (loss) of associates	266	(94)
Net income (loss)	1,758	(8,514)
Components of comprehensive income (loss):		
Gain (loss) on currency translation adjustment	—	1,139
Total comprehensive income (loss)	\$ 1,758	\$ (7,375)
Basic weighted-average number of shares for the period	27,965,468	27,934,991
Diluted weighted-average number of shares for the period	29,167,261	27,934,991
Loss per share:		
Basic	\$ 0.06	\$ (0.30)
Diluted	0.06	(0.30)
Supplemental disclosure of selected information:		
Depreciation included in Cost of sales	\$ (1,276)	\$ (1,107)
Depreciation included in General and administrative expenses	(50)	(16)
Amortization of right of use assets	(170)	—
Amortization of financing costs included in Interest expense	(184)	(99)
Personnel costs included in Cost of sales	(1,619)	(1,684)
Personnel costs included in General and administrative expenses	(2,037)	(1,868)

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, 2019 and 2018

*Unaudited*

(In thousands of USD)

	<b>2019</b>	<b>2018</b>
Operating activities:		
Net income (loss)	\$ 1,758	\$ (8,514)
Adjustments for:		
Depreciation and amortization	1,496	1,958
Interest expense	1,363	686
Accretion of contingent consideration	21	—
Revaluation of portfolio investments	8	—
Deferred income tax	—	101
Income tax expense	62	24
Share-based compensation	90	(53)
Share of net income (loss) of associates	(266)	94
Revaluation of stock appreciation rights liability	(65)	—
Changes in non-cash working capital accounts:		
Due from brokers	(53)	(1,508)
Net open cash contracts	3,073	(3,698)
Accounts receivable	2,759	(570)
Accounts receivable due from associates	(270)	22
Inventories, grains	(34,974)	(46,538)
Prepaid expenses and sundry assets	549	(43)
Accounts payable and accrued liabilities	20,666	14,489
Accounts payable due to associates	8	3
Current portion of contingent consideration	(190)	—
Current portion of lease liability	(15)	—
Income tax paid	—	(154)
Interest paid	(1,145)	(453)
Net cash provided by (used in) operating activities	(5,125)	(44,154)
Investing activities:		
Acquisition of Delmar Commodities, Ltd., net	(23,790)	—
Acquisition of Nature's Organic Grist, LLC, net	—	(2,570)
Acquisition of property, plant and equipment	(225)	(342)
Net cash provided by (used in) investing activities	(24,015)	(2,912)
Financing activities:		
Net proceeds (repayment) of bank indebtedness	7,350	48,000
Proceeds from term debt	15,000	—
Financing costs paid	(382)	—
Private placement, net of share issuance costs	9,511	—
Other financing activities	(3)	—
Net cash provided by (used in) financing activities	31,476	48,000
Effect of exchange rate changes on cash	—	(5)
Increase in cash	2,336	929
Cash, beginning of year	1,889	960
Cash, end of year	\$ 4,225	\$ 1,889

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, 2019 and 2018

*Unaudited*

<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, 2019	\$ 203,358	\$ 1,387	\$ 9,475	\$ (22,239)	\$ (61,217)	\$ 130,764
Adjustment for change in functional currency (note 3)	(40,572)	(13)	(2,239)	23,256	19,568	—
Issuance of deferred share units	—	80	—	—	—	80
Private placement, net of share issuance costs	9,511	—	—	—	—	9,511
Share-based compensation	3	—	—	—	—	3
Share incentive compensation net of vesting	—	—	10	—	—	10
Net income (loss)	—	—	—	—	1,758	1,758
Balances, September 30, 2019	<u>\$ 172,300</u>	<u>\$ 1,454</u>	<u>\$ 7,246</u>	<u>\$ 1,017</u>	<u>\$ (39,891)</u>	<u>\$ 142,126</u>
Balances, June 30, 2018	\$ 203,358	\$ 801	\$ 9,771	\$ (22,355)	\$ (44,078)	\$ 147,497
Issuance of Deferred Share Units	—	82	—	—	—	82
Fair value adjustment of Deferred Share Units	—	(97)	—	—	—	(97)
Share-based compensation	—	—	21	—	—	21
Net income (loss)	—	—	—	—	(8,514)	(8,514)
Other comprehensive income	—	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	1,139	—	1,139
Balances, September 30, 2018	<u>\$ 203,358</u>	<u>\$ 786</u>	<u>\$ 9,792</u>	<u>\$ (21,216)</u>	<u>\$ (52,592)</u>	<u>\$ 140,128</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, 2019 and 2018

