FOR THE LOVE of SEED

CANTERRA SEEDS

2016 ANNUAL REPORT

MESSAGE FROM **THE CHAIRMAN**

As I sit down to write this message from the Chair about the past year at CANTERRA SEEDS, I can't help but think of one word — FOCUS. Our corporate vision is "To Be the Seed Partner of Choice". CANTERRA SEEDS is 100 per cent focused on seed, which is the life blood of any grain farmer.

2016 was a historical year for CANTERRA SEEDS as our 20th anniversary in the seed business, and I feel its only fitting to dwell on our history in my remarks. Today we are on a growth trajectory, however, there is value in looking at how CANTERRA SEEDS got to this point.

CANTERRA SEEDS was conceived of by a select group of seed growers who envisioned a new way of accessing top class genetics and doing business. In 1995, nine founding growers started formulating a business model that would allow them, and future shareholders, to build a strong company.

These nine visionaries had three founding principles:

1) To acquire leading genetics for the shareholders to grow and sell, as well as establishing partnerships with breeding institutions;

2) To give equal opportunity to each shareholder; and

3) To structure shares so they could be freely traded.

With these three principles, CANTERRA SEEDS was incorporated on March 14, 1996, through the law firm MacPherson Leslie & Tyerman (MLT) in Saskatoon, as a Saskatchewan company.

At the time, in order to satisfy the Securities Commission, it had to be structured as three separate entities in Alberta, Saskatchewan and Manitoba. By 1999, the Board realized the need to bring the company under one Securities Commission, to accommodate the growing shareholder base and manage the Company more efficiently. MLT was able to bring the company under one entity with the Saskatchewan Securities Commission on August 10, 1999.

Since this time, shareholders continued to be added while new distribution channels were established in order to facilitate growth. Expanding partnerships with breeding partners formed a strong product portfolio, and a sales team was added to keep up with demand for CANTERRA SEEDS' products. In 2002, an opportunity presented itself south of the 49th parallel and a U.S. partnership with Meridian Seeds was established.

In 2006, the decision was made to sell CANTERRA SEEDS shares to independent agricultural retailers, further deepening our connection to our distribution partners in Western Canada. Many of these retailers are our largest canola partners today.

In 2007, CANTERRA SEEDS was introduced to an institutional investor who had procurement and storage facilities. Riverland Ag acquired a 25 per cent equity position in CANTERRA SEEDS in exchange for access to products for the end use market. This gave CANTERRA SEEDS a needed boost and a greater need for consistent supply of genetics to satisfy the milling markets. As a result of that demand in 2007, CANTERRA SEEDS started a research and trialing program — a significant step to future growth.

Since the Company's inception in 1996, the quest was always to find a breeding partner that could generate a steady supply of leading-edge genetics. By the summer of 2013, it became evident that CANTERRA SEEDS had found a like-minded, world class breeding partner in Groupe Limagrain. Groupe Limagrain is a cooperative group that was founded and directed by farmers and has grown into the fourth largest seed breeding company in the world.

The relationship that was established between CANTERRA SEEDS and Groupe Limagrain culminated on July 2, 2015 in a joint venture, Limagrain Cereals Research Canada, based in Saskatoon. CANTERRA SEEDS has a 30 per cent ownership in this new cereal breeding company and at the same time, Groupe Limigrain has a 30 per cent equity position in CANTERRA SEEDS.

Along with this newly formed joint venture, the first ever 'P4' or Public Private Producer Partnership was established with Agriculture and Agri-Food Canada in Lethbridge, Alberta Wheat Commission and CANTERRA SEEDS. This partnership allowed for access rights to the outputs of the Canada Prairie Spring breeding program in Lethbridge.

A further partnership agreement was also signed in July 2015, with PRIDE Seeds for semi-exclusive distribution of the PRIDE brand of corn and soybeans in Western Canada. This fully rounds out a complete seed portfolio for western Canadian farmers.

