

GAINING GROUND

CERES GLOBAL AG CORP. | FY2017 ANNUAL REPORT



GAINING GROUND

Through focused efforts to make the grain supply chain more efficient, we are gaining ground.

INCREASED REVENUE BY 37% TO

\$528.5M

GREW NUMBERS OF BUSHELS HANDLED BY 44%

111.1M

INCREASED COMMODITY PRODUCT LINES FROM

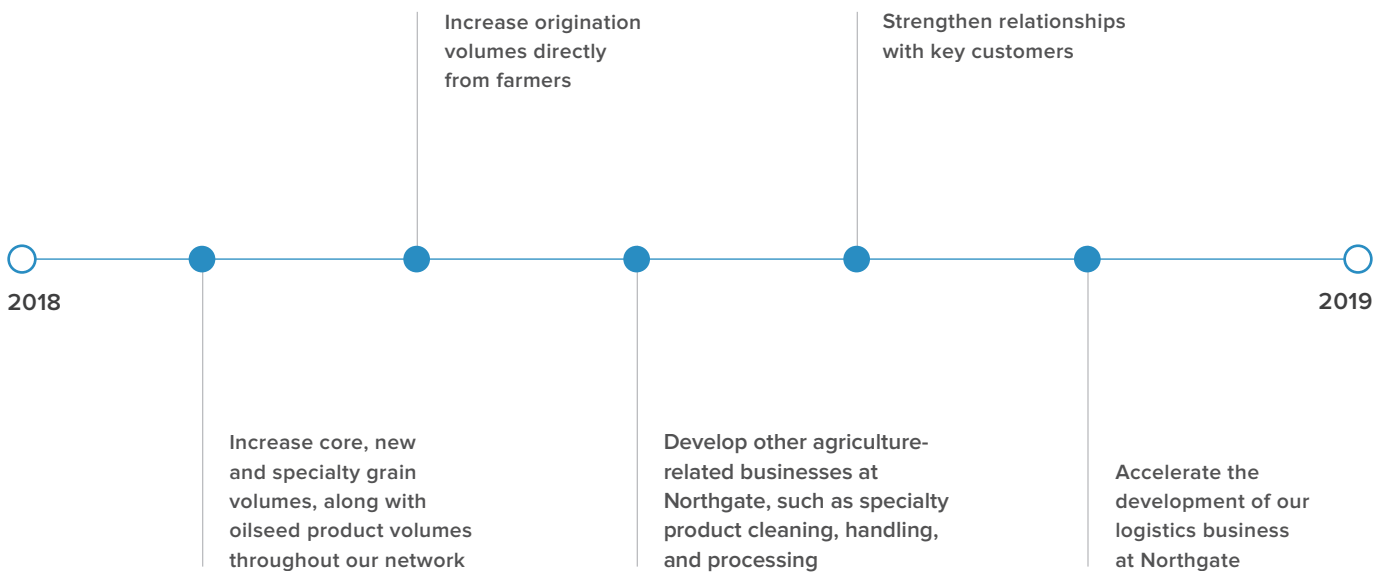
8 TO 13

THE YEAR IN REVIEW

We streamlined operations in our agriculture-related business and idled three inefficient facilities within our network. This helped drive more volume through each of our other locations. Along with increasing the number of bushels handled by 44 percent from the previous year, gaining new customers and establishing new trade flows, rationalizing our facilities supported our efforts to reduce our average handling cost per bushel.

The highlight in our logistics business during the year was completing construction of our fertilizer facilities at the Northgate Terminal and launching that business on time, on budget and with a perfect safety record. Also at Northgate, we increased natural gas liquids volumes and began transloading a number of industrial products with significant growth potential.

LOOKING FORWARD: GOALS FOR 2018



ASSETS & CAPABILITIES

Ceres has a network of facilities strategically located around the Great Lakes, the Midwest and South Central U.S., and in close proximity to sources of grain origination.

NUMBER OF ELEVATORS

6

BUSHEL CAPACITY

34.4M

ABOUT CERES GLOBAL AG CORP.

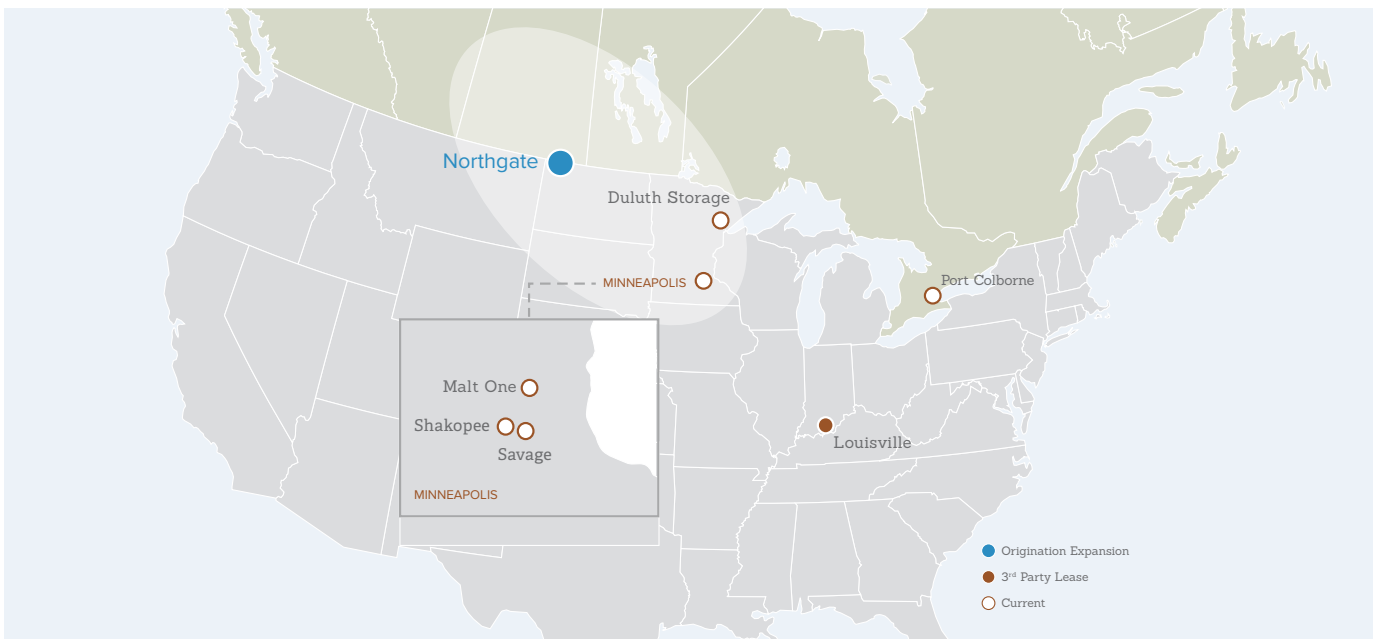
Headquartered in Minneapolis, Ceres Global Ag Corp. is focused on two primary businesses: a Grain Storage, Handling and Merchandising unit; and a Commodity Logistics unit.

Ceres' Grain Storage unit is anchored by its 100% ownership of Riverland Ag Corp. The grain storage unit is comprised of a collection of six operating grain storage and handling assets in Minnesota, Saskatchewan and Ontario, having aggregate storage capacity of approximately 34.4 million bushels as at June 30, 2017.

Ceres' Commodity Logistics unit is focused on the development of a Commodity Logistics Centre in Northgate, SK. The Northgate Commodities Logistics Centre is a state-of-the-art grain, agriculture services and oilfield supplies transloading site.

Ceres also has a 25% interest in Stewart Southern Railway Inc., a short-line railway with a range of 130 kilometres that operates in southeastern Saskatchewan and a 17% interest in Canterra Seeds, a Canadian-based seed development company.

STRATEGICALLY CONNECTED FROM ORIGATION TO DEMAND



NORTHGATE TERMINAL

Ceres' Northgate Terminal is a multi-commodity logistics center strategically located on the Canada/U.S. border in southeastern Saskatchewan. Northgate serves the industrial and agricultural sectors in both Canada and the U.S. Along with agricultural products, we have leveraged our storage and transloader facilities for both fertilizer and natural gas liquids and grown volumes handled for each. Going forward, we will pursue more logistics and non-agricultural opportunities.

The Northgate Terminal sits on 1,300 acres and has 2.7M bushel capacity for agricultural products and 26,000t storage capacity for fertilizer. Facilities are also connected to BNSF's 32,000 mile rail network.



CHAIRMAN'S MESSAGE

Fiscal 2017 was a challenging year for Ceres Global Ag. Corp. For most of the year, the supply of grain worldwide was much greater than demand. The effects were felt throughout the entire supply chain creating volatility in markets, low margins and aggressive competition.

Despite a difficult external environment, Ceres continued on the strategic plan that was put in place more than two years ago. We made significant progress in many areas.

- **Increased the number of bushels handled from the previous year by 44 percent**
- **Established new customers and trade flows throughout the U.S., Mexico, Europe and Asia**
- **Successfully launched our fertilizer business at Northgate, completing facility construction on time, under budget and with an impeccable safety record**
- **Increased liquid natural gas volumes and began transloading a number of industrial products with significant growth potential**
- **Idled or shut down three inefficient facilities which helped drive more volume through each of our other locations**
- **Most importantly, added talent to the company across all major job families**

Our strategy focuses on both the turnaround of all assets (that are not Northgate) and the start-up of Northgate.

Our non-Northgate facilities were significantly underutilized. For these assets we have increased utilization for Ceres merchandised grain products, increased utilization for third-party product, or idled them because they were inefficient. By doing so, we have significantly lowered our cost per bushel handled and increased our ability to compete against larger companies.

By contrast, Northgate (which represents more than half the value of property, plant and equipment on our balance sheet), is a start-up operation and key to the success of Ceres. While we are happy with 2017 volumes of grain, oilseeds and liquid natural gas handled at this facility, margins have been narrow and we have not met our profit objectives.

In order to generate acceptable returns at Northgate, we must continue to add more grain and oil seed volume along with more products to lower fixed cost per unit handled and generate revenues commensurate with the investment that we made in the infrastructure. Fertilizer is a great addition and will help us achieve our financial targets. In the meantime, management and the Board of Directors are working hard to add more revenue generating opportunities that will ultimately turn Northgate into the largest inland export port in Saskatchewan.

Perhaps our greatest challenge in managing a turnaround and a start-up at the same time has been finding and hiring the talent needed to operate a business of this complexity. Despite the difficulties of competing for talent against much larger global players, we have successfully grown from a small team of traders and merchandisers to a team of nearly twenty people including our grain originators. We have challenged all staff to expand their capabilities as the volume and the complexity of the business grows. While we have experienced some growing pains in this area, we believe that we have a strong team in place to continue to develop and grow the business.

As we look ahead to 2018, we are focused on the following:

- **Incrementally increase core grain and oilseed product volumes (wheat, durum, oats, and canola) and continue to increase efficiency and margins throughout our network. As a result, we expect to earn a higher average margin per bushel**
- **Increase specialty, new grain and oilseed product volumes. Examples would be pulses, rye, soybeans, and barley**
- **Add more farmer origination for grain and other products**
- **Strengthen relationships with key customers**
- **Accelerate the development of our logistics business at Northgate**
- **Develop other agriculture-related businesses at Northgate, such as specialty product cleaning, handling, and processing**

As we look ahead we continue to be very optimistic. We have assembled a strong team, made great progress on our strategy, and are much better positioned to compete in a low margin environment.

We would not be where we are without the hard work and dedication of our employees and I thank each one. I also thank our Board of Directors for their guidance and wisdom. Finally I want to thank our shareholders for your patience and support as we continue to work towards the achievement of our financial goals.

Douglas E. Speers

Chairman of the Board



TABLE OF CONTENTS

Financial and Operating Results	6
Quarterly Financial Data	12
Liquidity & Cash Flow	13
Capital Resources	14
Accounting Policies and Critical Accounting Estimates	15
Outlook	16
Other	17
Non-IFRS Financial Measures and Reconciliations	18
Key Assumptions & Advisories	19

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") dated September 22, 2017 should be read in conjunction with the audited Consolidated Financial Statements for the twelve-month period ended June 30, 2017 of Ceres Global Ag Corp. ("Ceres", the "Corporation", "we", "our", and "us"), and the Corporation's audited consolidated financial statements for the fifteen-month period ended June 30, 2016 (the "Annual Consolidated Financial Statements"). Additional information about Ceres filed with Canadian securities regulatory authorities, including the quarterly financial statements and MD&A, and annual report and the annual information form, is available online at www.sedar.com.

Basis of Presentation

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

Non-IFRS Financial Measures

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS. These measures include "EBITDA" (Earnings before interest, income tax, depreciation and amortization) and "Return on shareholders' equity", neither of which have a standardized meaning under IFRS. See "Non-IFRS Financial Measures and Reconciliations."

Change in Fiscal Year-End and Presentation Currency

On February 10, 2016, the Board of Directors approved a change in the fiscal year end from March 31 to June 30. As a result of the change, the Corporation has a fifteen-month fiscal period that is reported in this Annual

Report for the fiscal-period ending June 30, 2016. In conjunction with the change in fiscal year, Ceres changed its reporting and presentation currency to USD commencing as of July 1, 2016 and for reporting periods, thereafter. Ceres believes that these changes will give investors a view of the Corporation's financial performance that better aligns the fiscal year with that of the agricultural crop year and functional currency.

Risks and Forward Looking Information

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

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

1. FINANCIAL AND OPERATING SUMMARY

<i>(in millions except per share)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016	Twelve-month period ended March 31, 2015
Revenues	\$ 528.5	\$ 385.8	\$ 279.8
Gross profit (loss)	\$ 7.8	\$ (0.5)	\$ 20.2
Income (loss) from operations	\$ (1.7)	\$ (10.6)	\$ 3.8
Net income (loss)	\$ (13.7)	\$ (12.1)	\$ 0.7
Weighted average common shares outstanding	27.5	27.0	18.4
Income (loss) per share - Basic	\$ (0.50)	\$ (0.45)	\$ 0.04
Income (loss) per share - Diluted	\$ (0.50)	\$ (0.45)	\$ 0.04
As at:			
Total assets	\$ 256.3	\$ 254.8	\$ 244.4
Total bank indebtedness, current (1)	\$ 56.4	\$ 55.6	\$ 14.8
Term debt (2)	\$ 14.5	\$ 22.9	\$ 24.0
Shareholders' equity	\$ 148.8	\$ 157.6	\$ 173.1
Return on shareholders' equity (3)	-9.2%	-7.7%	0.4%

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

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

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

HIGHLIGHTS FOR THE TWELVE MONTHS ENDED JUNE 30, 2017

- In an environment of low commodity prices with suppressed margin opportunities, the Corporation increased gross profit compared to the fifteen-months ended June 30, 2016.
- Number of agricultural commodity product lines increased to 13 in 2017 from 8 in the previous year.
- Generated cash flow from operations of \$14.6 million, an increase of \$9.0 million year over year through efficient management of working capital.
- Handled and traded approximately 111.1 million bushels of grain and oilseed during the year, compared to 77.4 bushels for the fifteen-months ended June 30, 2016.
- Completed construction of the fertilizer storage warehouse at Northgate, as defined below, and commenced operations on April 30, 2017 in conjunction with our agreement with Koch Fertilizer Canada, ULC ("Koch") to handle and store fertilizer on their behalf.

