



MANAGEMENT'S DISCUSSION AND ANALYSIS

Table of Contents

| | |
|--|----|
| 1. FINANCIAL AND OPERATING SUMMARY | 4 |
| 2. QUARTERLY FINANCIAL DATA | 8 |
| 3. LIQUIDITY & CASH FLOW | 8 |
| 4. CAPITAL RESOURCES | 10 |
| 5. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES | 11 |
| 6. OUTLOOK..... | 12 |
| 7. OTHER..... | 13 |
| 8. NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS | 15 |
| 9. KEY ASSUMPTIONS & ADVISORIES..... | 17 |

This Management's Discussion and Analysis ("MD&A") dated November 11, 2020 should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements for the quarter ended September 30, 2020 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, 2020 (the "Annual Consolidated Financial Statements"). Additional information about Ceres filed with Canadian securities regulatory authorities, including the quarterly financial statements and MD&A, 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 merchandizes high-quality North American agricultural commodities and value-added products and provides reliable supply chain logistics services to agricultural, energy, and industrial 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 throughout North America have an aggregate grain and oilseed storage capacity of approximately 31 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, an unincorporated joint operation 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 Canadian-based seed development company.

Grain Segment

The Corporation's Grain segment is engaged in the procurement, storage, handling, trading, and merchandising of commodity and specialty grains and oilseeds such as hard red spring wheat, durum wheat, oats, barley, rye, canola and pulses through its 10 grain storage and handling facilities in Saskatchewan, Manitoba, Ontario, and Minnesota. These facilities are strategically located between where Ceres' core products are grown and sourced, and where key customers and markets are served. Eight of Ceres' grain storage facilities are located on major rail lines across North America, two are located at deep-water ports on 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. These facilities combine to provide Ceres with efficient access to export and import flows of our core grains and oilseeds to North America and global markets. Approximately 25 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.

Supply Chain Services Segment

The Supply Chain Services segment provides logistics services, storage, and transloading for non-agricultural commodities and industrial products. Ceres efficiently manages its supply chains and assets to ensure the optimization of storage and handling capacity and transportation costs and that high quality and value adding products are delivered to key customers and markets served.

One of Ceres' key Supply Chain Services assets is its terminal at Northgate, Saskatchewan ("**Northgate**"). Northgate sits on approximately 1,300 acres of land, and is designed to utilize two rail loops, each capable of handling unit trains of up to 120 railcars and two ladder tracks capable of handling up to 65 railcars. Northgate 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"). The Corporation intends to further build out its infrastructure to support handling of other industrial products and equipment.

Ceres commenced its initial grain operations at Northgate in October 2014 and the grain elevator was fully operational in May 2016. As part of its grain operations, Ceres contracts grain and oilseed purchases from Western Canadian producers that are delivered by truck and unloaded at Northgate. 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 June 2019, Ceres established Gateway Energy Terminal, a 50/50 unincorporated joint operation 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 hydrocarbon transload 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 barite, bentonite, solvents, drilling pipe, lumber, oriented strand board and magnesium chloride.

Seed and Processing Segment

The Corporation's Seed and Processing segment was created through the acquisition of Delmar Commodities Ltd. ("**Delmar**") and consists of a soybean crush facility located in a strong soybean producing region with low cost origination driven by export economics, a specialty crops blending/birdfeed production and sales business, and a seed production and distribution business focused on western Canada under the name "Ceres Global Seeds". Operations of this segment are primarily located in Manitoba, Canada.

Delmar has entered into long-term agreements with Sevita International Corporation ("**Sevita**") for the production and distribution of soybean seed in Western Canada, and with Horizon Seeds Canada Inc. ("**Horizon**") for the distribution of corn seed in Western Canada. Partnering with these highly specialized seed companies will enable Ceres to diversify its agriculture-related businesses in regions that it knows and understands well, and to continue delivering high-quality products and superior value to its seed dealer and grower network.

