



MANAGEMENT’S DISCUSSION AND ANALYSIS

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This Management’s Discussion and Analysis (“MD&A”) dated November 13, 2019 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements for the quarter ended September 30, 2019 of Ceres Global Ag Corp. (“Ceres”, the “Corporation”, “we”, “our”, and “us”), and the Corporation’s audited Consolidated Financial Statements for the year ended June 30, 2019 (the “Annual Consolidated Financial Statements”). Additional information about Ceres filed with Canadian securities regulatory authorities, including the quarterly financial statements and MD&A, and annual report and the annual information form, is available online at www.sedar.com.

Basis of Presentation

Unless otherwise noted, all financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Unless otherwise indicated, dollar amounts are expressed in United States dollars (“\$” and “USD”) and references to “CAD” and “C\$” are to Canadian dollars.

Non-IFRS Financial Measures

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS. These measures include “EBITDA” (Earnings before interest, income tax,

depreciation and amortization), “Adjusted net income” and “Return on shareholders’ equity”, none of which have a standardized meaning under IFRS. See “Non-IFRS Financial Measures and Reconciliations.”

Risks and Forward-Looking Information

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

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

Who We Are

Through its network of commodity logistics centers and team of industry experts, Ceres procures and supplies North American agricultural commodities and value-added products, industrial products, fertilizer, and energy products, and provides reliable supply chain logistics services to customers worldwide.

Ceres is headquartered in Minneapolis, MN and together with its wholly-owned affiliates, operates 13 locations across Saskatchewan, Manitoba, Ontario, and Minnesota. These facilities have an aggregate grain and oilseed storage capacity of approximately 30.8 million bushels.

Ceres also has a 50% interest in Savage Riverport, LLC, a joint venture with Consolidated Grain and Barge Co., a 50% interest in Gateway Energy Terminal, a joint venture with Steel Reef Infrastructure Corp., a 25% interest in Stewart Southern Railway Inc., a short-line railway located in southeast Saskatchewan with a range of 130 kilometers, and a 17% interest in Canterra Seed Holdings Ltd, a Canada-based seed development company.

Grain Division

The Corporation’s grain division is engaged in grain storage, procurement, and merchandising of specialty grains and oilseeds such as oats, barley, rye, hard red spring wheat, durum wheat, canola and pulses through thirteen grain storage and handling facilities in Minnesota, Saskatchewan, Ontario, and Manitoba. Two of the grain storage facilities are located at deep-water ports in the Great Lakes allowing access to vessels, and another facility is located on the Minnesota River with capacity to load barges for shipment down the Mississippi River to export terminals in New Orleans, combining to provide Ceres with efficient access to export and import flows of our core grains and oilseeds to global markets. Approximately 24.8 million bushels of the Corporation’s facilities are “regular” for delivery for both spring wheat against the Minneapolis Grain Exchange futures contract and oats against the Chicago Board of Trade futures contract. In addition, spring wheat and oats sourced by the Corporation out of Canada are eligible for delivery against respective futures contracts.

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

Supply Chain Services Division

Ceres’ key asset in its supply chain services division is the Northgate Logistics Center (“**Northgate**” or the “**NLC**”). The NLC consists of a commodities logistics centre on approximately 1,300 acres of land at Northgate,

Saskatchewan, designed to utilize two rail loops, each capable of handling unit trains of up to 120 railcars and ladder tracks capable of handling up to 100 rail cars. The NLC is an approximately \$75 million state-of-the-art grain, oil, natural gas liquids and fertilizer terminal and is connected to the Burlington Northern Santa Fe Railway (the “BNSF”) with intentions to further build out infrastructure to support handling of other industrial products and equipment.

The Corporation commenced its initial grain operations at Northgate in October 2014 and the elevator was fully operational in May 2016. As part of its grain operations, the Corporation contracts grain and oilseed purchases from Western Canadian producers that are delivered by truck and unloaded at the NLC’s grain facility. Ceres has the option of storing the grain on-site, loading it into outbound railcars to end-users, or shipping to the Corporation’s other facilities to take advantage of the value and strategic location of its current asset base.