### (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 Golden Valley, Minnesota, United States.

These interim condensed consolidated financial statements of Ceres as at and for the three-month period ended September 30, 2019 and 2018 include the accounts of Ceres and its wholly owned subsidiaries, Ceres U.S. Holding Corp., Riverland Ag Corp. (“**Riverland Ag**”), Natures Organic Grist, LLC (“**NOG**”), Delmar Commodities, Ltd. (“**Delmar**”), 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 thirteen grain storage, handling, and merchandising facilities in the state of Minnesota and the provinces of Ontario, Manitoba, and Saskatchewan, with a combined grain and oilseed storage capacity of 30.8 million bushels. NOG is a supplier of organic grains and ancient grains (including emmer and einkorn), milled flours, and feed products. With the acquisition of Delmar, the Corporation owns and operates a soybean crush facility, a specialty crops blending/birdfeed production facility, and the exclusive seed distribution in western Canada with Legend Seeds, USA, Inc (“**Legend Seeds**”).

### (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 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, except as discussed in note 3, 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 12, 2019.

#### Functional and presentation currency

These interim condensed consolidated financial statements are presented in United States Dollars (“USD”). As of July 1, 2019, the Corporation’s functional currency is USD. Refer to note 3 for additional information regarding the change in functional currency.

#### Basis of measurement

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

- Derivative financial instruments are measured at fair value;

## CERES GLOBAL AG CORP.

### Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019 and 2018

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

### (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, 2019. The Corporation's significant accounting policies were presented in note 3 of those consolidated financial statements.

#### Change in functional currency

Ceres Global Ag Corp. has changed its functional currency from Canadian dollars (CAD) to USD effective July 1, 2019. The change in functional currency is due to an increase in financings denominated in USD. All assets and liabilities were already translated into USD at the spot rate on the date of the change, \$0.7637, as the Corporation was already using the presentation currency of USD. Therefore, the only impact of the change in functional currency on the balance sheet is to shareholders' equity. Items in the Statement of Changes in Shareholders' Equity previously translated at historical rates, have now been translated using the spot rate at the date of the change. These changes have been accounted for prospectively in accordance with IFRS.

#### Recently adopted accounting standards

##### IFRS 16 – Leases

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2019, the IASB issued, IFRS 16, Leases, (“**IFRS 16**”) to replace IAS 17, Leases. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors to increase transparency and comparability among organizations by requiring the recognition of right-of-use assets and lease liabilities on the balance sheet. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts based on whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and right-of-use assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). Lease liabilities will be reduced over the term of the lease by allocating lease payments to a reduction in liability and an expense recognized in finance costs. Right-of-use assets will be amortized over the term of the lease or the useful life of the asset if a purchase option is reasonably certain to be exercised.

The Corporation has adopted IFRS 16 from July 1, 2019 and has elected to use the modified retrospective approach and did not restate prior periods. The Corporation's classes of assets include land, buildings, vehicles, and equipment leases. The details of the changes in accounting policy are discussed below.

To determine whether a contract contains a lease, the Corporation applies the new definition of a lease under IFRS 16, namely if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Corporation elected to apply the practical expedient to grandfather the assessment of which transactions are leases and thus applied IFRS 16 only to leases that were previously identified as leases prior to adoption of IFRS 16.



## CERES GLOBAL AG CORP.

### Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019 and 2018

The Corporation leases assets including buildings, machinery and equipment, vehicles and other office equipment. Previously under IAS 17, the Corporation classified leases as operating or finance leases based on whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Corporation recognizes right-of-use assets and lease liabilities for all leases except where the Company has elected to use the practical expedient to not recognize right-of-use assets and lease liabilities for low-value assets or short-term leases under one year that are not expected to renew. The Corporation has recognized lease payments for low-value assets and short-term leases as an expense over the lease term.