1. FINANCIAL AND OPERATING SUMMARY

| <i>(in thousands of USD except per share)</i> | Quarters Ended September 30, | |
|--|---------------------------------|------------|
| | 2020 | 2019 |
| Revenues | \$ 172,097 | \$ 127,072 |
| Gross profit (loss) | \$ 3,810 | \$ 6,686 |
| Income (loss) from operations | \$ 42 | \$ 3,031 |
| Net income (loss) | \$ (936) | \$ 1,758 |
| Weighted average common shares outstanding | 30,772,845 | 27,965,468 |
| Diluted weighted average common shares outstanding | 30,772,845 | 29,167,261 |
| Income (loss) per share – Basic | \$ (0.03) | \$ 0.06 |
| Income (loss) per share – Diluted | \$ (0.03) | \$ 0.06 |
| EBITDA ⁽¹⁾ | \$ 1,618 | \$ 4,639 |
| As at: | | |
| Total assets | \$ 270,432 | \$ 279,051 |
| Total bank indebtedness, current | \$ 57,819 | \$ 41,140 |
| Term loan ⁽²⁾ | \$ 29,777 | \$ 34,431 |
| Shareholders' equity | \$ 144,124 | \$ 142,126 |
| Return on shareholders' equity ⁽¹⁾ | (0.6%) | 1.2% |

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

⁽²⁾ Includes current portion of term loan.

HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020

- Revenues increased \$45.0 million compared to the first quarter of the prior year primarily due to a 28% increase in grain bushels handled over the prior year and an increase in commodity prices.
- Gross profit decreased by \$2.9 million compared to the first quarter of the prior year, in part due to lower margins per bushel as compared to the year prior. In addition, high U.S. rail freight costs, due to strong Chinese demand for soybeans, limited opportunities to make new sales of durum and wheat for export.
- Ceres expects to close on the formation of a joint venture with a farmer cooperative in northern Minnesota early in the upcoming calendar year, which would allow Ceres to increase its grower origination in the region.
- During September 2020, Ceres acquired and successfully integrated the operations of a grain elevator in Ridgedale, Saskatchewan (the “**Nicklen Facility**”), thereby adding to its origination capabilities for core products.
- Long-term agreements were finalized with Sevita International Corporation the production and distribution of soybean seed in Western Canada, and with Horizon Seeds Canada Inc. for the distribution of corn seed in Western Canada.

Overall Performance

The Corporation's net loss was \$936 thousand for the quarter ended September 30, 2020, compared to net income of \$1.8 million for the quarter ended September 30, 2019. Results for the quarter were negatively impacted by lower merchandising margins and slimmer margin market opportunities compared to the prior year. Fiscal year 2020 was favorably impacted by increased trading margins on its core cereal grains. Gross profit was \$3.8 million for the quarter ended September 30, 2020, compared to a gross profit of \$6.7 million for the quarter ending September 30, 2019, a result of lower merchandising margins compared to the previous year. Furthermore, income from operations was \$42 thousand for the quarter ended September 30, 2020 compared to a \$3.0 million income from operations for the quarter ended September 30, 2019.

Revenues and Gross Profit

The Corporation's revenue is generated by its Grain, Supply Chain Services, and Seed and Processing segments and is primarily composed of the sale of grain, storage and rental income, transloading income, and grain processing income. As a commercial commodities merchandizing business, a significant portion of Ceres' revenue is generated through the sale of grain and 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 \$45.0 million, primarily due to an increase of grain bushels handled and merchandised during the quarter of 6 million bushels compared to the quarter ended September 30, 2019. The Corporation handled and traded 28.2 million bushels of grain and oilseed in during the quarter ended September 30, 2020 compared to 22.1 million bushels for the quarter ended September 30, 2019. In agriculture commodity markets, cost of sales generally follow increases or decreases in gross revenues. Ceres' 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, 2020 and 2019:

| <i>(in thousands of USD)</i> | 2020 | | | | Total |
|--------------------------------|-----------------|-----------------------|---------------------|---------------|-----------------|
| | Grain | Supply Chain Services | Seed and Processing | Corporate | |
| Net trading margin | \$ 6,177 | \$ - | \$ - | \$ - | \$ 6,177 |
| Supply Chain Services revenue | 833 | 852 | - | - | 1,685 |
| Net Seed and Processing margin | - | - | 1,384 | - | 1,384 |
| Operating expenses included | | | | | |
| in cost of sales | (2,698) | (562) | (737) | - | (3,997) |
| Depreciation expense included | | | | | |
| in cost of sales | <u>(1,014)</u> | <u>(277)</u> | <u>(76)</u> | <u>(72)</u> | <u>(1,439)</u> |
| Gross profit (loss) | <u>\$ 3,298</u> | <u>\$ 13</u> | <u>\$ 571</u> | <u>\$(72)</u> | <u>\$ 3,810</u> |