Who We Are

While having one reportable segment, the Corporation operates in two business units: (1) grain storage, handling and merchandising unit, and; (2) commodity logistics. Ceres' grain storage, handling, and merchandising unit is anchored by a collection of six (6) grain storage and handling assets in Minnesota, Saskatchewan and Ontario having aggregate storage capacity of approximately 34.4 million bushels. The Corporation's Commodity Logistics unit is focused on the development of a commodity logistics centre in Northgate, Saskatchewan. The Northgate Commodities Logistics Centre ("Northgate" or the "NCLC") is a state-of-the-art grain, agriculture services, and oilfield supplies transloading site, which is being developed in conjunction with several potential energy and agricultural input company partners and is connected to Burlington Northern Santa Fe Railway (the "BNSF"). Ceres also has a 25% interest in Stewart Southern Railway Inc., a short-line railway with a range of 130 kilometres that operates in Southeastern Saskatchewan, and a 17% interest in Canterra Seed Holdings Ltd, a Canadian-based seed development company.

Grain Division

The Corporation's grain division is engaged in grain storage, procurement, and merchandising of specialty grains and oilseeds such as oats, barley, rye, hard red spring wheat, durum wheat, canola and pulses through six grain storage and handling facilities in Minnesota, Saskatchewan and Ontario. Two of the grain storage facilities are located at deep-water ports in the Great Lakes, and one is located on the Minnesota River, which is tributary to the Mississippi River, allowing access for vessels and barges and enabling the efficient import and export of grains globally. Approximately 29 million bushels of the Corporation's facilities are "regular" for delivery for both spring wheat against the Minneapolis Grain Exchange futures contract and oats against the Chicago Board of Trade futures contract. In addition, spring wheat and oats sourced by the Corporation out of Canada are eligible for delivery against the respective futures contract.

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

Northgate Commodities Logistics Centre

Ceres owns approximately 1,300 acres of land at Northgate, Saskatchewan, where it has constructed a commodities logistics centre designed to utilize two rail loops, each capable of handling unit trains of up to 120 railcars. The NCLC is an approximately CAD \$100 million grain, oil, natural gas liquids and fertilizer terminal and is connected to the BNSF with plans to further build out infrastructure to support handling of other industrial products and equipment.

The Corporation commenced its initial grain operations at Northgate in October 2014, operating the facility with a grain transloader for six months during the year-ended March 31, 2015. Phase one of the elevator was operational in November 2015 and the elevator was fully operational in May 2016. As part of its grain operations, the Corporation contracts grain and oilseed purchases from western Canadian producers that are delivered by truck and unloaded at the NCLC grain terminal. Ceres has the option of storing the grain on-site or loading it into outbound railcars to customer end-users, or to the Corporation's other facilities, taking advantage of the value and strategic location of its current asset base.

Concurrent with its grain operations at NCLC, in April 2015, the Corporation entered into an agreement with Elbow River Marketing ("ERM"), a wholly owned subsidiary of Parkland Fuel Corporation, to transload propane at Northgate. This provides a direct link and an added access point for propane to enter the US market.

In November 2015, Ceres entered into an agreement with Koch for the storage and handling of dry fertilizer products which brings phosphate-based fertilizer to Northgate. At Northgate, Ceres unloads and warehouses fertilizer in a new, state of the art, 26,000-ton fertilizer storage terminal. The fertilizer is loaded out by Ceres into trucks and distributed to Canadian farmers. The fertilizer operation commenced on April 30, 2017.

Overall Performance

The Corporation's net loss was \$13.7 million for the twelve-month period ended June 30, 2017, compared to a net loss of \$12.1 million in the fifteen-month period ended June 30, 2016. The net loss was in part due to non-cash items which include a \$7.7 million loss on the impairment of the Buffalo and Duluth Lakeport assets and an increase in depreciation from the full deployment of Northgate assets. Gross profit was \$7.8 million for the twelve-month period ending June 30, 2017 compared to a gross loss of \$0.5 million in the fifteen-month period ended June 30, 2016. Furthermore, loss from operations was \$1.7 million for the twelve-month period ended June 30, 2017 compared to a \$10.6 million loss from operations in the fifteen-months ended June 30, 2016.

Revenues and Gross Profit

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

Total revenue increased by \$142.7 million in the twelve-months ended June 30, 2017 compared to the fifteen-months ended June 30, 2016. The Corporation handled and traded 111.1 million bushels of grain and oilseed sales in fiscal year 2017 compared to 77.4 million bushels for the fiscal year 2016.

The Corporation's grain division is principally involved in an agricultural commodity-based business, in which changes in selling prices generally move in relation to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the business deals in will have a relatively equal impact on sales and cost of sales. Accordingly, management believes it is more important to focus on changes in gross profit and bushels handled than on changes in revenue dollars.

The table below represents a summary of the components of gross profit for the twelve-months ended June 30, 2017 and the fifteen-months ended June 30, 2016:

<i>(in millions)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Net trading margin	\$ 18.4	\$ 11.7
Storage and rental income	6.4	5.6
Logistics and transloading	1.3	0.8
Management service revenue	-	1.5
Operating expenses included in Cost of sales	(13.8)	(16.3)
Depreciation expense included in Cost of sales	(4.5)	(3.8)
Gross profit (loss)	<u>\$ 7.8</u>	<u>\$ (0.5)</u>

Gross profit increased by \$8.3 million in the twelve-months ended June 30, 2017 compared to the fifteen-months ended June 30, 2016. The year over year increase in gross profit was driven by an increase in net trading margins and the exclusion of the prior years' durum loss of \$8.2 million.

Net trading margin

Net trading margin increased by \$6.7 million in the twelve-months ended June 30, 2017 compared to the fifteen-months ended June 30, 2016. The prior year results were impacted by a durum loss of \$8.2 million.

Storage and rental income

Storage and rental income increased \$0.8 million in the twelve-months ended June 30, 2017 compared to the fifteen-months ended June 30, 2016. The Corporation's storage and rental income increase was a result of a 55% increase in third-party bushels handled.

Logistics and transloading

Logistics and transloading revenue increased \$0.5 million in the twelve-months ended June 30, 2017 compared to the fifteen-months ended June 30, 2016. The Corporation earns a service fee for handling liquefied petroleum gas ("LPG" or "propane"), industrial products and fertilizer, whose shipments began April 30, 2017, at Northgate.

Management service revenue

Management service revenue decreased \$1.5 million in the twelve-months ended June 30, 2017 compared to the fifteen-months ended June 30, 2016 as a result of a one-time contingency payment as a part of the sale and three-year management of a grain elevator and barley seed plant in March 2013.

Operating expenses and depreciation

For the twelve-months ended June 30, 2017, operating and depreciation expense included in cost of sales totaled \$18.3 million compared to \$20.1 million for the fifteen-months ended June 30, 2016. On an annualized basis, the increase was due to a full year's depreciation of Northgate's assets compared to the prior year. Also, due to significant volume increases, the costs at other operating facilities have increased for the twelve-months ended June 30, 2017 compared to the fifteen-months ended June 30, 2016.

General and Administrative Expenses

General and administrative expense is composed of three components: corporate level administrative expenses, administrative expenses associated with operating the grain division (exclusive of those expenses incurred at grain facilities, which are captured in cost of sales and are a reduction to gross profit as described above), and the revaluation of the provision for future payments to Front Street Capital. In addition, the corporate administrative expenses are inclusive of non-grain business growth initiatives.

The following table sets out the components of the Corporation’s consolidated general and administrative expenses for the twelve-months ended June 30, 2017 and the fifteen-months ended June 30, 2016:

<i>(in millions)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Corporate administration	\$ 3.4	\$ 4.5
Non-corporate administration	6.3	5.8
Revaluation of provision of Front Street Capital	(0.1)	(0.2)
Total general and administrative expense	\$ 9.6	\$ 10.1

For the twelve-months ended June 30, 2017, general and administrative expenses totaled \$9.6 million compared to \$10.1 million in the fifteen-months ended June 30, 2016. The increase in non-corporate administration expense was primarily due to additional headcount year over year as the Corporation built its grain merchandising team and related administrative support.

Finance Income (Loss)

For the twelve-month period ended June 30, 2017, finance loss totalled \$0.3 million compared to finance income of \$1.2 million during the fifteen-month period end June 30, 2016. Finance income (loss) is composed of realized and unrealized losses on foreign exchange transactions and currency hedging transactions along with revaluation gains of portfolio investments.

For the twelve-month period ended June 30, 2017, the decrease compared to the fifteen-month period ended June 30, 2016 is attributable to the prior year revaluation of the Corporation’s investment in Canterra Seeds Holdings, Ltd. (“Canterra”). Until September 2015, the Corporation held a 25% equity interest in Canterra that had a carrying value of \$1.8 million. This investment, accounted for using the equity method, was classified on the Consolidated Balance Sheet as “Investments in associates”. During the quarter ended September 30, 2015, Canterra issued additional common equity shares, resulting in the dilution of the Corporation’s equity interest to 17%. As such, the Corporation no longer had significant influence over the financial and operating policies of Canterra. Therefore, Ceres reclassified its investment to portfolio investments for the period ended September 30, 2015 and recorded it at fair value, recognizing a gain of \$1.0 million. The investment in Canterra totals \$2.0 million as at June 30, 2017, and is classified on the Consolidated Balance Sheet within “Portfolio investments, at fair value”.

Revaluation of Derivative Warrant Liability

In connection with the completion of the Corporation’s rights offering (the “Rights Offering”), on December 4, 2014, Ceres issued an aggregate of 2.1 million warrants (the “Warrants”) to the stand-by purchasers. The Warrants issued were conditional upon approval at the Corporation’s annual general meeting (“AGM”), which was obtained at the AGM on August 7, 2015.

Furthermore, the Warrants were issued at a fixed exercise price of CAD \$5.84 and are each exercisable into one common share of the Corporation (a “Common Share”). The Warrants have an expiry date of December 4, 2016, being 24 months after issuance. In the event that the Warrants are being exercised prior to the completion of a change of control of the Corporation, but after a transaction that will result in such a change of control has been publicly announced, in lieu of exercising the Warrants, the holders of Warrants can elect a cashless exercise to receive Common Shares equal to: the difference between the ten-day Volume-Weighted Average Price (“VWAP”) of the Corporation’s stock price and CAD \$5.84; multiplied by the number of Common Shares

in respect of which the election is made; divided by the ten-day VWAP of the Corporation's stock price. If a Warrant holder exercises this option, there will be variability in the number of shares issued per Warrant.

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in the fair value recognized in the statement of operations and comprehensive loss at each period end.

On November 30, 2016, 1.25 million Warrants were exercised into 1.25 million Common Shares at an exercise price of CAD \$5.84 for total consideration of \$5.4 million (CAD \$7.3 million). On December 4, 2016, the remaining 0.8 million Warrants expired and were canceled, resulting in no warrant liability as at June 30, 2017. As at June 30, 2016, warrant liability was \$0.1 million.

Gain (Loss) on Property, Plant and Equipment

As at June 30, 2017, the Corporation had three idle facilities: Duluth Lakeport, Buffalo and Calumet. As the operations of Duluth Lakeport and Buffalo ceased, the cash flows associated with those specific assets could no longer support their carrying value. During the twelve-months ended June 30, 2017, Ceres recorded a loss of \$7.7 million on the impairment of Duluth Lakeport and Buffalo compared to a gain of \$0.2 million for the sale of Ceres' Electric Steel facility during the fifteen-months ended June 30, 2016. Subsequent to June 30, 2017, the Corporation closed the sale of its Buffalo facility on August 15, 2017. The gross proceeds of which were \$0.1 million. On September 19, 2017, the Corporation closed the sale of its Duluth Lakeport facility for a loss of \$0.2 million.

Interest Expense

<i>(in millions)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Interest on revolving credit facility	\$ (2.1)	\$ (1.9)
Interest on repurchase obligations	(0.3)	(0.2)
Long-term debt	(0.9)	(1.8)
Amortization of financing costs paid	(0.6)	(0.7)
Interest income and other interest expense	-	0.1
Total interest expense	<u>\$ (3.9)</u>	<u>\$ (4.5)</u>

For the twelve-months ended June 30, 2017, interest expense totaled \$3.9 million compared to \$4.5 million for the fifteen-months ended June 30, 2016. The higher interest expense on the revolving credit facility was primarily driven by maintaining higher average inventory levels and a mid-year revolving credit facility interest rate increase of 1.0% per annum.

Share of Net Income (Loss) in Investments in Associates

For the twelve-months ended June 30, 2017, the Corporation incurred a loss in its net share in investments in associates of \$0.2 million compared to an income of \$0.3 million for the fifteen-months ended June 30, 2016.