For leases previously classified as finance leases, the Corporation recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The Corporation recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments, adjusted for lease prepayments and lease incentives, discounted using the interest rate implicit in the lease, or if not readily determinable, the incremental borrowing rate of the Corporation. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Corporation recognized right-of-use assets on the balance sheet as follows:

<i>(in thousands of USD)</i>	Buildings	Machinery and Equipment	Office Equipment	Total Right of Use Asset
Balance at June 30, 2019	\$ -	\$ 28	\$ -	\$ 28
Balance at July 1, 2019	2,628	1,081	58	3,767
Additions to during the period	-	73	-	73
Amortization during the period	(119)	(44)	(7)	(170)
Balance as at September 30, 2019	<u>2,509</u>	<u>1,110</u>	<u>51</u>	<u><b>3,670</b></u>

The Corporation has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options, which significantly affects the amount of lease liability and right-of-use assets recognized. The Corporation has used judgement in determining the incremental borrowing rate based on the term, security, the lessee entities economic environment, credit rating, level of indebtedness and asset specific adjustments.

**CERES GLOBAL AG CORP.**

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019 and 2018

The impact on the balance sheet as at July 1, 2019 is as follows:

<i>(in thousands of USD)</i>	<b>Opening Balance, July 1, 2019</b>
Current portion of lease obligations	\$ 525
Long-term lease obligations	2,824
Total lease obligations as at July 1, 2019	<b>\$ 3,349</b>

The reconciliation from the operating lease commitment disclosed in the Annual Financial Statements as of June 30, 2019 and the lease liability as at July 1, 2019 is as follow:

<i>(in thousands of USD)</i>	<b>Lease Commitments</b>
Operating lease commitment as at June 30, 2019	\$ 3,107
Less: short-term and low value leases	(38)
	3,069
Discounted using the lessee's incremental borrowing rate or rate implicit in the lease	2,705
Add: additional leases identified on adoption of IFRS 16	616
Add: finance lease liabilities recognized as at June 30, 2019	28
Lease liability recognized as at July 1, 2019	<b>3,349</b>
Current portion of lease obligations as at July 1, 2019	525
Long-term lease obligations as at July 1, 2019	2,824
	<b>\$ 3,349</b>

The weighted average incremental borrowing rate as at July 1, 2019 used to discount lease payments, for leases where the rate implicit in the lease was not readily available, was 5.8%.

For quarter ended September 30, 2019, the Company recognized \$170 thousand as depreciation on the right-of-use assets within Cost of sales and General and administrative expense. The Corporation also recognized \$48 thousand as interest cost on lease liabilities within Finance expense during the quarter ended September 30, 2019.

**Business Combinations**

Business combinations are accounted for using the acquisition method. 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

**CERES GLOBAL AG CORP.**

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019 and 2018

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) 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 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>	<b>September 30, 2019</b>	<b>June 30, 2019</b>
Margin deposits	\$ 2,485	\$ 2,127
Unrealized gains on futures contracts and options, at fair value	341	293
	2,826	2,420
Unrealized losses on futures contracts and options, at fair value	(365)	—
Due from brokers	\$ <b>2,461</b>	\$ 2,420

**(5) 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, 2019.

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Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019 and 2018

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>	<b>September 30, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 4,225	\$ —	\$ —	\$ 4,225
Portfolio investments	—	—	758	758
Due from broker, margin deposits (note 5)	2,485	—	—	2,485
Due from broker, unrealized gains on futures and options (note 5)	341	—	—	341
Unrealized gains on open cash contracts (derivatives)	—	7,164	—	7,164
Due from broker, unrealized losses on futures and options (note 5)	(365)	—	—	(365)
Unrealized losses on open cash contracts (derivatives)	—	(7,063)	—	(7,063)
Contingent consideration	—	—	(889)	(889)
Stock appreciation right liability included in accounts payable	—	—	(290)	(290)
	<u>\$ 6,686</u>	<u>\$ 101</u>	<u>\$ (421)</u>	<u>\$ 6,366</u>
	<b>June 30, 2019</b>			
<i>(in thousands of USD)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 1,889	\$ —	\$ —	\$ 1,889
Portfolio investments	—	—	766	766
Due from broker, margin deposits (note 6)	2,127	—	—	2,127
Due from broker, unrealized gains on futures and options (note 6)	293	—	—	293
Unrealized gains on open cash contracts (derivatives)	—	6,171	—	6,171
Due from broker, unrealized losses on futures and options (note 6)	—	—	—	—
Unrealized losses on open cash contracts (derivatives)	—	(3,435)	—	(3,435)
Contingent consideration	—	—	(1,468)	(1,468)
Stock appreciation right liability included in accounts payable	—	—	(289)	(289)
	<u>\$ 4,309</u>	<u>\$ 2,736</u>	<u>\$ (991)</u>	<u>\$ 6,054</u>

