

*Consolidated Financial Statements of*



*For the years ended June 30, 2021 and 2020*  
(Expressed in US Dollars)

CERES GLOBAL AG CORP.

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## **Management's Responsibility for Financial Reporting**

These consolidated financial statements of the Corporation are the responsibility of management. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") using information available to September 9, 2021 and management's best estimates and judgments, where appropriate.

Management has established a system of internal accounting and administrative controls to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly authorized and recorded, and financial records are properly maintained for the preparation of reliable financial statements.

The Board of Directors discharges its responsibility for the consolidated financial statements primarily through its Audit Committee, which comprises members of the Board of Directors. The Audit Committee meets with management and with the external auditors to discuss the results of the audit examination and review the consolidated financial statements of the Corporation. The Audit Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors. The financial statements have been approved by the Board of Directors and have been audited by Baker Tilly WM LLP, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards. Their Independent Auditor's Report outlines their responsibilities, the scope of their audit, and their opinion on the accompanying consolidated financial statements. Baker Tilly WM LLP has full and unrestricted access to the Audit Committee.

Robert Day  
President and  
Chief Executive Officer

Jay Bierley  
Vice President and  
Chief Financial Officer

## INDEPENDENT AUDITOR'S REPORT

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To the Shareholders of Ceres Global Ag Corp.:

### **Opinion**

We have audited the consolidated financial statements of Ceres Global Ag Corp. and its subsidiaries (together the "Corporation"), which comprise the consolidated balance sheets as at June 30, 2021 and June 30, 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at June 30, 2021 and June 30, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

#### **Key audit matter**

#### **How our audit addressed the key audit matter**

##### **Valuation and measurement of grain inventory, note 6**

As at June 30, 2021 the Corporation held grain inventory of \$112.0 million. The Corporation measures the grain inventory at fair value, primarily determined from quoted market prices, adjusted for expected freight costs and a price premium or discount to cover local supply and demand factors.

Our approach to addressing the matter included the following procedures, among others:

The audit of the valuation of the grain inventory is complex as a high degree of judgment is used when estimating the effect of adjustments to quoted market prices on the fair value of grain inventory, such as differences in local markets and quality.

The audit of the measurement of the grain inventory is complex as a number of estimates are required including the dimensions of the holding “bin” and the unused space at year end.

- Obtaining an understanding over the estimation process;
- Agreeing the inputs, where available to external sources;
- Testing the factors that impact basis to external sources and historical results;
- Observing the inventory counting process for a sample of locations and performed independent test counts; and
- Recalculating the volume of the “bin” and unused space.

### **Accounting for income taxes, note 21**

As at June 30, 2021 the Corporation has recognized \$9.8 million of previously unrecognized deferred income tax assets related to operating loss carry forwards.

Our approach to addressing the matter included the following procedures, among others:

The audit of the recognition of the deferred income tax assets is complex as a high degree of judgment is used in assessing whether it is probable that future taxable profit will allow some portion, or all of the deferred tax asset to be recovered.

- Evaluating the appropriateness and accuracy of the gross deferred tax assets and deferred tax liabilities utilizing internal tax specialists in domestic and international tax;
- Analyzing management's judgment in concluding it was probable that future taxable profit will allow some portion or all of the deferred tax asset to be recovered;
- Assessing the adequacy of the associated disclosures in the consolidated financial statements.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- The information included in the Management's Discussion and Analysis filed with the relevant Canadian securities commissions, which we obtained prior to the date of this auditor's report; and,
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in our audits and remain alert for indications that the other information appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

*Baker Tilly WM LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.  
September 9, 2021

**CERES GLOBAL AG CORP.**  
**Consolidated Balance Sheets**

<i>(In thousands of USD)</i>	June 30, 2021	June 30, 2020
<b>Assets</b>		
Current assets:		
Cash	\$ 4,214	\$ 696
Due from brokers (note 5)	5,642	2,666
Unrealized gains on open cash contracts (note 7)	25,906	8,566
Accounts receivable	37,667	31,312
Accounts receivable - related parties (note 18)	444	279
Inventories, grains (note 6)	112,019	81,058
Prepaid expenses and sundry assets	1,827	1,782
Portfolio investments (note 7)	809	739
Total current assets	188,528	127,098
Investments in associates (note 8)	14,933	6,702
Property, plant, and equipment (note 9)	114,581	110,620
Intangible assets (note 10)	6,978	7,390
Deferred tax asset (note 21)	9,684	-
Right of use assets (note 11)	3,886	3,159
Other assets	-	18
Total assets	\$ 338,590	\$ 254,987
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness (note 12)	\$ 80,760	\$ 31,702
Accounts payable and accrued liabilities (note 7)	41,336	38,069
Accounts payable - related parties (note 18)	136	25
Unrealized losses on open cash contracts (note 7)	25,112	5,752
Current portion of term loan (note 13)	1,320	-
Current portion of lease liability (note 11)	685	572
Total current liabilities	149,349	76,120
Term loan (note 13)	27,557	29,721
Long-term lease liability (note 11)	3,171	2,442
Deferred tax liability (note 21)	1,595	1,715
Total liabilities	181,672	109,998
Shareholders' equity:		
Common shares (note 16)	172,374	172,374
Deferred share units (note 17)	1,762	1,684
Contributed surplus	7,033	7,226
Accumulated other comprehensive income (loss)	1,017	1,017
Deficit	(25,268)	(37,312)
Total shareholders' equity	156,918	144,989
Legal (note 22)	-	-
Total liabilities and shareholders' equity	\$ 338,590	\$ 254,987

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

ON BEHALF OF THE BOARD OF DIRECTORS

Signed "Gary Mize" Director

Signed "Doug Speers" Director



**CERES GLOBAL AG CORP.**  
**Consolidated Statements of Comprehensive Income**  
**Years ended June 30, 2021 and 2020**

<i>(In thousands of USD except shares and earnings per share)</i>	2021	2020
Revenues	\$ 748,204	\$ 581,713
Cost of sales (note 6)	(723,286)	(554,395)
Gross profit	24,918	27,318
General and administrative expenses	(16,053)	(17,703)
Income (loss) from operations	8,865	9,615
Finance income (loss) (note 14)	(357)	(80)
Interest expense (note 15)	(5,243)	(5,857)
Amortization of intangible assets (note 10)	(262)	(241)
Revaluation of stock appreciation right liability	(685)	324
Revaluation of contingent consideration	-	917
Gain (loss) on sales of intangible assets	290	-
Gain (loss) on property, plant and equipment	37	(23)
Income (loss) before income taxes and undernoted items	2,645	4,655
Income tax (expense) recovery (note 21)	9,768	(150)
Share of net income (loss) of associates (note 8)	(369)	(168)
Net income (loss)	\$ 12,044	\$ 4,337
Basic weighted-average number of shares for the period	30,772,845	30,041,801
Diluted weighted-average number of shares for the period (note 16)	32,719,775	31,822,571
Earnings (loss) per share:		
Basic	\$ 0.39	\$ 0.14
Diluted	\$ 0.37	\$ 0.14
Supplemental disclosure of selected information:		
Depreciation included in Cost of sales	(5,649)	(4,885)
Amortization of right of use assets included in Cost of sales	(395)	(292)
Depreciation included in General and administrative expenses	(377)	(602)
Amortization of right of use assets included in General and administrative expenses	(274)	(351)
Amortization of financing costs included in Interest expense	(961)	(783)
Personnel costs included in Cost of sales	(8,683)	(7,629)
Personnel costs included in General and administrative expenses	(11,256)	(12,011)
Personnel costs included in Revaluation of Stock appreciation rights	(685)	324

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

**CERES GLOBAL AG CORP.**  
**Consolidated Statements of Cash Flows**  
**Years ended June 30, 2021 and 2020**

<i>(In thousands of USD)</i>	2021	2020
Operating activities:		
Net income (loss)	\$ 12,044	\$ 4,337
Adjustments for:		
Depreciation and amortization	6,026	5,487
Amortization of intangible assets	262	241
Amortization of right of use assets	669	643
Interest expense	5,243	5,857
(Gain) loss on sale of intangible assets	(290)	49
Revaluation of contingent consideration	-	(917)
Bad debt expense (recovery)	(221)	-
Income tax expense (recovery)	(9,768)	150
Loss on property, plant, and equipment	(37)	23
Share-based compensation	591	591
Share of net income (loss) of associates	369	168
Revaluation of foreign denominated accounts	(70)	27
Revaluation of stock appreciation right liability	685	(324)
Changes in non-cash working capital accounts:		
Due from brokers	(2,976)	(246)
Net open cash contracts	2,020	(74)
Accounts receivable	(6,170)	(8,601)
Accounts receivable - related parties	(165)	(145)
Inventories, grains	(30,961)	(1,898)
Prepaid expenses and sundry assets	(273)	263
Accounts payable and accrued liabilities	1,726	8,350
Accounts payable - related parties	111	(26)
Current portion of contingent consideration	-	(600)
Current portion of lease liability	(554)	(335)
Interest paid	(4,199)	(5,156)
Net cash provided by (used in) operating activities	(25,938)	7,864
Investing activities:		
Disposition of assets held for sale	-	15
Cash from disposition of property, plant, and equipment	59	-
Cash from disposition of intangible assets	440	-
Payment to shareholders of Delmar Commodities Ltd.	(329)	(10,748)
Debt repaid on behalf of shareholders of Delmar Commodities Ltd.	-	(13,064)
Cash acquired in acquisition of Delmar Commodities Ltd.	-	80
Loan repaid (issued) from (to) related party	17	(17)
Investment in Farmers Grain, LLC	(8,600)	-
Acquisition of property, plant and equipment	(9,616)	(1,793)
Net cash provided by (used in) investing activities	(18,029)	(25,527)
Financing activities:		
Net proceeds (repayment) of bank indebtedness	49,000	(2,000)
Proceeds from term loan	30,000	15,000
Repayment of term loan	(30,375)	(5,000)
Financing costs paid	(1,140)	(898)
Private placement, net of share issuance costs	-	9,491
Other financing activities	-	(123)
Net cash provided by (used in) financing activities	47,485	16,470
Effect of exchange rate changes on cash	-	-
Increase (decrease) in cash	3,518	(1,193)
Cash, beginning of year	696	1,889
Cash, end of year	\$ 4,214	\$ 696

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

**CERES GLOBAL AG CORP.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**Years ended June 30, 2021 and 2020**

<i>(In thousands of USD)</i>	<u>Common shares</u>	<u>Deferred share units</u>	<u>Contributed surplus</u>	<u>Accumulated other comprehensive income (loss)</u>	<u>Deficit</u>	<u>Total shareholders' equity</u>
Balances, June 30, 2020	\$ 172,374	\$ 1,684	\$ 7,226	\$ 1,017	\$ (37,312)	\$ 144,989
Issuance of deferred share units	-	78	-	-	-	78
Share-based compensation net of vesting	-	-	(193)	-	-	(193)
Net income (loss)	-	-	-	-	12,044	12,044
Balances, June 30, 2021	<u>\$ 172,374</u>	<u>\$ 1,762</u>	<u>\$ 7,033</u>	<u>\$ 1,017</u>	<u>\$ (25,268)</u>	<u>\$ 156,918</u>
Balances, June 30, 2019	\$ 203,358	\$ 1,387	\$ 9,475	\$ (22,239)	\$ (61,217)	\$ 130,764
Adjustment for change in functional currency (note 4)	(40,572)	(13)	(2,239)	23,256	19,568	-
Issuance of deferred share units	-	310	-	-	-	310
Private placement, net of share issuance costs	9,491	-	-	-	-	9,491
Share-based compensation	97	-	(10)	-	-	87
Net income (loss)	-	-	-	-	4,337	4,337
Balances, June 30, 2020	<u>\$ 172,374</u>	<u>\$ 1,684</u>	<u>\$ 7,226</u>	<u>\$ 1,017</u>	<u>\$ (37,312)</u>	<u>\$ 144,989</u>

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

Ceres Global Ag Corp.  
Notes to the Consolidated Financial Statements  
June 30, 2021 and 2020 (Expressed in USD)

(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) (the “OBCA”). On April 1, 2013, Ceres Global Ag Corp. amalgamated with Corus Land Holding Corp. and 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. The Corporation’s parent is VN Capital Management, LLC.