In summary, there are three key things I would like to highlight from our last 20 years:

1) CANTERRA SEEDS has grown our share base by adding new strategic partners, and has never gone back to shareholders for a cash call;

2) CANTERRA SEEDS has focused on our founding vision, to be a seed company; and

3) CANTERRA SEEDS has always had a diverse and strong Board of Directors to ensure governance excellence.

As we go forward, I can assure you that the Board and staff remain fully committed to the vision and focus of CANTERRA SEEDS. With this passion and commitment to seed, CANTERRA SEEDS stands tall in the industry.

Lloyd Affleck
Chairman of the Board

MESSAGE FROM THE **PRESIDENT AND CEO**

Another year has flown by. And yet, as I look back I am amazed at how this Company continues to grow, continues to assert itself in a positive way on the national seed stage and how this staff continues to be motivated to strive for excellence every day. It is truly an understatement to say I am very proud of what we have collectively achieved.

2015 was a year like no other in our history. 2016 was equally historic in my view, and not just because CANTERRA SEEDS celebrated 20 years in the seed business in Canada. Lloyd has recounted this history in his report so I will focus my comments on the business situation in 2016.

Limagrain Cereals Research Canada (LCRC), our joint venture with Groupe Limagrain, was our biggest announcement in 2015. I'm happy to report that LCRC acquired some very key staff and its first successful full field season is safely under its brand new belt. Dr. Jason Reinheimer hit the ground as Senior Breeder in February after moving to Saskatoon from Australia, and managed to put in place a facility, a team and a program by spring. Not his first rodeo, Dr. Reinheimer has experience in establishing new breeding programs from his previous role as Senior Wheat Breeder/Manager with Australian Grain Technologies. LCRC CEO Dr. Erin Armstrong, along with LCRC Research Director Jim Peterson, demonstrated exceptional leadership and focus in getting this position hired. These early accomplishments by LCRC auger well for CANTERRA SEEDS, as we look forward to accessing a steady stream of world class cereal genetics to grow our core pedigreed seed business in the years to come.

New to CANTERRA SEEDS in 2015/2016 was our foray into the corn and soybean business as the semi-exclusive distributor for PRIDE Seeds branded seed in Western Canada. In our first year, we exceeded our business plan in terms of sales, without adding much in the way of resources. Moving into our second business cycle, we've added some very key staffing resources and wrapped our arms around this business even more. Learnings from our first year have been reviewed and incorporated, and we have targeted aggressive, but achievable growth. Additional staffing includes a deeply experienced corn and soybeans market development manager in Dieter Schwarz. Dieter previously was with PRIDE Seeds. His addition to our team will provide a solid foundation upon which to grow the corn and soybean business throughout Western Canada. PRIDE Seeds has a great pipeline of products and we are excited for the future of this new product line.

With the growth of the business and with the addition of new product lines, the time has come to further resource our senior management team. As well as putting Jim Bagshaw, the new Director of Sales in place, we have hired Curt Baldwin as Director of Corporate Accounts, to manage the channel distributors as well as the corn and soybean business. The level of experience and talent we have attracted into these positions is exceptional and says a lot about how CANTERRA SEEDS is regarded. Along with Sheena Pitura, Director of Marketing, and Brent Derkatch, Director, Operations & Business Development, we have an outstanding team directly focused on growing and supporting sales. Gerry Cantin, Chief Financial Officer and Dr. Erin Armstrong our Director, Industry & Regulatory Affairs round out the senior management team that guides this business forward.

Not only are we growing here in Canada, CANTERRA SEEDS' sister company, Meridian Seeds, is growing significantly south of the border. Under the general management of Andy Draeger, Meridian Seeds has expanded its presence into 13 states since its inception in 2002. It too has needed to add staff to support this growth. In addition to its growing seed business, Meridian Seeds has started to distribute CANTERRA SEEDS canola. This expansion of this business is really exciting for CANTERRA SEEDS and brings our two companies even closer together. I am enormously impressed with the energy and ambition of the team at Meridian Seeds.