**CERES GLOBAL AG CORP.**

Notes to the Interim Condensed Consolidated Financial Statements

September 30, 2019 and 2018

Reconciliation of Level 3 fair values:

*(in thousands of USD)*

	<b>Level 3</b>
Balance at June 30, 2019	\$ 766
Unrealized loss on foreign exchange	(8)
Balance at September 30, 2019	\$ 758

**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, 2019, the Corporation’s market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at September 30, 2019, 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, 2019 if the fair value of each of the portfolio investments as at September 30, 2019 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 nine months ending September 30, 2019 would be as follows:

	<b>Increase (decrease) in net income</b>	<b>Increase (decrease in ) income per share</b>
<i>(in thousands of USD except loss per share)</i>		
10% increase in fair value of portfolio investments	\$ 75	\$ 0.00
10% decrease in fair value of portfolio investments	\$ (75)	\$ 0.00

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### Notes to the Interim Condensed Consolidated Financial Statements

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#### Commodity risk

Management has determined the effect on the results of operations of the Corporation for the quarter ended September 30, 2019 if the fair value of each of the open cash contracts as at September 30, 2019 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, 2019 would be as follows:

<i>(in thousands of USD except loss per share)</i>	<b>Increase (decrease) in net income</b>	<b>Increase (decrease) in income per share</b>
5% increase in bid/ask prices of commodities	\$ 272	\$ 0.01
5% decrease in bid/ask prices of commodities	\$ (272)	\$ (0.01)

#### Interest rate risk

As at September 30, 2019, Ceres had no long or short portfolio positions in any interest-bearing investment securities.

As at September 30, 2019, 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, 2019, 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 7 (Bank Indebtedness), as at September 30, 2019, the Corporation's Credit Facility (as defined herein) bears interest at an annual rate of 3.375% plus overnight LIBOR. As at September 30, 2019, 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, 2019, the Corporation's Term Loan (note 8) bears interest at an annual rate of 6.00% plus one-month LIBOR. As at September 30, 2019, 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, 2019 and 2018

On that basis, the potential effects on the result of operations for the quarter ending September 30, 2019 would be as follows:

<i>(in thousands of USD except loss per share)</i>	<u>Decrease net income</u>	<u>Decrease income per share</u>
<u>Revolving credit facility</u>		
25 bps increase in annual interest rate	\$ 26	\$ 0.00
<u>Term loan</u>		
25 bps increase in annual interest rate	\$ 18	\$ 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, 2019, 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, 2019, the allowance for doubtful accounts was \$57 thousand.

The Corporation had one customer that individually represented more than 10% of total revenue for the quarter ended September 30, 2019, comprising 11% of total revenue. For the quarter months ended September 30, 2018, the Corporation had two customer that each represented more than 10% of total revenue, comprising 12% and 10% 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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Liquidity risk

As at September 30, 2019 and June 30, 2019, the following are the contractual maturities of financial liabilities, excluding interest payments:

<u>September 30, 2019</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	\$ 41,140	\$ 41,350	\$ 41,350	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	49,996	49,996	49,996	-	-	-
Accounts payable due to associates	59	59	59	-	-	-
Unrealized losses on open cash contracts	7,063	7,063	7,063	-	-	-
Term loan (note 8)	34,431	35,117	32	5,085	30,000	-
Contingent consideration	889	1,000	500	500	-	-

June 30, 2019

<u>June 30, 2019</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	\$ 33,694	\$ 34,000	\$ 34,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	23,944	23,944	23,944	-	-	-
Unrealized losses on open cash contracts	3,435	3,435	3,435	-	-	-
Term loan	19,608	20,000	5,000	5,000	10,000	-
Contingent consideration	1,468	1,600	600	500	500	-
Operating lease obligations	-	3,107	608	582	1,072	845
Capital lease obligation(s)	28	32	8	8	16	-

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.



