

Unaudited Interim Condensed Consolidated Financial Statements of



For the three-month and six-month periods ended December 31, 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>	December 31,	June 30,
	2019	2019
	<hr/>	<hr/>
	Assets	
Current assets:		
Cash	\$ 12,923	\$ 1,889
Due from brokers (note 4)	2,231	2,420
Unrealized gains on open cash contracts (note 5)	8,606	6,171
Accounts receivable	20,273	15,235
Accounts receivable due from associates (note 14)	223	134
Inventories, grains	106,525	75,065
Prepaid expenses and sundry assets	5,953	1,659
Portfolio investments (note 5)	773	766
Total current assets	<hr/>	<hr/>
Investments in associates	6,871	6,871
Property, plant and equipment (note 6)	100,122	102,004
Intangible assets	300	300
Right of use assets (note 3)	3,443	—
Long-lived assets (note 15)	17,368	—
Other assets	—	450
Total assets	<hr/> <hr/>	<hr/> <hr/>
	Liabilities and Shareholders' Equity	
Current liabilities:		
Bank indebtedness (note 7)	\$ 59,928	\$ 33,694
Accounts payable and accrued liabilities	38,661	23,944
Accounts payable due to associates (note 14)	20	51
Unrealized losses on open cash contracts (note 5)	4,077	3,435
Contingent consideration - current	477	600
Current portion of term loan (note 8)	4,805	4,894
Current portion of lease obligations (note 3)	569	—
Total current liabilities	<hr/>	<hr/>
Term loan (note 8)	29,673	14,714
Long-term lease obligations (note 3)	2,538	—
Contingent consideration - non-current	433	868
Total liabilities	<hr/>	<hr/>
Shareholders' equity:		
Common shares (note 11)	172,241	203,358
Deferred share units (note 12)	1,536	1,387
Contributed surplus	7,194	9,475
Accumulated other comprehensive income (loss)	1,017	(22,239)
Deficit	(37,558)	(61,217)
Total shareholders' equity	<hr/>	<hr/>
Legal (note 17)	—	—
Total liabilities and shareholders' equity	<hr/> <hr/>	<hr/> <hr/>

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 and six months ended December 31, 2019 and 2018

Unaudited

	Three months ended December 31,		Six months ended December 31,	
<i>(In thousands of USD except shares and loss per share)</i>	2019	2018	2019	2018
Revenues	\$ 156,866	\$ 122,820	\$ 283,458	\$ 213,062
Cost of sales	<u>(147,653)</u>	<u>(119,774)</u>	<u>(267,785)</u>	<u>(204,932)</u>
Gross profit	9,213	3,046	15,673	8,130
General and administrative expenses	<u>(5,031)</u>	<u>(3,410)</u>	<u>(8,686)</u>	<u>(7,177)</u>
Income (loss) from operations	4,182	(364)	6,987	953
Finance income (loss) (note 9)	(51)	(1,979)	(3)	(1,939)
Interest expense (note 10)	(1,847)	(1,511)	(3,211)	(2,197)
Amortization of intangible assets	—	(1,277)	—	(2,112)
Revaluation of stock appreciation right liability	(7)	—	58	—
Legal settlement (note 17)	—	—	—	(8,228)
Gain (loss) on property, plant and equipment	<u>—</u>	<u>5</u>	<u>—</u>	<u>5</u>
Income (loss) before income taxes and undernoted items	2,277	(5,126)	3,831	(13,518)
Income tax (expense) recovered	43	23	(19)	(5)
Share of net income (loss) of associates	<u>13</u>	<u>(56)</u>	<u>279</u>	<u>(150)</u>
Net income (loss)	2,333	(5,159)	4,091	(13,673)
Components of comprehensive income (loss):				
Gain (loss) on currency translation adjustment	<u>—</u>	<u>(3,647)</u>	<u>—</u>	<u>(2,508)</u>
Total comprehensive income (loss)	<u>\$ 2,333</u>	<u>\$ (8,806)</u>	<u>\$ 4,091</u>	<u>\$ (16,181)</u>
Basic weighted-average number of shares for the period	30,738,840	27,934,991	29,352,154	27,934,991
Diluted weighted-average number of shares for the period	32,219,946	28,122,491	30,693,603	28,028,741
Earnings (loss) per share:				
Basic	\$ 0.08	\$ (0.18)	\$ 0.14	\$ (0.49)
Diluted	0.07	(0.18)	0.13	(0.49)
Supplemental disclosure of selected information:				
Depreciation included in Cost of sales	\$ (1,273)	\$ (1,102)	\$ (2,516)	\$ (2,209)
Depreciation included in General and administrative expenses	(100)	(16)	(184)	(32)
Amortization of right of use assets	(169)	—	(338)	—
Amortization of financing costs included in Interest expense	(230)	(343)	(414)	(442)
Personnel costs included in Cost of sales	(2,129)	(1,458)	(4,040)	(3,142)
Personnel costs included in General and administrative expenses	(3,727)	(2,150)	(6,012)	(3,259)