2. QUARTERLY FINANCIAL DATA

	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months
Reporting dates	<u>6/30/2017</u>	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>	<u>3/31/2016</u>	<u>12/31/2015</u>	<u>9/30/2015</u>
(in millions except per share)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q5 2016	Q4 2016	Q3 2016	Q2 2016
Revenues	\$ 112.2	\$ 128.5	\$ 131.8	\$ 155.9	\$ 115.8	\$ 87.3	\$ 61.4	\$ 73.0
Gross profit (loss)	\$ 0.1	\$ 3.0	\$ 2.9	\$ 1.9	\$ 1.9	\$ 2.8	\$ (7.8)	\$ 1.1
Income (loss) from operations	\$ (2.5)	\$ 0.6	\$ 0.8	\$ (0.6)	\$ (0.3)	\$ 0.9	\$ (9.8)	\$ (0.8)
Net income (loss)	\$ (4.0)	\$ (8.1)	\$ (0.2)	\$ (1.4)	\$ (1.5)	\$ 0.8	\$ (10.1)	\$ 0.1
Return on shareholders' equity ¹	-2.7%	-5.4%	-0.1%	-0.9%	-0.9%	0.5%	-6.5%	0.0%
Weighted-average number of common shares for the quarter	27.9	28.0	27.3	26.9	26.9	27.0	27.1	27.1
Basic and fully diluted earnings (loss) per share	\$ (0.14)	\$ (0.29)	\$ (0.01)	\$ (0.05)	\$ (0.05)	\$ 0.03	\$ (0.37)	\$ 0.00
EBITDA ¹	\$ (1.7)	\$ 1.6	\$ 2.0	\$ 0.7	\$ 0.5	\$ 1.9	\$ (8.9)	\$ 0.9
EBITDA per share	\$ (0.06)	\$ 0.06	\$ 0.07	\$ 0.03	\$ 0.02	\$ 0.07	\$ (0.33)	\$ 0.03
Shareholders' equity, as at reporting date	\$ 148.8	\$ 151.0	\$ 158.4	\$ 155.1	\$ 157.6	\$ 160.1	\$ 155.1	\$ 167.4
Shareholders' equity per common share, as at reporting date	\$ 5.33	\$ 5.40	\$ 5.64	\$ 5.77	\$ 5.86	\$ 5.92	\$ 5.73	\$ 6.19
Volumes								
Elevator bushels handled	26.1	16.1	20.0	25.0	18.7	9.4	10.8	10.1
Direct ship bushels	3.6	5.8	4.6	9.9	9.4	3.2	4.2	4.3

¹Non-IFRS measurement. See Note 8 below for further information

Fourth Quarter

Gross profit for the quarter ended June 30, 2017 decreased \$1.8 million to \$0.1 million compared to the same period of the previous year. The decline in gross profit was primarily driven by \$1.9 million reduction in net trading margin, due to lower carries quarter over quarter, offset by \$0.2 million increase in storage and rental income due to the increase in stored bushels and storage and handling rates and \$0.3 million in logistics and transloading revenue due to the addition of fertilizer shipments in 2017. Operating and depreciation expense in cost of sales increased \$0.4 million due to addition Northgate assets being placed in service. General and administrative expenses increased \$0.4 for the quarter ended June 30, 2017 compared to the same period in prior year was due to additional headcount quarter over quarter growth of the grain merchandising and related support teams. Net loss for the quarter ended June 30, 2017 increased \$2.5 million to \$4.0 million compared to the same period of the previous year as a result of the reduction in net trading margin.

3. LIQUIDITY & CASH FLOW

<i>(in millions)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Net Cash Provided by (Used in)		
Operating activities	\$ 14.6	\$ 5.6
Investing activities	(11.0)	(30.2)
Net Cash Provided (Used) Before Financing Activities	<u>3.6</u>	<u>(24.6)</u>
Financing Activities	(3.0)	22.7
Foreign Exchange Cash Flow Adjustment on Accounts Denominated in a Foreign Currency	<u>-</u>	<u>(2.3)</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 0.6</u>	<u>\$ (4.2)</u>
Cash and Cash Equivalents (Outstanding cheques)	\$ -	\$ (0.8)

Operating Activities

Cash provided by operating activities was \$14.6 million for the twelve-months ended June 30, 2017. The \$9.0 million increase in cash provided by operating activities was primarily a result of the effective management of working capital.

Investing Activities

During the twelve-months ended June 30, 2017, cash used in investing activities were \$11.0 million, which comprised of additions of property, plant and equipment. The \$19.2 million decrease in cash used in investing activities was primarily due to the completion of asset purchases for the initial buildout of Northgate.

Financing Activities

During the twelve-months ended June 30, 2017, the Corporation had \$3.0 million in cash used in financing activities. The \$25.7 million decrease in cash provided by financing activities was primarily due to this year's repayment of prior year's net borrowings to fund the purchase of Northgate assets.

Available Sources of Liquidity

The Corporation's sources of liquidity as at June 30, 2017 include available funds under its revolving credit facility (the "Credit Facility"). Management believes that cash flow from operations will be adequate to fund operating expenditures, maintenance capital, interest, and any income tax obligations. Growth capital expenditures in the next twelve months are expected to be funded by cash on hand and borrowing against the Credit Facility. Any additional debt incurred is expected to be serviced by the anticipated increases in cash flow and will only be borrowed within the Corporation's debt covenant limits.

In addition, the Corporation's Credit Facility at June 30, 2017 contains certain covenants, including a covenant that the Corporation maintain minimum working capital of not less than \$30.0 million. As at June 30, 2017 the Corporation's working capital – defined as current assets less current liabilities – totaled \$39.9 million. In addition to working capital, the covenants include the maintenance of "consolidated debt" to "consolidated tangible net worth" (as defined in the agreement) of not more than 4.0 to 1.0 and consolidated tangible net worth of not less than \$120.0 million. As at June 30, 2017 and June 30, 2016, the Corporation was in compliance with all of the above mentioned financial covenants.

Liquidity risk

As at June 30, 2017 and June 30, 2016, the following are the contractual maturities of financial liabilities, excluding interest payments:

	Carrying amount	Contractual cash flows	1 year	2 years	3 to 5 years	More than 5 years
<u>June 30, 2017</u>						
Bank indebtedness	\$ 56.4	\$ 56.6	\$ 56.6	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	22.5	22.5	22.5	-	-	-
Repurchase obligations	-	-	-	-	-	-
Derivatives	14.1	14.1	14.1	-	-	-
Provision for future payments to Front Street Capital	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
Long-term debt	14.5	15.0	3.0	5.0	7.0	-
	Carrying amount	Contractual cash flows	1 year	2 years	3 to 5 years	More than 5 years
<u>June 30, 2016</u>						
Bank indebtedness	55.6	55.8	55.8	-	-	-
Accounts payable and accrued liabilities	16.0	16.0	16.0	-	-	-
Repurchase obligations	-	-	-	-	-	-
Derivatives	2.6	2.6	2.6	-	-	-
Provision for future payments to Front Street Capital	0.1	0.1	0.1	-	-	-
Warrants	0.1	0.1	0.1	-	-	-
Long-term debt	22.9	23.6	1.6	5.0	17.0	-

Future expected operational cash flows and sufficient assets are available to fund the settlement of these obligations in the normal course of business. In addition, the following factors allow for the substantial mitigation of liquidity risk: the prompt settlement of amounts due from brokers, the active management of trade accounts receivable and the lack of concentration risk related thereto. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

4. CAPITAL RESOURCES

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

Credit Facility

As disclosed in the Consolidated Financial Statements for the twelve-month period ended June 30, 2017 and fifteen-month period end June 30, 2016, on December 30, 2016 the Corporation renewed and amended its uncommitted credit facility to a new maximum revolving facility amount of \$67.5 million (previously \$120.0 million). The new agreement is set to expire on December 29, 2017. Borrowings bear an interest rate of overnight LIBOR plus 3.875% per annum, calculated and paid on a monthly basis. The Credit Facility is subject to borrowing base limitations. Amounts under the Credit Facility that remain undrawn are not subject to a commitment fee. The Credit Facility has certain covenants pertaining to the accounts of the Corporation, and as at June 30, 2017, the Corporation was in compliance with all covenants.

Term Debt

In addition, as noted in the Annual Consolidated Financial Statements, on June 27, 2014, Ceres entered into a senior secured term loan facility agreement for \$20.0 million with Macquarie Bank to finance further development and early stage construction of Northgate.

Subsequent to that, and in conjunction with amending and extending the syndicated uncommitted credit agreement on December 30, 2014, the Corporation entered into a senior secured term loan facility agreement (the “Loan”) for \$25.0 million with Macquarie Bank. The Loan was for a term of 5 years with an interest rate of one month LIBOR plus 5.25%. This loan was extinguished and replaced the previous loan originated on June 27, 2014, which had an initial term maturing on December 29, 2014.

On November 17, 2015, immediately following the closure of the sale of Electric Steel, the Corporation used the net sales proceeds to repay a portion of its outstanding term debt in accordance with the terms of the Loan. The total amount repaid on the term debt was \$1.4 million. In accordance with the Loan, the second principal payment was paid on December 29, 2016 for the amount of \$1.6 million. An additional principal payment of \$7.0 million was also made on December 29, 2016 and the term loan payment schedule was amended. The next principal payment is payable on December 29, 2017 for the amount of \$3.0 million, with a principal payment of \$5.0 million due on December 28, 2018 and the final principal payment due on December 27, 2019 in the amount of \$7.0 million. The term loan has an effective interest rate of 6.30% plus one month LIBOR.

Normal Course Issuer Bid

During the twelve-month period ended June 30, 2017, the Corporation purchased Shares under normal course issuer bids, the purpose of which was to provide Ceres with a mechanism to decrease the potential spread between the net asset value per Share and the market price of the common shares. On June 9, 2016, Ceres announced a normal course issuer bid (“the 2016-2017 NCIB”) which commenced on June 12, 2016. Using the facilities of the Toronto Stock Exchange (“TSX”) and in accordance with its rules and policies, Ceres can purchase up to a maximum of 1,595,765 of its Common Shares, representing approximately 10% of its unrestricted public float as of June 2, 2016, subject to a maximum aggregate purchase price of CAD \$5.0 million pursuant to restrictions under the Corporation’s Credit Facility. The 2016-2017 NCIB concluded on June 11, 2017. Ceres may purchase up to a daily maximum of 2,119 Common Shares under the 2016-2017 NCIB, except for purchases made in accordance with the “block purchase” exception under applicable TSX rules and policies.

During the twelve months ended June 30, 2017, the Corporation purchased and canceled a total of 257,582 common shares under the normal course issuer bid for aggregate cash consideration of \$1.1 million. The stated capital value of these repurchased Shares was \$1.9 million. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$0.8 million, was allocated to Retained Earnings in the twelve-month period ended June 30, 2017.

During the fifteen months ended June 30, 2016, the Corporation purchased and cancelled a total of 168,600 common shares under the normal course issuer bid for aggregate cash consideration of \$0.7 million. The stated capital value of these repurchased Shares was \$1.0 million. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$0.3 million, was allocated to retained earnings in the fifteen-month period ended June 30, 2016.

5. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Changes in Accounting Policies and Standards Issued But Not Yet Effective

Refer to Note 3 to the Annual Consolidated Financial Statements for information pertaining to accounting changes effective for the current fiscal year ending June 30, 2017, and information on standards issued but not yet effective.

Critical Accounting Estimates

The discussion and analysis of Ceres' financial condition and results of operations are based upon the Corporation's Consolidated Financial Statements, which have been prepared in accordance with IFRS. Ceres' significant accounting policies and accounting estimates are contained in the Annual Consolidated Financial Statements (see Notes 3 and 4, respectively, for the description of policies or references to notes where such policies are contained). The critical accounting estimates are valuation of investments; valuation of inventories and commodity derivatives; because they require Ceres to make assumptions about matters that are potentially uncertain at the time the accounting estimate is made and due to the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

6. OUTLOOK

Grain Division

The 2017 cereal grain growing season faced severe droughts in the western half of the U.S. and Southwestern Canadian growing areas. These droughts created a significant amount of volatility for markets. Initially prices increased due to supply concerns, then more recently prices set back as yields have been better than expected due to sufficient soil moisture prior to drought conditions. High prices in the spring and early summer, plus a relatively strong USD during that time, led to high priced U.S. wheat and durum, and lower than expected exports and margins out of Duluth/Superior. Meanwhile, high prices led to minimal carries and overall limited ways to generate revenue until new crop's arrival.

Early indications of the 2017 crop suggest mixed yields: lower than average where drought conditions were worst and average or better than average in the east and north where moisture was more abundant. Also, protein levels appear to be higher for wheat grown in the U.S. than in Canada. Due to the varied protein levels from this year's harvest (vs. relatively high uniform protein over the past two years), we expect to see greater volatility around protein basis levels throughout 2017/18. Meanwhile, the durum crop in the U.S. was more negatively affected than spring wheat and we expect U.S. imports of Canadian durum to increase in 2017/18 vs. 2016/17.

The fiscal year ending June 30, 2017 marked the first year of operating a fully commissioned grain elevator at Northgate. While margins were challenging in this environment, and some growing pains were realized, we achieved our volume objectives and are confident margins and overall performance will improve in 2017/18 vs. 2016/17.

Meanwhile, the Corporation continues to focus on the following:

1. Increasing origination volume direct from farmers in the U.S. and Canada;
2. Maximizing volumes and value through and around its network, capitalizing on its asset utility and effectively lowering fixed cost per bushel handled;
3. Investing in its infrastructure to broaden its product portfolio and focus more on pulses and specialty crops, both at Northgate and other locations;
4. Extending its reach to chosen customers both in the U.S. and internationally;
5. Hiring talented people who can execute on all of the above.

Logistics Division

Q4 2017 marked the start-up of a 26,000-ton fertilizer warehouse to provide storage and handling of urea and phosphate-based fertilizer for Koch Fertilizer Canada. At Northgate, Ceres began unloading by rail, warehousing and loading trucks for distribution to Canadian farmers. The project officially began operating at the end of April and finished with no accidents, on time and under budget.

While the partnership with Koch provides the international fertilizer producer access to the western Canadian market, Ceres is working with Koch to provide freight to its fertilizer customers while at the same time provide the grain suppliers at Northgate the ability to backhaul grain, as local grain suppliers would reload their trucks with fertilizer after having unloaded grain and return to their origination. This is off to a very good start and management anticipates that this will greatly improve transportation economics and further highlight Northgate as an advantageous pricing gateway.

In addition, the Corporation continues to unload LPG from inbound trucks and load into railcars for shipment into the US market via the BNSF from Northgate, Saskatchewan. The transloading of LPG has increased over the past quarter as movement into the U.S. via BNSF continues to be competitive vs. other outlets. We expect volumes will remain consistent throughout the rest of 2017/18. Overall management anticipates that transloading propane will continue to be a steady business for the Corporation.

The Corporation is also exploring opportunities to build out and further develop the NCLC energy transloading business with additional tenant customers and the potential to handle other types of energy and industrial products such as oil field supplies, construction materials, and industrial parts and equipment. Specifically, the Corporation has conducted several tests and expects to see volumes increase as a result of that effort. Movement into Canada has been relatively unimpeded, however, issues have surfaced with respect to some products moving into the U.S. due to infrastructure needed for customs to perform proper inspections. The Corporation is working with both U.S. customs and BNSF to find a solution.