In addition to the grain operations, in June 2019, the Corporation established Gateway Energy Terminal, a 50/50 joint venture with Steel Reef Infrastructure Corp. located at Northgate (“**Gateway**”). Gateway began operations on July 1, 2019 and handles the transloading of hydrocarbons at Northgate on an exclusive basis. Ceres’ existing contracts were transferred to Gateway as of July 1, 2019. Gateway’s operations at Northgate provide a direct link for hydrocarbons to enter the US market.

In November 2015, Ceres entered into an agreement with Koch Fertilizer Canada, ULC for the storage and handling of dry fertilizer products at Northgate’s state-of-the art, 26,000-ton fertilizer storage terminal. The fertilizer is loaded out by Ceres into trucks and distributed to Canadian retailers. The fertilizer operation commenced on April 30, 2017.

The Corporation continues to expand products transloaded at the Northgate facility including but not limited to propane, fertilizer, solvents, and magnesium chloride.

Seed and Processing Division

The Corporation’s seed and processing division consists of a soybean crush facility, a speciality crops blending/birdfeed production and sales, and the exclusive distribution in western Canada of Legend Seed products under a license and distribution agreement with Legend Seeds, USA, Inc. (“**Legend Seeds**”). Operations for this division are primary located in Manitoba, Canada. The Corporation’s seed and processing division was created through the acquisition of Delmar Commodities Ltd. (“**Delmar**”), effective August 1, 2019.

1. FINANCIAL AND OPERATING SUMMARY

<i>(in thousands of USD except per share)</i>	Quarters ended September 30,	
	2019	2018
Revenues	\$ 126,592	\$ 90,241
Gross profit (loss)	\$ 6,460	\$ 5,084
Income (loss) from operations	\$ 2,805	\$ 1,317
Net income (loss)	\$ 1,758	\$ (8,514)
Weighted average common shares outstanding	27,965,468	27,934,991
Diluted weighted average common shares outstanding	29,167,261	27,934,991
Income (loss) per share - Basic	\$ 0.06	\$ (0.30)
Income (loss) per share - Diluted	\$ 0.06	\$ (0.30)
EBITDA ⁽¹⁾	\$ 4,413	\$ (5,748)
As at:		
Total assets	\$ 279,051	\$ 245,180
Total bank indebtedness, current ⁽²⁾	\$ 41,140	\$ 58,955
Term debt ⁽³⁾	\$ 34,431	\$ 9,715
Shareholders' equity	\$ 142,126	\$ 140,128
Return on shareholders' equity ⁽¹⁾	1.2%	-6.1%

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

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

(3) Includes current portion of long-term debt.

HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2019

- Net income for the period was \$1.8 million compared to a net loss of \$8.5 million for the quarter ended September 30, 2018.
- Gross margins increased \$1.4 million compared to the first quarter of fiscal year 2019 as a result of increased trading margins from the grain division.
- EBITDA increased \$10.1 million compared to the quarter ended September 30, 2018.
- Gateway Energy Terminal began operations on July 1, 2019.
- Delmar Commodities, Ltd. was acquired on August 16, 2019, effective August 1, 2019, and was accretive to earnings of the Corporation for the quarter.
- On September 30, 2019, the Corporation closed a non-brokered private placement equity raise of approximately \$10 million through the issuance of common shares.

Overall Performance

The Corporation's net income was \$1.8 million for the quarter ended September 30, 2019, compared to a net loss of \$8.5 million in the same quarter of 2018. The increase in net income was driven by execution of the Corporation's strategic goals, as outlined in the previous year's annual general meeting of shareholders, resulting in increased trading margin from the Corporation's Grain Division in 2019, while 2018 was negatively impacted by the settlement of outstanding litigation for \$8.2 million in the first quarter. Gross profit was \$6.5 million for the quarter ended September 30, 2019 compared to a gross profit of \$5.1 million in the same quarter

of 2018, also a result of higher merchandising margins. Income from operations was \$2.8 million for the quarter ended September 30, 2019 compared to income of \$1.3 million from operations in the same quarter of 2018.