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

Six months ended December 31, 2019 and 2018

Unaudited

<i>(In thousands of USD)</i>	2019	2018
Operating activities:		
Net income (loss)	\$ 4,091	\$ (13,673)
Adjustments for:		
Depreciation and amortization	3,038	2,241
Amortization of intangible assets	—	2,112
Interest expense	3,211	2,197
Accretion of contingent consideration	42	70
Revaluation of portfolio investments	—	1,885
Gain on disposal of property, plant and equipment	—	(5)
Income tax expense	19	5
Share-based compensation	120	583
Share of net income (loss) of associates	(279)	150
Revaluation of foreign denominated accounts	(7)	(30)
Revaluation of stock appreciation right liability	(58)	—
Changes in non-cash working capital accounts:		
Due from brokers	275	(919)
Net open cash contracts	(1,355)	(4,766)
Accounts receivable	1,690	2,346
Accounts receivable due from associates	(89)	(20)
Inventories, grains	(27,566)	(31,605)
Prepaid expenses and sundry assets	(4,213)	(281)
Accounts payable and accrued liabilities	9,292	8,339
Accounts payable due to associates	(31)	(29)
Current portion of contingent consideration	(190)	—
Current portion of lease liability	(188)	—
Income tax paid	—	(154)
Interest paid	(2,687)	(1,599)
Net cash provided by (used in) operating activities	(14,885)	(33,153)
Investing activities:		
Acquisition of Delmar Commodities, Ltd., net	(23,790)	—
Acquisition of Nature's Organic Grist, LLC, net	—	(2,340)
Distribution from equity method investment	263	—
Acquisition of property, plant and equipment	(578)	(3,834)
Net cash provided by (used in) investing activities	(24,105)	(6,174)
Financing activities:		
Net proceeds (repayment) of bank indebtedness	26,000	24,455
Proceeds from term debt	15,000	10,000
Net proceeds (repayment) of repurchase obligation	—	5,508
Financing costs paid	(416)	(429)
Private placement, net of share issuance costs	9,452	—
Other financing activities	(13)	—
Net cash provided by (used in) financing activities	50,023	39,534
Effect of exchange rate changes on cash	1	18
Increase in cash	11,034	225
Cash, beginning of period	1,889	960
Cash, end of period	\$ 12,923	\$ 1,185