These consolidated financial statements of Ceres as at and for the years ended June 30, 2021 and 2020 include the accounts of Ceres and its wholly owned subsidiaries Ceres U.S. Holding Corp. (Delaware), Riverland Ag Corp. (Delaware) (“**Riverland Ag**”), Nature’s Organic Grist LLC (“**NOG**”), Delmar Commodities Ltd. (“**Delmar**”), and Ceres Global Ag Corp. Mexico S.A. DE C.V. (“**Ceres Mexico**”). All intercorporate transactions and balances have been eliminated. The Corporation is an agricultural cereal grain storage, customer-specific procurement and supply ingredient company that operates thirteen grain storage, handling, and merchandising facilities in the state of Minnesota and the provinces of Ontario, Manitoba, and Saskatchewan, with a combined grain and oilseed storage capacity of 31 million bushels. NOG is a supplier of organic grains. With the acquisition of Delmar, the Corporation owns and operates a soybean crush facility, a specialty crops blending/birdfeed production facility, and a seed distribution network in western Canada.

(2) **BASIS OF PREPARATION**

**Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Accounting, estimation, and valuation policies, as described below, have been consistently applied to all periods presented herein, in accordance with IFRS.

These consolidated financial statements were authorized for issue by the board of directors of the Corporation (the “**Board of Directors**”) on September 9, 2021.

**Functional and presentation currency**

The Corporation and all of its subsidiaries have a functional currency of United States Dollars (“**USD**”).

These consolidated financial statements are presented in USD.

**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the balance sheet:

- 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 Consolidated Financial Statements**  
**June 30, 2021 and June 30, 2020 (Expressed in USD)**

**(3) SIGNIFICANT ACCOUNTING POLICIES**

**Revenue recognition, net sales and cost of sales**

The Corporation's grain revenue transactions consist of a single performance obligation to transfer promised goods. The Corporation recognizes revenue when it has fulfilled a performance obligation, which is typically when the grain is shipped from the Ceres facility. In accordance with IFRS 15, the Corporation follows a policy of recognizing sales revenue at the time of delivery of the product and when all the following have occurred: a sales agreement is in place, title and risk of loss have passed, pricing is fixed or determinable, and collection is reasonably assured. Grain storage, rental, seed and processing and other operating income are recorded as earned on an accrual basis. Freight costs and handling charges related to sales are presented gross in Revenues and Cost of sales.

Other direct and indirect costs associated with inventory and storage, including payroll and benefits of elevator employees, depreciation of buildings, silos and elevators, utilities and other similar costs are classified within Cost of sales. Income and expenses are recorded on an accrual basis. Investment transactions are recognized on the trade date. Dividend revenues are recognized on the ex-dividend date. Interest is recognized as earned using the effective interest method. The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Realized gains and losses from the sale of investments are calculated using the average cost method. The change over a reporting period of the difference between the fair value and the cost of portfolio investments is recognized as a revaluation of portfolio investments in Finance income (loss) in profit or loss.

**Investments in associates and joint arrangements**

A joint venture is a contractual arrangement pursuant to which the Corporation and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint arrangements are classified as joint ventures or joint operations, reflecting the Corporation's underlying contractual rights and obligations pursuant to the joint arrangement. For joint arrangements that are classified as joint operations, the Corporation recognizes its share of the assets, liabilities, revenues and expenses of the joint operations. The Corporation has determined that its investment in the "Gateway Energy Terminal" is a joint operation.

Joint arrangements classified as joint ventures are accounted for using the equity method, whereby the Corporation recognizes its share of income or loss and other comprehensive income or loss of the joint arrangement in its own operations or comprehensive income or loss, as applicable. The Corporation has determined that its investment in Savage Riverport, LLC and investment in Farmers Grain, LLC meets the definition of a joint venture arrangement and consequently, it is accounting for its interest in Savage Riverport, LLC and Farmers Grain, LLC using the equity method.

Investments in associates where the Corporation has significant influence, including Stewart Southern Railway Inc. ("SSR") is accounted for using the equity method.

**Ceres Global Ag Corp.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2021 and June 30, 2020 (Expressed in USD)**

The Corporation assesses, at each reporting date, whether there is objective evidence that its interest in a joint venture arrangement is impaired. If impaired, the carrying value of the Corporation's share of the underlying assets of the joint venture arrangement is written down to its estimated recoverable amount, with any difference charged to profit or loss.

**Transaction costs**

Portfolio transaction costs include brokerage commissions incurred in the purchase and sale of portfolio securities in which Ceres invests. Corporate transaction costs include costs directly attributable to the acquisition of subsidiaries and the investments in associates. All such costs are expensed in the period incurred and classified as General and administrative expenses in profit or loss.

Transaction costs related to the issuance of equity instruments of the Corporation or its subsidiaries are accounted for as a reduction of the stated capital of the equity securities issued. Transaction costs related to the issuance of debt instruments of the Corporation or its subsidiaries are considered in the determination of amortized cost. Transaction costs related to bank indebtedness are amortized using the straight-line method over the term of the financing arrangement, while transaction costs for long-term debt are amortized using the effective interest method.

**Valuation of investments**

As at a reporting date, the fair value of financial instruments traded in active markets (primarily equity securities of public companies and related derivative instruments, if any) is based on the bid price for investments held by the Corporation, and on the asking price for investments sold short, if any. The fair value of financial instruments not traded in an active market (including but not limited to: securities in private companies, warrants and restricted securities) is determined using valuation techniques. Depending on various circumstances, the Corporation may use several methods and makes assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

**Recognition of investments**

Purchases and sales of investments are recognized on the trade date, being the date on which the Corporation commits to purchase or sell an investment. Investments cease to be recognized when the rights to receive cash flows from the investments have expired or the Corporation has transferred substantially all risks and rewards of ownership.

**Derivative contracts**

Ceres may purchase forward contracts to act as an economic hedge. As at a reporting date, forward contracts are valued based on the difference between the forward contract rate and the forward bid rate. Unrealized gains and losses, if any, on these forward contracts used to hedge assets and liabilities are presented separately on the Consolidated Balance Sheet and included in profit or loss as a component of Cost of sales.

**Ceres Global Ag Corp.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2021 and June 30, 2020 (Expressed in USD)**

**Fair value measurements**

The Corporation uses a valuation hierarchy as a framework for disclosing fair values, based on the inputs to measure the fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities including exchange-traded derivative contracts that can be assessed at measurement date;

Level 2 – inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs are unobservable inputs based on the Corporation's own assumptions used to measure assets and liabilities at fair value.

**Foreign currency transactions**

Foreign currency transactions are translated into USD using the exchange rates prevailing at the dates of the transactions. As at a reporting date, assets and liabilities denominated in a foreign currency are translated into USD, as follows:

- Foreign currency monetary items are translated using the spot exchange rate in effect at the reporting date, and;
- Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate(s) in effect as at the date(s) on which fair value was determined.

Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation as at a reporting date of assets and liabilities denominated in foreign currencies are reflected in profit or loss. Translation gains or losses on securities included in the investment portfolio of the Corporation are recognized as Finance income (loss) in profit or loss.

**Finance income (loss)**

Finance income (loss) pertains to revenues, gains and losses related to the investing activities of the Corporation, and includes:

- Dividend revenues, if any, from portfolio investments;
- Realized gains (losses) on portfolio investments;
- Realized and unrealized gains (losses) on foreign exchange; and
- Unrealized increase (decrease) in fair value of portfolio investments.

**Interest expense**

Interest expense represents the aggregate of interest expense on borrowings and the amortization of financing transaction costs.

**Ceres Global Ag Corp.**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2021 and June 30, 2020 (Expressed in USD)**

**Inventories**

Inventories of agricultural grain, and oilseed commodities are stated at fair value less costs to sell. Fair value is primarily determined from exchange or quoted market prices, adjusted for expected freight costs to normal delivery points and a price premium or discount to cover local supply and demand factors as estimated by management. Changes in the fair value less costs to sell of inventories of agricultural grain commodities are recognized in profit or loss as and when they occur, and such changes are included as a component of Cost of sales.

Raw material and finished goods inventories for the soybean crush, specialty crops, birdfeed production, and seed distribution are stated at the lower of average cost, determined on a specific identification basis, and net realizable value, being the estimated selling price less estimated cost of completion of the finished goods.

**Property, plant, and equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate. Costs are capitalized only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment and depreciated accordingly. The carrying amount of a replaced component is derecognized.

Repairs and maintenance costs are expensed as incurred.

Property, plant and equipment are reviewed for impairment at the end of each reporting period to assess whether there is any indication of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated as the higher of fair value less costs of disposal and value in use.

For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Land is not depreciated. Depreciation on the other assets is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings, silos/elevators, and improvements	15 – 31 years
Machinery and equipment	7 – 15 years
Furniture, fixtures, office equipment, and other assets	3 – 7 years

Gains and losses on disposals of property, plant and equipment are determined by comparing the disposal proceeds with the carrying amount of the asset and are included in profit or loss as gain (loss) on property, plant, and equipment.

**Goodwill and intangible assets**

Goodwill represents the excess of the consideration transferred in a given acquisition over the fair value of the identifiable net assets acquired and is initially recorded at that value. Goodwill is subsequently carried at cost less any impairment.



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Intangible assets include trademarks and tradename, customer relationships, producer relationships, and Minneapolis Grain Exchange memberships. Intangible assets are initially recorded at their transaction fair values. Definite life intangible assets are subsequently carried at cost less accumulated amortization and less impairment losses, if any. Indefinite life intangible assets, including goodwill, are not amortized. However, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired.

When testing goodwill for impairment, the carrying values of the Cash Generating Unit's (CGU) or group of CGU's, including goodwill and the Minneapolis Grain Exchange memberships, are compared with their respective recoverable amounts (higher of fair value less costs of disposal and value in use) and an impairment loss, if any, is recognized for the excess. Trademarks and tradenames, customer relationships, and producer relationships are considered to be definite life intangible assets and are amortized using the straight-line method over their useful lives of 10 years and are reviewed for indicators of impairment at each reporting period. Refer to "Impairment Testing of Cash-Generating Units" in Note 10 for a discussion of the CGU levels at which goodwill and intangible assets are tested.