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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.

As at September 30, 2019, 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>	<b>Net asset (liability) exposure</b>
Canadian dollars	\$ (1,778)

The following is a summary of the effect on Ceres' profit or loss for the quarter ended September 30, 2019 if the USD had become 5% stronger or weaker against the CAD as at September 30, 2019, 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>	<b>Increase (decrease) in net income</b>	<b>Increase (decrease) in income per share</b>
CAD 5% Stronger	\$ (64)	\$ 0.00
CAD 5% Weaker	\$ 71	\$ 0.00

Currency risk for Ceres relates to transactions denominated in a currency other than USD and the translation of its accounts from CAD to the functional currency of USD. Transactional gains and losses on foreign exchange are recorded in "Finance income (loss)" in the Interim Condensed Consolidated Statements of Comprehensive Income (Loss).

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**(6) PROPERTY, PLANT AND EQUIPMENT**

Property, plant, and equipment comprised the following at September 30, 2019 and June 30, 2019:

<i>(in thousands of USD)</i>	Land	Buildings Silos & Elevators	Machinery & equipment	Office equipment & other assets	Construction in progress	Totals
<b>Cost</b>						
June 30, 2019	\$ 20,880	\$ 72,539	\$ 24,592	\$ 4,171	\$ 24	\$ 122,206
Additions	—	—	—	—	127	127
Placed in service	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
Reclassification of finance lease	—	—	(35)	—	—	(35)
September 30, 2019	<u>20,880</u>	<u>72,539</u>	<u>24,557</u>	<u>4,171</u>	<u>151</u>	<u>122,298</u>
<b>Accumulated depreciation</b>						
June 30, 2019	—	(12,497)	(5,645)	(2,060)	—	(20,202)
Depreciation	—	(695)	(418)	(93)	—	(1,206)
Disposals	—	—	—	—	—	—
Reclassification of finance lease	—	—	8	—	—	8
September 30, 2019	<u>—</u>	<u>(13,192)</u>	<u>(6,055)</u>	<u>(2,153)</u>	<u>—</u>	<u>(21,400)</u>
Carrying amount						
September 30, 2019	<u>\$ 20,880</u>	<u>\$ 59,347</u>	<u>\$ 18,502</u>	<u>\$ 2,018</u>	<u>\$ 151</u>	<u>\$ 100,898</u>
June 30, 2019	<u>\$ 20,880</u>	<u>\$ 60,042</u>	<u>\$ 18,947</u>	<u>\$ 2,111</u>	<u>\$ 24</u>	<u>\$ 102,004</u>

Costs related to property, plant and equipment accrued but not yet paid totaled nil as at September 30, 2019 and nil as at June 30, 2019. The Corporation's change in functional currency had no impact on the net book value of property, plant, and equipment as the assets were previously presented in USD as at June 30, 2019. Refer to note 3 for further information.

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### (7) BANK INDEBTEDNESS

On February 14, 2019, the Corporation entered into a fourth amended and restated credit agreement led by Macquarie Bank Limited, as administrative agent on behalf of a syndicate group of lenders which includes Bank of Montreal and Cooperatieve Rabo Bank U.A. (the “**New Credit Facility**”). The New Credit Agreement increases the amount of the revolving facility available to Ceres from \$67.5 million to \$80.0 million, with the potential to access an accordion feature that would provide an additional \$20 million. The revolving facility matures on February 13, 2020. The interest rate under the New Credit Agreement reflects a reduction of 50 basis points from Ceres’ prior revolving facility and borrowings bear an annual interest rate of 3.375% plus overnight LIBOR, and interest is calculated and paid on a monthly basis. The New Credit Facility is subject to borrowing base limitations. Amounts under the New Credit Facility that remain undrawn are not subject to a commitment fee. The New Credit Facility has certain covenants pertaining to the accounts of the Corporation, as at September 30, 2019, the Corporation was in compliance with all covenants.

As at September 30, 2019 and June 30, 2019, the Corporation had \$8.8 million and \$16.0 million in availability, respectively, on its revolving credit facility.