| <i>(in thousands of USD)</i> | 2019 | | | |
|--|-----------------|-----------------------|---------------------|-----------------|
| | Grain | Supply Chain Services | Seed and Processing | Total |
| Net trading margin | \$ 8,131 | \$ - | \$ - | \$ 8,131 |
| Supply Chain Services revenue | 1,251 | 1,118 | - | 2,369 |
| Net Seed and Processing margin | - | - | 875 | 875 |
| Operating expenses included in cost of sales | (2,329) | (709) | (298) | (3,336) |
| Depreciation expense included in cost of sales | (979) | (268) | (106) | (1,353) |
| Gross profit (loss) | <u>\$ 6,074</u> | <u>\$ 141</u> | <u>\$ 471</u> | <u>\$ 6,686</u> |

Gross profit decreased by \$2.9 million for the three months ended September 30, 2020 compared to the three months ended September 30, 2019. The year over year decrease in gross profit was driven by a decrease in net trading margin due to lower trading margins.

Net trading margin

Net trading margin decreased by \$3.2 million for the quarter ended September 30, 2020 compared to the quarter ended September 30, 2019 due to lower trading margins as there were reduced trading opportunities in durum, which were partially offset by an increase in wheat trading margins year over year.

Supply Chain Services revenue

Supply Chain Services revenue decreased by \$683 thousand for the quarter ended September 30, 2020 compared to the quarter ended September 30, 2019. The Corporation's grain-related Supply Chain Services revenue decreased as a result of a reduction in the number of bushels stored on behalf of third-party customers. For the quarter ended September 30, 2020, the non-grain supply chain service revenue decreased \$266 thousand due to lower volumes of natural gas liquid volumes transloaded through Gateway Energy Terminal compared to the same period in 2019.

Net Seed and Processing margin

Net Seed and Processing margin was \$1.4 million for the quarter ended September 30, 2020 compared to \$875 thousand for the quarter end September 30, 2019. The Corporation's Seed and Processing segment was formed through the acquisition of Delmar, effective August 1, 2019, therefore the current year revenue benefited from 3 months of operations compared to 2 months of operations in the same quarter in the prior year.

Operating expenses and depreciation

For the quarter ended September 30, 2020, operating and depreciation expense included in cost of sales totaled \$5.4 million compared to \$4.7 million for the year ended June 30, 2020. The increase is driven by the operating expenses of Delmar with 3 months of operating expense in the current year compared to 2 months in the prior year. Additionally, the current year expenses include a month of operating expenses of the Nicklen Facility.

General and Administrative Expenses

For the quarter ended September 30, 2020, general and administrative expenses totaled \$3.8 million compared to \$3.7 million in the quarter ended September 30, 2019. General and administrative expenses increased with the additional month of Delmar expenses and was partially offset by lower travel and entertainment expenses due to Covid-19. Additionally, the Corporation reduced its allowance for doubtful accounts by \$170 thousand due to collection of previously written off balances.

Finance Loss

For the quarter ended September 30, 2020, finance income totaled \$53 thousand compared to a finance income of \$47 thousand during the quarter ended September 30, 2019. Finance loss is composed of realized and unrealized gains and losses on foreign exchange transactions and currency hedging transactions along with revaluation gains of portfolio investments.

Interest Expense

| <i>(in thousands of USD except per share)</i> | Quarter ended September 30, | |
|---|-----------------------------|-------------------|
| | 2020 | 2019 |
| Interest on bank indebtedness | \$ (346) | \$ (541) |
| Interest on term loan | (472) | (558) |
| Interest attributable to leases | (45) | - |
| Amortization of financing costs paid | (180) | (184) |
| Interest on other financing obligations | 3 | (80) |
| Total interest expense | <u>\$ (1,040)</u> | <u>\$ (1,363)</u> |

For the quarter ended September 30, 2020, interest expense totaled \$1.0 million compared to \$1.4 million for the quarter ended September 30, 2019. While the daily average borrowings on the revolving line of credit were consistent year over year, the average interest rate on the borrowings decreased as the LIBOR rates were significantly lower during the quarter ended September 30, 2020 than they were during the quarter ended September 30, 2019. Furthermore, the decrease in LIBOR rates contributed to the decrease in interest expense on the term loan.