#### **Impairment of other long-lived assets**

Other long-lived assets are subject to an "indicators of impairment" test at each reporting period. In the event of an indication of impairment, the asset or group of assets (referred to as CGU's), for which identifiable cash flows that are largely independent of the cash inflows from other assets or group of assets exist, are tested for impairment. An impairment loss is recorded in profit or loss when the carrying value exceeds the recoverable amount. The recoverable amount is defined as the greater of fair value less costs of disposal and value in use.

#### **Repurchase obligations**

The Corporation periodically enters into sale/repurchase agreements whereby the Corporation receives cash in exchange for selling inventory to a commodity trading financial institution and the Corporation agrees to repurchase the inventory from the financial institution at a fixed rate on a future date. The Corporation accounts for these as product financing arrangements and, accordingly, these transactions are treated as borrowings and commodity inventory in the Corporation's consolidated financial statements and no sales and purchases are reported in the consolidated financial statements.

#### **Income taxes**

Income tax expense (recovery) comprises current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to a business combination, or to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit

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or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as at the reporting date. Deferred tax assets and liabilities are offset to the extent that they relate to income taxes levied on the same taxable entity by the same taxation authority.

A deferred tax asset is recognized for unused tax losses and tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

### **Earnings (loss) per Share**

Earnings (loss) per Share (“**EPS**”) is reported for basic and diluted net income (loss). Basic EPS is calculated by dividing net income (loss) for the reporting period by the weighted-average number of common shares outstanding during the reporting period. Diluted EPS is calculated by adjusting net income (loss) and the weighted-average number of common shares outstanding for the effects, if any, of all potentially dilutive common shares, resulting from the exercise of options or the redemption of Deferred Share Units outstanding as at the end of a reporting period. The dilutive effect is reflected in diluted earnings per share by applying the treasury stock method. The treasury stock method calculates the dilutive effect of share options and Deferred Share Units assuming that the proceeds to be received on the exercise are applied to repurchase common shares at the average market price of the period.

### **Equity**

#### *Common shares*

Common shares and equity settled deferred share units are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of the effects of income taxes, if any.

#### *Contributed surplus*

The value of warrants issued that have expired is recognized as contributed surplus, net of the effects of income taxes, if any.

#### *Repurchase of common shares*

When common shares recognized as equity are repurchased, the amount of the consideration paid (which may include directly attributable transaction costs) is recognized as a deduction from equity, net of the effects of income taxes, if any. The portion of the consideration paid that represents the value of the stated capital of the shares repurchased is deducted from the carrying amount of common shares. Any difference between the total consideration paid and the stated capital amount of the shares repurchased is added to (or deducted from) retained earnings (deficit), as applicable.

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## Share-based payments

### *Deferred Share Unit – Equity Settled*

The Corporation has established a Directors' Deferred Share Unit Plan (the "**DSU Plan**"), which became effective on March 10, 2014 and is an equity-settled share-based payment plan. Under the DSU Plan, a director who is not an employee of the Corporation or any affiliate (including any non-executive Chair of the Board) is an Eligible Director. Any Eligible Director may elect to receive some or all of the Annual Cash Remuneration amount (as defined in the DSU Plan) for that Director in the form of Deferred Share Units ("**DSUs**"). DSUs are settled by the issuance of common shares or cash for the fair value of common shares on the Entitlement Date (as defined under the DSU Plan), which is a date after the end of a director's term of service with the Board.

As at the dates on which DSUs are issued under the Plan, the Corporation recognizes as an expense the portion of the Directors' fees issued in the form of DSUs to the Director, which are issued at fair value, and the Corporation increases shareholders' equity by an equal amount.

### *Deferred Share Unit – Cash Settled*

Effective December 1, 2020, the Board of Directors amended the DSU Plan to provide that any DSU granted on or after December 1, 2020, will be redeemed in cash in an amount equal to the fair market value of a Common Share. Cash-settled DSU transactions are measured at the fair value of the liability as at the date the cash settled DSUs are issued. At the end of each reporting period, the Corporation re-measures the fair value of the liability for such cash settled DSUs, and any changes in fair value of that liability is recognized in profit or loss for the period.

### *Stock Options*

Stock options are equity-settled share-based payment transactions. The Corporation follows the fair value method to measure stock option awards it grants to certain officers, key employees and consultants of the Corporation and its subsidiaries. The fair value of stock options on the date the options are granted is determined by the Black Scholes option pricing model with assumptions for risk-free interest rate, dividend yield, and volatility of the expected market price of the Corporation's common shares. Expected annual volatility is estimated using historical volatility. Compensation is amortized to earnings over the vesting period of the related options. The Corporation uses graded or accelerated amortization, which specifies that each vesting tranche must be accounted for as a separate arrangement with a unique fair value measurement. Each vesting tranche is subsequently amortized separately and in parallel from the grant date.

### *Stock Appreciation Rights*

Stock Appreciation Rights ("**SARs**") may be granted to officers, certain employees and consultants of the Corporation on such terms and conditions determined by the Board of Directors. Stand Alone SARs are cash-settled share-based payment transactions and are measured at the fair value of the liability as at the date the Stand-Alone SARs are vested. At the end of each reporting period, the Corporation re-measures the fair value of the liability for such Stand-Alone SARs, and any changes in fair value of that liability is recognized in profit or loss for the period. Tandem SARs are granted with stock options. Tandem SARs may be settled by the payment or the delivery of cash or common shares, as may be determined by the Board. Any portion of Tandem SARs to be settled for cash is measured using the

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measurement standards described for Stand-Alone SARs. The portion, if any, of the Tandem SARs to be settled by the issuance of common shares is measured using the measurement standards that apply to stock options awards, as described in the preceding paragraph.

Option-pricing models require the use of highly subjective estimates and assumptions; including the expected share price volatility. Changes in the underlying assumptions can materially affect fair value estimates. Therefore, existing models do not necessarily provide reliable measurement of the fair value of the Corporation's share-based payments.

*Restricted Stock Units*

Restricted Stock Units ("RSUs") may be granted to officers, certain employees, and consultants of the Corporation on such terms and conditions determined by the Board of Directors. RSUs are equity-settled share-based payment transactions. In accordance with IFRS 2, stock-based compensation expense for RSUs is measured based on the fair value (determined by the five-day VWAP) of the Corporation's common stock on the grant date. Each reporting period, the Corporation assesses the probability that vesting will be achieved and records the expense ratably throughout the vesting period.

**(4) SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS**

The timely preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The following summarizes the accounting judgments, estimates and assumptions management considers significant:

**Summary of Significant Accounting Judgments**

*Business Combinations*

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.

*Functional Currency*

Ceres Global Ag Corp. 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

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translated using the spot rate at the date of the change. These changes have been accounted for prospectively in accordance with IFRS.

### **Summary of Significant Accounting Estimates**

#### *Inventories and Commodity Derivatives*

To reduce price risk caused by market fluctuations, the Corporation generally follows a policy of using exchange traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Corporation will also use exchange traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies can be significantly impacted by factors such as the volatility of the relationship between the value of exchange traded commodities futures contracts and the cash prices of the underlying commodities, and volatility of freight markets.

Derivative instruments, including futures contracts, forward commitments, options and other similar types of contracts and commitments based on commodity derivatives, are carried at their fair value. Management determines the fair value based on exchange quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets. While the Corporation considers its commodity contracts to be effective economic hedges, the Corporation does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts and grain inventories are recognized in Cost of Sales. Unrealized gains and losses on these derivative contracts are included in due from broker, and Unrealized gains (losses) on open cash contracts on the Consolidated Balance Sheet.

The fair values of commodity inventories are determined from exchange or quoted market prices and judgment is applied in estimating expected freight costs to normal delivery points and the price premium or discount to reflect the effect of local supply and demand factors.

#### *Measurement of Deferred Income Tax*

Management is required to apply judgment in determining, on an entity-by-entity basis, whether it is probable that deferred income tax assets will be realized. In addition, the measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

#### *Valuation of investments*

Portfolio investments are measured at FVTPL and may include securities not traded in an active market. The fair value of such securities is determined using valuation techniques. Depending on various circumstances, the Corporation may use several methods and makes assumptions based on market conditions existing at each reporting date. Valuation techniques may include, without limitation, the use of comparable recent arm's length transactions, discounted cash flow analysis, option-pricing models and other valuation techniques commonly used by market participants.

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## Current Events

### *COVID-19*

The 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. Although the Corporation has managed through this crisis without material impacts to its business, COVID-19 and any other future pandemic or public health crisis may have impacts on the Corporation's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations that will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision. Management has considered the impact of COVID-19 on significant accounting judgments, estimates and assumptions, used in the preparation of the consolidated financial statements and did not identify any material changes for the current year.

### *Acquisitions*

On September 1, 2020, Ceres paid cash consideration to purchase Cargill Limited's grain elevator and associated assets located in Ridgedale, Saskatchewan (the "**Nicklen Facility**"), including inventory and assumption of certain open grain purchase contracts. The purchase of assets was funded with existing working capital and Ceres hired all the Nicklen Facility's existing employees as a part of the transaction. The purchase of the Nicklen Facility is a continuation of the Corporation's progress in adding strategic origination capabilities for Ceres' core products while further expanding its geographical footprint.

### *Farmers Grain, LLC ("**Farmers Grain**")*

On February 10, 2021, Ceres Global Ag Corp., through its wholly owned subsidiary, Riverland Ag, and Farmer's Cooperative Grain and Seed Association ("**FCGS**"), an agricultural cooperative based in Thief River Falls, Minnesota, formed Farmers Grain, a grain merchandising joint venture, also based in Thief River Falls. FCGS contributed its existing grain elevator and related grain merchandising assets in Thief River Falls to the joint venture, with Riverland Ag contributing \$6.7 million in cash.

Ceres holds a 50% equity interest in Farmers Grain. Major strategic and operating decisions of Farmers Grain are made by its Board of Managers and Ceres does not have a majority of the board seats. Due to these factors, Ceres has joint control and accounts for its investment in Farmers Grain using the equity method.

## (5) DUE FROM (TO) 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.

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Amounts due from brokers consist of the following:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Margin deposits	\$ 6,460	\$ 2,649
Unrealized gains on futures contracts and options, at fair value	1,286	486
	7,746	3,135
Unrealized losses on futures contracts and options, at fair value	(2,104)	(469)
	\$ 5,642	\$ 2,666

**(6) INVENTORIES**

As at June 30, 2021 and June 30, 2020, the Corporation held inventories of \$112.0 million and \$81.1 million, respectively. As at June 30, 2021, inventories held at fair value less cost to sell totaled \$105.4 million compared to \$78.0 million as at June 30, 2020. As at June 30, 2021, inventories held at average cost totaled \$6.6 million compared to \$3.1 million at June 30, 2020. For the year ended June 30, 2021, inventories recognized as an expense through cost of sales totaled \$592.9 million. For the year ended June 30, 2020, inventories recognized as an expense through Cost of sales totaled \$462.0 million.

**(7) FINANCIAL INSTRUMENTS**

**Classification and measurement of financial instruments**

*Financial assets*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Corporation's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient, the Corporation initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Corporation has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Corporation's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial asset, or both.

Purchases or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date.

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*Financial Liabilities*

Financial liabilities are classified, at initial recognition, as subsequently measured at amortized cost, FVTPL, or FVOCI. All financial liabilities are recognized initially at fair value and, in the case of instruments subsequently measured at amortized cost, net of directly attributable transaction costs.