As at September 30, 2019 and June 30, 2019, the carrying amount of bank indebtedness is summarized as follows:

	<b>September 30, 2019</b>	<b>June 30, 2019</b>
<i>(in thousands of USD except loss per share)</i>		
Revolving line of credit	\$ 41,350	\$ 34,000
Unamortized financing costs	(210)	(306)
Bank indebtedness	<u>\$ 41,140</u>	<u>\$ 33,694</u>

### (8) TERM LOAN

On November 15, 2018, the Corporation entered into a \$20.0 million term loan agreement with Bixby Bridge Fund IV, LLC (“**Bixby Loan**”). A portion of the proceeds of the Bixby Loan were used to repay all amounts outstanding under the Macquarie Term Loan. The loan is secured primarily by mortgages on Ceres’ elevator facilities, including; one in Northgate, SK, one in Duluth, MN and two in Minneapolis, MN. This loan is for a term of 4 years with annual principal payments of \$5.0 million due November 15, 2019; November 15, 2020; November 15, 2021; and November 15, 2022. Pursuant to the agreed upon conditions of the Bixby Loan, Ceres may, at its discretion, repay the balance of the loan at any time subject to typical notice requirements. This loan had an annual interest rate of 5.25% plus one-month LIBOR.

On August 16, 2019 the Bixby Loan was amended in conjunction with the acquisition of Delmar. The Bixby Loan was amended to increase the amount of the loan by \$15 million to a total of \$35 million. The payment schedule was amended such that the Corporation will pay \$5 million on November 15, 2020, \$5 million on November 15, 2021, and the remaining \$20 million is due on November 15, 2022. Additionally, the annual interest rate increased to 6.00% plus one-month LIBOR. In addition to the facilities mentioned above, the Term Loan is now also secured by Delmar’s assets.

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In connection with the origination and amendment of the Bixby Loan, the Corporation paid transaction costs relating to the loan closure in the amount of \$764 thousand, which included legal fees and other related borrowing costs. Transaction costs directly attributable to the issuance of the 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>	<b>September 30, 2019</b>	<b>June 30, 2019</b>
Current portion of term loan	\$ —	\$ 5,000
Less current portion of unamortized financing costs	—	(106)
Current portion of equipment financing	32	—
Current portion of term loan	<b>32</b>	4,894
Long-term portion of term loan	35,000	15,000
Less long-term portion of unamortized financing costs	(686)	(286)
Long-term portion of equipment financing	85	—
Total term loan	<b>\$ 34,399</b>	<b>\$ 14,714</b>

**(9) 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, 2019 and 2018:

<i>(in thousands of USD)</i>	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Realized and unrealized gains (losses) on foreign exchange	\$ 68	\$ 40
Accretion of contingent consideration	(21)	—
Finance income (loss)	<b>\$ 47</b>	<b>\$ 40</b>

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**(10) INTEREST EXPENSE**

The following table presents interest expense for the quarters ended September 30, 2019 and 2018:

<i>(in thousands of USD)</i>	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Interest on bank indebtedness	\$ (541)	\$ (396)
Interest on repurchase obligations		
Interest on term loan	(558)	(186)
Amortization of financing costs paid	(184)	(99)
Interest on other financing obligations	(80)	(5)
Interest expense	\$ <b>(1,363)</b>	\$ <b>(686)</b>

**(11) EQUITY**

The following is a summary of the changes in Common shares for the quarter ended September 30, 2019 and year ended June 30, 2019:

	<u><b>Common shares</b></u>	
	<b>Number of Shares</b>	<b>Amount <i>(thousands of USD)</i></b>
Balances, June 30, 2018	27,934,991	\$ 203,358
Directors' remuneration	—	—
Balances, June 30, 2019	27,934,991	203,358
Adjustment for change in functional currency	—	(40,572)
Private placement	2,802,599	9,568
Share issuance costs		(57)
Options exercised for common shares	1,250	3
Balances, September, 2019	<b>30,738,840</b>	\$ <b>172,300</b>

As at September 30, 2019 and June 30, 2019, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 50.5% and 44.0%, respectively, of the outstanding Common shares of the Corporation.