Amortization of Intangible Assets

Amortization of intangible assets totaled \$66 thousand for the three months ended September 30, 2020 and nil for the three months ended September 30, 2019. Amortization for the first quarter of fiscal year 2021 was comprised solely of the amortization of intangible assets related to the Delmar acquisition including customer relationships, producer relationships, and trademarks/tradenames.

Share of Net Income (Loss) in Investments in Associates

For the three months ended September 30, 2020, the Corporation's share in investments in associates was \$29 thousand compared to \$40 thousand for the three months ended September 30, 2020. The decrease in investments in associates is driven by reduced income at Savage Riverport, LLC.

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 Co. in exchange for 50% of the equity in Savage Riverport, LLC, of which, \$2.0 million was utilized to pay down the term debt. The sale of the equity in Savage Riverport, LLC net of transaction fees resulted in a gain of \$3.7 million. The Corporation has been and will continue to recognize the remaining gain of \$3.8 million over the useful life of the contributed assets. For the quarters ended, September 30, 2020 and September 30, 2019, the Corporation recognized a deferred gain of \$87 thousand and \$87 thousand, respectively, under share of net income (loss) of associates.

2. QUARTERLY FINANCIAL DATA

| | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months | 3 months |
|---|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| Reporting dates | <u>9/30/2020</u> | <u>6/30/2020</u> | <u>3/30/2020</u> | <u>12/31/2019</u> | <u>9/30/2019</u> | <u>6/30/2019</u> | <u>3/31/2019</u> | <u>12/31/2018</u> |
| (in thousands of USD except per share) | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 | Q2 2019 |
| Revenue | \$ 172,097 | \$ 176,508 | \$ 120,947 | \$ 157,186 | \$ 127,072 | \$ 134,741 | \$ 90,594 | \$ 122,820 |
| Gross profit (loss) | \$ 3,810 | \$ 6,994 | \$ 4,306 | 9,332 | \$ 6,686 | \$ 2,967 | \$ 3,223 | \$ 3,046 |
| Income (loss) from operations | \$ 42 | 2,038 | \$ 245 | \$ 4,301 | \$ 3,301 | \$ (141) | \$ 477 | \$ (364) |
| Net income (loss) | \$ (936) | \$ 527 | \$ (281) | \$ 2,333 | \$ 1,758 | \$ (1,858) | \$ (1,240) | \$ (5,159) |
| Return on shareholders' equity ¹ | -0.6% | 0.4% | - 0.2% | 1.6% | 1.2% | -1.4% | -0.9% | -3.9% |
| Basic weighted-average number of common shares for the quarter | 30,739 | 30,739 | 30,739 | 30,739 | 27,965 | 27,935 | 27,935 | 27,935 |
| Dilutive weighted-average number of common shares for the quarter | 30,739 | 32,547 | 32,217 | 32,220 | 29,167 | 27,935 | 28,122 | 28,122 |
| Basic earnings (loss) per share | \$ (0.03) | \$ 0.02 | \$ (0.01) | \$ 0.08 | \$ 0.06 | \$ (0.07) | \$ (0.04) | \$ (0.18) |
| Fully diluted earnings (loss) per share | \$ (0.03) | \$ 0.02 | \$ (0.01) | \$ 0.07 | \$ 0.06 | \$ (0.07) | \$ (0.04) | \$ (0.18) |
| EBITDA ¹ | \$ 1,618 | \$ 3,651 | \$ 2,830 | \$ 5,785 | \$ 4,639 | \$ 1,370 | \$ 1,543 | \$ (1,225) |
| EBITDA per share | \$ 0.05 | \$ 0.12 | \$ 0.09 | \$ 0.19 | \$ 0.17 | \$ 0.05 | \$ 0.06 | \$ (0.04) |
| Litigation expenses (Scoular) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (5) | \$ (147) |
| Shareholders' equity, as at reporting date | \$ 144,124 | \$ 144,989 | \$ 144,362 | \$ 144,430 | \$ 142,126 | \$ 130,764 | \$ 131,584 | \$ 131,628 |
| Shareholders' equity per common share, as at reporting date | \$ 4.69 | \$ 4.72 | \$ 4.70 | \$ 4.70 | \$ 5.08 | \$ 4.68 | \$ 4.71 | \$ 4.71 |
| Volumes (in thousands of tonnes) | | | | | | | | |
| Total Product Handled and Traded | \$ 782 | 686 | 550 | 751 | 626 | 574 | 478 | \$ 511 |