Revenues and Gross Profit

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

Total revenue increased by \$36.4 million, primarily due to an increase in bushels merchandised in the quarter ended September 30, 2019 compared to the same quarter in 2018. The Corporation handled and traded 21.6 million bushels of grain and oilseeds in the first quarter of fiscal year 2019 compared to 18.2 million bushels for the same quarter in fiscal year 2018. In agriculture commodity markets, cost of sales generally follow increases or decreases in gross revenues. Management believes it is more important to focus on changes in gross profits and volume handled rather than changes in revenue dollars.

The table below represents a summary of the components of gross profit for the quarters ended September 30, 2019 and 2018:

	2019			
<i>(in thousands of USD)</i>	Grain	Supply Chain Services	Seed and Processing	Total
Net trading margin	\$ 9,382	\$ -	\$ -	\$ 9,382
Storage and transloading revenue	-	638	-	638
Seed and processing revenue	-	-	875	875
Operating expenses included				-
in Cost of sales	(2,329)	(455)	(298)	(3,082)
Depreciation expense included				-
in Cost of sales	(979)	(268)	(106)	(1,353)
Gross profit (loss)	<u>\$ 6,074</u>	<u>\$ (85)</u>	<u>\$ 471</u>	<u>\$ 6,460</u>
	2018			
<i>(in thousands of USD)</i>	Grain	Supply Chain Services	Seed and Processing	Total
Net trading margin	\$ 8,171	\$ -	\$ -	\$ 8,171
Storage and transloading revenue	-	851	-	851
Seed and processing revenue	-	-	-	-
Operating expenses included				-
in Cost of sales	(2,204)	(627)	-	(2,831)
Depreciation expense included				-
in Cost of sales	(926)	(181)	-	(1,107)
Gross profit (loss)	<u>\$ 5,041</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 5,084</u>

Gross profit increased by \$1.4 million in the quarter ended September 30, 2019 compared to the same quarter in 2018. The quarter over quarter increase in gross profit was driven by an increase in trading margins.

Net trading margin

Net trading margin increased \$1.1 million in the quarter ended September 30, 2019 compared to the same quarter in 2018 due to higher margins on cereal grains quarter over quarter.

Storage and transloading revenue

Storage and transloading revenue decreased \$213 thousand in the quarter ended September 30, 2019 compared to the same quarter in 2018. The Corporation's storage and transloading revenue decrease was primarily a result of the reduction in propane transloading revenue, which is now recorded through Ceres' investment in the Gateway Energy Terminal effective July 1, 2019.

Seed and processing revenue

Seed and processing revenue increased \$875 thousand quarter over quarter. The Corporation's seed and processing segment was formed through the acquisition of Delmar, which occurred on August 16, 2019, effective August 1, 2019 and therefore was nil for the quarter ended September 30, 2018.

Operating expenses and depreciation

For the quarter ended September 30, 2019, operating and depreciation expense included in cost of sales increased \$497 thousand compared to the same quarter in 2018. The increase was due to the acquisition of Delmar during the quarter which increased the operating and depreciation expenses of the grain and seed and processing segments.

General and Administrative Expenses

General and administrative expenses totaled \$3.7 million for the quarter ended September 30, 2019 compared to \$3.8 million for the same quarter in 2018. The \$112 thousand decrease in general and administrative expenses is due to a continued focus on reducing costs and gaining efficiencies through improved information technology systems.

Finance Income (Loss)

Finance income (loss) is composed of realized and unrealized gains and losses on foreign exchange transactions and currency hedging transactions along with revaluation of portfolio investments. For the quarter ended September 30, 2019, finance income totaled \$47 thousand compared to finance income of \$40 thousand for the same quarter in 2018.

Interest Expense

<i>(in thousands of USD)</i>	Quarters ended	
	September 30,	
	<u>2019</u>	<u>2018</u>
Interest on revolving credit facility	\$ (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)
Total interest expense	<u>\$ (1,363)</u>	<u>\$ (686)</u>

For the quarter ended September 30, 2019, interest expense increased \$677 thousand compared to the same period in 2018. The increase to interest on the credit facility is driven by higher average daily borrowings and higher inventory volumes during the quarter ended September 30, 2019 compared to the same quarter in 2018. The term debt interest expense increase of \$372 thousand is driven by an increase in the outstanding balance. The term debt was increased to support the Corporation's acquisitions, including Delmar, and growth-based initiatives. See note 8 of the interim condensed consolidated financial statements for further information on the Bixby term loan.