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**(12) DEFERRED SHARE UNITS**

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

	<b>Number of DSUs</b>	<b>Amount</b> <i>(thousands of USD)</i>
DSUs as at June 30, 2018	252,503	\$ 801
Units issued	104,527	318
Reclassification of Deferred Share Units	-	268
DSUs as at June 30, 2019	357,030	1,387
Adjustment for change in functional currency	-	(13)
Units issued	27,372	80
DSUs as at September 30, 2019	<b>384,402</b>	<b>\$ 1,454</b>

**(13) STOCK OPTION PLAN**

During the quarter ended September 30, 2019, 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, 2019, the outstanding Options are as follows:

	<b>Number of Options</b>	<b>Weighted- average exercise price (CAD)</b>	<b>Weighted- average remaining contractual term (years)</b>
Outstanding as at June 30, 2018	1,373,337	\$ 5.96	3.17
Granted	750,000	3.68	4.26
Exercised	(27,500)	4.49	
Expired/forfeited	(265,450)	5.16	
Outstanding as at June 30, 2019	1,830,387	5.17	2.90
Granted	290,500	3.88	4.99
Exercised	(6,250)	4.19	-
Expired/forfeited	(8,750)	4.92	-
Outstanding as at September 30, 2019	<b>2,105,887</b>	<b>\$ 5.00</b>	<b>2.96</b>

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 1.44%; expected volatility of 26.17%; dividend yield of nil; an average expected option life of 3.25 years; and an average exercise price of CAD \$3.88. The weighted average grant date fair value of the Options granted during the quarter ended

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September 30, 2019, is CAD \$0.69 and CAD \$0.42 for the quarter ended September 30, 2018. As at September 30, 2019 and June 30, 2019, outstanding Options had exercise prices ranging from CAD \$3.68 to CAD \$6.75.

The total Option compensation cost included in general and administrative expenses for the quarter ended September 30, 2019 amounted to an expense of \$82 thousand and a recovery of \$31 thousand for the quarter ended September 30, 2018.

#### (14) 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>	Quarters ended	
	September 30, 2019	September 30, 2018
Salary and short-term employee/director benefits	\$ 291	\$ 515
Share-based compensation	121	(3)
	<u>\$ 412</u>	<u>\$ 512</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 Interim Condensed Consolidated Statements of Comprehensive Income (Loss) for the first quarter of fiscal year 2020 and \$20 thousand for the first quarter of fiscal year 2019. Related party expenses recorded in cost of sales are \$0.4 million for the first quarter of fiscal year 2020 compared to \$0.4 million for the first quarter of fiscal year 2019. As at September 30, 2019, the accounts receivable, due from Savage Riverport, LLC totaled \$115 thousand and \$7 thousand as at September 30, 2018. As at September 30, 2019, accounts payable, due to Savage Riverport, LLC totaled \$57 thousand compared to \$40 thousand at September 30, 2018.

#### *Gateway Energy Terminal*

Under the agreements that govern the management and operation of Gateway, Ceres passes on certain expenses, primarily labor, incurred at Northgate, to Gateway. These expenses are passed through the Corporation and invoiced to Gateway. As at September 30, 2019, the accounts receivable, due from Gateway, totaled \$266 thousand and nil for the period ending September 30, 2018.

#### *Bixby Term Loan*

An affiliate of Bixby Bridge Fund IV, LLC (“the Lender”), separate and distinct from the Lender, holds an indirect, minority investment in Ceres and, therefore, the Lender, and/or this affiliate, may be a related party of the Corporation. The Bixby Loan was negotiated on arm’s length terms after consideration of other financing

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alternatives under the supervision of members of the Corporation’s Board of Directors who are independent of the Lender.

**(15) BUSINESS COMBINATION**

On August 16, 2019 and effective August 1, 2019, the Corporation closed on the acquisition of 100% of the equity of Delmar, based in Winkler, Manitoba. The purpose of the transaction was to diversify the Corporation’s product lines, add strategic origination capabilities for core grain products, and expand the Corporation’s geographic footprint in Canada.

Ceres has acquired 100% of Delmar’s issued and outstanding shares for a purchase price of CAD \$15.25 million in cash paid to Delmar’s shareholders, and the assumption of approximately CAD \$7.3 million in existing term debt and CAD \$10.0 million in existing revolver debt.