Lastly, there are several other opportunities the Corporation is looking at to add revenue opportunities and fully utilize the rail and road infrastructure at Northgate. Management anticipates one or more of these to come to fruition during the 2017/18 fiscal year.

7. OTHER

CONTROLS ENVIRONMENT

Disclosure Controls and Procedures

Ceres maintains appropriate information systems, procedures, and controls to ensure that new information disclosed externally is complete, reliable, and timely. National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and that they have, as at June 30, 2017, designed and evaluated the effectiveness of the DC&P (or have caused such DC&P to be designed under their supervision) to provide reasonable assurance that material information relating to Ceres is made known to them by others, particularly during the period in which Ceres' annual filings are being prepared, and that information required to be disclosed by Ceres in its annual filings, interim filings or other reports filed or submitted by Ceres under applicable securities legislation is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Internal Controls over Financial Reporting

NI 52-109 also requires the Chief Executive Officer and the Chief Financial Officer to certify that they are responsible for establishing and maintaining internal control over financial reporting ("ICFR") and that they have, as at June 30, 2017, designed and evaluated the effectiveness of ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). The control framework used by the Chief Executive Officer and the Chief Financial Officer to design Ceres' ICFR is the *Risk Management and Governance: Guidance on Control* (COCO Framework) published by CPA Canada. There have been no

material changes in the Corporation's internal control over financial reporting during the twelve-months ended June 30, 2017 that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Corporation's financial instruments and other instruments, including a discussion of risks and relevant risk sensitivities, can be found in Note 14 of the Annual Consolidated Financial Statements.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has not engaged in any off-balance sheet arrangements.

RELATED-PARTY TRANSACTIONS

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

<i>(in millions)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Employee/director salaries and benefits	\$ 1.1	\$ 1.5
Share-based compensation	0.4	0.4
	\$ 1.5	\$ 1.9

SHARES OUTSTANDING

As at September 22, 2017, the issued and outstanding equity securities of the Corporation consisted of 27,911,014 common shares.

CONTINGENCIES

See Note 21 of the Annual Consolidated Financial Statements for disclosure of the Corporation's contingencies as at June 30, 2017.

8. NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

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

Earnings Before Interest, Income Taxes, Depreciation and Amortization

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

The following table is a reconciliation of EBITDA for Ceres on a consolidated basis for the twelve-months ended June 30, 2017, and the fifteen-months ended June 30, 2016:

<i>(in millions)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Net income (loss) for the period	\$ (13.7)	\$ (12.1)
Add/(Deduct):		
Interest Expense	3.9	4.5
Revaluation of derivative warrant liability	(0.1)	(1.1)
Loss (Gain) on sale or property, plant and equipment	7.7	(0.2)
Income taxes (recovered)	-	(0.2)
Share of net (income) loss in investments in associates	0.2	(0.3)
Depreciation on property, plant and equipment	4.6	3.9
	<u>\$ 2.6</u>	<u>\$ (5.5)</u>

Return on Shareholders' Equity

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

The following table is a calculation of return on shareholders' equity for the twelve-months ended June 30, 2017, and the fifteen-months ended June 30, 2016:

<i>(in millions)</i>	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Net income (loss) for the period	\$ (13.7)	\$ (12.1)
Total shareholders' equity as at reporting date	\$ 148.8	\$ 157.6
	<u>-9.2%</u>	<u>-7.7%</u>

9. KEY ASSUMPTIONS & ADVISORIES

FORWARD LOOKING INFORMATION

This annual MD&A contains information that is "forward-looking information", "forward-looking statements" and "future oriented financial information" (collectively herein referred to as "forward-looking statements") within the meaning of applicable securities laws. Forward-looking statements in this document may include,

among others, statements regarding future operations and results, anticipated business prospects and financial performance of Ceres and its subsidiaries, expectations or projections about the future, strategies and goals for growth, the action against Ceres initiated by the Scoular Company, expected and future cash flows, costs, planned capital expenditures, additional anticipated capital projects, construction and completion dates, including plans to further develop the NCLC, operating and financial results, critical accounting estimates and the expected financial and operational consequences of future commitments.

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

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

KEY ASSUMPTIONS

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

- No material change in the regulatory environment in Canada and the United States;
- Supply and demand factors as well as the pricing environment for grains and other agricultural commodities;
- Fluctuation of currency and interest rates;
- General financial conditions for Western Canadian and American agricultural producers;
- Market share that will be achieved by the Corporation;
- Adequate and timely service from the railroad companies, and in particular from the Burlington Northern Santa Fe railroad at the NCLC;
- The ability of Ceres to successfully operate Northgate;
- The Corporation’s ability to successfully defend itself against, or settle, the dispute with The Scoular Company;
- Realization of economic benefits resulting from the synergies with NCLC; and
- The Corporation’s ability to maintain existing customer contracts and relationships coupled with its ability to increase its customer portfolio.

The preceding list is not an exhaustive list of all possible factors. All factors should be considered carefully when making decisions with respect to Ceres. Many such factors and events are not within the control of Ceres.

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

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

Consolidated Financial Statements of



For the twelve-month period ended June 30, 2017 and the fifteen-month period ended June 30, 2016

TABLE OF CONTENTS

Management's Responsibility for Financial Reporting	23
Independent Auditor's Report	24
Consolidated Balance Sheets	25
Consolidated Statements of Comprehensive Income (Loss)	26
Consolidated Statements of Cash Flows	27
Consolidated Statements of Changes in Shareholders' Equity	28
Notes to the Consolidated Financial Statements	29

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 22, 2017 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 Wolrige Mahon 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. Wolrige Mahon LLP has full and unrestricted access to the Audit Committee.

Robert Day
President and CEO

Mark Kucala
Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ceres Global AG Corp.

We have audited the accompanying consolidated financial statements of Ceres Global AG Corp. and its subsidiaries, which comprise the consolidated balance sheet as at June 30, 2017, and the consolidated statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ceres Global AG Corp. and its subsidiaries as at June 30, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Ceres Global AG Corp. and its subsidiaries for the fifteen month period ended June 30, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on September 22, 2016.

WOLRIGE MAHON LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

September 22, 2017
Vancouver, B.C.

CERES GLOBAL AG CORP.
Consolidated Balance Sheets

	Note	Restated (see Note 2)		
		June 30, 2017	June 30, 2016	April 1, 2015
ASSETS				
Current				
Cash		\$ 585,497	\$ 723,321	\$ 4,062,674
Due from brokers	6	1,828,307	5,458,819	6,835,418
Unrealized gains on open cash contracts		10,501,364	5,106,168	7,493,264
Accounts receivable, trade		22,694,942	13,457,510	6,257,573
Inventories, grains	5	95,233,421	102,616,595	117,022,684
Sales taxes recoverable		41,174	131,015	899,692
Prepaid expenses and sundry assets		1,923,319	1,895,386	1,115,883
Assets held for sale	8	-	-	-
Portfolio investments		3,193,407	3,384,669	670,909
Current assets		136,001,431	132,773,483	144,358,097
Investments in associates	7	2,705,935	2,946,601	4,445,034
Intangible assets		300,000	300,000	300,000
Property, plant and equipment (net of depreciation)	8	117,274,402	118,817,040	95,277,708
Non-current assets		120,280,337	122,063,641	100,022,742
TOTAL ASSETS		\$ 256,281,768	\$ 254,837,124	\$ 244,380,839
LIABILITIES				
Current				
Bank indebtedness	9	\$ 56,442,820	\$ 55,584,100	\$ 14,820,756
Current portion of long-term debt	10	3,000,000	1,642,379	-
Accounts payable and accrued liabilities		22,549,403	16,007,014	13,754,313
Repurchase obligations	13	-	-	14,740,904
Unrealized losses on open cash contracts		14,066,236	2,568,309	2,062,395
Provision for future payments to Front Street Capital	17	10,814	73,325	272,109
Derivative warrant liability	15(c)	-	104,971	1,359,753
Current liabilities		96,069,273	75,980,098	47,010,230
Long-term debt	10	11,453,638	21,259,266	24,032,044
Deferred income taxes	18	-	-	234,908
Non-current liabilities		11,453,638	21,259,266	24,266,952
TOTAL LIABILITIES		107,522,911	97,239,364	71,277,182
SHAREHOLDERS' EQUITY				
Common shares	15(e)	203,263,434	199,605,980	200,640,476
Deferred share units	16	770,876	616,962	277,108
Contributed surplus		9,631,605	9,431,547	9,279,338
Accumulated other comprehensive income		(21,385,146)	(21,360,954)	(18,105,009)
Deficit		(43,521,912)	(30,695,775)	(18,988,256)
TOTAL SHAREHOLDERS' EQUITY		148,758,857	157,597,760	173,103,657
CONTINGENT LIABILITIES 21				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 256,281,768	\$ 254,837,124	\$ 244,380,839

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

ON BEHALF OF THE BOARD

Signed "Gary Mize" Director Signed "Doug Speers" Director

CERES GLOBAL AG CORP.

Consolidated Statements of Comprehensive Income (Loss)

For the twelve-month period ended June 30, 2017 and fifteen-month period ended June 30, 2016

	<u>Note</u>	<u>Twelve-month period ended June 30, 2017</u>	<u>Fifteen-month period ended June 30, 2016</u>
REVENUES	1	\$ 528,478,099	\$ 385,762,081
Cost of sales		(520,636,681)	(386,226,972)
GROSS PROFIT (LOSS)		7,841,418	(464,891)
General and administrative expenses		(9,558,700)	(10,132,889)
LOSS FROM OPERATIONS		(1,717,282)	(10,597,780)
Finance income (loss)	11	(268,460)	1,167,497
Interest expense	12	(3,879,127)	(4,469,194)
Revaluation of derivative warrant liability	15 (c)	104,145	1,112,607
Gain (loss) on property, plant and equipment	8	(7,650,521)	204,952
LOSS BEFORE INCOME TAXES AND UNDERNOTED ITEM		(13,411,245)	(12,581,918)
Income taxes (recovered)	18	4,282	(233,206)
LOSS BEFORE UNDERNOTED ITEM		(13,415,527)	(12,348,712)
Share of net income (loss) in investments in associates	7	(237,015)	292,457
LOSS FOR THE PERIOD		(13,652,542)	(12,056,255)
Other comprehensive income (loss) for the period			
Net investment hedge - net income	14 (b)	-	1,017,384
(Loss) gain on translation of foreign currency accounts of foreign operations		(24,192)	(4,273,329)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		\$ (13,676,734)	\$ (15,312,200)
WEIGHTED-AVERAGE NUMBER OF SHARES FOR THE PERIOD		27,538,615	27,031,968
LOSS PER SHARE			
Basic		\$ (0.50)	\$ (0.45)
Diluted		(0.50)	(0.45)
Supplemental disclosure of selected information:			
Depreciation included in Cost of sales	8	\$ 4,494,849	\$ 3,776,829
Depreciation included in General and administrative expenses	8	\$ 86,179	\$ 83,400
Amortization of financing costs included in Interest expense		\$ 596,254	\$ 551,909
Personnel costs included in Cost of sales		\$ 1,222,451	\$ 1,851,158
Personnel costs included in General and administrative expenses		\$ 814,292	\$ 1,018,884

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

CERES GLOBAL AG CORP.

Consolidated Statements of Cash Flows

For the twelve-month period ended June 30, 2017 and fifteen-month period ended June 30, 2016

	<u>Note</u>	<u>Twelve-month period end June 30, 2017</u>	<u>Fifteen-month period end June 30, 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		\$ (13,652,542)	\$ (12,056,255)
Adjustments for:			
Depreciation of property, plant and equipment	8	4,581,028	3,860,229
Revaluation of derivative warrant liability	15(c)	(104,145)	(1,112,607)
Share incentive compensation		200,058	152,209
Revaluation of portfolio investments	11	188,612	(1,031,658)
Loss (Gain) on property, plant and equipment		7,650,521	(204,952)
Interest expense	12	3,879,127	4,469,194
Income tax expense (recovery)	19	4,282	(233,206)
Deferred share units issued to Directors and fair value adjustment	16	223,799	373,012
Director share based compensation		43,593	-
Share of net loss (income) in investments in associates	7	237,015	(292,457)
Revaluation for future payments to Front Street Capital		(60,620)	(173,747)
Deferred income tax		-	(234,908)
Changes in non-cash working capital accounts	20	14,753,036	16,165,812
Interest paid		(3,294,758)	(4,074,001)
Income taxes recovered (paid)		(24,640)	(3,196)
Cash flow provided by operating activities		14,624,366	5,603,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposition of assets held for sale		-	1,450,000
Acquisition of property, plant and equipment	8	(10,946,758)	(31,595,137)
Cash flow used in investing activities		(10,946,758)	(30,145,137)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (repayment of) bank indebtedness	11	1,595,320	40,000,000
Net proceeds from (repayment of) term loan	10	(8,642,379)	(1,357,621)
Net proceeds from (repayment of) repurchase obligations	13	-	(14,740,904)
Financing costs paid		(305,000)	(498,765)
Share issuance costs	15(e)	-	(56,824)
Warrants exercised		5,425,492	-
Repurchase of common shares under normal course issuer bid	15(b)	(1,055,111)	(662,094)
Cash flow (used in) provided by financing activities		(2,981,678)	22,683,792
Foreign exchange cash flow adjustment on accounts denominated in a foreign currency			
		(172)	(2,315,059)
Change in cash for the period		695,758	(4,172,935)
Cash, beginning of period		(110,261)	4,062,674
Cash and cash equivalents, end of period		\$ 585,497	\$ (110,261)
Cash		\$ 585,497	\$ 723,321
Cheques issued in excess of cash on hand	9	-	(833,582)
Cash and cash equivalents, end of period		\$ 585,497	\$ (110,261)

The accompanying notes are an integral part of these financial statements

CERES GLOBAL AG CORP.