Amortization of Intangible Assets

Amortization of intangible assets for the quarter ended September 30, 2019 was nil. Amortization of intangible assets totaled \$0.8 million for the quarter ended September 30, 2018 and was comprised solely of the amortization of grain and organic supply contracts acquired in the NOG acquisition. The grain contracts are amortized as bushels are delivered on those contracts. The organic supply contract is amortized on a straight-line basis over the life of the contract, which ended in June 2019. As at June 30, 2019, the intangible assets were completely amortized.

Gain (Loss) on Equity Investment

On April 30, 2018, the Corporation formed Savage Riverport, LLC and transferred the grain elevator and related assets at its Savage, Minnesota facility, which had net book value of \$9.3 million as at April 30, 2018, to the newly formed entity. Subsequent to the transaction, Ceres received cash of \$8.5 million from Consolidated Grain and Barge in exchange for 50% of the equity in Savage Riverport, LLC, of which, \$2.0 million was utilized to pay down the term loan. The sale of the equity in Savage Riverport, LLC net of transaction fees resulted in a gain of \$3.7 million. The Corporation will recognize the remaining gain of \$3.8 million over the useful life of the contributed assets. For the quarter ended, September 30, 2019, the Corporation recognized a deferred gain of \$87 thousand under share of net income (loss) of associates.

Share of Net Income (Loss) in Investments in Associates

For the quarter ended September 30, 2019, the Corporation's share of net income in investments in associates was \$266 thousand compared to a loss of \$94 for the quarter ended September 30, 2018. The increase in income in investments in associates is driven by the formation of Gateway Energy Terminal.

2. QUARTERLY FINANCIAL DATA

	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months
Reporting dates	<u>9/30/2019</u>	<u>6/30/2019</u>	<u>3/31/2019</u>	<u>12/31/2018</u>	<u>9/30/2018</u>	<u>6/30/2018</u>	<u>3/31/2018</u>	<u>12/31/2017</u>
<i>(in thousands of USD except per share)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenues	\$ 126,592	\$ 134,741	\$ 90,594	\$ 122,820	\$ 90,241	\$ 92,809	\$ 98,106	\$ 89,569
Gross profit (loss)	\$ 6,460	\$ 2,967	\$ 3,223	\$ 3,046	\$ 5,084	\$ 1,925	\$ 2,399	\$ 4,283
Income (loss) from operations	\$ 2,805	\$ (141)	\$ 477	\$ (364)	\$ 1,317	\$ (971)	\$ (933)	\$ 1,162
Net income (loss)	\$ 1,758	\$ (1,858)	\$ (1,240)	\$ (5,159)	\$ (8,514)	\$ 1,829	\$ (1,802)	\$ 224
Return on shareholders' equity ¹	1.2%	-1.4%	-0.9%	-3.9%	-6.1%	1.2%	-1.2%	0.1%
Basic weighted-average number of common shares for the quarter	27,965	27,935	27,935	27,935	27,935	27,935	27,935	27,917
Dilutive weighted-average number of common shares for the quarter	29,167	29,092	28,122	28,122	27,935	27,935	27,935	27,917
Basic earnings (loss) per share	\$ 0.06	\$ 0.06	\$ (0.04)	\$ (0.18)	\$ (0.30)	\$ 0.07	\$ (0.06)	\$ 0.01
Fully diluted earnings (loss) per share	\$ 0.06	\$ (0.06)	\$ (0.04)	\$ (0.18)	\$ (0.30)	\$ 0.07	\$ (0.06)	\$ 0.01
EBITDA ¹	\$ 4,413	\$ 1,370	\$ 1,543	\$ (1,225)	\$ (5,748)	\$ 3,884	\$ 302	\$ 2,333
EBITDA per share	\$ 0.16	\$ 0.05	\$ 0.06	\$ (0.04)	\$ (0.21)	\$ 0.14	\$ 0.01	\$ 0.08
Litigation expenses (Scoular) ¹	\$ -	\$ -	\$ (5)	\$ (147)	\$ (9,385)	\$ (327)	\$ (457)	\$ (458)
Shareholders' equity, as at reporting date	\$ 142,126	\$ 130,764	\$ 131,584	\$ 131,628	\$ 140,128	\$ 147,497	\$ 147,116	\$ 150,761
Shareholders' equity per common share, as at reporting date	\$ 5.08	\$ 4.68	\$ 4.71	\$ 4.71	\$ 5.02	\$ 5.00	\$ 5.00	\$ 5.40
Volumes (in thousands of tonnes)								
Total Product Handled and Traded	626	574	478	511	495	439	420	456