¹ Non-IFRS measurement. See not 8 below for further information

² In June 2020, the Corporation determined that the revenue and expenses resulting from Gateway Energy Terminal, should be accounted for as a joint operation. This resulted in reclassifying "Share of net income (loss) of associates" into gross profit for quarters one through four of Fiscal Year 2020.

3. LIQUIDITY & CASH FLOW

| <i>(in thousands of USD)</i> | Quarter ended September 30, | |
|--|-----------------------------|------------|
| | 2020 | 2019 |
| Net cash provided by (used in) | | |
| Operating activities | \$ (19,177) | \$ (5,125) |
| Investing activities | (7,371) | (24,015) |
| Net cash provided (used) before financing activities | (26,548) | (29,140) |
| Financing activities | 26,000 | 31,476 |
| Increase (decrease) in cash | \$ (548) | \$ 2,336 |

Operating Activities

Cash used in operating activities was \$19.2 million for the quarter ended September 30, 2020 compared to cash flows used in operating activities of \$5.1 million in the first quarter of the prior year. The decrease is attributable to the change in working capital. During the quarter ended September 30, 2020, with the cash used in operating activities of \$19.2 million, the Corporation utilized the its revolving credit facility to fund inventory purchases and operations.

Investing Activities

During the quarter ended September 30, 2020, the Corporation used \$7.4 million in investing activities including the asset acquisition of Nicklen for \$6.3 million, which is a \$16.7 million decrease compared to the \$24.0 million in cash used in investing activities in the prior year. The decrease in cash used in investing activities was primarily driven by the acquisition of Delmar for \$23.8 million in the prior year.

Financing Activities

During the quarter ended September 30, 2020, the Corporation had \$26.0 million in cash provided by financing activities compared to cash from financing activities of \$31.5 million in the first quarter of the prior year. While the Corporation increased its cash from its revolving line of credit by \$18.7 million, that was offset by the decrease in cash provided by other financing sources including the \$15.0 borrowed on the Bixby loan and \$9.5 million raised from the private placement in the same quarter in the prior year.

Available Sources of Liquidity

The Corporation's sources of liquidity as at September 30, 2020 include available funds under its revolving credit facility (the "2020 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 2020 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 2020 Credit Facility, as at September 30, 2020 contains certain covenants, including a covenant that the Corporation maintain minimum working capital of not less than \$25.0 million. As at September 30, 2020 the Corporation's working capital – defined as current assets less current liabilities – totaled \$44.5 million. The covenants also 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, 2020 and June 30, 2020, the Corporation was in compliance with all of the above-mentioned financial covenants.

As at September 30, 2020 and June 30, 2020, the Corporation had \$37.7 million and \$44.3 million in availability, respectively, on the 2020 Credit Facility.

Liquidity Risk

As at September 30, 2020 and June 30, 2020, the following are the contractual maturities of financial liabilities, excluding interest payments:

September 30, 2020

| (in thousands of USD) | Carrying Amount | Contractual Cash Flows | 1 year | 2 years | 3 to 5 Years | More than 5 years |
|--|-------------------|------------------------|------------------|-----------------|------------------|-------------------|
| Bank indebtedness | \$ 57,819 | \$ 58,000 | \$ 58,000 | \$ - | \$ - | \$ - |
| Accounts payable and accrued liabilities | 29,236 | 29,236 | 29,236 | - | - | - |
| Accounts payable - related parties | 69 | 69 | 69 | - | - | - |
| Unrealized losses on open cash contracts | 4,794 | 4,794 | 4,794 | - | - | - |
| Term loan | 29,777 | 30,000 | - | 5,000 | 25,000 | - |
| Lease commitments | 2,898 | 3,727 | 748 | 591 | 777 | 1,611 |
| | <u>\$ 124,593</u> | <u>\$ 125,826</u> | <u>\$ 92,847</u> | <u>\$ 5,591</u> | <u>\$ 25,777</u> | <u>\$ 1,611</u> |