Consolidated Statements of Changes in Shareholders' Equity

For the twelve-month period ended June 30, 2017 and fifteen-month period ended June 30, 2016

	<u>Note</u>	<u>Common shares</u>	<u>Deferred share units</u>	<u>Contributed surplus</u>	<u>Accumulated other comprehensive income</u>	<u>Deficit</u>	<u>Total</u>
Balances, April 1, 2015		\$ 200,640,476	\$ 277,108	\$ 9,279,338	\$ (18,105,009)	\$ (18,988,256)	\$ 173,103,657
Transactions with Shareholders							
Issuance of Deferred Share Units		-	441,226	-	-	-	441,226
Redemption of Deferred Share Units for common shares		33,158	(33,158)	-	-	-	-
Fair value adjustment of Deferred Share Units		-	(68,214)	-	-	-	(68,214)
Share incentive compensation		-	-	152,209	-	-	152,209
Issuance costs of common shares		(56,824)	-	-	-	-	(56,824)
Repurchases under normal course issuer bid		(1,010,830)	-	-	-	348,736	(662,094)
Comprehensive Income (Loss)							
Other comprehensive loss		-	-	-	(4,273,329)	-	(4,273,329)
Net investment hedge - net income		-	-	-	1,017,384	-	1,017,384
Net loss for the period		-	-	-	-	(12,056,255)	(12,056,255)
Balances, June 30, 2016		199,605,980	616,962	9,431,547	(21,360,954)	(30,695,775)	157,597,760
Transactions with Shareholders							
Issuance of Deferred Share Units	16	-	230,789	-	-	-	230,789
Redemption of Deferred Share Units for common shares	16	69,885	(69,885)	-	-	-	-
Fair value adjustment of Deferred Share Units		-	(6,990)	-	-	-	(6,990)
Repurchases under normal course issuer bid	15(b)	(1,881,516)	-	-	-	826,405	(1,055,111)
Share incentive compensation	15(d)	-	-	200,058	-	-	200,058
Directors' remuneration	15(e)	43,593	-	-	-	-	43,593
Exercise of warrants	15(c)	5,425,492	-	-	-	-	5,425,492
Comprehensive Income (Loss)							
Other comprehensive loss		-	-	-	(24,192)	-	(24,192)
Net loss for the period		-	-	-	-	(13,652,542)	(13,652,542)
Balances, June 30, 2017		\$ 203,263,434	\$ 770,876	\$ 9,631,605	\$ (21,385,146)	\$ (43,521,912)	\$ 148,758,857

The accompanying notes are an integral part of these financial statements

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

1. CORPORATE STATUS, REPORTING ENTITY AND NATURE OF OPERATIONS

Ceres Global Ag Corp. (hereinafter referred to as “Ceres” or the “Corporation”) was incorporated on November 1, 2007, as amended on December 6, 2007, under the provisions of the *Business Corporations Act* (Ontario). On April 1, 2013, Ceres Global Ag Corp. amalgamated with Corus Land Holding Corp. In addition, on April 1, 2014, Ceres Global Ag Corp. amalgamated with Riverland Agriculture Ltd. and Ceres Canada Holding Corp. Thereafter, the amalgamated corporations continued operating as Ceres Global Ag Corp. Ceres is a corporation domiciled in Canada, with its head office located at 1660 South Highway 100, Suite 350, St. Louis Park, Minnesota, United States, 55416.

These consolidated financial statements of Ceres as at June 30, 2017, June 30, 2016 and April 1, 2015 and for the twelve-month and fifteen-month periods ended June 30, 2017 and June 30, 2016, respectively, include the accounts of Ceres and its wholly owned subsidiaries Ceres U.S. Holding Corp. and Riverland Ag Corp. (“Riverland Ag”). All intercompany transactions and balances have been eliminated. In combination with Riverland Ag, the Corporation is an agricultural cereal grain storage, customer-specific procurement and supply ingredient company that owns nine grain storage, handling and merchandising facilities in the states of Minnesota and New York, and the provinces of Ontario and Saskatchewan, with a combined licensed capacity of 43 million bushels.

The Corporation has one reportable segment while having two operating segments: (1) grain trading, handling and storage, and; (2) logistics, which includes transloading non-grain commodities on behalf of third-party customers. With the exception of \$1,405,049 of revenue recognized for the twelve-month period ended June 30, 2017 (fifteen-month period ended June 30, 2016: \$1,188,714), all of the Corporation’s revenues are comprised of grain trading, handling and storage.

2. BASIS OF PREPARATION

Statement of compliance

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

These consolidated financial statements were authorized for issue by the Audit Committee of the Board of Directors on September 22, 2017.

Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (“USD”), which is different from the Corporation’s functional currency of Canadian Dollars (“CAD”). This represents a change in accounting policy and is the first year the Corporation has used USD as a presentation currency.

Effective July 1, 2016 the Corporation changed its presentation currency from the CAD to the USD. The change in presentation currency is to better reflect the Corporation’s business activities. There has been no change to Ceres’ functional currency (CAD) or its subsidiaries’ functional currencies (USD). In making this change to the USD presentation currency, the Corporation followed the guidance in IAS 21 The Effects of Changes in Foreign Exchange Rates (IAS 21) and has applied the change retrospectively as if the new presentation currency had always been the Corporation’s presentation currency. In

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new USD presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new USD presentation currency using the closing current exchange rate at the date of each balance sheet;
- Income and expenses for each statement of profit or loss presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment listed as Accumulated Other Comprehensive Income on the Balance Sheet).

In addition to the comparative financial statements, the Corporation has presented a third statement of financial position as at April 1, 2015 as required by IFRS upon application of a voluntary change in accounting policy.

Basis of measurement

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

- Derivative financial instruments are measured at fair value;
- Assets held for sale are measured at fair value less costs to sell;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Inventories of agricultural commodities are measured at fair value less costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these consolidated financial statements.

Revenue recognition, net sales and cost of sales

The Corporation follows a policy of recognizing sales revenue at the time of delivery of the product and when all of 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 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. Realized gains and losses from the sale of investments are calculated using the average cost method. The change over a reporting period of

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

the difference between the fair value and the cost of portfolio investments is recognized as a revaluation of portfolio investments in Finance income (loss) on the Statement of Comprehensive Income (Loss).

Investments in associates

Associates are entities in which Ceres has significant influence, but has no control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The Corporation's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Corporation's share of the after-tax net income (or net loss) and of the changes in equity during a reporting period, after adjustments (if any) to align the associate's accounting policies with those of the Corporation, from the date that significant influence commences until the date that significant influence ceases. If the Corporation's accumulated share of net losses in an associate were to exceed the carrying amount of its interest in that associate, the carrying amount of that interest, would be reduced to nil and the recognition of further losses would be discontinued except to the extent the Corporation were to have an obligation or were to have made payments on behalf of the associate.

The Corporation reviews its investments in associates for impairment whenever events or changes in business circumstances indicate that the carrying amount of the investments may not be recoverable. Evidence of impairment in value might include the absence of an ability to recover the carrying amount of the investments, the inability of the associates to sustain earnings capacity that would justify the carrying amount of the investments or, where applicable, estimated sales proceeds that are insufficient to recover the carrying amount of the investments. If the recoverable amount of the investments is determined to be less than the carrying amount, an impairment write-down is recorded based on the excess of the carrying amount over management's estimate of the recoverable amount.

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 the Statement of Comprehensive Income (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.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

Classification of financial instruments

Financial assets

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions in accordance with the Corporation's documented risk management and investment strategies. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income or loss. Portfolio investments represent non-derivative financial assets classified as held for trading. The Corporation's unrealized gains on open cash contracts are derivative financial assets classified as held for trading.

Financial assets having fixed or determinable payments, and which are not quoted in an active market are defined as loans and receivables. Such assets are initially recognized at fair value plus directly attributable transaction costs, if any. Thereafter, loans and receivables are measured at amortized cost using the effective interest method less impairment losses, if any. Loans and receivables include cash, due from Brokers, and accounts receivable, trade.

Financial liabilities

Unrealized losses on open cash contracts are classified as held for trading and valued at fair value through profit or loss. The provision for future payment to Front Street Capital is also valued at fair value through profit and loss. Non-derivative financial liabilities of the Corporation include bank indebtedness, accounts payable and accrued liabilities, repurchase obligations and long term debt. These financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. Thereafter, these financial liabilities are measured at amortized cost using the effective interest method.

Equity

Common shares and unconditional warrants

Common shares and certain warrants are classified as equity. Incremental costs directly attributable to the issue of common shares and warrants 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.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

Valuation of investments

Portfolio investments are held for trading, and are measured and reported at fair value. Securities and ownership interests over which the Corporation exercises significant influence or control are accounted for using the equity-accounting model or through consolidation, as appropriate.

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 foreign exchange contracts to act as an economic hedge against assets and liabilities denominated in foreign currencies. As at a reporting date, forward foreign exchange contracts are valued based on the difference between the forward contract rate and the forward bid rate (for currency held). Unrealized gains and losses, if any, on these forward contracts used to hedge foreign currency assets and liabilities are presented separately on the Balance Sheet and included in Derivative assets or Derivative liabilities, as applicable, and are recognized in the Statement of Comprehensive Income (Loss) as a component of Finance income (loss) and included with the revaluation of portfolio investments. Upon the closing out of these contracts, any gains or losses on foreign exchange are reported in Finance income (loss) in the Statement of Comprehensive Income (Loss) as realized gain (loss) on currency hedging transactions.

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

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

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 Balance Sheet as Due from Broker, Derivative assets or Derivative liabilities, as applicable.

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 translation, transactions of Canadian dollar functional currency entities

Foreign currency transactions are translated into CAD 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 CAD, 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 the Statement of Comprehensive Income (Loss). Translation gains or losses on securities included in the investment portfolio of the Corporation are recognized as Finance income (loss) in the Statement of Comprehensive Income (Loss) and classified with the revaluation of portfolio investments.

Foreign currency translation, non-USD functional currency entities

For the preparation of these consolidated financial statements, all assets and liabilities are translated into the presentation currency of U.S. dollars (“USD”) using the foreign exchange rate in effect as at the reporting date with income statement accounts translated using the average exchange rate for the reporting or applicable period. Translation adjustments arising from changes in exchange rates are reported as a component of other comprehensive income and form part of the cumulative translation account in shareholders’ equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation account related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

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 gains (losses) on currency-hedging transactions;
- Realized and unrealized gains (losses) on foreign exchange; and
- Unrealized increase (decrease) in fair value of investments.

Depending on the movements of equity and other markets, finance income and losses will vary for each reporting period.

Interest expenses

Finance expenses represent the aggregate of interest expense on borrowings and the amortization of financing transaction costs.

Inventories

Inventories represent agricultural grain and oilseed commodities and are stated at fair value less costs to sell. Fair value is primarily determined from market prices quoted on public commodity exchanges, 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.

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.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

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

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

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

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.

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 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 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

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

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 Warrants or the redemption of Deferred Share Units outstanding as at the end of a reporting period. The effect of the potential issuance of common shares related to the redemption of Deferred Share Units or exercise of options on diluted EPS has not been presented, as it is anti-dilutive in a period of loss.

Share-based payments

Deferred Share Unit

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 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 issued to the Director, which are issued at fair value, and the Corporation increases shareholders’ equity by an equal amount. The Corporation revalues DSUs as at each reporting period-end, based on the volume-weighted average trading price per common share of the Corporation on the Toronto Stock Exchange during the immediately preceding five (5) trading days. Revaluation adjustments are recognized as an increase or decrease in the expense for Directors’ fees during the reporting period, with a corresponding increase or decrease in shareholders’ equity.

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, volatility of the expected market price of the Corporation’s common shares and an expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations, as applicable. Expected annual volatility is estimated using historical volatility. Compensation is amortized to earnings over the vesting period of the related option. 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 (the “Board”). Stand Alone SARs are cash-settled share-based payment transactions and are measured at the fair value of the

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

liability as at the date the Stand-Alone SARs are granted. 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 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.

Future changes in accounting standards

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Corporation's consolidated financial statements are listed below. This listing of standards and interpretations issued includes those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

IFRS 9 – Financial Instruments

On July 24, 2014, the IASB issued the final version of IFRS 9, which replaces *IAS 39 – Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The new standard introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and the fair value of an entity's own debt. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Ceres has not yet determined the impact of this standard on the Corporation's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, which provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more relevant disclosures. IFRS 15 supersedes *IAS 18 – Revenue*, *IAS 11 – Construction Contracts* and a number of revenue-related interpretations and applies to annual reporting periods beginning on or after January 1, 2018, although early adoption is permitted. Ceres has not yet determined the impact of this standard on the Corporation's consolidated financial statements.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The new standard is effective for annual periods beginning on or after January 1, 2019. Ceres has not yet determined the impact of this standard on the Corporation's consolidated financial statements.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The timely preparation of 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:

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. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. 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. 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 earnings immediately in cost of sales in consolidated profit or loss. Unrealized gains and losses on these derivative contracts are included in due from broker, and derivative assets and liabilities on the consolidated Balance Sheet.

Estimates and assumptions are required in determination of fair values of commodity inventories, particularly for those commodities where exchange-traded prices are not available. For these inventories, management assesses the available quoted market prices and applies judgment in determining the effect local market conditions.

Valuation of investments

Portfolio investments are held for trading, are measured and reported at fair value, 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.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

5. INVENTORIES

As at June 30, 2017, June 30, 2016 and April 1, 2015, the Corporation held \$95,233,421, \$102,616,595 and \$117,022,684 of inventories at fair value less costs to sell, respectively. For the twelve-month period ended June 30, 2017, inventories recognized as an expense through cost of sales totaled \$445,474,086. For the fifteen-month period ended June 30, 2016, inventories recognized as an expense through cost of sales totaled \$294,599,905. Furthermore, as at April 1, 2015, the carrying amount of inventories pledged as security against the Corporation's repurchase obligations totaled \$14,786,250.

6. DUE FROM (TO) BROKERS

Due from Brokers is composed of commodity futures and options contracts and margin deposits in the form of cash and open trade equity maintained by a broker 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 it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

As at June 30, 2017, June 30, 2016 and April 1, 2015, the amounts due from Brokers represent the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Due from Brokers			
Margin deposits	\$ 2,815,351	\$ 5,453,861	\$ 5,161,958
Unrealized gains on future contracts and options, at fair value	<u>33,215</u>	<u>128,518</u>	<u>2,114,710</u>
	2,848,566	5,582,379	7,276,668
Due to Brokers			
Unrealized losses on future contracts and options, at fair value	<u>(1,020,259)</u>	<u>(123,560)</u>	<u>(441,250)</u>
	\$ 1,828,307	\$ 5,458,819	\$ 6,835,418

7. INVESTMENT IN ASSOCIATES

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Canterra Seeds Holdings, Ltd., common shares	\$ -	\$ -	\$ 1,466,704
Stewart Southern Railway Inc., common shares	<u>2,705,935</u>	<u>2,946,601</u>	<u>2,978,330</u>
	\$ 2,705,935	\$ 2,946,601	\$ 4,445,034

(a) *Investment in Canterra Seeds Holdings, Ltd. ("Canterra")*

As at April 1, 2015, Ceres held a 25% equity interest in Canterra, a Canadian company. Canterra purchases, produces, and distributes seed varieties and related technologies to its customers throughout Western Canada and the Great Northern Plains and Pacific North West of the United States. Major operating decisions of Canterra are made by its Board of Directors and Ceres, as at April 1, 2015, had a

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

and accounted for its investment in Canterra, which had a carrying value of \$1,466,704 and was classified on the Consolidated Balance Sheet as “Investments in associates” using the equity method. During the quarter ended June 30, 2015, the Corporation recorded its portion of Canterra’s net income of \$254,731.