3. LIQUIDITY & CASH FLOW

<i>(in thousands of USD)</i>	Quarter ended	
	<u>2019</u>	<u>2018</u>
Net Cash Provided by (Used in)		
Operating activities	\$ (5,125)	\$ (44,154)
Investing activities	(24,015)	(2,912)
Net Cash Provided Before Financing Activities	(29,140)	(47,066)
Financing Activities	31,476	48,000
Foreign Exchange Cash Flow Adjustment on Accounts Denominated in a Foreign Currency	-	(5)
Increase (Decrease) in Cash and Cash Equivalents	\$ 2,336	\$ 929

Operating Activities

Cash used in operating activities was \$5.1 million for the quarter ended September 30, 2019. The \$39.0 million decrease in cash used in operating activities was driven by an increase in net income and an increase in the accounts payable.

Investing Activities

During the quarter ended September 30, 2019, cash used in investing activities was \$24.4 million. The increase in cash used in investing activities was primarily driven by the acquisition of Delmar Commodities, Ltd for \$23.8 million. During the same quarter in the prior year, the Corporation used cash in investing activities to acquire Nature's Organic Grist, LLC for \$2.6 million.

Financing Activities

During the quarter ended September 30, 2019, the Corporation had \$31.5 million in cash provided by financing activities. The increase of cash provided by financing activities was due to the \$15.0 million borrowed on the Bixby Loan, \$9.5 million raised from the private placement, and an increase in borrowings on the revolving line of credit of \$7.4 million. During the same quarter in the prior year, the Corporation increased its borrowing by \$48.0 million on the revolving line of credit.

Available Sources of Liquidity

The Corporation's sources of liquidity as at September 30, 2019 include available funds under its revolving credit facility (the "**Credit Facility**"). Management believes that cash flow from operations will be adequate to fund operating expenditures, maintenance capital, interest, and any income tax obligations. Growth capital expenditures in the next fiscal year are expected to be funded by cash on hand and borrowing against the Credit Facility. Any additional debt incurred is expected to be serviced by the anticipated increases in cash flow and will only be borrowed within the Corporation's debt covenant limits.

In addition, the Credit Facility, as at September 30, 2019 contains certain covenants, including a covenant that the Corporation maintain minimum working capital of not less than \$25.0 million. As at September 30, 2019 the Corporation's working capital – defined as current assets less current liabilities – totaled \$50.0 million. In addition to working capital, the covenants include the maintenance of "consolidated debt" to "consolidated EBITDA" (as defined in the agreement) and consolidated tangible net worth of not less than \$120.0 million. As at and for the quarter ended September 30, 2019 and June 30, 2019, the Corporation was in compliance with all of the above mentioned financial covenants.

Liquidity risk

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

September 30, 2019

<i>(in thousands of USD)</i>	Carrying Amount	Contractual				
		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	34,431	35,117	32	5,085	30,000	—
Contingent consideration	889	1,000	500	500	—	—

June 30, 2019

<i>(in thousands of USD)</i>	Carrying Amount	Contractual				
		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	—	—	—
Accounts payable due to associates	51	51	51	—	—	—
Unrealized losses on open cash contracts	3,435	3,435	3,435	—	—	—
Long-term debt	19,608	20,000	5,000	5,000	10,000	—
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, the active management of trade accounts receivable and the lack of concentration risk related thereto. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

4. CAPITAL RESOURCES

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

Credit Facility

As disclosed in the Interim Condensed Consolidated Financial Statements for the quarter ended September 30, 2019, 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 Facility 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 \$20.0 million. The New Credit Facility matures on February 13, 2020. The interest rate under the New Credit Facility 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.