June 30, 2020

| (in thousands of USD) | Carrying Amount | Contractual Cash Flows | 1 year | 2 years | 3 to 5 Years | More than 5 years |
|--|-------------------|------------------------|------------------|-----------------|------------------|-------------------|
| Bank indebtedness | \$ 31,702 | \$ 32,000 | \$ 32,000 | \$ - | \$ - | \$ - |
| Accounts payable and accrued liabilities | 38,069 | 38,069 | 38,069 | - | - | - |
| Accounts payable - related parties | 25 | 25 | 25 | - | - | - |
| Unrealized losses on open cash contracts | 5,752 | 5,752 | 5,752 | - | - | - |
| Term loan | 29,721 | 30,000 | - | 5,000 | 25,000 | - |
| Lease commitments | 3,014 | 3,985 | 738 | 753 | 816 | 1,678 |
| | <u>\$ 108,283</u> | <u>\$ 109,831</u> | <u>\$ 76,584</u> | <u>\$ 5,753</u> | <u>\$ 25,816</u> | <u>\$ 1,678</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 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 2020 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, inventories on hand and the timing of grain purchases.

Credit Facility

As disclosed in the Interim Condensed Consolidated Financial Statements for the quarter ended September 30, 2020, on February 12, 2020, the Corporation amended its existing credit facility, resulting in the 2020 Credit Facility, which increased 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 2020 Credit Facility matures on February 12, 2021.

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

| Revolver Facility Utilization | Applicable Margin |
|----------------------------------|-------------------|
| < 35% | 3.125% |
| ≥ 35% to < 70% | 3.00% |
| ≥ 70% | 2.875% |

The total interest rate is calculated by adding the applicable margins above plus one-week LIBOR. In the event the one-week LIBOR does not adequately reflect the cost to the lenders, the adjusted base rate shall be a rate equal to the lender’s cost of funding the borrowings. 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. The 2020 Credit Facility has certain covenants pertaining to the accounts of the Corporation, as at September 30, 2020, the Corporation was in compliance with all covenants.

Term Loan

On November 15, 2018, the Corporation entered into a \$20.0 million term loan agreement with Bixby Bridge Fund IV, LLC, subsequently amended on June 26, 2019 (“**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. The Bixby Loan has 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 the Bixby Loan 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 loan is also secured by Delmar’s assets. On February 28, 2020, \$5.0 million in principal, due November 15, 2020, was paid down early on the Bixby Loan. Total outstanding balance at the end of the year was \$30 million with the next payment due November 15, 2021.

5. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies and Standards Issued but Not Yet Effective

For the quarter ended September 30, 2020, there were no changes in accounting policies, and no standards issued but not yet effective which are expected to have a material impact to the Corporation’s Financial Statements. Refer to note 3 of the Annual Consolidated Financial Statements for information pertaining to the significant accounting policies for the quarter ended September 30, 2020.

Critical Accounting Judgements, Estimates, and Assumptions

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 judgements, estimates, and assumptions are contained in the Interim Condensed Consolidated Financial Statements (see notes 3 and 4, respectively, for the description of policies or references to notes where such policies are contained). The critical accounting estimates are valuation of investments; valuation of inventories and commodity derivatives; and the critical accounting judgements are functional currency; and business combinations; 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.

Current Events

COVID-19

The recent outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, non-essential business closures, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which COVID-19 and any other pandemic or public health crisis impacts the Corporation's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision. The length and severity of these developments may have a material impact on the Corporation's financial condition, cash flows or results of our operations in future periods.