During the fifteen-month period ended June 30, 2016, Canterra issued additional common equity shares, resulting in the dilution of the Corporation’s equity interest to 17%. As a result, the Corporation no longer has a significant influence over the financial and operating policies of Canterra. Therefore, Ceres reclassified its investment to portfolio investments and recorded it at fair value, recognizing a gain of \$1,031,658 as “Finance income” within profit or loss.

(b) Investment in Stewart Southern Railway Inc. (“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.

	<u>Twelve-month period ended June 30, 2017</u>	<u>Fifteen-month period ended June 30, 2016</u>
Revenues	\$ 1,245,414	\$ 3,856,482
Income from continuing operations	(1,137,305)	271,924
Net and comprehensive income (loss)	(948,060)	150,904
Current assets	\$ 2,217,210	\$ 3,201,700
Non-current assets	8,382,043	8,396,737
Current liabilities	144,652	207,917
Non-current liabilities	88,074	60,536

For the period ended June 30, 2017, the Corporation’s consolidated profit or loss included the Corporation’s share in the net loss of SSR’s equity of \$237,015 (2016: net income of \$37,726). During the period ended June 30, 2017, the Corporation did not receive a dividend from SSR (2016: nil).

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, 2017, June 30, 2016 and April 1, 2015:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Investee's equity as at reporting date	\$ 10,366,990	\$ 11,329,984	\$ 11,445,564
Corporation's 25% portion of SSR equity	2,591,747	2,832,495	2,861,390
Goodwill	114,188	114,106	116,940
Carrying value	<u>\$ 2,705,935</u>	<u>\$ 2,946,601</u>	<u>\$ 2,978,330</u>

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and silos/elevators	Machinery & equipment	Office equipment & other assets	Construction in Progress	Totals
<u>June 30, 2017</u>						
<u>Cost</u>						
Balances, June 30, 2016	22,708,494	79,579,445	23,449,513	3,479,467	3,266,374	132,483,293
Asset additions	-	-	-	-	10,477,697	10,477,697
Assets placed in service	4,225	10,937,080	2,245,606	74,900	(13,261,811)	-
Reclassification of assets held for sale	(789,787)	(8,412,466)	(1,322,323)	(50,761)	(126,063)	(10,701,400)
Foreign currency translation adjustments	13,035	202,729	50,897	1,500	1,884	270,045
Balances, June 30, 2017	21,935,967	82,306,788	24,423,693	3,505,106	358,081	132,529,635
<u>Accumulated depreciation</u>						
Balances, June 30, 2016	-	(10,601,220)	(1,647,996)	(1,417,036)	-	(13,666,252)
Depreciation charged to operations	-	(2,790,854)	(1,645,936)	(144,238)	-	(4,581,028)
Reclassification of assets held for sale	-	2,405,948	596,242	48,689	-	3,050,879
Foreign currency translation adjustments	-	(23,296)	(30,915)	(4,621)	-	(58,832)
Balances, June 30, 2017	-	(11,009,422)	(2,728,605)	(1,517,206)	-	(15,255,233)
Carrying amount, June 30, 2017	\$ 21,935,967	\$ 71,297,366	\$ 21,695,088	\$ 1,987,900	\$ 358,081	\$ 117,274,402
<u>June 30, 2016</u>						
<u>Cost</u>						
Balances, April 1, 2015	23,311,179	56,290,655	5,110,713	1,489,313	18,994,646	105,196,506
Asset additions	-	-	-	-	29,426,425	29,426,425
Assets placed in service	177,903	24,340,035	18,630,570	2,004,738	(45,153,246)	-
Disposals	(349,043)	(892,512)	(190,634)	-	-	(1,432,189)
Foreign currency translation adjustments	(431,545)	(158,733)	(101,136)	(14,584)	(1,451)	(707,449)
Balances, June 30, 2016	22,708,494	79,579,445	23,449,513	3,479,467	3,266,374	132,483,293
<u>Accumulated depreciation</u>						
Balances, April 1, 2015	-	(7,981,567)	(952,276)	(984,955)	-	(9,918,798)
Depreciation charged to operations	-	(2,690,102)	(740,258)	(429,869)	-	(3,860,229)
Disposals	-	109,817	49,641	-	-	159,458
Foreign currency translation adjustments	-	(39,369)	(5,103)	(2,212)	-	(46,684)
Balances, June 30, 2016	-	(10,601,221)	(1,647,996)	(1,417,036)	-	(13,666,253)
Carrying amount, June 30, 2016	\$ 22,708,494	\$ 68,978,224	\$ 21,801,517	\$ 2,062,431	\$ 3,266,374	\$ 118,817,040

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

During the twelve-month period ended June 30, 2017, Ceres continued with its plan to idle three grain storage elevators located in Buffalo, New York (Buffalo); Minneapolis, Minnesota (Calumet); and Duluth, Minnesota (Duluth Lakeport). As the operations at Duluth Lakeport and Buffalo have ceased, the cash flows associated with these specific assets could no longer support their carrying values. During the twelve-month period ended June 30, 2017, Ceres recorded a loss of \$7,650,521 on the impairment of Duluth Lakeport and Buffalo, which is classified within profit or loss as “(Loss) gain on property, plant and equipment”. Additionally, Ceres committed to, and activated a plan for the sale of Buffalo and Duluth Lakeport. As noted in footnote twenty-two, subsequent to the reporting date of June 30, 2017 but prior to the date of issuance of these financial statements, Ceres closed on the sale of the Buffalo and Duluth Lakeport storage facilities. As at June 30, 2017, Buffalo and Duluth Lakeport are assets held for sale with a net book value of zero. As at June 30, 2016 and April 1, 2015, Ceres did not have any assets held for sale.

Asset additions during the twelve months ended June 30, 2017 accrued and not yet paid for as at the reporting date totaled \$3,904,304 (2016: \$4,373,365).

9. BANK INDEBTEDNESS

On December 30, 2016, the Corporation amended its uncommitted credit facility (the “Credit Facility”), which now expires on December 29, 2017. The maximum borrowings under the revolving facility are \$67,500,000. Borrowings bear an interest rate of overnight LIBOR plus 3.875% per annum, and interest is calculated and paid on a monthly basis. The Credit Facility is subject to borrowing base limitations. Amounts under the Credit Facility that remain undrawn are not subject to a commitment fee. The Credit Facility has certain covenants pertaining to the accounts of the Corporation and as at June 30, 2017, the Corporation was in compliance with all covenants.

On December 18, 2015, the Corporation amended its uncommitted \$120,000,000 Credit Facility. Borrowings bore an interest rate dependent on the facility utilization level: at any time the utilization level was less than 50%, overnight LIBOR plus 2.875% per annum, and at any time that the utilization level was greater than or equal to 50%, overnight LIBOR plus 2.750% per annum.

Prior to the December 18, 2015 amendment, borrowings under the Credit Facility were subject to interest of overnight LIBOR plus 2.875% per annum, with interest calculated and paid monthly.

As at June 30, 2017, June 30, 2016 and April 1, 2015, the Corporation had \$10,705,000, \$37,493,000 and \$83,154,000 in availability, respectively, on its revolving line of credit.

As at June 30, 2017, June 30, 2016 and April 1, 2015, the carrying amount of bank indebtedness is summarized as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Revolving line of credit	\$ 56,595,320	\$ 55,000,000	\$ 15,000,000
Unamortized financing costs	(152,500)	(249,383)	(179,244)
Cheques issued in excess of cash on hand	-	833,483	-
	<u>\$ 56,442,820</u>	<u>\$ 55,584,100</u>	<u>\$ 14,820,756</u>

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

The revolving Credit Facility, 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 Riverland Ag,; and (iii) a pledge of substantially all of the equity interests and investment property held by the Corporation.

10. TERM LOAN

On December 29, 2016, the Corporation paid down the principal on its term loan facility agreement by the amount of \$1,642,379 in accordance with the principal payment schedule included in the agreement. Additionally, the Corporation made an additional principal payment of \$7,000,000, reducing the principal to \$15,000,000 and amended the existing term loan facility agreement. The agreement was revised to reflect a term of 3 years. The interest rate of one month LIBOR plus 5.25% is consistent with the previous term loan agreement. In accordance with the amended agreement, the next principal payment on the term loan is payable on December 29, 2017 in the amount of \$3,000,000 with a principal payment of \$5,000,000 payable on December 28, 2018 and \$7,000,000 payable on December 27, 2019. The loan has an effective interest rate of 6.30% plus one month LIBOR.

On December 30, 2014, the Corporation entered into a senior secured term loan facility agreement for \$25,000,000. This term loan was for a term of 5 years with an interest rate of one month LIBOR plus 5.25%. The first principal payment was payable on December 29, 2016 in the amount of \$1,642,379. On November 17, 2015, immediately following the closure of the sale of the Electric Steel facility, the Corporation used the net sales proceeds to repay a portion of its outstanding term debt. The total amount repaid on the term debt was \$1,357,621. The loan had an effective interest rate of 6.21% plus one month LIBOR.

In connection with the origination of the term loan, the Corporation paid transaction costs relating to the loan closure in the amount of \$1,011,629, which included legal fees and other related borrowing costs. Transaction costs directly attributable to the issuance of the term 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.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>April 1, 2015</u>
Total term debt	\$ 15,000,000	\$ 23,642,379	\$ 25,000,000
Less current portion of long-term debt	<u>(3,000,000)</u>	<u>(1,642,379)</u>	<u>-</u>
	12,000,000	22,000,000	\$ 25,000,000
Unamortized financing costs	<u>(546,362)</u>	<u>(740,734)</u>	<u>(967,956)</u>
Total long-term debt	<u>\$ 11,453,638</u>	<u>\$ 21,259,266</u>	<u>\$ 24,032,044</u>

The term 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 Riverland Ag; and (iii) a pledge of substantially all of the equity interests and investment property held by the Corporation.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

11. 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 twelve-month period ended June 30, 2017 and fifteen-month period ended June 30, 2016:

	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Realized and unrealized losses on foreign exchange	\$ (73,051)	\$ (42,925)
Realized and unrealized gains (losses) on currency-hedging transactions	(6,797)	178,764
Revaluation of portfolio investments	(188,612)	1,031,658
	\$ (268,460)	\$ 1,167,497

As at April 1, 2015, the Corporation held a 25% equity interest in Canterra Seeds Holdings, Ltd. (“Canterra”) that had a carrying value of \$1,466,704. This investment, accounted for using the equity method, was classified on the Consolidated Balance Sheet as “Investments in associates”. During the quarter ended September 30, 2015, Canterra issued additional common equity shares, resulting in the dilution of the Corporation’s equity interest to 17%, and it no longer having a significant influence over the financial and operating policies of Canterra. Therefore, during the fifteen-month period ended June 30, 2016, Ceres reclassified this investment to portfolio investments and recorded it at fair value, recognizing a gain of \$1,031,658 classified within profit or loss as “Finance income”. The investment in Canterra totals \$2,110,189 as at June 30, 2017, and is classified on the Consolidated Balance Sheet within “Portfolio investments, at fair value”.

12. INTEREST EXPENSE

The following table presents interest income (expense) for the twelve-month period June 30, 2017 and fifteen-month period ended June 30, 2016:

	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Interest on revolving line of credit	\$ (1,822,299)	\$ (1,877,446)
Interest on repurchase obligation	(297,260)	(172,010)
Interest on long-term debt	(1,163,314)	(1,851,791)
Amortization of financing costs paid	(596,254)	(655,867)
Interest income and other interest expense	-	87,920
	\$ (3,879,127)	\$ (4,469,194)

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

13. REPURCHASE OBLIGATIONS

As at April 1, 2015, the Corporation had two open repurchase commitments under its product financing arrangement to repurchase 2,500,000 bushels of certain grains. Under the product financing arrangement, the Corporation sold grain under contract and simultaneously entered into contracts to repurchase the grain during the first quarter of the fifteen-month period ending June 30, 2016. Since the Corporation was obligated to repurchase these commodities, it did not recognize these transactions as sales. As at April 1, 2015, the Corporation recognized the inventory owned by the Corporation in this regard on its consolidated balance sheet and recorded a liability of \$14,740,904 plus accrued interest payable. As at April 1, 2015, the fixed interest rate on the open repurchase commitment was 3.06%.

14. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

The Corporation's financial assets and liabilities that are measured at fair value in the consolidated balance sheets are categorized by level according to the significance of the inputs used in making the measurements. The Corporation recognizes transfers between fair value measurements hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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.

	June 30, 2017			Total
	Level 1	Level 2	Level 3	
Portfolio investments	\$ -	\$ -	\$ 3,193,407	\$ 3,193,407
Due from broker, unrealized gains on futures and options (Note 6)	33,215	-	-	33,215
Unrealized gains on open cash contracts (derivatives)	-	10,501,364	-	10,501,364
Due to broker, unrealized losses on futures and options (Note 6)	(1,020,259)	-	-	(1,020,259)
Unrealized losses on open cash contracts (derivatives)	-	(14,066,236)	-	(14,066,236)
Provision for future payments to Front Street Capital	-	(10,814)	-	(10,814)
	<u>\$ (987,044)</u>	<u>\$ (3,575,686)</u>	<u>\$ 3,193,407</u>	<u>\$ (1,369,323)</u>

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

	June 30, 2016			Total
	Level 1	Level 2	Level 3	
Portfolio investments	\$ -	\$ 2,729,868	\$ 654,801	\$ 3,384,669
Due from broker, unrealized gains on futures and options (Note 6)	128,518	-	-	128,518
Unrealized gains on open cash contracts (Derivatives)	-	5,106,168	-	5,106,168
Due to Broker, unrealized losses on futures and options (Note 6)	(123,560)	-	-	(123,560)
Unrealized losses on open cash contracts (Derivatives)	-	(2,568,309)	-	(2,568,309)
Derivative warrant liability	-	(104,971)	-	(104,971)
Provision for future payments to Front Street Capital	-	(73,325)	-	(73,325)
	<u>\$ 4,958</u>	<u>\$ 5,089,431</u>	<u>\$ 654,801</u>	<u>\$ 5,749,190</u>

	April 1, 2015			Total
	Level 1	Level 2	Level 3	
Portfolio investments	\$ -	\$ -	\$ 670,909	\$ 670,909
Due from broker, unrealized gains on futures and options (Note 6)	2,114,710	-	-	2,114,710
Unrealized gains on open cash contracts (Derivatives)	-	7,493,264	-	7,493,264
Due to Broker, unrealized losses on futures and options (Note 6)	(441,251)	-	-	(441,251)
Unrealized losses on open cash contracts (Derivatives)	-	(2,062,395)	-	(2,062,395)
Derivative warrant liability	-	(1,359,753)	-	(1,359,753)
Provision for future payments to Front Street Capital	-	(272,109)	-	(272,109)
	<u>\$ 1,673,459</u>	<u>\$ 3,799,007</u>	<u>\$ 670,909</u>	<u>\$ 6,143,375</u>

Reconciliation of Level 3 fair values

	Level 3
Balance at April 1, 2015	\$ 670,909
Currency translation differences	(16,108)
Balance at June 30, 2016	654,801
Recategorizations	2,731,990
Revaluation of portfolio investments	(188,612)
Currency translation differences	(4,772)
Balance at June 30, 2017	\$ 3,193,407

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

For the fiscal year ended June 30, 2017, the Corporation was not able to obtain observable inputs to fair value its portfolio investments that were classified as a Level 2 investment as at June 30, 2016. Accordingly, the \$2,731,990 of portfolio investments transferred out of Level 2 and into Level 3.