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**”), subsequently amended on June 26, 2019. 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, in conjunction with the acquisition of Delmar, the Corporation amended its term loan with Bixby and increased the amount borrowed from \$20.0 million to \$35.0 million. The new amended agreement requires a payoff of the loan of \$5.0 million in November 2020 and an additional \$5.0 million payoff in November 2021. The remaining \$25.0 million is due upon maturity in 2022. This loan amendment has an annual interest rate of 6.00% plus one-month LIBOR. In addition to the facilities mentioned above, the Term Loan is now also secured by Delmar’s assets.

Prior to the Bixby Loan, the Corporation had a senior secured term loan facility agreement with Macquarie Bank (“**Macquarie Term Loan**”) which was 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 Macquarie Term Loan had an interest rate of one-month LIBOR plus 5.25%. The outstanding Macquarie Term Loan was paid in full on November 15, 2018 using a portion of the proceeds from the Bixby Loan.

5. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies and Standards Issued but Not Yet Effective

Refer to note 3 of the unaudited Interim Condensed Consolidated Financial Statements for information pertaining to accounting changes and information on standards issued but not yet effective. For the period ending September 30, 2019, there were no accounting policies that were issued but not effective.

Critical Accounting Estimates

The discussion and analysis of Ceres’ financial condition and results of operations are based upon the Corporation’s Interim Condensed Consolidated Financial Statements, which have been prepared in accordance with IFRS. Ceres’ significant accounting policies and accounting estimates are contained in the Annual

Consolidated Financial Statements (see notes 3 and 4, respectively, for the description of policies or references to notes where such policies are contained). The critical accounting estimates are valuation of investments; business combinations; and valuation of inventories and commodity derivatives; because they require Ceres to make assumptions about matters that are potentially uncertain at the time the accounting estimate is made and due to the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

6. OUTLOOK

Grain Division

Market conditions during the quarter (July – September 2019) were impacted by weather as cooler than normal temperatures delayed crop development during the growing season and late rains and snow delayed harvest. Crop quality was more negatively impacted this year than in previous years, affecting price and the direction of trade flows. Much of the durum crop experienced lower than normal vitreous kernel strength and higher than normal sprout damage, a large percentage of the spring wheat crop is low in falling number and gluten strength, and much of the oat crop is weathered and low in test weight. This has tightened the supply of high quality product and created an abundance of low quality product, some of which will need to find a home in the feed market. Meanwhile, trade disputes between the U.S., Canada and China continue to affect trade flows, market prices and volatility. The Corporation managed to navigate well through this environment by identifying changing conditions in advance and finding markets for its customers' products, regardless of quality. Overall, Ceres was able to leverage its terminal infrastructure to provide a home for farmer product and mix and blend as needed to meet its end-use customers' quality specifications and logistics needs.

Looking forward, managing quality will continue to be a challenge through the balance of the 2019/20 crop year. Ceres is well equipped to provide solutions for its customers in this environment; therefore, cash merchandizing opportunities across core products are expected to remain attractive through the second quarter of fiscal year 2020 (October – December 2019). Exports out of the Great Lakes to the international market and sales by barge from the upper Mississippi river region to the Center Gulf will provide important outlets for low quality product until those outlets close for the winter season. Additionally, spring wheat futures have developed carries that the Corporation can benefit from, due to large ending inventories from the 2018-2019 crop year and high yields from the most recent harvest. Lastly, organic products merchandized through NOG are expected to remain steady.

The Corporation announced in its fourth quarter MD&A that it had entered into a non-binding letter of intent to partner in a venture that would further add to the its grower origination capabilities. The Corporation is presently engaged in due diligence with respect to that potential transaction and will have more to report in the future.

Supply Chain Services Division

Non-Ag product-lines generated steady margins in which propane and fertilizer volumes maintained pace with the previous quarter and overall gross margins for the segment came in as expected for the July – September period. Looking forward, fertilizer volumes and margins are expected to remain consistent through the second quarter (October – December), however, propane volumes are expected to drop as truck demand for grain drying pulls volume away from Northgate. Beyond that, and once crops have been dried and put in the bin, propane volumes are expected to return to normal.