The pedigreed business has been our core business since inception and we resourced this business in 2016 with the addition of two territory managers for Alberta and Saskatchewan. Rick Love has moved into a pedigreed business manager role, along with territory manager responsibilities for Manitoba. We are seeing the results of these changes and additions in the increased engagement with our seed grower shareholders. There's an excitement building for our current portfolio which is tremendously deep, as well as anticipation for what will be coming down the pike from LCRC as it starts to register cereal varieties. CANTERRA SEEDS has deliberately focused on not being a 'me-too' company when it comes to building its portfolio. Our team has sought out those varieties that provide solutions to growers in every geography throughout Western Canada. Table stakes for any new varietal addition is yield. We will continue this performance driven, solution oriented approach as we grow.

As CANTERRA SEEDS works on its day-to-day business, we have not turned our back on the larger environment in which we operate. I am incredibly proud of our engagement with the organizations that shape the seed industry. In my tenure at CANTERRA SEEDS, our contributions to the industry have far exceeded our size as a company. This reflects on the quality of our staff, our approach to

our stakeholders, our commitment to being an excellent corporate citizen and the respect we collectively have garnered from our peers throughout the value chain.

Brent Derkatch is President of the Canadian Seed Trade Association [CSTA] this year, the first time CANTERRA SEEDS has led this important industry organization. Brent has been on the board of the organization for many years and his contributions have culminated this year in the presidency. This is not a token governance role, rather, he is leading CSTA on a new and important initiative, the Seed Synergy Collaboration project — a vision for a next generation seed system in Canada. Involving CSTA, the Canadian Seed Growers Association, Canadian Plant Technology Agency, Canadian Seed Institute, CropLife Canada and the Commercial Seed Analysts Association of Canada, Seed Synergy is looking for opportunities for increased efficiency and effectiveness by conducting a regulatory review and modernization. As part of this review, the goal is to present a more unified and authoritative voice for our industry. The outcomes of Seed Synergy will revolutionize our industry and position us to take on our future with the confidence that we have a robust framework behind us.

Dr. Erin Armstrong, in her role as Director, Industry & Regulatory Affairs at CANTERRA SEEDS, is leading discussions on additional value creation opportunities for cereal crops as co-chair of Agriculture & Agri-Food Canada's Grains Round Table's Value Creation Working Group. The ultimate goal of this work is to create an environment in which more sustainable and additional long-term funding for cereal variety development can be encouraged. By creating a funding system, the entire value chain will benefit from new and improved, globally competitive and locally adapted cereal varieties that meet the needs of growers and end users alike. In addition to her role on the AAFC Grains Round Table Working Group, Erin also contributes as Chair of the Canadian Food Inspection Agency's Plant Breeders' Right Advisory Committee.

As President of Cereals Canada, I am fulfilling another important leadership role on behalf of CANTERRA SEEDS and the cereals industry. Cereals Canada was conceived of by the industry and created in the vacuum left by the Canadian Wheat Board once it had its monopoly on the sales of wheat and barley removed. Cereals Canada operates to ensure a profitable and vibrant future for all links in the cereals value chain, from the grower to the end user.

The environment we operate in as an industry can sometimes feel like quicksand. The dynamics of mega-mergers continue to dominate, and every few weeks it seems something significant is announced. These changes are transformational and complex. CANTERRA SEEDS recognizes change is the only constant we can seem to count on. We are nimble, and while we cannot anticipate every change, we see opportunities we can take advantage of. We are fully engaged and prepared to act on those changes that have the power to impact growers, retail and distribution. We cannot alter the course of change necessarily, however, we are ready for the destabilization that is inevitable in the status quo, and feel confident in our corporate ability to respond to the change in a way that will strengthen the company. As we participate and champion change in the industry, we also champion change internally. Sitting back and relaxing is not the culture of CANTERRA SEEDS. We are driven from within to succeed.

By empowering the board and me, you, the shareholders — our valued seed growers and retailers, as well as our corporate investors — have put in place the tools and resources to create the platform for CANTERRA SEEDS to succeed. We have seen a lot of change recently, but will now see the benefits come into their own. We have the best and broadest portfolio in the business. We have the best and most passionate people on our team. We have the best and most innovative seed growers engaged with us. We have the best and most independently minded retailers in our distribution network. With our clear vision to be the seed partner of choice, and with our single-minded focus on seed, I say to you, watch this space! CANTERRA SEEDS is succeeding for the love of seed.