(b) 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, 2017, the Corporation's market risk pertaining to portfolio investments was potentially affected by changes in actual market prices. As at June 30, 2017, 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.

The following is a summary of the effect on the results of operations of the Corporation for the twelve-month period ended June 30, 2017, if the fair value of each of the portfolio investments as at June 30, 2017 had increased or decreased by 10% with all other variables remaining constant:

	<u>June 30, 2017</u>	
	Increase (decrease) in net income	Increase (decrease) in earnings per share
Change in fair value of investments		
10% increase in fair value	\$ 319,341	\$ 0.01
10% decrease in fair value	\$ (319,341)	\$ (0.01)

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

Commodity risk

The following is a summary of the effect on the results of operations of the Corporation for the twelve-month period ended June 30, 2017, if the fair value of each of the open cash contracts as at June 30, 2017 had increased or decreased by 5%, with all other variables remaining constant:

<u>Change in bid/ask prices of commodities</u>	<u>June 30, 2017</u>	
	Increase (decrease) in net income	Increase (decrease) in earnings per share
5% increase in bid-ask prices	\$ (848,050)	\$ (0.03)
5% decrease in bid-ask prices	\$ 848,050	\$ 0.03

During the fifteen-month period ended June 30, 2016, the Corporation hedged a portion of its investment in a US subsidiary through US dollars futures contracts, which mitigated the foreign currency risk arising from the subsidiary's net assets. During the quarter ended December 31, 2015, the Corporation settled the US dollar futures hedge and realized a gain of \$1,017,384, which has been recognized in other comprehensive income.

Interest rate risk

As at June 30, 2017, Ceres had no long or short portfolio positions in any interest-bearing investment securities.

As at June 30, 2017, 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, 2017, 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 9 (Bank Indebtedness), as at June 30, 2017, the Corporation's Credit Facility (as defined herein) bears interest at an annual rate of 3.875% plus overnight LIBOR. As at June 30, 2017, 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, 2017, the Corporation's term loan (Note 10) bears interest at an annual rate of 5.25% plus one month LIBOR. As at June 30, 2017, management has determined the effect on the future results of operations of the Corporation, if the variable interest rate component applicable on that date on the term loan was to increase by 25 bps, using the balance of the term loan payable as at that date, and the number of shares then issued and outstanding, and with all other variables remaining constant.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

On that basis, the potential effects on the result of operations for the twelve-month period ending June 30, 2017 would be as follows:

	<u>June 30, 2017</u>	
	<u>Increase in</u>	<u>Increase</u>
	<u>net loss</u>	<u>in loss per</u>
		<u>share</u>
<u>Change in interest rate on revolving facility</u>		
25 bps increase in annual interest rate	\$ (143,060)	\$ (0.01)
 <u>Change in interest rate on term loan</u>		
25 bps increase in annual interest rate	\$ (37,917)	\$ (0.00)

Credit risk

Credit risk is the risk a counterparty would be unable to pay for amounts due to the Corporation in accordance with the terms and conditions of the debt instruments. As at June 30, 2017, the Corporation is subject to credit risk concerning cash, amounts due from brokers, trade accounts receivable, and to the extent, open cash contracts for grain commodities have given rise to unrealized gains. The maximum exposure to credit risk on those assets is limited to the carrying value of those assets. The Corporation uses various grain contracts as part of its overall grain merchandising strategies. Performance on these contracts is dependent on delivery of the grain or a customer buy-out. There is counter-party risk associated with non-performance, which may have the potential of creating losses. Management has assessed the counter-party risk and believes that insignificant losses, if any, would result from non-performance.

The Corporation regularly evaluates its credit risk concerning its trade accounts receivable to the extent that such receivables may be concentrated in certain industries or 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. Based on its review and assessment of its trade accounts receivable, management has determined that as at June 30, 2017, no allowance for doubtful accounts is warranted.

The Corporation had two customers that each individually represented more than 10% of total revenue for the twelve-month period ended June 30, 2017, comprising 12% and 11% of total revenue. For the fifteen-month period ended June 30, 2016, the Corporation had one customer that individually represented more than 10% of total revenue, comprising 16% of total revenue.

Custody and prime brokerage risk

There are risks involved with dealing with a custodian or broker who settle trades. In certain circumstances, the securities or other assets deposited with the custodian or broker may be exposed to credit risk with respect to those parties. In addition, there may be practical or timing problems associated with enforcing the Corporation's rights to its assets in the case of the insolvency of any such party. Notwithstanding the foregoing, management has evaluated the risk of loss related to the custodian or brokers and has determined this risk to be insignificant.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

Liquidity risk

As at June 30, 2017 and June 30, 2016, the following are the contractual maturities of financial liabilities, excluding interest payments:

<u>June 30, 2017</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	3 to <u>5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 56,442,820	\$ 56,595,320	\$ 56,595,320	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	22,549,403	22,549,403	22,549,403	-	-	-
Derivatives	14,066,235	14,066,235	14,066,235	-	-	-
Provision for future payments to Front Street Capital	10,814	10,814	10,814	-	-	-
Long-term debt (Note 10)	14,453,638	15,000,000	3,000,000	5,000,000	7,000,000	-

<u>June 30, 2016</u>	Carrying <u>amount</u>	Contractual <u>cash flows</u>	<u>1 year</u>	<u>2 years</u>	3 to <u>5 years</u>	More than <u>5 years</u>
Bank indebtedness	\$ 55,584,100	\$ 55,833,483	\$ 55,833,483	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	16,007,014	16,007,014	16,007,014	-	-	-
Derivatives	2,568,309	2,568,309	2,568,309	-	-	-
Provision for future payments to Front Street Capital	73,325	73,325	73,325	-	-	-
Warrants	104,971	104,971	104,971	-	-	-
Long-term debt	22,901,645	23,642,379	1,642,379	5,000,000	17,000,000	-

Future expected operational cash flows and sufficient assets are available to fund the settlement of these obligations in the normal course of business. In addition, the following factors allow for the substantial mitigation of liquidity risk: the prompt settlement of amounts due from brokers, the active management of trade accounts receivable and the lack of concentration risk related thereto. The Corporation's cash flow management activities and the continued likelihood of its operations further minimize liquidity risk.

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 assets or liabilities denominated in currencies other than USD will vary due to changes in foreign exchange rates.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

As at June 30, 2017, the following is a summary, at fair value, of Ceres' exposure to currency risks:

	<u>June 30, 2017</u>
<u>Currency</u>	<u>Net asset (liability) exposure</u>
Canadian dollars	\$ 607,095

As at June 30, 2017, June 30, 2016 and April 1, 2015, the Corporation had no commitment to any futures foreign exchange contracts.

The following is a summary of the effect on Ceres' profit or loss for the twelve-month period ended June 30, 2017 if the USD had become 5% stronger or weaker against the CAD as at June 30, 2017, with all other variables remaining constant, related to monetary assets and liabilities denominated in foreign currencies:

	<u>June 30, 2017</u>	
<u>Change in foreign exchange rate</u>	<u>Increase (decrease) in net income</u>	<u>Increase (decrease) in earnings per share</u>
C\$ 5% stronger	\$ (24,680)	\$ (0.00)
C\$ 5% weaker	\$ 22,330	\$ 0.00

Currency risk for Ceres relates to grain transactions denominated in a currency other than USD and the translation of its accounts from the functional currency CAD to the presentation currency USD for the purposes of the consolidated financial reporting of Ceres. Adjustments related to the translation of accounts from the functional currency to the presentation currency are included as other comprehensive income (loss) and have no effect on the determination of net income for the reporting period.

Other financial instruments

The carrying values of cash and cash equivalents, due from (to) brokers, accounts receivable, bank indebtedness, and account payable and accrued liabilities approximate their fair values as at June 30, 2017 due to the short-term nature of these instruments. The carrying value of long-term debt approximates fair value as at June 30, 2017.

15. SHARE CAPITAL AND WARRANTS

(a) Authorized

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

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

(b) Normal Course Issuer Bids

During the twelve-month period ended June 30, 2017 and the fifteen-month period ended June 30, 2016, the Corporation purchased Shares under normal course issuer bids, the purpose of which was to provide Ceres with a mechanism to decrease the potential spread between the net asset value per Share and the market price of the common shares. On June 10, 2015, Ceres announced a normal course issuer bid (“the 2015-2016 NCIB”) which commenced on June 12, 2015 and concluded on June 11, 2016. The Corporation renewed the normal course issuer bid (“the 2016-2017 NCIB”) commencing on June 12, 2016. Using the facilities of the Toronto Stock Exchange (“TSX”) and in accordance with its rules and policies, Ceres intended to purchase up to a maximum of 1,595,765 of its Common Shares, representing approximately 10% of its unrestricted public float as of June 2, 2016, subject to a maximum aggregate purchase price of CAD \$5,000,000 pursuant to restrictions under the Corporation’s Credit Facility. Ceres purchased up to a daily maximum of 2,119 Common Shares under the 2016-2017 NCIB, except for purchases made in accordance with the “block purchase” exception under applicable TSX rules and policies. The 2016-2017 NCIB concluded on June 11, 2017.

During the twelve months ended June 30, 2017, the Corporation purchased a total of 257,582 common shares under the normal course issuer bid for aggregate cash consideration of \$1,055,111. The stated capital value of these repurchased Shares was \$1,881,516. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$826,405, was allocated to Deficit in the twelve-month period ended June 30, 2017.

During the fifteen months ended June 30, 2016, the Corporation purchased a total of 168,600 common shares under the normal course issuer bid for aggregate cash consideration of \$662,094. The stated capital value of these repurchased Shares was \$1,010,830. The excess of the stated capital value of the repurchased common shares over the cost thereof, being \$348,736, was allocated to Deficit in the fifteen-month period ended June 30, 2016.

(c) Common Share Purchase Warrants

In connection with the completion of the Corporation’s rights offering (the “Rights Offering”), on December 4, 2014, Ceres issued an aggregate of 2,083,334 warrants (the “Warrants”) to the stand-by purchasers. The Warrants issued were conditional upon approval at the Corporation’s annual general meeting (“AGM”), which was obtained at the AGM on August 7, 2015.

Furthermore, the Warrants were issued at a fixed exercise price of CAD \$5.84 and were each exercisable into one common share of the Corporation (a “Common Share”). The Warrants had an expiry date of December 4, 2016, being 24 months after issuance. In the event that the Warrants were exercised prior to the completion of a change of control of the Corporation, but after a transaction that will result in such a change of control has been publicly announced, in lieu of exercising the Warrants, the holders of Warrants could elect a cashless exercise to receive Common Shares equal to: the difference between the ten-day Volume-Weighted Average Price (“VWAP”) of the Corporation’s stock price and CAD \$5.84; multiplied by the number of Common Shares in respect of which the election was made; divided by the ten-day VWAP of the Corporation’s stock price. If a Warrant holder exercised this option, there would be variability in the number of shares issued per Warrant.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in the fair value recognized in the statement of operations and comprehensive loss at each period end.

On November 30, 2016, 1,250,000 Warrants were exercised into 1,250,000 Common Shares at an exercise price of CAD \$5.84 for total consideration of \$5,425,492 (CAD \$7,300,000). On December 4, 2016, the remaining 833,334 Warrants expired, resulting in no warrant liability as at June 30, 2017. As at June 30, 2016 and April 1, 2015, the warrant liability was \$104,971 and \$1,359,753 respectively.

(d) Stock Option and Appreciation Rights

On March 10, 2014, the Board approved the Ceres Global Ag Corp. Stock Option Plan (the “Options Plan”). The Options Plan is available to certain officers, key employees and consultants of the Corporation and its subsidiaries. The purpose of the Options 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 Options Plan is administered by the Board, 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 and maybe 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 16). 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 Options Plan also provides for the Board to grant Stock Appreciation Rights (“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 Options Plan (including satisfaction of Performance Criteria and/or continued employment) as may be determined by the Board. The Base Price for each common share subject to a Stand-Alone SAR may not be 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 Options 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 Options Plan.

As at June 30, 2017, June 30, 2016 and April 1, 2015, no SARs had been awarded.

During the twelve months ended June 30, 2017, Ceres granted stock options (“Options”) under the Corporation’s Option Plan to certain officers and employees of the Corporation. The exercise price was fixed by the Board of Directors at the time of grant.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

As at June 30, 2017, the outstanding Options are as follows:

	Number of Options	Weighted- average exercise price (CAD)	Weighted- average Remaining Contractual Term (Years)
Outstanding as at April 1, 2015	-	\$ -	-
Granted	322,500	6.72	5.00
Exercised	-	-	
Expired/forfeited	(44,169)	6.75	
Outstanding as at June 30, 2016	278,331	\$ 6.71	4.53
Granted	892,826	5.84	4.11
Exercised	-	-	
Expired/forfeited	(79,278)	6.75	
Outstanding as at June 30, 2017	1,091,879	\$ 6.00	3.91
Exercisable as at June 30, 2017	354,123	\$ 6.13	3.39

At the grant date, the fair value of the Options was estimated using the Black-Scholes pricing model with the following weighted-average assumptions: an average risk free interest rate of 0.75%; expected volatility of 24.6%; dividend yield of nil; an average expected option life of 4.6 years; and average exercise price of CAD \$5.84. The weighted average grant date fair value of the Options granted during the twelve-month period ended June 30, 2017, is CAD \$0.72 (fifteen-month ended June 30, 2016: CAD \$1.45 and twelve-month ended March 31, 2015: nil). As at June 30, 2017 and June 30, 2016, outstanding Options had exercise prices ranging from CAD \$5.84 to CAD \$6.75.