The Corporation previously announced that on July 1st, 2019 it had established the Gateway Energy Terminal joint venture with Steel Reef, a midstream company targeting strategic infrastructure projects in the Western Canadian Sedimentary Basin and Williston Basin. Gateway handles NGLs and condensates at Northgate for movements by rail connecting Canadian and US markets. The Corporation and Steel Reef are jointly marketing

Gateway's service capabilities and executing on a two-year plan that includes evaluating infrastructure development at Northgate.

Seed and Processing Division

On August 16, 2019 the Corporation announced the closing of the acquisition of Delmar, a Manitoba-based agricultural processing and supply chain company with four primary business lines. One of those business lines (grain merchandizing) is being integrated into Ceres' broader merchandizing enterprise. The other three business lines (soybean crush, specialty crop blending/birdfeed production and sales, and exclusive distribution in western Canada of Legend Seed products under a license and distribution agreement with Legend Seeds) are less commoditized and more value-added in nature, and now make up a new reporting segment for the corporation.

The Corporation expects this acquisition and these business lines to be accretive for the 2020 fiscal year, however, it realized and will continue to realize some initial maintenance and general improvement costs that limited its contribution in the first quarter of the 2020 fiscal year (July – September 2019) and will continue to impact results through the second quarter (October – December 2019). Despite those costs, the underlying environment for the three seed and processing business lines is positive. Soybean crush margins were strong during the July – September period, and while they are softening in the October – December period as harvest was delayed and near-term soybean priced increased, margins are expected to improve as harvest finishes and soybean meal replacement costs from the U.S. increase. Specialty crop blending, including birdfeed manufacturing, is experiencing steady demand. This is a relatively new business for Delmar and overall profits are expected to increase as it is able to sell and utilize more available capacity from its blending and bagging plant. Last, Legend Seeds is effectively navigating through a later than normal commercial season as farmers had been focused on harvesting crops, which delayed seed purchases. Despite those challenges, Legend Seeds continues to profitably increase its market share of soybean and corn seed sales in Western Canada, and the Corporation expects profits from that activity to materialize in the fourth quarter (April – June, 2020).

Going forward, the Corporation has identified several opportunities to improve efficiency and increase capacity from these business lines. Therefore, over the coming quarters the Corporation will look to invest in the growth of these businesses to improve existing results and provide added revenue in the future.

The Corporation will provide more information and insights about all three segments at the upcoming Annual General Meeting in Toronto on November 20, 2019. The meeting will begin at 11:00 am EST at the offices of National Capital Markets: 320 Front St W #1600, Toronto, ON

7. OTHER

CONTROLS ENVIRONMENT

Disclosure Controls and Procedures

Ceres maintains appropriate information systems, procedures, and controls to ensure that new information disclosed externally is complete, reliable, and timely. National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and that they have, as at September 30, 2019, designed the DC&P (or have caused such DC&P to be designed under their supervision) to provide reasonable assurance that material information relating to Ceres is made known to them by others, particularly during the period in which Ceres' annual filings are being prepared, and that information required to be disclosed by Ceres in its annual filings, interim filings

or other reports filed or submitted by Ceres under applicable securities legislation is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Internal Controls over Financial Reporting

NI 52-109 also requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining internal control over financial reporting (“ICFR”) and that they have, as at September 30, 2019, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). The control framework used by the Chief Executive Officer and the Chief Financial Officer to design Ceres’ ICFR is the *Risk Management and Governance: Guidance on Control* (COCO Framework) published by CPA Canada (formerly The Canadian Institute of Chartered Accountants). There have been no material changes in the Corporation’s internal control over financial reporting during the quarter ended September 30, 2019 that materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Corporation’s financial instruments and other instruments, including a discussion of risks and relevant risk sensitivities, can be found in note 5 of the Interim Condensed Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not currently have any off-balance sheet arrangements.

RELATED-PARTY TRANSACTIONS

The remuneration of key management personnel of the Corporation, which includes both, members of the Board of Directors and leadership team, including the President and CEO, CFO and vice presidents, is set out below in aggregate for the quarters ended September 30, 2019 and September 30, 2018:

<i>(in thousands of USD)</i>	September 30, 2019	September 30, 2018
Employee/director salaries and benefits	\$ 291	\$ 515
Share-based compensation	121	(3)
	\$ 412	\$ 512

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 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 \$138 thousand and \$7 thousand as at September 30, 2018. As at September 30, 2019, accounts payable, due to Savage Riverport, LLC totaled \$59 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 alternatives under the supervision of members of the Corporation’s Board of Directors who are independent of the Lender.