Thank you for your contributions to CANTERRA SEEDS in the past year and I hope you see the value proposition in continuing that business relationship with us in the years to come.

David Hansen
President and CEO

OUR **TEAM**

20th
ANNIVERSARY
CANTERRA
SEEDS

2016 was a historical year for CANTERRA SEEDS as our 20th anniversary in the seed business, and today we are on a growth trajectory.

SENIOR
MANAGEMENT

David Hansen

President and Chief Executive Officer

David Hansen joined CANTERRA SEEDS as Chief Executive Officer in October of 2009, and was shortly thereafter appointed President. David is an industry veteran with experience working in Canada and internationally. His background uniquely prepared him to lead CANTERRA SEEDS' efforts to be a leader in the Canadian seed industry.

Prior to joining CANTERRA SEEDS, David lived and worked in China, managing the cotton seed business for Delta & Pineland, Monsanto and later with Agrotain International developing the Northern Asian business. His more than 40 years of seed and agribusiness experience here and abroad includes 10 years in the grains industry, numerous sales, marketing and management positions with Advanta Seeds and its predecessors Zeneca Seeds, ICI Seeds and Garst Seeds.

Gerry Cantin, CPA, CA

Chief Financial Officer

Gerry Cantin is CANTERRA SEEDS' Chief Financial Officer. He has almost 30 years of senior financial management experience in the agriculture industry. Prior to joining CANTERRA SEEDS in 2006, Gerry worked in the Finance and Accounting Departments of both The Landmark Feeds Group, as well as United Grain Growers Limited.

Gerry holds a Bachelor of Arts and a Bachelor of Commerce from the University of Manitoba. He received his Certified Professional Accountant, Chartered Accountant designation from the CPA,CA firm of Clarkson Gordon, now known as Ernst & Young. He currently sits on the Board of Directors for Meridian Seeds and Limagrain Cereals Research Canada.

Erin Armstrong, PhD

Director, Industry and Regulatory Affairs

Erin Armstrong is Director, Industry and Regulatory Affairs for CANTERRA SEEDS. She is responsible for trait & license agreements, intellectual property protection and regulatory issues. Erin joined CANTERRA SEEDS in 2008 following her tenure as President and CEO of the Brewing and Malting Barley Research Institute (BMBRI). Prior to BMBRI, Erin worked with Canada Malting Co., Ltd. and General Mills, Inc.

In addition to her CANTERRA SEEDS responsibilities, Erin is CEO of the newly launched Limagrain Cereals Research Canada, a joint venture between LIMAGRAIN and CANTERRA SEEDS.

Erin holds a Bachelor of Science in Agriculture from the University of Manitoba and a PhD in Biochemistry from the University of Ottawa. Currently she is Chair of CFIA's Plant Breeders Rights Advisory Committee and Co-Chair of two working groups under AAFC's Grains Round Table — the Biotech Wheat Working Group and the Value Sharing Working Group.

Jim Bagshaw

Director of Sales

Jim is Director of Sales for CANTERRA SEEDS. He is responsible for developing and managing the company's sales team throughout Western Canada. Jim is also no stranger to CANTERRA SEEDS, having been employed as the company's Western Sales Manager from 2001–2004.

Jim is an industry veteran with a wealth of sales and management experience. As the North American Cereals Product Lead for Syngenta, he was responsible for developing and driving cereal crop strategies in Canada and the USA. At Nufarm Agriculture, he managed a high performing sales team, in order to promote sales and profitability growth for retails and producers. He also gained experience in the seed industry with positions held at UGG and Proven Seed.

SENIOR MANAGEMENT

Curt Baldwin

Director of Corporate Accounts

Curt is CANTERRA SEEDS' Director of Corporate Accounts and is responsible for managing relationships with our key stakeholders, as well as leading the strategy with PRIDE Seeds corn and soybeans.