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

Six months ended December 31, 2019 and 2018

Unaudited

<i>(In thousands of USD)</i>	Common shares	Deferred share units	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
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	—	162	—	—	—	162
Private placement, net of share issuance costs	9,452	—	—	—	—	9,452
Share-based compensation net of vesting	3	—	(42)	—	—	(39)
Net income (loss)	—	—	—	—	4,091	4,091
Balances, December 31, 2019	<u>\$ 172,241</u>	<u>\$ 1,536</u>	<u>\$ 7,194</u>	<u>\$ 1,017</u>	<u>\$ (37,558)</u>	<u>\$ 144,430</u>
Balances, June 30, 2018	\$ 203,358	\$ 801	\$ 9,771	\$ (22,355)	\$ (44,078)	\$ 147,497
Issuance of deferred share units	—	160	—	—	—	160
Fair value adjustment of deferred share units	—	67	—	—	—	67
Share-based compensation	—	—	85	—	—	85
Net income (loss)	—	—	—	—	(13,673)	(13,673)
Other comprehensive income	—	—	—	—	—	—
Foreign currency translation adjustments	—	—	—	(2,508)	—	(2,508)
Balances, December 31, 2018	<u>\$ 203,358</u>	<u>\$ 1,028</u>	<u>\$ 9,856</u>	<u>\$ (24,863)</u>	<u>\$ (57,751)</u>	<u>\$ 131,628</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

December 31, 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 and six-month periods ended December 31, 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 twelve 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 of Legend Seeds, 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 February 12, 2020.

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; 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.

Ceres Global Ag Corp.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2019 and 2018

(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.

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

Ceres Global Ag Corp.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2019 and 2018

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>	Land and 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 and modifications during the period	(48)	62	-	14
Amortization during the period	(221)	(104)	(13)	(338)
Balance as at December 31, 2019	<u>\$ 2,359</u>	<u>\$ 1,039</u>	<u>\$ 45</u>	<u>\$ 3,443</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.

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

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

Ceres Global Ag Corp.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2019 and 2018

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>	<u>Lease Commitments</u>
Operating lease commitment as at June 30, 2019	\$ 3,107
Less: short-term and low value leases	<u>(38)</u>
	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	<u>28</u>
Lease liability recognized as at July 1, 2019	3,349
Current portion of lease obligations as at July 1, 2019	525
Long-term Lease obligations as at July 1, 2019	<u>2,824</u>
	<u><u>\$ 3,349</u></u>

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 the six months ended December 31, 2019, the Company recognized \$338 thousand as depreciation on the right-of-use assets within Cost of sales and General and administrative expense. The Corporation also recognized \$96 thousand as interest cost on lease liabilities within Finance expense during the quarter ended December 31, 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 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.

Judgment is used in determining whether a transaction is a business combination or an asset acquisition. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss recognized in profit or loss.

Ceres Global Ag Corp.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2019 and 2018

(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>	December 31, 2019	June 30, 2019
Margin deposits	\$ 2,320	\$ 2,127
Unrealized gains on futures contracts and options, at fair value	113	293
	2,433	2,420
Unrealized losses on futures contracts and options, at fair value	(202)	-
	2,231	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 December 31, 2019.

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.

Ceres Global Ag Corp.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2019 and 2018

<i>(in thousands of USD)</i>	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Cash	\$ 12,923	\$ -	\$ -	\$ 12,923
Portfolio investments	-	-	773	773
Due from broker, margin deposits (note 4)	2,320	-	-	2,320
Due from broker, unrealized gains on futures and options (note 4)	113	-	-	113
Unrealized gains on open cash contracts (derivatives)	-	8,606	-	8,606
Due from broker, unrealized losses on futures and options (note 4)	(202)	-	-	(202)
Unrealized losses on open cash contracts (derivatives)	-	(4,077)	-	(4,077)
Contingent consideration	-	-	(910)	(910)
Stock appreciation right liability included in accounts payable	-	-	(396)	(396)
Balance as at December 31, 2019	<u>\$ 15,154</u>	<u>\$ 4,529</u>	<u>\$ (533)</u>	<u>\$ 19,150</u>

<i>(in thousands of USD)</i>	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Cash	\$ 1,889	\$ -	\$ -	\$ 1,889
Portfolio investments	-	-	766	766
Due from broker, margin deposits (note 4)	2,127	-	-	2,127
Due from broker, unrealized gains on futures and options (note 4)	293	-	-	293
Unrealized gains on open cash contracts (derivatives)	-	6,171	-	6,171
Due from broker, unrealized losses on futures and options (note 4)	-	-	-	-
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)
Balance as at June 30, 2019	<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

December 31, 2019 and 2018

Reconciliation of Level 3 fair values:

<i>(in thousands of USD)</i>	<u>Portfolio Investments</u>
Balance at June 30, 2019	\$ 766
Unrealized gain on foreign exchange	<u>7</u>
Balance at December 31, 2019	<u><u>\$ 773</u></u>

<i>(in thousands of USD)</i>	<u>Contingent Consideration</u>
Balance at June 30, 2019	\$ (1,468)
Payment of consideration	190
Consideration payable reclassified to accounts payable	410
Accretion of contingent consideration	<u>(42)</u>
Balance at December 31, 2019	<u><u>\$ (910)</u></u>

<i>(in thousands of USD)</i>	<u>Stock Appreciation Right Liability</u>
Balance at June 30, 2019	\$ (289)
Revaluation of stock appreciation right liability	58
Grants	(38)
Exercises	2
Vestitures	<u>(129)</u>
Balance at December 31, 2019	<u><u>\$ (396)</u></u>

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 December 31, 2019, the Corporation's market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at December 31, 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.

Ceres Global Ag Corp.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2019 and 2018

Management has determined the effect on the results of operations of the Corporation for the quarter ended December 31, 2019 if the fair value of each of the portfolio investments as at December 31, 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 six months ending December 31, 2019 would be as follows:

<i>(in thousands of USD except income per share)</i>	Increase (decrease) in net income	Increase (decrease) in income per share
10% increase in fair value of portfolio investments	\$ 77	\$ -
10% decrease in fair value of portfolio investments	\$ (77)	\$ -

Commodity risk

Management has determined the effect on the results of operations of the Corporation for the quarter ended December 31, 2019 if the fair value of each of the open cash contracts as at December 31, 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 December 31, 2019 would be as follows:

<i>(in thousands of USD except income per share)</i>	Increase (decrease) in net income	Increase (decrease) in income per share
5% increase in bid/ask prices of commodities	399	\$ 0.01
5% decrease in bid/ask prices of commodities	(399)	\$ (0.01)

Interest rate risk

As at December 31, 2019, Ceres had no long or short portfolio positions in any interest-bearing investment securities.

As at December 31, 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 December 31, 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 December 31, 2019, the Corporation's 2019 Credit Facility (as defined herein) bears interest at an annual rate of 3.375% plus overnight LIBOR. As at December 31, 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

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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 December 31, 2019, the Corporation’s Term Loan (note 8) bears interest at an annual rate of 6.00% plus one-month LIBOR. As at December 31, 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.

On that basis, the potential effects on the result of operations for the quarter ending December 31, 2019 would be as follows:

<i>(in thousands of USD except income per share)</i>	<u>Decrease in net income</u>	<u>Decrease in income per share</u>
<u>Revolving credit facility</u>		
5% increase in bid/ask prices of commodities	\$ 77	\$ -
<u>Term loan</u>		
5% decrease in bid/ask prices of commodities	\$ 40	\$ -

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 December 31, 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 December 31, 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 six months ended December 31, 2019, comprising 11% of total revenue. For the six months ended December 31, 2018, the Corporation had two customers that each represented more than 10% of total revenue, comprising 14% and 12% of total revenue.

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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.

Liquidity risk

As at December 31, 2019 and June 30, 2019, the following are the contractual maturities of financial liabilities, excluding interest payments:

December 31, 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	\$ 59,928	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	38,661	38,661	38,661	-	-	-
Accounts payable due to associates	20	20	20	-	-	-
Unrealized losses on open cash contracts	4,077	4,077	4,077	-	-	-
Term loan (note 8)	34,478	35,107	5,032	5,075	25,000	-
Contingent consideration	910	1,000	500	500	-	-
	<u>\$ 138,074</u>	<u>\$ 138,865</u>	<u>\$108,290</u>	<u>\$ 5,575</u>	<u>\$ 25,000</u>	<u>\$ -</u>

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	-	-	-
Term loan (note 8)	19,608	20,000	5,000	5,000	10,000	-
Contingent consideration	1,468	1,600	600	500	500	-
	<u>\$ 82,200</u>	<u>\$ 83,030</u>	<u>\$ 67,030</u>	<u>\$ 5,500</u>	<u>\$ 10,500</u>	<u>\$ -</u>