SHARES OUTSTANDING

As at November 13, 2019, the issued and outstanding equity securities of the Corporation consisted of 30,738,840 common shares. In addition, the Corporation has 2,105,887 stock options outstanding with a weighted-average exercise price of C\$5.00 per common share and 384,402 deferred share units outstanding.

CONTINGENT LIABILITIES

As at September 30, 2019 the Corporation is not aware of any outstanding contingencies.

8. NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

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

Earnings Before Interest, Income Taxes, Depreciation and Amortization

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

The following table is a reconciliation of EBITDA for Ceres on a consolidated basis for the quarters ended September 30, 2019 and September 30, 2018:

<i>(in thousands of USD)</i>	September 30, 2019	September 30, 2018⁽¹⁾
Net income (loss) for the period	\$ 1,758	\$ (8,514)
Interest Expense	1,363	686
Amortization of intangible assets	-	835
Income taxes (recovered)	62	28
Share of net (income) loss in investments in associates	(266)	94
Depreciation and amortization	1,496	1,123
	\$ 4,413	\$ (5,748)

(1) EBITDA, adjusted for the ongoing litigation expenses noted in the table below, was \$4.4 million for the period ended September 30, 2019, compared to \$3.6 million for the period ended September 30, 2018.

An increase of \$0.8 million year over year.

Return on Shareholders' Equity

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

The following table is a calculation of return on shareholders' equity for the quarters ended September 30, 2019 and 2018:

<i>(in thousands of USD)</i>	2019	2018
Net income (loss) for the period	\$ 1,758	\$ (8,514)
Total shareholders' equity as at reporting date	\$ 142,126	\$ 140,868
	1.2%	-6.0%

Ongoing Litigation Expense (Scoular)

The following table is a calculation of the total ongoing litigation expenses in relation to the Scoular case for the quarters ended September 30, 2019 and 2018:

<i>(in thousands of USD)</i>	2019	2018
Legal settlement	\$ -	\$ (8,228)
Legal fees	-	(1,157)
Ongoing litigation expenses	\$ -	\$ (9,385)

Adjusted Net Income (Loss)

The Corporation believes that the adjusted net income (loss) can be an effective measure used to evaluate its profitability by excluding non-reoccurring items. In calculating adjusted net income, Ceres excludes gain (loss) on sale or impairment of property, plant and equipment, income (loss) from investments in associates, revaluation of warrants, gain (loss) on equity investments, legal expense related to ongoing litigation and one-time write-downs. The total legal and settlement expenses incurred for the Scoular case, from inception to settlement, was \$12 million. Ceres may calculate adjusted net income differently than other companies;

therefore, Ceres' Adjusted Net Income (Loss) may not be comparable to similar measures presented by other issuers.

The following table is the adjusted net income (loss) for the quarters ended September 30, 2019, and September 30, 2018:

<i>(in thousands of USD)</i>	<u>2019</u>	<u>2018</u>
Net income (loss)	\$ 1,758	\$ (8,514)
Ongoing litigation expense (Scoular)	-	9,385
Loss (gain) on investments in associates	<u>(266)</u>	<u>94</u>
Adjusted net income (loss)	<u>\$ 1,492</u>	<u>\$ 965</u>

9. KEY ASSUMPTIONS & ADVISORIES

FORWARD LOOKING INFORMATION

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

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

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

KEY ASSUMPTIONS

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

- No material change in the regulatory environment in Canada and the United States;
- Supply and demand factors as well as the pricing environment for grains and other agricultural commodities;
- Fluctuation of currency and interest rates;
- General financial conditions for Western Canadian and American agricultural producers;
- Market share that will be achieved by the Corporation;
- Adequate and timely service from the railroads, and in particular from the BNSF at NLC;
- The ability of Ceres to profitably operate Northgate;
- Realization of economic benefits resulting from the synergies with NLC; and
- The Corporation's ability to maintain existing customer contracts and relationships coupled with its ability to increase its customer portfolio;
- The ability of Ceres to successfully integrate and operate Delmar.

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

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