Contingent liabilities include contingent consideration in connection with the Corporation's acquisitions, which represent earn-out payments and are recognized at fair value on the acquisition date and remeasured each reporting period with subsequent adjustments recognized in General and Administrative Expenses in profit or loss. Contingent consideration is valued using significant Level 3 inputs, that are not observable in the market pursuant to fair value measurement accounting. While the Corporation believes the estimates and assumptions are reasonable, there is significant judgment and uncertainty involved. The following table shows the classification under IFRS 9:

<b>Financial assets/liabilities</b>	<b>Classification IFRS 9</b>
Cash	FVTPL
Due from brokers	FVTPL
Unrealized gains/losses on open cash contracts	FVTPL
Accounts receivable	Amortized cost
Accounts receivable - related parties	Amortized cost
Portfolio investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Accounts payable - related parties	Amortized cost
Share-based payment accruals, included in accounts payable	FVTPL
Bank indebtedness	Amortized cost
Term loan	Amortized cost
Contingent consideration	FVTPL

**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 reliability 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 year ended June 30, 2021.



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

<i>(in thousands of USD)</i>	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash	\$ 4,214	\$ -	\$ -	\$ 4,214
Portfolio investments	-	-	809	809
Due from broker, margin deposits (note 6)	6,460	-	-	6,460
Due from broker, unrealized gains on futures and options (note 6)	1,286	-	-	1,286
Unrealized gains on open cash contracts (derivatives)	-	25,906	-	25,906
Due from broker, unrealized losses on futures and options (note 6)	(2,104)	-	-	(2,104)
Unrealized losses on open cash contracts (derivatives)	-	(25,112)	-	(25,112)
Stock appreciation right liability included in accounts payable	-	-	(1,334)	(1,334)
Deferred share unit liability included in accounts payable	-	-	(254)	(254)
Balance June 30, 2021	\$ <u>9,856</u>	\$ <u>794</u>	\$ <u>(779)</u>	\$ <u>9,871</u>

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<i>(in thousands of USD)</i>	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash	\$ 696	\$ -	\$ -	\$ 696
Portfolio investments	-	-	739	739
Due from broker, margin deposits (note 6)	2,649	-	-	2,649
Due from broker, unrealized gains on futures and options (note 6)	486	-	-	486
Unrealized gains on open cash contracts (derivatives)	-	8,566	-	8,566
Due from broker, unrealized losses on futures and options (note 6)	(469)	-	-	(469)
Unrealized losses on open cash contracts (derivatives)	-	(5,752)	-	(5,752)
Contingent consideration	-	(5,752)	-	(5,752)
Stock appreciation right liability included in accounts payable	-	-	(138)	(138)
Balance June 30, 2020	\$ <u>3,362</u>	\$ <u>2,814</u>	\$ <u>601</u>	\$ <u>6,777</u>

Reconciliation of Level 3 fair values:

<i>(in thousands of USD)</i>	Portfolio Investments
Balance at June 30, 2019	\$ 766
Unrealized foreign exchange loss	<u>(27)</u>
Balance at June 30, 2020	739
Unrealized foreign exchange loss	<u>70</u>
Balance at June 30, 2021	\$ <u>809</u>

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<i>(in thousands of USD)</i>	Stock Appreciation Right Liability
Balance at June 30, 2020	\$ (289)
Revaluation of stock appreciation right liability	324
Expense	(42)
Exercises	2
Vestitures	(153)
Unrealized foreign exchange gain (loss)	19
Balance at June 30, 2020	(139)
Revaluation of stock appreciation right liability	(685)
Expense	(287)
Exercises	7
Vestitures	(193)
Unrealized foreign exchange gain	(37)
Balance at June 30, 2021	\$ <u>(1,334)</u>

  

<i>(in thousands of USD)</i>	Deferred Share Unit Liability
Balance at June 30, 2019, June 30, 2020	\$ -
Expense	(239)
Exercises	-
DSU liability revaluation	(12)
Unrealized foreign exchange gain	(3)
Balance at June 30, 2021	\$ <u>(254)</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 June 30, 2021, the Corporation's market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at June 30, 2021, 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.

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Management has determined the effect on the results of operations of the Corporation for the year ended June 30, 2021 if the fair value of each of the portfolio investments as at June 30, 2021 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 year ended June 30, 2021 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	\$ 81	\$ -
10% decrease in fair value of portfolio investments	\$ (81)	\$ -

Commodity Risk

To reduce price risk caused by market fluctuations, the Corporation generally follows a policy of using exchange-traded futures and options contracts to minimize its net position of merchandisable agricultural commodity inventories and forward cash purchase and sales contracts. The Corporation will also use exchange-traded futures and options contracts as components of merchandising strategies designed to enhance margins. The results of these strategies may be significantly influenced by factors such as the volatility of the relationship between the value of exchange-traded commodities futures contracts and the cash prices of the underlying commodities, and volatility of freight markets. Derivative contracts have not been designated, and are not accounted for, as fair value hedges. Management determines fair value based on exchange-quoted prices, and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets. Realized and unrealized gains and losses in the value of inventories of merchandisable agricultural commodities, forward cash purchase and sales contracts, and exchange-traded futures contracts are recognized in profit or loss as a component of Cost of sales. Unrealized gains and losses on these derivative contracts are recognized in earnings and classified on the Consolidated Balance Sheet as Due from Broker, Unrealized gains (losses) on open cash contracts, as applicable.

Management has determined the effect on the results of operations of the Corporation for the year ended June 30, 2021 if the fair value of each of the open cash contracts as at June 30, 2021 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 year ended June 30, 2021 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	\$ (4,091)	\$ (0.13)
5% decrease in bid/ask prices of commodities	\$ 4,091	\$ 0.13

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Interest Rate Risk

As at June 30, 2021, Ceres had no long or short portfolio positions in any interest-bearing investment securities.

As at June 30, 2021, 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 June 30, 2021, 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 12 (Bank Indebtedness), as at June 30, 2021, the Corporation's 2021 Credit Facility (as defined herein) bears a tiered annual interest based on utilization ranging from 2.875% to 3.125% plus one-week LIBOR. As at June 30, 2021, management has determined the effect on the future results of operations of the Corporation if the variable interest rate component applicable on that date was to increase by 25 basis points ("25 bps"), using the balance of the revolving credit facility payable as at that date and the number of shares then issued and outstanding, and with all other variables remaining constant.

Furthermore, as at June 30, 2021, the Corporation's term debt with the Bank of Montreal ("BMO Loan") (note 13) bears interest at an annual rate of 3.50% plus one-month LIBOR. As at June 30, 2021, 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 BMO Loan was to increase by 25 bps, using the balance of the BMO 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 results of operations for the year ended June 30, 2021 would be as follows:

<i>(in thousands of USD except income per share)</i>	Increase (decrease) on net income	Increase (decrease) on income per share
<u>2021 Credit Facility (as defined in note 12)</u>		
25 bps increase in annual interest rate	\$ (205)	\$ (0.01)
<u>BMO Loan</u>		
25 bps increase in annual interest rate	\$ (76)	\$ -

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 June 30, 2021, 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

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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 June 30, 2021 and June 30, 2020, the allowance for doubtful accounts was \$108 thousand and \$820 thousand, respectively.

The Corporation did not have any customers that individually represented more than 10% of total revenue for the year ended June 30, 2021. For the year ended June 30, 2020, the Corporation had one customer that individually represented more than 10% of total revenue, comprising of 11.8% of total revenue.

Custody and Prime Brokerage Risk

There are risks involved with dealing with a custodian or broker who settle trades. In certain circumstances, the securities or other assets deposited with the custodian or broker may be exposed to credit risk with respect to those parties. In addition, there may be practical, or timing implications 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 June 30, 2021 and June 30, 2020, the following are the contractual maturities of financial liabilities, excluding interest payments:

June 30, 2021

<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	\$ 80,760	\$ 81,000	\$ 81,000	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	41,336	41,336	41,336	-	-	-
Accounts payable - related parties	136	136	136	-	-	-
Unrealized losses on open cash contracts	25,112	25,112	25,112	-	-	-
Term loan (note 13)	28,877	29,625	1,500	1,500	26,625	-
	<u>\$ 176,221</u>	<u>\$ 177,209</u>	<u>\$ 149,084</u>	<u>\$ 1,500</u>	<u>\$ 26,625</u>	<u>\$ -</u>

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June 30, 2020

<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	\$ 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 (note 13)	29,721	30,000	-	5,000	25,000	-
	<u>\$ 105,269</u>	<u>\$ 105,846</u>	<u>\$ 75,846</u>	<u>\$ 5,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>

<sup>(1)</sup> Finance lease obligations recorded in Accounts payable and accrued liabilities.

Future expected operational cash flows and sufficient assets are available to fund the settlement of these obligations in the normal course of business. In addition, the following factors allow for the substantial mitigation of liquidity risk: the prompt settlement of amounts due from brokers, and the active management of trade accounts. 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 June 30, 2021, the following is a summary, at fair value, of Ceres' exposure to currency risks on monetary assets and liabilities:

<i>(in thousands of USD)</i>	Net asset (liability) exposure
Canadian dollars	<u>\$ (3,057)</u>

The following is a summary of the effect on Ceres' profit or loss for the year ended June 30, 2021 if the USD had become 5% stronger or weaker against the CAD as at June 30, 2021, 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>	Increase (decrease) in net income	Increase (decrease) in income per share
CAD 5% Stronger	\$ (153)	\$ -
CAD 5% Weaker	<u>\$ 146</u>	<u>\$ -</u>

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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 Consolidated Statements of Comprehensive Income (Loss).

**Other financial instruments**

The carrying values of accounts receivable, bank indebtedness, and account payable and accrued liabilities approximate their fair values as at June 30, 2021 due to the short-term nature of these instruments. The carrying value of long-term debt approximates fair value as at June 30, 2021 based on current market rates for similar instruments.

**(8) INVESTMENTS IN ASSOCIATES**

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Savage Riverport, LLC, membership units	\$ 4,612	\$ 4,694
Stewart Southern Railway Inc., common shares	1,881	2,008
Farmers Grain, LLC, membership units	8,440	-
Investments in associates	<u>\$ 14,933</u>	<u>\$ 6,702</u>

**(a) Savage Riverport, LLC (“Savage Riverport”)**

Savage Riverport is a joint venture in which the Corporation has joint control and a 50% ownership interest. Savage Riverport was founded by the Corporation and Consolidated Grain and Barge (“CGB”) on April 30, 2018. On that date, the Corporation transferred the grain elevator and related assets at its Savage, Minnesota facility, which had net book value of \$9.4 million as at April 30, 2018, to the newly formed entity. Savage Riverport is principally engaged in grain storage and handling services and is based in Savage, MN. Subsequent to the transaction in fiscal year 2018, Ceres received cash of \$8.5 million in exchange for 50% of the equity in Savage Riverport, of which, \$2.0 million was utilized to pay down term debt at that time. The sale of the equity in Savage Riverport net of transaction fees resulted in a gain of \$3.7 million. The Corporation is recognizing the remaining gain of \$3.8 million over the useful life of the contributed assets.

Ceres holds a 50% equity interest in Savage Riverport. Major strategic and operating decisions of Savage Riverport are made by its board of directors and Ceres does not have a majority of the board seats.