The total Option compensation cost included in general and administrative expenses for the twelve months ended June 30, 2017, amounted to \$200,058 (fifteen months ended June 30, 2016: \$152,209) with the non-cash expense being accrued and classified within contributed surplus in the Consolidated Balance Sheet.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

(e) Issued and outstanding as at June 30, 2017, June 30, 2016 and April 1, 2015

The following is a summary of the changes in the Common shares for the twelve-month period ended June 30, 2017 and fifteen-month period ended June 30, 2016:

	<u>Common shares</u>	
	<u>Shares</u>	<u>Amount</u>
Balances, March 31, 2015	27,050,673	\$ 200,640,476
Redemption of deferred share units	6,982	33,158
Share issuance costs	-	(56,824)
Repurchase under normal course issuer bid	(168,600)	(1,010,830)
Balances, June 30, 2016	26,889,055	\$ 199,605,980
Redemption of deferred share units	17,333	69,885
Repurchase under normal course issuer bid	(257,582)	(1,881,516)
Exercise of warrants	1,250,000	5,425,492
Directors' remuneration	10,790	43,593
Balances, June 30, 2017	27,909,596	\$ 203,263,434

As at June 30, 2017, June 30, 2016 and April 1, 2015, directors and officers of the Corporation, through a controlled entity, beneficially own, directly or indirectly, or exercise control or direction over 43.6%, 40.7% and 40.3%, respectively, of the outstanding Common shares of the Corporation.

16. DEFERRED SHARE UNIT PLAN

Effective September 29, 2016, the Board amended the Directors' Deferred Share Unit Plan to (i) authorize the Board, 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 ("DSU") 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 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).

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

The Corporation intends to settle all 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. DSUs outstanding as at a reporting period-end are revalued at the fair market value as at that period and changes in the fair market value are recognized to Directors' fees in the period in which the changes occur.

The following is a summary of the changes in the number of DSUs issued and outstanding for the twelve-month period ended June 30, 2017 and fifteen-month period ended June 30, 2016:

	12-month period ended June 30, 2017	15-month period ended June 30, 2016
DSUs, beginning of period	142,717	52,813
Units issued	58,201	96,887
Units redeemed	(17,333)	(6,983)
Balance, end of period	183,585	142,717

17. MANAGEMENT FEES

On August 23, 2013, Ceres announced it had entered into a Management Transition Agreement (the "Transition Agreement") with Front Street Capital 2004 ("Front Street Capital"), which provided, among other things, for the early termination of the Management Agreement. The Transition Agreement was approved by the shareholders at the annual and special meeting held on September 27, 2013. The Transition Agreement provided for the following:

- The Management Agreement was terminated effective November 30, 2013;
- Monthly management fee payments to the Front Street Capital ended December 31, 2013;
- On October 1, 2013, Ceres paid Front Street Capital CAD \$5,000,000 plus HST of CAD \$650,000;
- Front Street Capital will be paid an additional CAD \$1,000,000 if the five-day volume-weighted average price of Ceres' common shares (the "5-day VWAP") reaches CAD \$10 within the five-year period ending August 23, 2018, and a further CAD \$1,000,000 if the 5-day VWAP reaches CAD \$11 at any time during that 5-year period; and
- The additional payments will become payable immediately if, prior to the fifth anniversary of the date of the Transition Agreement, there occurs either a change in control or a going private transaction for a price in excess of CAD \$7.85 per share;

Ceres must deposit into an escrow fund 5% of any gross sale proceeds in excess of net book value and direct transaction costs from the sale of any of Ceres' assets, to a maximum amount of CAD \$1,000,000, and such escrow fund amount shall be paid to the Manager if the 5-day VWAP does not reach CAD \$10 within five years.

As at June 30, 2017, management has determined the fair value of the potential additional payments provided for under the Transition Agreement is \$10,814 (June 30, 2016: \$73,321 and April 1, 2015: \$272,109). As at June 30, 2017, the fair value of each additional payment was determined using the binomial options pricing model, with a remaining term to August 23, 2018, using volatility of 25% and a risk-free interest rate of 1.1% (fifteen-month period ended June 30, 2016: remaining term to August 23,

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

2018, volatility of 25% and risk-free interest rate of 0.52% and twelve-month period ended March 31, 2015: remaining term to August 23, 2018, volatility of 25% and risk-free interest rate of 0.62%). Management recalculates the fair value of such potential additional payments as at each quarter-end and adjusts the provision recognized in the accounts. For the twelve-month period ended June 30, 2017, the Corporation recognized a gain of \$60,620 related to the revaluation of the provision for future payments to Front Street Capital (fifteen-month period ended June 30, 2016: revaluation gain of \$173,747).

18. 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:

	<u>2017</u>	<u>2016</u>
Income (loss) before income taxes and share of net income in investments in associates:		
Canada	\$ (5,342,140)	\$ 6,981,987
United States of America	<u>(8,069,105)</u>	<u>(19,038,242)</u>
	<u>\$ (13,411,245)</u>	<u>\$ (12,056,255)</u>
Combined statutory Canadian federal and Ontario corporate income tax rate	<u>26.5%</u>	<u>26.5%</u>
Provision for income taxes recoverable using statutory rate	\$ <u>(3,553,980)</u>	\$ <u>(3,194,908)</u>
Adjusted for the income tax effect of:		
Difference in tax rates applicable to subsidiaries	(964,335)	(2,143,443)
U.S. state taxes, net of U.S. federal benefit	4,282	29,959
Non-deductible portion of unrealized losses on investments	144,766	79,643
Changes in unrecognized temporary difference on deferred income tax assets, net of deferred tax liabilities	6,126,269	5,783,919
Non-deductible changes in the revaluation of the derivative warrant liability	-	(370,595)
Foreign exchange and other differences	<u>(1,752,720)</u>	<u>(417,781)</u>
	<u>3,558,262</u>	<u>2,961,702</u>
Income tax expense (recovered)	<u>\$ 4,282</u>	<u>\$ (233,206)</u>

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

The components of the provision for income taxes are as follows:

	<u>2017</u>	<u>2016</u>
Canada		
Current	\$ -	\$ -
Deferred	-	(226,695)
	-	(226,695)
United States of America - Federal		
Current	-	(4,054)
Deferred	-	(15,324)
	-	(19,378)
United States of America - State		
Current	4,282	29,959
Deferred	-	(1,695)
	4,282	28,264
Income tax expense (recovered)	\$ 4,282	\$ (217,809)

(b) *Deferred income tax liability*

The tax effects of temporary differences that give rise to significant elements of the net deferred income tax liability are as follows:

	<u>2017</u>	<u>2016</u>
Deferred tax assets:		
Non-capital and net operating losses carried-forward	\$ 41,125,264	\$ 36,420,085
Allowable capital losses carried forward	974,007	783,908
Deductible portion of unrealized depreciation of investments	678,988	645,675
Share issuance costs	205,079	166,408
	<u>42,983,338</u>	<u>38,016,076</u>
Deferred tax liabilities:		
Property, plant and equipment	(14,339,757)	(15,541,595)
Taxable portion of unrealized depreciation of investment in associates	(423,748)	(450,581)
Other temporary taxable differences, net of temporary deductible differences	(386,982)	(317,318)
	<u>(15,150,487)</u>	<u>(16,309,494)</u>
Unrecognized deferred tax assets	<u>(27,832,851)</u>	<u>(21,706,582)</u>
Non-current deferred tax liabilities, net	<u>\$ -</u>	<u>\$ -</u>

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

(c) *Tax losses carried forward*

(i) Operations in Canada

As at June 30, 2017, the Corporation has accumulated non-capital losses in the amount of CAD \$57,042,744 relating to its operations in Canada. The non-capital losses are being carried forward and, unless utilized, will expire in the following taxation years:

<u>Year of expiry</u>	<u>Amount in CAD</u>
2031	\$ 400,608
2032	7,335,493
2033	6,548,720
2034	13,586,280
2035	8,197,795
2036	10,776,858
2037	10,196,990
	<u>\$ 57,042,744</u>

As at June 30, 2017, Ceres has accumulated capital losses totaling CAD \$9,517,086, which are available indefinitely to be applied against capital gains in future taxation years. The potential income tax benefit of the non-capital and capital losses has not been recognized in the consolidated financial statements.

(ii) Operations in the United States of America

As at June 30, 2017, 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:

<u>Year of expiry</u>	<u>Federal</u>	<u>Minnesota</u>	<u>New York</u>	<u>North Dakota</u>	<u>Wisconsin</u>
2025	\$ -	\$ 5,248,595	\$ -	\$ 470,876	\$ -
2026	-	1,724,905	-	200,556	-
2027	-	6,334,919	-	-	1,278,355
2028	-	9,210,006	-	-	1,764,043
2029	-	-	-	-	-
2030	9,596,976	9,847,204	5,704,206	-	-
2031	3,686,320	2,187,786	3,169,350	-	-
2032	8,570,443	1,281,966	9,875,230	-	-
2033	12,772,909	-	13,816,532	-	-
2034	-	-	-	124,459	-
2035	26,591,099	-	617,130	67,731	311,229
2036	5,309,455	-	5,457	121,103	111,069
2037	3,359,802	-	3,531	58,746	-
	<u>\$ 69,887,004</u>	<u>\$ 35,835,381</u>	<u>\$ 33,191,436</u>	<u>\$ 1,043,471</u>	<u>\$ 3,464,696</u>

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

19. RELATED PARTY TRANSACTIONS

Key management personnel

The Corporation has defined key management personnel as senior executive officers, as well as the members of the Board of Directors, as they collectively have the authority and responsibility for planning, directing and controlling the activities of the Corporation and its subsidiaries. The following table summarizes total compensation expense for key management personnel for the twelve-month period ended June 30, 2017 and fifteen-month period ended June 30, 2016:

	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Salaries and short-term employee/director benefits	\$ 1,091,071	\$ 1,485,918
Share-based compensation	416,962	409,214
	\$ 1,508,033	\$ 1,895,132

20. CHANGES IN NON-CASH WORKING CAPITAL ACCOUNTS

	Twelve-month period ended June 30, 2017	Fifteen-month period ended June 30, 2016
Decrease in due from Broker	\$ 3,630,512	\$ 1,376,599
Decrease in net open cash contracts	6,102,263	2,893,010
Increase (Decrease) in accounts receivable	(9,241,399)	(7,170,810)
Decrease in inventories	7,383,174	14,406,089
Decrease in Sales taxes recoverable	89,783	772,274
(Increase) in prepaid expenses and sundry assets	(27,107)	(777,517)
Increase in accounts payable and accrued liabilities	6,815,810	4,666,167
	\$ 14,753,036	\$ 16,165,812

21. CONTINGENT LIABILITIES

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, 2017, June 30, 2016 and April 1, 2015, the Corporation has no provision for any contingent liabilities.

During the year ended March 31, 2014, Ceres terminated its arrangements and ongoing discussions with The Scoular Company (“Scoular”) as a potential development partner with respect to the development and construction of a grain facility at Northgate Commodities Logistics Centre (NCLC). The termination of discussions with Scoular may have implications for any amounts to be collected from the potential partner and amounts previously paid to Ceres by Scoular in respect to a certain portion of NCLC site preparation costs under a cost-sharing agreement. The recovery and/or reimbursement of such amounts, if any, will be subject to resolution of the claim described below.

CERES GLOBAL AG CORP.
Notes to Consolidated Financial Statements
June 30, 2017 and June 30, 2016

During the year ended March 31, 2015, Scoular initiated an action against the Corporation for injunctive relief and unspecified damages relating to the development and construction of a grain facility at NCLC.

As of the date hereof, the Corporation, based on the advice of its litigation counsel, does not believe that the claims alleged by Scoular have any legal merit, and therefore, the Corporation intends to vigorously defend the lawsuit. Prior to the termination of its relationship with Scoular, the counterparty paid CAD \$3,899,146 in costs related to the project. The Corporation does not believe that the counterparty is entitled to recovery of any of these costs based on the legal relationship that existed at the time and based on the claims alleged in the counterparty's complaint. On January 20, 2017, the court heard oral argument on the Corporation's motion for summary judgment, which seeks dismissal of all claims asserted by Scoular. On August 16, 2017, the court denied the Corporation's motion and scheduled a trial by jury expected to start in Q2 fiscal year 2018.

The outcome of this complaint is difficult to assess or quantify. The plaintiff may seek recovery of large or indeterminate amounts, and the magnitude of the potential loss may remain unknown for substantial periods of time. The cost to defend this complaint may be significant. In addition, this complaint, if decided adversely to the Corporation or settled by the Corporation, 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.

22. SUBSEQUENT EVENTS

On August 16, 2017, the Corporation closed the sale of its Buffalo grain storage facility. The gross proceeds from the sale were \$120,000. During the quarter ended March 31, 2017, the Buffalo facility was idled and its carrying value of \$2,610,306 was impaired in full.

On September 19, 2017, the Corporation closed the sale of its Duluth Lakeport grain storage facility and realized a loss on the sale of \$150,000. During the quarter ended March 31, 2017, the Corporation recognized a loss on the impairment of Duluth Lakeport of \$5,040,215.

CORPORATE INFORMATION

SENIOR MANAGEMENT

Robert Day
President and
Chief Executive Officer

Kyle Egbert
Vice President and
Chief Financial Officer

John Carroll
Vice President Trading
and Risk Management

DIRECTORS

Douglas Speers
Independent Director,
Chairman, and Member of the
Human Resources, Safety and
Environmental Committee

Robert Day
Director and Officer,
Member of Nominating,
Government, Risk and
Ethics Committee

Harvey Joel
Independent Director,
Chair of the Human Resources
Safety and Environmental Committee,
Member of the Audit and
Finance Committee

Gary Mize
Independent Director,
Chair of Audit and Finance
Committee, Chair of the Nominating,
Governance, Risk and Ethics Committee

James Vanasek
Member of Audit and
Finance Committee

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AGM

Ceres Global Ag Corp.
Annual General Meeting
November 15 at 11:00 am EST
Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9