Curt's work history includes extensive experience in seed and crop protection roles, with jobs at Cargill, Viterra, Syngenta and Agricore United. Most recently, Curt held the position of National Crop Inputs Manager for Cargill, where he supported the growth of the seed, crop protection and fertilizer product lines.

Curt graduated from the University of Manitoba with an Agriculture Diploma and has also obtained his MBA from the University of Manitoba in 2012.

Brent Derkatch

Director, Operations and Business Development

Brent joined CANTERRA SEEDS in 2001, initially as Production Manager. Today, as Director, Operations and Business Development, Brent is responsible for all production and manufacturing activities, as well as market development efforts with end-users, and variety specific production opportunities.

Prior to joining CANTERRA SEEDS, Brent worked at Brett Young Seeds where he held the position of Production Agronomist and Eastern North American Sales Manager.

Brent graduated from the Olds College Seed and Grain Technology Program and holds a Certificate in Management from the University of Manitoba. He currently sits on the Board of Directors for Meridian Seeds and is the President of the Canadian Seed Trade Association.

Sheena Pitura

Director of Marketing

Sheena joined CANTERRA SEEDS in 2006, and today is employed in the role of Director of Marketing. She is responsible for all communications, branding and marketing initiatives that support the sales and corporate goals of the company. Prior to joining CANTERRA SEEDS, Sheena held positions with companies involved in distribution and retail agriculture sales.

Sheena graduated from the University of Manitoba with a Bachelor of Science in Agribusiness and also holds a Certificate in Agri-Marketing from CAMA. She currently sits on the Board of Directors for Agriculture in The Classroom Manitoba, and is a member of the Stakeholder Relations Working Group of the CSTA.

Andy Draeger

General Manager, Meridian Seeds

Andy joined Meridian Seeds in 2014 as a District Sales Manager and moved to the position of General Manager that fall. As General Manager he is responsible for setting the direction for the company, budgeting, managing staff, and ensuring the business maintains profitability while reaching designated goals. Andy also represents Meridian Seeds on the CANTERRA SEEDS Senior Management Team.

Andy grew up in the small town of Wyndmere, ND. In that time he was very involved in Future Farmers of America and still continues to be a lifetime supporter by coaching Ag Sales and judging for Crop and Weed Science competitions. After High School he attended North Dakota State University. In the past he has also worked for Seeds 2000 in the sunflower breeding nurseries and Pioneer Hybrid.

BOARD OF **DIRECTORS**

Lloyd Affleck

Chairman of the Board

Lloyd was appointed to the role of Chairman of the Board on November, 2010. Prior to this, he held the position of Vice-Chairman of the Board since March, 2009. Lloyd is a retired pedigreed seed farmer from Beechy, SK, and was one of the first to become a CANTERRA SEEDS shareholder in 1998. He joined the Board of CANTERRA SEEDS in 2005. Lloyd served as Vice Chairman and as Chairman for Pulse Canada. In addition, he worked as a Director with the Saskatchewan Pulse Crop Development Board and as advisor to both the development of the Special Crop Act Initiative and the SCRIP program. Lloyd currently resides in Saskatoon, SK.

Jim Wilson

Vice Chairman

Jim and his wife Norleen operate a grain farm and seed processing and marketing plant at Darlingford, MB. Jim received his Chartered Accountant designation in 1974 and worked in public practice until 1993. In 2007, Jim received the designation of Chartered Director from the Directors College. Jim joined the CANTERRA SEEDS Board of Directors in 2010. Jim also currently serves as Chair, Manitoba Agricultural Service Corporation and on the Board of the Canadian International Grains Institute. Previously, Jim served as Director and Chair of Agricore United and Chair of the Canada Grains Council. Jim is also involved in the community, serving on the local Canadian Foodgrains Bank project committee.