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Due to these factors, Ceres has joint control of Savage Riverport, and accounts for its investment in Savage Riverport using the equity method.

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Beginning investment in Savage Riverport	\$ 4,694	\$ 4,653
Corporation's 50% share of joint venture net income (loss)	(429)	(306)
Amortization of deferred gain	347	347
Ending investment in Savage Riverport	<u>\$ 4,612</u>	<u>\$ 4,694</u>

Included below is summary balance sheet and profit and loss information of Savage Riverport as at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Current assets	\$ 823	\$ 769
Non-current assets	14,286	15,194
Total assets	15,109	15,963
Current liabilities	369	339
Non-current liabilities	72	99
Net assets	14,668	15,525

The following amounts have been included in the amounts above: Cash and cash equivalents

	\$ 311	\$ 368
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	For the years ended June 30, 2021	June 30, 2020
Revenues	\$ 3,366	\$ 3,292
Loss from operations	(817)	(542)
Net and comprehensive loss	(857)	(611)

The following amounts have been included in the amounts above: Depreciation and amortization

	\$ 1,271	\$ 1,249
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Included below is a reconciliation of Savage Riverport's equity to the carrying value reported on the Consolidated Balance Sheets as at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Opening net assets of Savage Riverport	\$ 15,525	\$ 16,136
Joint venture net loss	(857)	(611)
Closing net assets of Savage Riverport	14,668	15,525
Corporation's share of net assets at 50%	7,334	7,762
Deferred gain on disposal of assets	(3,069)	(3,415)
Plus: Amortization of deferred gain	347	347
Investment in Savage Riverport	\$ 4,612	\$ 4,694

For the year ended June 30, 2021, the Corporation's consolidated profit or loss included the Corporation's share in the net loss of Savage Riverport's equity, after recognition of the amortization of deferred gain, is a net loss of \$82 thousand compared to a 2020 net income of \$41 thousand. During the years ended June 30, 2021 and 2020, the Corporation did not receive a dividend from Savage Riverport, LLC.

**(b) SSR**

Ceres holds a 25% equity interest in SSR, a Canadian private company. Ceres also holds rights to a 25% voting position on SSR's board of directors. SSR operates a 132-kilometre (82-mile) short-line railway in southeastern Saskatchewan. Major operating decisions of SSR are made by its board of directors and Ceres does not have a majority of the board seats. Due to these factors, Ceres does not control SSR, and accounts for its investment in SSR using the equity method.

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Revenues	\$ 2,134	\$ 1,589
Income (loss) from continuing operations	(252)	(256)
Net and comprehensive income (loss)	(508)	(840)
Current assets	420	477
Non-current assets	6,853	7,125
Total Assets	7,273	7,602
Current liabilities	152	228
Non-current liabilities	48	74
Net assets	\$ 7,073	\$ 7,300

For the year ended June 30, 2021, the Corporation's consolidated profit or loss included the Corporation's share in the net loss of SSR's equity of \$127 thousand (2020: net loss of \$210 thousand). During the year ended June 30, 2021 and 2020, the Corporation did not receive a dividend from SSR.

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Included below is a reconciliation of the Corporation's 25% portion in SSR's equity to the carrying value reported on the Consolidated Balance Sheets as at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Investee's equity as at reporting date	\$ 7,073	\$ 7,300
Corporation's 25% portion of SSR equity	1,768	1,825
Goodwill	113	113
Currency translation adjustment	-	70
Carrying value	<u>\$ 1,881</u>	<u>\$ 2,008</u>

Reconciliation of the Corporation's share in net income of SSR to carrying value:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Investee's equity at beginning of year	\$ 2,008	\$ 2,218
Ceres' share in SSR net income	(127)	(209)
Currency translation adjustment	-	(1)
Carrying value	<u>\$ 1,881</u>	<u>\$ 2,008</u>

(c) *Farmers Grain*

Farmers Grain is a joint venture in which the Corporation, through its wholly owned U.S. subsidiary, Riverland, has joint control and a 50% ownership interest along with FCGS. Farmers Grain was established on February 10, 2021, with Riverland contributing \$6.7 million cash and is based in Thief River Falls, MN.

Ceres holds a 50% equity interest in Farmers Grain. Major operating decisions of Farmers Grain are made by its board of directors and Ceres does not have a majority of the board seats.

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Due to these factors, Ceres has joint control of Farmers Grain, and accounts for its investment in Farmers Grain using the equity method.

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Beginning investment in Farmers Grain	\$ 6,700	\$ -
Capital contribution	1,900	-
Corporation's 50% share of joint venture net income (loss)	(160)	-
Ending investment in Farmers Grain	<u>\$ 8,440</u>	<u>\$ -</u>

Included below is summary balance sheet and profit and loss information of Farmers Grain as at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Current assets	\$ 21,070	\$ -
Non-current assets	16,083	-
Total assets	37,153	-
Current liabilities	19,478	-
Non-current liabilities	795	-
Net assets	16,880	-

	For the years ended June 30, 2021	June 30, 2020
Revenues	\$ 9,911	\$ -
Income from operations	623	-
Net and comprehensive loss	(320)	-
The following amounts have been included in the amounts above: Depreciation and amortization	\$ (191)	\$ -

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Included below is a reconciliation of Farmers Grain's equity to the carrying value reported on the Consolidated Balance Sheets as at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Opening net assets of Farmers Grain	\$ 13,400	\$ -
Capital contributions	3,800	
Joint venture net loss	(320)	-
Closing net assets of Farmers Grain	16,880	-
Corporation's share of net assets at 50%	8,440	-
Investment in Farmers Grain	\$ 8,440	\$ -

For the year ended June 30, 2021, the Corporation's consolidated profit or loss included the Corporation's share in the net loss of Farmers Grain's equity is a net loss of \$160 thousand compared to nil in 2020. During the years ended June 30, 2021 and 2020, the Corporation did not receive a dividend from Farmers Grain.

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

Property, plant and equipment is comprised the following at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	Land	Buildings, Silos & Elevators	Machinery & equipment	Office equipment & other assets	Construction in progress	Totals
<b>Cost</b>						
June 30, 2020	\$ 21,483	\$ 79,362	\$ 29,746	\$ 4,438	\$ 1,261	\$ 136,290
Additions	-	-	-	-	3,748	3,748
Placed in service	46	968	637	1	(1,652)	-
Disposals	-	(46)	27	(1)	-	(20)
Assets acquired	5	3,263	2,991	-	-	6,259
June 30, 2021	\$ 21,534	\$ 83,547	\$ 33,401	\$ 4,438	\$ 3,357	\$ 146,277
<b>Accumulated depreciation</b>						
June 30, 2020	\$ -	\$ (15,671)	\$ (7,490)	\$ (2,509)	\$ -	\$ (25,670)
Depreciation	-	(3,138)	(2,463)	(425)	-	(6,026)
Disposals	-	3	(3)	-	-	-
June 30, 2021	\$ -	\$ (18,806)	\$ (9,956)	\$ (2,934)	\$ -	\$ (31,696)
<b>Carrying amount</b>						
June 30, 2021	\$ 21,534	\$ 64,741	\$ 23,445	\$ 1,504	\$ 3,357	\$ 114,581

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(in thousands of USD)	Land	Buildings, Silos & Elevators	Machinery & equipment	Office equipment & other assets	Construction in progress	Totals
<b>Cost</b>						
June 30, 2019	\$ 20,880	\$ 72,539	\$ 24,592	\$ 4,171	\$ 24	\$ 122,206
Additions	-	-	-	-	1,979	1,979
Placed in service	-	343	348	34	(742)	(17)
Disposals	-	-	(62)	-	-	(62)
Assets acquired	603	6,480	4,903	233	-	12,219
Reclassification of finance lease	-	-	(35)	-	-	(35)
June 30, 2020	\$ 21,483	\$ 79,362	\$ 29,746	\$ 4,438	\$ 1,261	\$ 136,290
<b>Accumulated depreciation</b>						
June 30, 2019	\$ -	\$ (12,497)	\$ (5,645)	\$ (2,060)	\$ -	\$ (20,202)
Depreciation	-	(3,174)	(1,864)	(449)	-	(5,487)
Disposals	-	-	11	-	-	11
Reclassification of finance lease	-	-	8	-	-	(35)
June 30, 2020	\$ -	\$ (15,671)	\$ (7,490)	\$ (2,509)	\$ -	\$ (25,670)
<b>Carrying amount</b>						
June 30, 2020	\$ 21,483	\$ 63,691	\$ 22,256	\$ 1,929	\$ 1,261	\$ 110,620

There were \$578 thousand of property, plant and equipment additions that have been accrued but not yet paid as at June 30, 2021 compared to \$186 thousand as at June 30, 2020.

#### Impairments

During the years ended June 30, 2021 and 2020, there were no asset impairments recorded.

#### Additions

On September 1, 2020, Ceres acquired the Nicklen Facility. The property, plant, and equipment acquired totaled \$6.3 million.

#### Disposals

During the year ended June 30, 2021 the Corporation disposed of its Newdale, Manitoba grain facility and recognized a gain on the disposal of \$37 thousand, classified within consolidated profit or loss as "Gain (loss) on property, plant and equipment." During year the ended June 30, 2020, the Corporation recognized a gain of \$23 thousand on the disposal of property, plant, and equipment.

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**(10) INTANGIBLE ASSETS**

Intangible assets are comprised the following as at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	Trademarks, tradename, customer/ producer relationships	Goodwill	Other intangible assets	Total
<b>Intangible assets</b>				
June 30, 2020	\$ 6,595	\$ 4,704	\$ 300	\$ 11,599
Additions	-	-	-	-
Disposals	-	-	(150)	(150)
June 30, 2021	<u>\$ 6,595</u>	<u>\$ 4,704</u>	<u>\$ 150</u>	<u>\$ 11,449</u>
<b>Accumulated amortization</b>				
June 30, 2020	\$ (4,209)	\$ -	\$ -	\$ (4,209)
Amortization	(262)	-	-	(262)
June 30, 2021	<u>\$ (4,471)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,471)</u>
<b>Carrying amount</b>				
June 30, 2021	<u>\$ 2,124</u>	<u>\$ 4,704</u>	<u>\$ 150</u>	<u>\$ 6,978</u>

<i>(in thousands of USD)</i>	Trademarks, tradename, customer/ producer relationships	Goodwill	Other intangible assets	Total
<b>Intangible assets</b>				
June 30, 2019	\$ 3,968	\$ -	\$ 300	\$ 4,268
Additions	2,627	4,704	-	7,331
Disposals	-	-	-	-
June 30, 2020	<u>\$ 6,595</u>	<u>\$ 4,704</u>	<u>\$ 300</u>	<u>\$ 11,599</u>
<b>Accumulated amortization</b>				
June 30, 2019	\$ (3,968)	\$ -	\$ -	\$ (3,968)
Amortization	(241)	-	-	(241)
June 30, 2020	<u>\$ (4,209)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,209)</u>
<b>Carrying amount</b>				
June 30, 2020	<u>\$ 2,386</u>	<u>\$ 4,704</u>	<u>\$ 300</u>	<u>\$ 7,390</u>

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Other intangible assets consist of customer and producer relationships, as well as tradenames and trademarks acquired as part of the purchase of Delmar. Other intangible assets are amortized on a straight-line basis over 10 years.