The acquisition was funded with a combination of existing working capital and additional term debt with the amendment to the Bixby Loan (note 8).

<i>(in thousands of USD)</i>	<b>August 1, 2019</b>
Cash paid	\$ 10,748
Holdback	754
	11,502
Total cash consideration	11,502
Debt assumed	13,080
Working capital adjustment	(584)
	23,998
Total consideration	\$ 23,998

The acquisition of Delmar 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>	<b>Delmar Commodities, Ltd.</b>
Current assets	\$ 11,295
Long-lived assets (1)	17,687
Total assets acquired	28,982
Current liabilities	4,893
Long-term debt	91
Total liabilities assumed	4,984
Net assets acquired	\$ 23,998



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- (1) Given the timing of the acquisition, the Corporation has not finalized the purchase price allocation. Consequently, part of the fair value adjustments related to the acquisition are included in long-lived assets on the Interim Condensed Consolidated Balance Sheet. 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.

#### **(16) SEGMENT REPORTING**

As at September 30, 2019, the Corporation has four reportable segments: Grain, Supply Chain Services, Seed and Processing, and Corporate. As at September 30, 2019, the Company has three operating segments: Grain, Supply Chain Services, and Seed and Processing. 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. The Seed and Processing segment is engaged in soybean crush, specialty crops blending, birdfeed production, and the exclusive seed distribution in western Canada with Legend Seeds.

During the previous fiscal year, the Corporation had one reportable segment and three operating segments. Therefore, the information below provides the financial information for quarter ended September 30, 2018 in the four new reporting segments. Management reporting comprises analysis of revenue and gross profit within three distinct operating divisions. Corporate oversees and administers the operating divisions. The chief operating decision maker focuses on revenues and costs by operating segment, but manages assets and liabilities on a global basis.

The accounting policies of the segments are the same as described in note 3 of the June 30, 2019 annual 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, 2019:

<i>(In thousands of USD)</i>	<b>Grain</b>	<b>Supply- Chain Services</b>	<b>Seed and Processing</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 120,787	\$ 638	\$ 5,167	\$ —	\$ 126,592
Cost of sales	(114,713)	(723)	(4,696)	—	(120,132)
Gross profit	6,074	(85)	471	—	6,460
General and administrative expenses	(1,745)	(12)	(428)	(1,470)	(3,655)
Income (loss) from operations	4,329	(97)	43	(1,470)	2,805
Finance income (loss)	(18)	—	—	65	47
Interest expense	(668)	—	(35)	(660)	(1,363)
Revaluation of of stock appreciation right liability	—	—	—	65	65
Income (loss) before income taxes	3,643	(97)	8	(2,000)	1,554
Income tax (expense) recovered	(41)	—	—	(21)	(62)
Share of net income (loss) of associates	100	226	—	(60)	266
Net income (loss)	<u>\$ 3,702</u>	<u>\$ 129</u>	<u>\$ 8</u>	<u>\$ (2,081)</u>	<u>\$ 1,758</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, 2018:

<i>(In thousands of USD)</i>	<b>Grain</b>	<b>Supply- Chain Services</b>	<b>Seed and Processing</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 89,390	\$ 851	\$ —	\$ —	\$ 90,241
Cost of sales	(84,349)	(808)	—	—	(85,157)
Gross profit	5,041	43	—	—	5,084
General and administrative expenses	(1,494)	(24)	—	(2,249)	(3,767)
Income (loss) from operations	3,547	19	—	(2,249)	1,317
Finance income (loss)	—	—	—	40	40
Interest expense	(441)	—	—	(245)	(686)
Amortization of intangible assets	(835)	—	—	—	(835)
Legal settlement	—	—	—	(8,228)	(8,228)
Income (loss) before income taxes	2,271	19	—	(10,682)	(8,392)
Income tax (expense) recovered	—	—	—	(28)	(28)
Share of net income (loss) of associates	(8)	—	—	(86)	(94)
Net income (loss)	<u>\$ 2,263</u>	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ (10,796)</u>	<u>\$ (8,514)</u>

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**(17) 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, 2019. During fiscal year 2019, the \$11.3 million Scoular settlement was paid in full.