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

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mitigation of liquidity risk: the prompt settlement of amounts due from brokers, and the active management of trade accounts receivable. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

Currency risk

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

As at December 31, 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>	<u>Net asset (liability) exposure</u>
Canadian dollars	\$ (604)

The following is a summary of the effect on Ceres' profit or loss for the six months December 31, 2019 if the USD had become 5% stronger or weaker against the CAD as at December 31, 2019, with all other variables remaining constant, related to monetary assets and liabilities denominated in CAD:

<i>(in thousands of USD except income per share)</i>	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in income per share</u>
CAD 5% Stronger	\$ (24)	\$ -
CAD 5% Weaker	\$ 22	\$ -

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 December 31, 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
Cost						
June 30, 2019	\$ 20,880	\$ 72,539	\$ 24,592	\$ 4,171	\$ 24	\$ 122,206
Additions	-	-	-	-	538	538
Placed in service	-	109	102	-	(211)	-
Disposals	-	-	-	-	-	-
Reclassification of finance lease	-	-	(35)	-	-	(35)
December 31, 2019	<u>\$ 20,880</u>	<u>\$ 72,648</u>	<u>\$ 24,659</u>	<u>\$ 4,171</u>	<u>\$ 351</u>	<u>\$ 122,709</u>
Accumulated depreciation						
June 30, 2019	-	(12,497)	(5,645)	(2,060)	-	(20,202)
Depreciation	-	(1,386)	(822)	(185)	-	(2,393)
Disposals	-	-	-	-	-	-
Reclassification of finance lease	-	-	8	-	-	8
December 31, 2019	<u>-</u>	<u>(13,883)</u>	<u>(6,459)</u>	<u>(2,245)</u>	<u>-</u>	<u>(22,587)</u>
Carrying amount						
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>
December 31, 2019	<u>\$ 20,880</u>	<u>\$ 58,765</u>	<u>\$ 18,200</u>	<u>\$ 1,926</u>	<u>\$ 351</u>	<u>\$ 100,122</u>

(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 “**2019 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 million. The revolving facility matures on February 13, 2020. The interest rate under the New Credit Facility bears an annual interest rate of 3.375% plus overnight LIBOR, and interest is calculated and paid on a monthly basis. The 2019 Credit Facility is subject to borrowing base limitations. Amounts under the 2019 Credit Facility that remain undrawn are not subject to a commitment fee. The 2019 Credit Facility has certain covenants pertaining to the accounts of the Corporation, as at December 31, 2019, the Corporation was in compliance with all covenants.

As at December 31, 2019 and June 30, 2019, the Corporation had \$9.7 million and \$16.0 million in availability, respectively, on its revolving credit facility.

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As at December 31, 2019 and June 30, 2019, the carrying amount of bank indebtedness is summarized as follows:

<i>(in thousands of USD)</i>	December 31, 2019	June 30, 2019
Revolving line of credit	\$ 60,000	\$ 34,000
Unamortized financing costs	(72)	(306)
Bank indebtedness	<u>\$ 59,928</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 was 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 \$15.0 million to a total of \$35.0 million. The payment schedule was amended such that the Corporation will pay \$5.0 million on November 15, 2020, \$5.0 million on November 15, 2021, and the remaining \$20.0 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>	December 31, 2019	June 30, 2019
Current portion of term loan	\$ 5,000	\$ 5,000
Less current portion of unamortized financing costs	(227)	(106)
Current portion of equipment financing	32	-
Current portion of term loan	4,805	4,894
Long-term portion of term loan	30,000	15,000
Less long-term portion of unamortized financing costs	(402)	(286)
Long-term portion of equipment financing	75	-
Long term loan	29,673	14,714
Total	\$ 34,478	\$ 19,608

(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 three- and six-month periods ended December 31, 2019 and 2018:

<i>(in thousands of USD)</i>	<u>3 Months</u>		<u>6 Months</u>	
	2019	2018	2019	2018
Realized and unrealized gains				
(loss) on foreign exchange	\$ (30)	\$ (24)	\$ 39	\$ 16
Revaluation of portfolio				
investments	-	(1,885)	-	(1,885)
Accretion of contingent				
consideration	(21)	(70)	(42)	(70)
Finance income (loss)	\$ (51)	\$ (1,979)	\$ (3)	\$ (1,939)

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(10) INTEREST EXPENSE

The following table presents interest expense for the three- and six- month periods ended December 31, 2019 and 2018:

<i>(in thousands of USD)</i>	<u>3 Months</u>		<u>6 Months</u>	
	2019	2018	2019	2018
Interest on bank indebtedness	\$ (834)	\$ (733)	\$ (1,424)	\$ (1,129)
Interest on repurchase obligations	-	(137)	-	(137)
Interest on term loan	(700)	(292)	(1,273)	(478)
Amortization of financing costs paid	(230)	(343)	(414)	(442)
Interest on other financing obligations	(83)	(6)	(100)	(11)
Finance income (loss)	<u>\$ (1,847)</u>	<u>\$ (1,511)</u>	<u>\$ (3,211)</u>	<u>\$ (2,197)</u>

(11) EQUITY

The following is a summary of the changes in Common shares for the quarter ended December 31, 2019 and year ended June 30, 2019:

	Common shares	
	<u>Number of shares</u>	<u>Amount (in thousands of USD)</u>
Balances, June 30, 2018	27,934,991	\$ 203,358
Director's 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	-	(116)
Options exercised for common shares	1,250	3
Balances, December 31, 2019	<u>30,738,840</u>	<u>\$ 172,241</u>

As at December 31, 2019, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 50.5% of the outstanding Common shares of the Corporation compared to 44.0% as at June 30, 2019.

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(12) DEFERRED SHARE UNITS

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

	<u>Number of DSUs</u>	<u>Amount (in thousands of USD)</u>
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	56,000	162
Balances, December 31, 2019	<u>413,030</u>	<u>\$ 1,536</u>

(13) STOCK OPTION PLAN

During the six months ended December 31, 2019, Ceres granted stock options (“options”), which include Tandem Stock Appreciation Rights (“SARs”), 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 December 31, 2019, the outstanding Tandem SARs are as follows:

	<u>Number of Options</u>	<u>Weighted average exercise price (CAD)</u>	<u>Weighted average remaining contractual term (years)</u>
Outstanding as at June 30, 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	4.74
Exercised	(6,250)	4.19	-
Expired/forfeited	(133,250)	4.11	-
Outstanding as at December 31, 2019	<u>1,981,387</u>	<u>\$ 5.06</u>	<u>2.65</u>

At the grant date, the fair value of the Options was estimated using the Black-Scholes pricing model with the following weighted-average assumptions: an average risk-free interest rate of 1.44%; expected volatility of 26.1%; 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 December 31, 2019, is CAD \$0.79 and CAD \$0.67 for the quarter ended December

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31, 2018. As at December 31, 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 six months ended December 31, 2019 amounted to an expense of \$85 thousand and a recovery of \$386 thousand for the six months ended December 31, 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>	<u>3 Months</u>		<u>6 Months</u>	
	2019	2018	2019	2018
Salary and short-term employee				
director benefits	\$ 315	\$ 250	\$ 606	\$ 765
Share-based compensation	101	280	222	278
	\$ 416	\$ 530	\$ 828	\$ 1,043

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 second quarter of fiscal year 2020 and for the first quarter of fiscal year 2019. Related party revenue of \$40 thousand is included in total revenue in the Interim Condensed Consolidated Statements of Comprehensive Income (Loss) for the six-month period ended December 31, 2019 and 2018. Related party expenses recorded in cost of sales are \$0.4 million for the second quarter of fiscal year 2020 compared to \$0.3 million for the second quarter of fiscal year 2019. Related party expenses recorded in cost of sales are \$0.8 million for the six-month period ended December 31, 2019 and \$0.7 million for the six-month period ended December 31, 2018. The accounts receivable due from Savage Riverport, LLC totaled \$92 thousand as at December 31, 2019 and \$134 thousand as at June 30, 2019. As at December 31, 2019, accounts payable, due to Savage Riverport, LLC totaled \$20 thousand compared to \$51 thousand at June 30, 2019.