During the year ended June 30, 2021, the Corporation sold two Minneapolis Grain Exchange memberships. The Corporation received \$440 thousand dollars in cash and recognized a \$290 thousand gain on the sale which is recorded within profit or loss in Gain (loss) on sale of intangible assets.

*Impairment testing of cash-generating units*

In determining whether goodwill is impaired, the Corporation is required to estimate the respective recoverable amounts of CGUs or groups of CGUs to which goodwill is allocated. Management considers the sectors below to be CGUs as they represent the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

As at June 30, 2021, the Corporation has three operating segments: Grain, Supply Chain Services, and Seed and Processing. Goodwill is allocated to each CGU or group of CGUs as follows:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Grain	\$ -	\$ -
Supply Chain Services	-	-
Seed and Processing	4,704	4,704
Goodwill	\$ 4,704	\$ 4,704

Recoverable amounts for the Seed and Processing division have been estimated using a discounted cash flow model based on the following key assumptions:

- Cash flows: Cash flow forecasts for a given CGU are based on earnings before interest, income taxes, depreciation and amortization, and are adjusted for a growth rate. The cash flow forecast does not exceed a period of 10 years with a terminal value calculated as a perpetuity in the final year.
- Growth rate: Management uses a growth rate to adjust its forecasted cash flows based on expected increases in inflation and revenues for the CGU.
- Discount rate: Cash flows are discounted using pre-tax discount rates. The growth rates and pre-tax discount rates applied to the Seed and Processing division were 2.0% and 10.0%, respectively.

The Corporation performed its annual impairment testing of goodwill based on the June 30, 2021 balances, and, the recoverable amounts exceeded the respective carrying values including goodwill; therefore, goodwill was not considered to be impaired as at June 30, 2021.



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**(11) LEASE COMMITMENTS**

Lease commitments are comprised of the following as at June 30, 2021 and June 30, 2020:

<i>(in thousands of USD)</i>	Land and Buildings	Machinery and Equipment	Office Equipment	Total Right of Use Assets
June 30, 2020	2,649	1,102	52	3,803
Additions and modifications	1,336	25	70	1,431
Disposals	(96)	(67)	(2)	(165)
June 30, 2021	\$ 3,889	\$ 1,060	\$ 120	\$ 5,069
<b>Accumulated amortization</b>				
June 30, 2020	\$ (413)	\$ (208)	\$ (23)	\$ (644)
Amortization	(435)	(211)	(23)	(669)
Disposals	83	47	-	130
June 30, 2021	\$ (765)	\$ (372)	\$ (46)	\$ (1,183)
<b>Carrying amount</b>				
June 30, 2021	\$ 3,124	\$ 688	\$ 74	\$ 3,886

<i>(in thousands of USD)</i>	Land and Buildings	Machinery and Equipment	Office Equipment	Total Right of Use Assets
June 30, 2019	\$ -	\$ 28	\$ -	\$ 28
July 1, 2019	2,628	1,081	58	3,767
Additions and modifications	21	21	(6)	36
June 30, 2020	\$ 2,649	\$ 1,102	\$ 52	\$ 3,803
<b>Accumulated amortization</b>				
June 30, 2019	\$ -	\$ -	\$ -	\$ -
Amortization	(413)	(208)	(23)	(644)
June 30, 2020	\$ (413)	\$ (208)	\$ (23)	\$ (644)
<b>Carrying amount</b>				
June 30, 2020	\$ 2,236	\$ 894	\$ 29	\$ 3,159

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<i>(in thousands of USD)</i>	Lease Commitments
Lease payments due within:	
1 year	\$ 882
2 years	653
3-5 years	1,745
6 or more years	2,066
Contractual lease cash flow	5,346
Interest attributed to lease payments	(1,490)
Balance at June 30, 2021	\$ 3,856

**(12) BANK INDEBTEDNESS**

On February 10, 2021, the Corporation amended the 2020 credit facility agreement led by Macquarie Bank Ltd., as administrative agent on behalf of a syndicate group of lenders which includes Bank of Montreal and Cooperative Rabo Bank U.A. (the "**2020 Credit Facility**"). Under the new credit facility (the "**2021 Credit Facility**") the amount of the revolving facility available to Ceres remains at \$100 million, with the potential to access an accordion feature that would provide an additional \$20 million. The revolving facility matures on February 9, 2022.

The interest rate under the 2021 Credit Facility is a tiered annual interest rate based on the utilization as follows:

Revolver Credit Facility	Applicable Margin
< 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. 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 rate is calculated and paid on a monthly basis. The 2021 Credit Facility is subject to borrowing base limitations. Amounts under the agreement that remain undrawn are not subject to a commitment fee. The 2021 Credit Facility has certain covenants pertaining to the accounts of the Corporation, as at June 30, 2021, the Corporation was in compliance with all covenants.

As at June 30, 2021 and June 30, 2020, the Corporation had \$19.0 million and \$ 44.3 million in availability, respectively, on its revolving credit facility.

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As at June 30, 2021 and June 30, 2020, the carrying amount of bank indebtedness is summarized as follows:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Revolving credit facility	\$ 81,000	\$ 32,000
Unamortized financing costs	(240)	(298)
Bank indebtedness	<u>\$ 80,760</u>	<u>\$ 31,702</u>

**(13) TERM LOAN**

On November 15, 2018, the Corporation entered into a \$20.0 million term loan agreement with Bixby Bridge Fund IV, LLC (the “**Bixby Loan**”). On August 16, 2019, the Bixby Loan was amended in conjunction with the Corporation’s acquisition of Delmar which increased the amount of the loan by \$15.0 million to a total of \$35.0 million. On February 28, 2020, the Corporation elected to pay the \$5.0 million scheduled payment due November 15, 2020 early. Additionally, the annual interest rate increased to 6.00% plus one-month LIBOR.

On June 11, 2021, the Corporation entered into the BMO Loan, a five-year senior secured \$50 million term debt credit facility that includes a \$30 million term loan draw that was used to retire the Bixby Loan along with an additional \$20 million delayed draw committed term loan that will be used to fund future growth projects and initiatives. Repayment of the BMO Loan will be in the form of quarterly payments of \$375 thousand over the 5-year term, with the remaining balance of \$22.5 million due on the maturity date of June 11, 2026. Undrawn amounts on the delayed draw term loan are subject to a 0.25% commitment Interest is paid monthly and at the Corporation’s option, the BMO Loan will bear interest equal to:

- 3.5% plus one-month LIBOR; or
- 2.5% plus the greater of (i) Lender’s prime commercial rate as in effect on such day, (ii) the sum of the Fed Funds plus 0.5%, and (iii) the one-month LIBOR plus 1.0%

In connection with the origination of term loans, the Corporation paid transaction costs relating to the loan closure in the amount of \$748 thousand during fiscal year 2021 and \$349 thousand during fiscal year 2020, 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.

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<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Current portion of term loan	\$ 1,500	\$ -
Less current portion of unamortized financing costs	(180)	-
Current portion of term loan	1,320	-
Long-term portion of term loan	28,125	30,000
Less long-term portion of unamortized financing costs	(568)	(279)
Long-term loan	27,557	29,721
Total	\$ 28,877	\$ 29,721

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

**(14) 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 years ended June 30, 2021 and 2020:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Realized and unrealized gain (loss) on foreign exchange	\$ (363)	\$ (31)
Finance lease interest income	6	-
Accretion of contingent consideration	-	(49)
Finance income (loss)	\$ (357)	\$ (80)

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**(15) INTEREST EXPENSE**

The following table presents interest expense for the years ended June 30, 2021 and 2020:

<i>(in thousands of USD)</i>	June 30, 2021	June 30, 2020
Interest on bank indebtedness	\$ (2,114)	\$ (2,475)
Interest on term loan	(1,867)	(2,407)
Interest on repurchase obligations	(115)	-
Interest attributable to leases	(210)	(195)
Amortization of financing costs paid	(961)	(783)
Interest on other financing obligations	24	3
Interest expense	<u>\$ (5,243)</u>	<u>\$ (5,857)</u>

**(16) EQUITY**

**(a) Authorized**

Unlimited number of voting, participating Common shares, without par value.

**(b) Stock Option and Appreciation Rights**

On March 10, 2014, the Board of Directors approved the Ceres Global Ag Corp. Stock Option Plan, as later amended and renamed the “Equity Incentive Plan.” Participation in the Equity Incentive Plan is available to certain officers, key employees and consultants of the Corporation and its subsidiaries. The purpose of the Equity Incentive Plan is to attract, retain and motivate these parties by providing them with the opportunity, through options, to acquire a proprietary interest in the Corporation and to benefit from its growth.

The Equity Incentive Plan is administered by the Board of Directors, which determines (among other things) those officers, key employees and consultants who may be granted awards as Participants and the terms and conditions of any award to any such Participant. The exercise price of the options is fixed by the Board of Directors and may be no less than 100% of the Market Price on the effective date of the award of the options, which may be granted for a term not exceeding ten (10) years. The maximum number of common shares reserved for issuance upon the exercise of options cannot exceed 10% of the total number of common shares issued and outstanding less the number of common shares reserved for issuance under the Corporation’s Directors Deferred Share Unit Plan (note 15). Restrictions exist as to the number of options that may be granted to Insiders within any one-year period, and as to the number of, and the aggregate fair market value of, the common shares underlying the options that may be granted to any one Participant.

The Equity Incentive Plan also provides for the Board of Directors to grant SARs to certain officers, key employees and consultants of the Corporation. Stand-Alone SARs granted under the Plan become vested at such times, in such installments and subject to the terms and conditions of the Equity Incentive Plan (including satisfaction of performance criteria and/or continued employment) as may be determined by the Board of Directors. The Base Price for each common share subject to a Stand-Alone SAR may not be

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less than 100% of the Market Price of a common share on the effective date of the award of such Stand-Alone SAR. Tandem SARs may be granted at or after the effective date of the related award of options, and each Tandem SAR is subject to the same terms and conditions and denominated in the same currency as the option to which it relates and the additional terms and conditions under the Equity Incentive Plan. Tandem SARs may be exercised only if and to the extent the options related thereto are then vested and exercisable. On exercise of a Tandem SAR, the related option will be cancelled, and the Participant will be entitled to an amount in settlement of such Tandem SAR calculated and, in such form, as provided by the Equity Incentive Plan.

On May 10, 2018 the Board of Directors, authorized an amendment to all issued and outstanding options awards to add a Tandem SAR grant and revised vesting schedule, resulting in an accrued liability and corresponding compensation cost of \$99 thousand and a revaluation gain of \$24 thousand.

During the year ended June 30, 2021, Ceres granted stock option awards (“Options”), which include Tandem SARs, under the Corporation’s stock option plan to certain officers and employees of the Corporation. As at June 30, 2021, the outstanding Tandem SARs are as follows:

	Number of Options	Weighted average exercise price (CAD)	Weighted average remaining contractual term (years)
Outstanding as at June 30, 2019	1,830,387	\$ 5.17	2.90
Granted	365,500	3.74	4.34
Exercised	(6,250)	4.19	-
Expired/forfeited	(431,821)	5.17	-
Outstanding as at June 30, 2020	1,757,816	4.88	2.40
Granted	330,000	3.14	4.25
Exercised	(11,000)	3.60	-
Expired/forfeited	(773,441)	5.67	-
Outstanding as at June 30, 2021	1,303,375	\$ 4.61	1.66

At the grant date, the fair value of the Options was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: an average risk-free interest rate of 0.85%; expected volatility of 40.14%; dividend yield of nil; an average expected option life of 4.25 years; and average exercise price of CAD \$3.14. The weighted average grant date fair value of the Options granted during the year ended June 30, 2021, is CAD \$2.09 and CAD \$0.79 for the year ended June 30, 2020. As at June 30, 2021, Options had exercise prices ranging from CAD \$2.98 to CAD \$6.75 and CAD \$2.98 to CAD \$6.75 as at June 30, 2020.