6. OUTLOOK

Grain Segment

Market conditions during the quarter (July – September) limited margin opportunities due to low ending inventories, across the industry and in the Corporation's warehouses, from the 2019-2020 crop year in oats and durum and strong soybean demand from China, causing U.S. rail freight to increase in cost and limit U.S. export competitiveness in favor of Canadian exports. While the environment during the quarter temporarily limited margin generating opportunities, some of that was made up for through decent carries in wheat, consistent sales of all core products to the milling industry in the U.S., canola and wheat exports to Mexico and solid futures hedging and positioning in oats, wheat and rail freight. Meanwhile, operations were impacted by sporadic quarantining by individuals due to COVID-19, however, no plants were forced to shut down or operate at less than capacity. To date, only one Ceres employee has been confirmed as COVID-19 positive and that individual is recovered and back to work.

Looking forward, harvests yielded relatively large crops (wheat, durum, canola and oats) and demand is high, creating good merchandizing opportunities into the U.S. and Mexico. In addition, carries continue to remain present in wheat and are expected to develop in oats. Meanwhile, U.S. rail freight is expected to remain firm until at least March or April when China moves to South America for its beans. This is expected to limit exporting opportunities from the U.S. until the Great Lakes open in the spring. With the addition of assets enabling origination directly from growers in Manitoba and Saskatchewan, cash merchandizing opportunities are expected to remain positive through the balance of the 2020-2021 crop year.

Regarding growth and development, the Corporation expects to close on the formation of a joint venture in northern, MN with a farmer cooperative early in the upcoming calendar year. This joint venture would allow Ceres to continue to increase origination directly from growers. The business development team continues to work through a healthy pipeline of projects and expects to have more growth opportunities over the coming quarters.

Supply Chain Services Segment

Industrial product volumes were higher than expected for the quarter due to increased demand for oriented strand board (OSB) as a result of an increase in new home building in the U.S. Meanwhile, fertilizer volumes were solid as expected and natural gas liquid (NGL) volumes through Gateway Energy Terminal were lower vs. a year ago due to low crude oil prices and lower oil production in Western Canada. Overall, gross margins for the segment came in as expected, albeit slightly lower than the same quarter a year ago.

Looking forward, OSB and fertilizer volumes are expected to remain strong compared to last fiscal year while NGL volumes are expected to remain lower for the foreseeable future. However, some of the lost NGL volume will be made up for through railcar storage on site, and the segment overall is expected to generate positive gross margins.

Seed and Processing Segment

Soybean crush margins were lower than normal during the quarter, due in part to strong soybean prices and lagging soybean meal values. In addition, soybean quality was poor, which is a product of the 2019-2020 crop year, resulting in lower yields. While those challenges were present, crush margins were still attractive relative to competing North American soybean crush operations and were enhanced by well-timed purchases, sales and hedges. Looking forward, margins are improving as we move into the second quarter of the fiscal year and the new crop soybean quality looks much better, which should result in improved yields. To capitalize on the solid fundamentals of this business, the Corporation is investing to increase capacity of the soybean crush plant by 50% and it expects to have that completed during the first quarter of the 2022 fiscal year (July – September 2021).

Specialty crop blending, including birdfeed manufacturing, realized better than expected demand due, in part, to changes in consumer behavior resulting from the COVID-19 environment. In addition, early purchases of ingredients in a rising market enhanced gross margins. The outlook for the balance of the 2021 fiscal year is for demand and margins to remain strong.

The Seed business is seasonal and typically only generates gross margins during the fourth quarter of the fiscal year (April – June). Costs were well managed during the quarter while the team focused on marketing seed supplied by new partners Sevita International and Horizon Seeds Canada for the sale and distribution of soybean and corn seed products in Western Canada, respectively.