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 December 31, 2019, the accounts receivable, due from Gateway, totaled \$131 thousand and nil for the period ending June 30, 2019.

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

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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.

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

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

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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.

During the three and six month periods ended December 31, 2019, the Corporation recorded an estimated depreciation expense on the long-lived assets of \$307 that will be adjusted with the final purchase price allocation.

(16) SEGMENT REPORTING

As at December 31, 2019, the Corporation has four reportable segments: Grain, Supply Chain Services, Seed and Processing, and Corporate. As at December 31, 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 three reportable segments and two operating segments. Therefore, the information below provides the financial information for six months ended December 31, 2019 in the three 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 three month period ended December 31, 2019:

<i>(in thousands of USD)</i>	Grain	Supply-chain Services	Seed and Processing	Corporate	Total
Revenues	\$ 148,281	\$ 723	\$ 7,862	\$ -	\$ 156,866
Cost of sales	<u>(140,921)</u>	<u>(842)</u>	<u>(5,890)</u>	<u>-</u>	<u>(147,653)</u>
Gross profit	7,360	(119)	1,972	-	9,213
General and administrative expenses	<u>(2,458)</u>	<u>(24)</u>	<u>(20)</u>	<u>(2,529)</u>	<u>(5,031)</u>
Income (loss) from operations	4,902	(143)	1,952	(2,529)	4,182
Finance income (loss)	18	-	-	(69)	(51)
Interest expense	(1,033)	-	(5)	(809)	(1,847)
Revaluation of stock appreciation right liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(7)</u>
Income (loss) before taxes	3,887	(143)	1,947	(3,414)	2,277
Income tax (expense) recovered	90	-	-	(47)	43
Share in net income (loss) from associates	<u>7</u>	<u>119</u>	<u>-</u>	<u>(113)</u>	<u>13</u>
Net income (loss)	<u>\$ 3,984</u>	<u>\$ (24)</u>	<u>\$ 1,947</u>	<u>\$ (3,574)</u>	<u>\$ 2,333</u>

The following table presents information about reported segment profit or loss from the Statement of Comprehensive Income (Loss) for the three month period ended December 31, 2018:

<i>(in thousands of USD)</i>	Grain	Supply-chain Services	Seed and Processing	Corporate	Total
Revenues	\$ 121,977	\$ 843	\$ -	\$ -	\$ 122,820
Cost of sales	<u>(119,053)</u>	<u>(721)</u>	<u>-</u>	<u>-</u>	<u>(119,774)</u>
Gross profit	2,924	122	-	-	3,046
General and administrative expenses	<u>(1,300)</u>	<u>(42)</u>	<u>-</u>	<u>(2,068)</u>	<u>(3,410)</u>
Income (loss) from operations	1,624	80	-	(2,068)	(364)
Finance income (loss)	-	-	-	(1,979)	(1,979)
Interest expense	(916)	-	-	(595)	(1,511)
Amortization of intangible assets	(1,277)	-	-	-	(1,277)
Gain (loss) on property, plant, and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Income (loss) before taxes	(569)	80	-	(4,637)	(5,126)
Income tax (expense) recovered	-	-	-	23	23
Share in net income (loss) from associates	<u>(19)</u>	<u>-</u>	<u>-</u>	<u>(37)</u>	<u>(56)</u>
Net income (loss)	<u>\$ (588)</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ (4,651)</u>	<u>\$ (5,159)</u>

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The following table presents information about reported segment profit or loss from the Statement of Comprehensive Income (Loss) for the six-month period ended December 31, 2019:

<i>(in thousands of USD)</i>	<u>Grain</u>	<u>Supply-chain Services</u>	<u>Seed and Processing</u>	<u>Corporate</u>	<u>Total</u>
Revenues	\$ 269,067	\$ 1,362	\$ 13,029	\$ -	\$ 283,458
Cost of sales	<u>(255,633)</u>	<u>(1,565)</u>	<u>(10,587)</u>	<u>-</u>	<u>(267,785)</u>
Gross profit	13,434	(203)	2,442	-	15,673
General and administrative expenses	<u>(4,202)</u>	<u>(36)</u>	<u>(448)</u>	<u>(4,000)</u>	<u>(8,686)</u>
Income (loss) from operations	9,232	(239)	1,994	(4,000)	6,987
Finance income (loss)	-	-	-	(3)	(3)
Interest expense	(1,702)	-	(40)	(1,469)	(3,211)
Revaluation of stock appreciation right liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>58</u>	<u>58</u>
Income (loss) before taxes	7,530	(239)	1,954	(5,414)	3,831
Income tax (expense) recovered	49	-	-	(68)	(19)
Share in net income (loss) of associates	<u>107</u>	<u>345</u>	<u>-</u>	<u>(173)</u>	<u>279</u>
Net income (loss)	<u>\$ 7,686</u>	<u>\$ 106</u>	<u>\$ 1,954</u>	<u>\$ (5,655)</u>	<u>\$ 4,091</u>

The following table presents information about reported segment profit or loss from the Statement of Comprehensive Income (Loss) for the six-month period ended December 31, 2018:

<i>(in thousands of USD)</i>	<u>Grain</u>	<u>Supply-chain Services</u>	<u>Seed and Processing</u>	<u>Corporate</u>	<u>Total</u>
Revenues	\$ 211,370	\$ 1,692	\$ -	\$ -	\$ 213,062
Cost of sales	<u>(203,403)</u>	<u>(1,529)</u>	<u>-</u>	<u>-</u>	<u>(204,932)</u>
Gross profit	7,967	163	-	-	8,130
General and administrative expenses	<u>(2,794)</u>	<u>(66)</u>	<u>-</u>	<u>(4,317)</u>	<u>(7,177)</u>
Income (loss) from operations	5,173	97	-	(4,317)	953
Finance income (loss)	-	-	-	(1,939)	(1,939)
Amortization of intangible asset	(2,112)	-	-	-	(2,112)
Interest expense	(1,357)	-	-	(840)	(2,197)
Legal settlement	-	-	-	(8,228)	(8,228)
Gain (loss) on property, plant, and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Income (loss) before taxes	1,704	97	-	(15,319)	(13,518)
Income tax (expense) recovered	-	-	-	(5)	(5)
Share in net income (loss) of associates	<u>(26)</u>	<u>-</u>	<u>-</u>	<u>(124)</u>	<u>(150)</u>
Net income (loss)	<u>\$ 1,678</u>	<u>\$ 97</u>	<u>\$ -</u>	<u>\$ (15,448)</u>	<u>\$ (13,673)</u>

Ceres Global Ag Corp.

Notes to the Interim Condensed Consolidated Financial Statements

December 31, 2019 and 2018

(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 period ended December 31, 2018. During fiscal year 2019, the \$11.3 million Scoular settlement was paid in full.

(18) SUBSEQUENT EVENT

On February 12, 2020, the Corporation amended the 2019 Credit Facility. The new credit facility (the “2020 Credit Facility”) increases the amount of the revolving facility available to Ceres from \$80 million to \$100 million, with the potential to access an accordion feature that would provide an additional \$20 million. The revolving facility matures on February 12, 2021.

The interest rate under the 2020 Credit Facility is a tiered annual interest rate based on the utilization and is as follows:

Revolver Facility	
<u>Utilization</u>	<u>Applicable Margin</u>
< 35%	3.125%
≥ 35% to < 70%	3.000%
≥ 70%	2.875%

The total interest rate is calculated by adding the applicable margins above plus one-week LIBOR. The interest is calculated and paid on a monthly basis. The 2020 Credit Facility is subject to borrowing base limitations. Amounts under the agreement that remain undrawn are not subject to a commitment fee.