On the exercise date, the weighted average share price of common shares on the market was CAD \$4.34 for the year ended June 30, 2021 and CAD \$4.10 for the year ended June 30, 2020.

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The total Option compensation cost included in general and administrative expenses for the year ended June 30, 2021, amounted to \$287 thousand and \$187 thousand for the year ended June 30, 2020, with the non-cash expense being accrued and classified within Stock appreciation right liability in the Consolidated Balance Sheet.

In fiscal year 2020, the Corporation granted 258,398 RSUs with a grant date fair value of \$412 thousand. The RSUs vest in five equal annual installments over four years based on the attainment of certain performance measures and the employee's continued service through the vest date. During the fiscal year ended June 30, 2021, 51,680 of the RSUs vested and were settled. The expense related to RSUs was \$226 thousand for the year ended June 30, 2021, and \$144 thousand for the year ended June 30, 2020. The RSU expense is recorded within General and administrative expenses. As at June 30, 2021, there were 206,718 issued and outstanding.

(c) *Issued and outstanding as at June 30, 2021 and June 30, 2020*

The following is a summary of the changes in the Common shares for the year ended June 30, 2021:

	<b>Common shares</b>	
	Number of shares	Amount ( <i>in thousands of USD</i> )
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	-	(77)
Options exercised for common shares	1,250	3
Restricted stock options exercised	34,005	94
Balances, June 30, 2020 and 2021	30,772,845	\$ 172,374

(d) *Earnings per share*

The following is a summary of Earnings per share for the years ended June 30, 2021, and June 30, 2020:

<i>(Net income in thousand of USD)</i>	June 30,	
	2021	2020
Net income (loss)	\$ 12,044	\$ 4,337
Weighted average number of commons shares (basic)	30,772,845	30,041,801
Dilutive effect of Options	1,439,585	1,380,661
Dilutive effect of Deferred share units	507,345	400,109
Weighted average number of common shares (diluted)	\$ 32,719,775	\$ 31,822,571
Basic income (loss) per common share	\$ 0.39	\$ 0.14
Diluted income (loss) per common share	\$ 0.37	\$ 0.14

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As at June 30, 2021 and June 30, 2020, directors and officers of the Corporation beneficially own, directly or indirectly, or exercise control or direction over 55.4% and 50.6%, respectively, of the outstanding Common shares of the Corporation.

**(17) DEFERRED SHARE UNIT PLAN**

Effective December 1, 2020, the Board of Directors amended the DSU Plan to provide that any DSU granted on or after December 1, 2020, will be redeemed in cash in an amount equal to the Fair Market Value of a Common Share, determined by the Committee in its sole discretion as of the Entitlement Date; provided that the Corporation may, at its option and subject to the availability of shares under the DSU Plan, deliver to the Eligible Director in satisfaction of all or a portion of such Deferred Share Units, one Common Share for each Deferred Share Unit.

Effective September 29, 2016, the Board of Directors amended the Directors' Deferred Share Unit Plan to (i) authorize the Board of Directors, in its sole discretion, to issue Common Shares to directors in lieu of all or a portion of the annual cash remuneration payable to eligible directors in respect of services provided by such eligible directors to the Corporation, (ii) increase the aggregate number of Common Shares issuable under the plan from 450,000 to 600,000 Common Shares and (iii) rename the plan the Directors' Share and Deferred Share Unit Plan.

Effective March 10, 2014, Ceres has a Directors' Deferred Share Unit Plan, whereby deferred share units ("DSUs") are issued to Eligible Directors, in lieu of cash, for a portion of Directors' fees otherwise payable to Directors. The Fair Market Value of the DSUs on the date such units are calculated and issued represents the volume-weighted average trading price of Ceres' common shares for the five trading days immediately preceding the date of issuance of the DSUs. Each DSU entitles the director to receive payment after the end of the director's term in the form of common shares of the Corporation. Under the plan, the aggregate number of common shares issuable by Ceres under this Plan was limited to 450,000 and subsequently amended to 600,000 common shares. Certain insider restrictions and annual dollar limits per Eligible Director exist. Dividends, if any, otherwise payable on the common shares represented by the DSUs are converted into additional DSUs based on the Fair Market Value as of the date on which any such dividends would be paid. The Plan also provides for the Board of Directors to award additional DSUs (referred to in the Plan agreement as "Matching DSUs") to an Eligible Director who has elected to receive DSUs pertaining to his/her Annual Cash Remuneration amount (as defined by the Plan).

The Corporation intends to settle all equity settled DSUs with shares through the issuance of treasury shares. Compensation expense is included as part of Directors' fees classified with general and administrative expenses and is recognized in the accounts as and when services are rendered to the Corporation.



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The following table summarizes the information related to DSUs outstanding:

	Number of DSUs	Amount (in thousands of USD)
DSUs as at June 30, 2019	357,030	\$ 1,387
Adjustment for change in functional currency	-	(13)
Units issued	125,328	310
Balances, June 30, 2020	482,358	1,684
Units issued (shares)	33,285	78
Balances, June 30, 2021	515,643	\$ 1,762

**(18) RELATED PARTY TRANSACTIONS**

*Key management personnel*

Below is the remuneration of key management personnel of the Corporation, which includes both members of the Board and leadership team, including the President and CEO, CFO and vice presidents for the fiscal years ended:

(in thousands of USD)	June 30, 2021	June 30, 2020
Salary and short-term employee and director benefits	\$ 2,001	\$ 2,004
Share-based compensation	608	535
	\$ 2,609	\$ 2,539

*Savage Riverport*

Ceres routinely transacts business directly with Savage Riverport. 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 \$80 thousand is included in total revenue for the fiscal year 2021 compared to related party revenue of \$80 thousand in fiscal year 2020. Related party expenses recorded in cost of sales are \$1.8 million for the fiscal year 2021 and \$1.5 million for fiscal year 2020. As at June 30, 2021, the accounts receivable, due from Savage Riverport totaled \$212 thousand (\$84 thousand in 2020) and accounts payable, due to Savage Riverport totaled \$39 thousand (\$25 thousand in 2020).

*Farmers Grain*

Ceres routinely transacts business directly with Farmers Grain. Such transactions are in the ordinary course of business and include the purchase of grain as well as management fees. Related party revenue of \$162 thousand is included in total revenue for the fiscal year 2021 compared to nil in fiscal year 2020. Related party expenses recorded in cost of sales are \$456 thousand for the fiscal year 2021 and nil for fiscal year 2020. As at June 30, 2021, the accounts receivable, due from Farmers Grain totaled \$147 thousand compared to nil as at June 30, 2020. As at June 30, 2021, the accounts payable, due to Farmers Grain totaled \$97 thousand compared to nil as at June 30, 2020.

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*Stewart Southern Railway Inc.*

As at June 30, 2020, the Corporation had a CAD \$25 thousand note due from SSR. During the fiscal year ended June 30, 2021, the note was repaid in full.

*Gateway Energy Terminal*

As at June 30, 2021, the accounts receivable, due from Gateway Energy Terminal, totaled \$85 thousand and \$195 thousand for the year ended June 30, 2020.

*Bixby Loan*

As at June 30, 2020, an affiliate of Bixby Bridge Fund IV, LLC ("**the Lender**"), separate and distinct from the Lender, held an indirect, minority 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 Board who are independent of the Lender. As at June 30, 2021, the balance of Bixby Loan was nil.

*Private Placement*

During the prior year, on June 30, 2020, the Corporation closed a 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.

**(19) BUSINESS COMBINATIONS**

*Delmar Commodities Ltd.*

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 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 payoff of approximately CAD \$7.3 million in existing term debt and CAD \$10.0 million in existing revolver debt.

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

<i>(in thousands of USD)</i>	August 1, 2019
Cash consideration	\$ 10,748
Working capital	754
Total cash consideration	11,502
Debt assumed	13,064
Working capital adjustments	(306)
Holdback adjustments	(119)
Total consideration	\$ 24,141

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

<i>(in thousands of USD)</i>	Amounts recognized as of the acquisition date	Measurement period adjustments	Amounts recognized as of June 30, 2020
Cash	\$ 80	\$ -	\$ 80
Account receivable	6,389	(115)	6,274
Income taxes receivable	1,172	-	1,172
Inventory	3,517	578	4,095
Other current assets	137	-	137
Property, plant, and equipment	-	12,219	12,219
Long-lived assets	17,687	(17,687)	-
Customer relationships	-	1,116	1,116
Producer relationships	-	764	764
Trademarks and tradenames	-	747	747
Goodwill	-	4,704	4,704
Total assets acquired	28,982	2,326	31,308
Current liabilities	4,893	439	5,332
Deferred tax liability	-	1,712	1,712
Long-term debt	91	32	123
Total liabilities assumed	4,984	2,183	7,167
Net assets acquired	\$ 23,998	\$ 143	\$ 24,141

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- (a) During the measurement period, the Corporation recorded certain adjustments to the purchase price allocation including the identification of customer relationships, producer relationships, trademark and tradenames, and goodwill. The Corporation recognized a deferred tax liability related to the intangible assets acquired.

The allowance for doubtful accounts at the date of acquisition was \$763 thousand.

Goodwill is primarily attributable to the synergies expected to be achieved by reducing costs and increasing margin opportunities from integrating Delmar's business with Ceres' operations after the acquisition. Goodwill is not deductible for tax purposes.

The intangible assets are amortized on a straight-line basis over ten years.

During the year ended June 30, 2020, the Corporation recorded depreciation expense on the step-up in fair value of property, plant, and equipment of approximately \$309 thousand.

Revenue included in the consolidated financial statements for Delmar from the date of acquisition was \$69.0 million. Net income included in the consolidated financial statements for Delmar from the date of acquisition was \$1.3 million.

**(20) SEGMENT REPORTING**

(a) *Reportable Segments*

As at June 30, 2021, the Corporation has four reportable segments: Grain, Supply Chain Services, Seed and Processing, and Corporate. As at June 30, 2021, the Corporation 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 seed distribution in western Canada.

Management reporting comprises analysis of revenue and gross profit within three distinct operating segments. Corporate oversees and administers the operating segments. The chief operating decision maker focuses on revenues and costs by operating segment, but manages assets and liabilities on a global basis.