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, 2020, 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, 2020, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the 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. There have been no material changes in the Corporation’s internal control over financial reporting during the quarter ended September 30, 2020 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 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:

| <i>(in thousands of USD)</i> | <u>For the quarter ended</u> <u>September 30,</u> | |
|---|--|---------------|
| | <u>2020</u> | <u>2019</u> |
| Salary and short-term employee and director benefits | \$ 421 | \$ 291 |
| Share-based compensation | 149 | 121 |
| | <u>\$ 570</u> | <u>\$ 412</u> |

Savage Riverport, LLC

Ceres routinely transacts business directly with Savage Riverport, LLC. Such transactions are in the ordinary course of business and include storage and elevation fees for grain storage, as well as

management fees. Related party revenue of \$20 thousand is included in total revenue for the three months ended September 30, 2020 compared to related party revenue of \$20 thousand in the three months ended September 30, 2019. Related party expenses recorded in cost of sales are \$494 thousand for the three months ended September 30, 2020 and \$400 thousand for three months ended September 30, 2019. As at September 30, 2020, the accounts receivable, due from Savage Riverport, LLC totaled \$160 thousand and \$84 thousand as at June 30, 2020. Accounts payable, due to Savage Riverport, LLC totaled \$48 thousand and \$25 thousand as at September 30, 2020 and June 30, 2019, respectively.

Gateway Energy Terminal

As at September 30, 2020, the accounts receivable, due from Gateway Energy Terminal, totaled \$153 thousand and \$195 thousand for the year ending June 30, 2020. Related party revenue of \$42 thousand is included in total revenue for the three months ended September 30, 2020 compared to related party revenue of \$111 thousand in the three months ended September 30, 2019.

Stewart Southern Railway Inc. ("SSR")

As at September 30, 2020 and June 30, 2020, Ceres owned a 25% interest in SSR and has a CAD \$25 thousand note due from SSR. The note has an annual interest rate of 1.0% and is recorded in "Other assets" as a long-term receivable on Ceres' Consolidated Balance Sheet.

Bixby Loan

An affiliate of Bixby Bridge Fund IV, LLC ("**the Lender**"), separate and distinct from the Lender, holds an indirect, 49.8% investment in Ceres. 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.

Private Placement

During the prior year, on September 30, 2019, the Corporation closed its non-brokered private placement, issuing 2,802,599 common shares. Certain key management personnel and an entity controlled by a director of the Corporation, subscribed for 2,792,599 shares including VN Capital Fund C, L.P. which subscribed for 2,757,487 shares.

SHARES OUTSTANDING

As at November 11, 2020, the issued and outstanding equity securities of the Corporation consisted of 30,772,845 common shares. In addition, the Corporation has 2,082,816 stock options outstanding with a weighted-average exercise price of C\$4.61 per common share, 206,718 restricted stock units outstanding, and 515,643 deferred share units outstanding.

CONTINGENCIES

As at September 30, 2020 the Corporation is not aware of any outstanding contingencies.

8. NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

Certain financial measures in this interim 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.

The following table is a reconciliation of EBITDA for Ceres on a consolidated basis for the quarters ended September 30, 2020 and 2019:

| <i>(in thousands of USD)</i> | Quarter ended September, 30 | |
|--|--------------------------------|-----------------|
| | 2020 | 2019 |
| Net income (loss) for the period | \$ (936) | \$ 1,758 |
| Interest expense | 1,040 | 1,363 |
| Amortization of intangible assets | 66 | - |
| Income tax (recovered) | (115) | 62 |
| Share of net (Income) loss in investment in associates ¹ | (29) | (40) |
| Depreciation and amortization | 1,592 | 1,496 |
| | <u>\$ 1,618</u> | <u>\$ 4,639</u> |

¹ In June 2020, the Corporation determined that the revenue and expenses resulting from Gateway Energy Terminal, should be accounted for as a joint operation. This resulted in reclassifying \$226 thousand from "Share of net income (loss) of associates" into gross profit for the quarter ended September 30, 2019.

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 year 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, 2020 and 2019:

| <i>(in thousands of USD)</i> | For the quarter ended September 30, | |
|---|--|-------------|
| | 2020 | 2019 |
| Net income (loss) for the year | \$ (936) | \$ 1,758 |
| Total shareholder's equity as at reporting date | 144,124 | 142,126 |
| | <u>(0.6%)</u> | <u>1.2%</u> |

9. KEY ASSUMPTIONS & ADVISORIES

FORWARD-LOOKING STATEMENTS

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 Northgate;

- The Corporation's ability to maintain existing customer contracts and relationships coupled with its ability to increase its customer portfolio;
- COVID-19 does not significantly impact the Corporation's operations and the markets it serves; and
- The ability of Ceres to successfully 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.