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The following table presents information about reported segment profit or loss from the Statement of Comprehensive Income (Loss) for the year ended June 30, 2021:

(in thousands of USD)	Grain	Supply Chain Services	Seed and Processing	Corporate	Total
Revenues	\$ 691,935	\$ 3,156	\$ 53,113	\$ -	\$ 748,204
Cost of sales	(671,499)	(3,435)	(48,061)	(291)	(723,286)
Gross profit	20,436	(279)	5,052	(291)	24,918
General and administrative expenses	(3,827)	-	(1,142)	(11,084)	(16,053)
Income (loss) from operations	16,609	(279)	3,910	(11,375)	8,865
Finance income (loss)	6	-	-	(363)	(357)
Interest expense	(2,692)	-	3	(2,554)	(5,243)
Amortization of intangible assets	-	-	-	(262)	(262)
Revaluation of stock appreciation right liability	-	-	-	(685)	(685)
Revaluation of contingent consideration	-	-	-	-	-
Gain/loss on sale of intangible assets	-	-	-	290	290
Gain/loss on property, plant and equipment	-	-	-	37	37
Income (loss) before taxes	13,923	(279)	3,913	(14,912)	2,645
Income tax (expense) recovery	-	-	-	9,768	9,768
Share in net income (loss) from associates	(242)	-	-	(127)	(369)
Net income (loss)	\$ 13,681	\$ (279)	\$ 3,913	\$ (5,271)	\$ 12,044

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The following table presents information about reported segment profit or loss from the Statement of Comprehensive Income (Loss) for the year ended June 30, 2020:

(in thousands of USD)	Grain	Supply Chain Services	Seed and Processing	Corporate	Total
Revenues	\$ 539,221	\$ 4,035	\$ 38,457	\$ -	\$ 581,713
Cost of sales	(514,755)	(3,881)	(35,759)	-	(554,395)
Gross profit	24,466	154	2,698	-	27,318
General and administrative expenses	(8,878)	(122)	(832)	(7,871)	(17,703)
Income (loss) from operations	15,588	32	1,866	(7,871)	9,615
Finance income (loss)	16	-	-	(96)	(80)
Interest expense	(2,995)	-	(40)	(2,822)	(5,857)
Amortization of intangible assets	-	-	-	(241)	(241)
Revaluation of stock appreciation right liability	-	-	-	324	324
Revaluation of contingent consideration	-	-	-	917	917
Gain (loss) on sale of intangible assets	-	-	-	-	-
Gain (loss) on property, plant, and equipment	-	(23)	-	-	(23)
Income (loss) before taxes	12,609	9	1,826	(9,789)	4,655
Income tax (expense) recovery	-	-	-	(150)	(150)
Share in net income (loss) of associates	41	-	-	(209)	(168)
Net income (loss)	\$ 12,650	\$ 9	\$ 1,826	\$ (10,148)	\$ 4,337

**(b) Revenues by Geographic Region**

The following table presents geographical information about reported revenues from external customers for the years ended June 30, 2021 and June 30, 2020. The sales below are in relation to the physical delivery location of the customers which may not represent the jurisdiction where revenue was recognized.

	June 30, 2021	June 30, 2020
United States	56%	63%
Mexico	22%	10%
Canada	10%	9%
Italy	5%	15%
Other	7%	3%
Total	100%	100%

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(c) *Non-current Assets by Geographic Region*

The following table presents geographical information about non-current assets for the years ended June 30, 2021 and June 30, 2020:

	<u>2021</u>		<u>2020</u>	
<i>(in thousands of USD)</i>	United States	Canada	United States	Canada
Investments in associates	\$ 13,052	\$ 1,881	\$ 4,694	\$ 2,008
Property, plant, and equipment	29,880	84,701	31,351	79,269
Intangible assets	150	6,828	300	7,090
Right of use assets	2,414	1,472	1,982	1,177
Other assets	-	-	-	18
Total	<u>\$ 45,496</u>	<u>\$ 94,882</u>	<u>\$ 38,327</u>	<u>\$ 89,562</u>

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(21) INCOME TAXES

(a) Reconciliation of statutory tax provision to the effective tax provision

As the Corporation operates in several tax jurisdictions, its income is subject to taxation at various rates.

The provision for income taxes differs from the amount that would have resulted from applying the Canadian statutory income tax rates to income before income taxes for the following reasons:

<i>(in thousands of USD)</i>	For the years ended June 30,	
	2021	2020
Income (loss) before income taxes and share of net income (loss) of associates:		
Canada	\$ 157	\$ (3,352)
Mexico	-	(7)
United States of America	2,488	8,013
	2,645	4,654
Combined statutory Canadian federal and Ontario corporate income tax rate	26.5%	26.5%
Provisions for income taxes (payable) recoverable using statutory rate	(701)	(1,233)
Adjusted for the income tax effect of:		
Difference in tax rates applicable to subsidiaries	21	275
U.S. state taxes, net of U.S. federal tax benefit	29	(40)
Non-deductible portion of unrealized losses (non-taxable portion of unrealized gains) on investments	17	27
Changes in unrecognized temporary difference on income tax assets, net of deferred tax liabilities	11,472	619
Foreign exchange and other differences	(1,070)	202
	10,469	1,083
Income tax (expense) recovery	\$ 9,768	\$ (150)



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The components of the provision for income taxes for the years ended June 30, 2021 and 2020 are as follows:

<i>(in thousands of USD)</i>	For the years ended June 30, 2021	2020
Canada		
Current	\$ -	\$ (95)
Deferred	73	(3)
	<u>73</u>	<u>(98)</u>
Mexico		
Current	-	(1)
Deferred	-	(1)
	<u>-</u>	<u>(2)</u>
United States of America - Federal		
Current	-	-
Deferred	7,394	-
	<u>7,394</u>	<u>-</u>
United States of America - State		
Current	(35)	(50)
Deferred	2,336	-
	<u>2,301</u>	<u>(50)</u>
Income tax (expense) recovery	<u>\$ 9,768</u>	<u>\$ (150)</u>

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(b) Deferred income tax asset

The tax effects of temporary differences that give rise to significant elements of the net deferred income tax asset (liability) recognized as at June 30, 2021 and 2020, are as follows:

*(in thousands of USD)*

	As at June 30,	
	2021	2020
Deferred tax assets:		
Non-capital and net operating losses carried-forward	\$ 30,850	\$ 31,896
Adjustment of cost base of selected capital property for tax purposes	1,436	-
Amortization of grain and supply contracts	595	645
Interest expense limitation	147	52
Share issuance costs	12	16
Allowable capital losses carried-forward	-	756
Deductible portion of unrealized depreciation of portfolio investments	-	706
Other temporary deductible differences, net of temporary taxable differences	2,199	1,409
	35,239	35,480
Deferred tax liabilities		
Property, plant and equipment	(11,182)	(10,296)
Taxable portion of unrealized appreciation of associates	(1,684)	(1,071)
Intangible assets, excluding goodwill	(563)	(617)
Leases	(7)	-
	(13,436)	(11,984)
Unrecognized deferred tax assets	(13,714)	(25,211)
Non-current deferred tax asset (liability) - net	\$ 8,089	\$ (1,715)
Represented by:		
Deferred tax asset	\$ 9,684	\$ -
Deferred tax liability	(1,595)	(1,715)
	\$ 8,089	\$ (1,715)

In assessing the ability to realize the benefit of the deferred tax assets, management considers, on an entity-by-entity basis, whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers the likelihood of future profitability, the character of the deferred tax assets and available tax planning strategies in making this assessment. To the extent that management believes it is probable the deferred tax assets will be realized, that portion of the deferred tax assets is recognized in the financial statements

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(c) Tax losses carried forward

(i) Operations in Canada

For Canadian income tax purposes, effective July 1, 2021, the Corporation and Delmar, filed an election to report for income tax purposes using its USD functional currency, rather than CAD. As required by the Income Tax Act (Canada), tax losses carried forward on June 30, 2020 were translated to USD using that date's Bank of Canada spot rate.

On December 9, 2020, a shareholder acquired control of the Corporation. For Canadian income tax purposes, the Corporation and Delmar were deemed to have had a tax year-end on December 8, 2020. Because of loss limitation rules primarily affecting capital losses on the acquisition of control, accrued capital losses on capital property in the amount of \$5.39 million were triggered on that date. As at December 8, 2020, the Corporation had also accumulated capital losses totaling \$5.69 million. On December 8, 2021, the Corporation designated the deemed disposition of selected capital property, for a deemed capital gain of \$13.35 million. The accumulated capital loss plus the triggered accrued capital losses, aggregating to the amount of \$11.08 million, were used to partially offset the deemed capital gains. The remaining taxable capital gain in the amount of \$1.13 million was offset by using a portion of non-capital losses that were being carried forward from June 30, 2020, in that amount. On December 9, 2020, the Corporation was deemed to have reacquired the capital property it was deemed to have disposed of on December 8, 2020, at an adjusted cost base equal to the fair market value of those assets on December 8, 2020.

On the acquisition of control, the Corporation and Delmar were able to carry-forward the non-capital losses from accumulated from prior years, on the basis they were continuing the same business carried on prior to the acquisition of control.

As at June 30, 2021, the Corporation and Delmar have accumulated non-capital losses in the aggregate amount of USD \$60.3 million relating to its operations in Canada.

The non-capital losses are being carried forward and, unless utilized, will expire in the following taxation years:

*(in thousands of USD)*

2032	\$	4,429
2033		4,805
2034		9,970
2035		6,015
2036		7,908
2037		5,143
2038		8,857
2039		8,398
2040		4,740
	\$	<u>60,265</u>

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(ii) Operations in the United States of America

As at June 30, 2020, the Corporation has accumulated net operating losses in the amounts noted below in USD, for federal and state income tax purposes. These net operating losses are being carried forward and, unless utilized, will expire in the following taxation years:

<i>(in thousands of USD)</i>	Federal	Minnesota	North Dakota	Wisconsin
2025	\$ -	\$ 1,619	\$ -	\$ -
2026	-	1,724	-	-
2027	-	6,335	-	1,278
2028	-	9,210	-	1,764
2030	-	9,847	400	422
2031	525	2,188	201	41
2032	8,570	2,072	192	121
2033	12,773	-	212	-
2034	-	116	40	-
2035	26,592	-	-	-
2036	5,309	-	-	-
2037	3,618	-	3	-
2039	276	-	-	-
	<u>\$ 57,663</u>	<u>\$ 33,111</u>	<u>\$ 1,048</u>	<u>\$ 3,626</u>

**(22) 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. As at June 30, 2021 and June 30, 2020, the Corporation has no provision for any of these legal claims.

*Department of Justice*

The Corporation and certain of its current and former personnel have received subpoenas from the U.S. Department of Justice (“DOJ”) to produce documents and other records regarding the Corporation’s trading and other related activities, with a particular focus on the Corporation’s oat market trades from 2016 to 2019. The Corporation also received a voluntary document request from the U.S. Commodities Futures Trading Commission (“CFTC”) seeking similar information. The Corporation is cooperating with both investigations. The Board has established the “Special Committee” to oversee the Corporation’s response to the investigations.

The outcome of the investigations is difficult to assess or quantify. The existence, timing and amount of any future financial obligations (such as fines, penalties or damages) or other consequences arising from the DOJ and CFTC investigations and any potential related litigation are unable to be determined at this time and no liability has been recognized in relation to these matters in the consolidated statement of financial position at the end of the reporting period. The cost to cooperate with the investigations may

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be significant. In addition, if the DOJ and/or the CFTC decide to pursue an enforcement action against the Corporation as a result of the investigations, that may result in liability material to the Corporation's financial statements as a whole or may materially and adversely affect the Corporation's business, financial position, cash flow, and/or results of operations, and the magnitude of the potential loss may remain unknown for substantial periods of time.