Ryan Baldwin

Board Member

Ryan joined the CANTERRA SEEDS Board of Directors in February, 2011. He is currently the Chief Operating Officer for CWS Logistics Ltd. in Winnipeg, MB, and brings many years of seed and crop inputs experience to the board. Previously, Ryan worked with Westeel as the VP of Sales and Marketing, as well as with Monsanto Canada in roles that include President — Seed & Trait, Sales Director — Western Canada, Canadian Chemistry Lead, and National Sales Manager — Chemistry. Ryan also spent five years working for Saskatchewan Wheat Pool in various roles in Saskatchewan and Manitoba.

Joe Dales

Board Member

Joe joined the CANTERRA SEEDS Board of Directors in 2003. He has over 30 years of agriculture industry sales, marketing and management experience working with companies such as Pfizer, Cyanamid Crop Protection (BASF), First Line Seeds and NK Syngenta Seeds. Joe is an active agri-technology entrepreneur — he is the co-founder of Farms.com Ltd. and AgCareers.com and leads Farms.com growing online new media business as well as business strategy, marketing, governance and development activities in London, ON. Joe is also very active in several agri-food industry associations such as the Canadian Agri-Marketing Association, the US National Agri-Marketing Association, and is Vice Chair of the Board of Governors for the Western Fair Association and Chair of the WFA Raceway Corporation in London, ON, where he lives. Joe is past Treasurer and Board Member of the Ontario Pork Industry Council. Joe has an HBSc Chemistry from Western University and a MBA, Marketing and Finance from Wilfrid Laurier University.

BOARD OF **DIRECTORS**

Shaun Haney

Board Member

Shaun joined the CANTERRA SEEDS Board of Directors in March 2009. Shaun and his family reside in Picture Butte, AB where Shaun is very active in managing his family seed business. In 2008, Shaun founded the agricultural media website RealAgriculture.com which focuses on providing Canadian farmers with the latest in Ag information and news, and now includes a daily satellite radio show. Shaun is also very active in his community with minor hockey by coaching and volunteering on the board of directors.

Kris Mayerle

Board Member

Kris joined the CANTERRA SEEDS Board of Directors in February, 2011. He is a third generation pedigreed seed grower. Along with his family, Kris owns and operates Greenleaf Seeds Ltd., a pedigreed seed farm and processing plant at Tisdale, SK. The family also runs a custom harvesting business that travels throughout the United States and Canada. Kris is currently on the Board of Directors of the Northeast Ag Research Foundation and previously served on the boards of the Association of Canadian Custom Harvesters and the Saskatchewan Canola Growers.

Thomas Jolliffe

Board Member

Thomas joined the board in 2015 at the conclusion of Limagrain's purchase of a minority stake in CANTERRA SEEDS. He has been with Limagrain since 1991 and is currently Head of Research — Cereals and Pulses and is based in the U.K. Thomas is a senior executive in the seeds industry with 37 years experience that includes directing global research and plant breeding programs, intellectual property management (plant breeders rights, patenting and licensing), commercial strategy, merger and acquisition, marketing, sales and general management. He is a specialist in the international development of cereal seeds markets, and in wheat and barley genetics. He is a director (and former chairman) of the U.K. seeds industry trade association, with associated board memberships, a former non-executive director of a public sector institute and, a former chairman of pension fund trustees. Thomas is trained in commercial strategy and negotiation, with a diploma in company direction and a PhD in biometrics.

Cécile Cuzenic

Board Member

Cécile joined the board of CANTERRA SEEDS in 2015 once Limagrain acquired its minority stake in the company. She accounts more than 25 years of experience in various sectors of the seed industry from Amateur Garden Products to Field Seeds, including vegetables. She is the Deputy CEO, for Limagrain Field Seeds Division, heading among other responsibilities, the Limagrain worldwide straw cereals activities. Cécile has been with Limagrain since 1989 taking positions in France, Germany and the U.K. Cécile studied at the Institut D'Etudes Politiques de Lyon and has her Master's in Finance and Business Management from the Ecole supérieure de Commerce de Reims.

Sébastien Benon

Board Member

Sébastien has been appointed as CEO of the business unit Limagrain Cereal Seeds, including Limagrain Cereal Seeds USA and the newly formed joint venture Limagrain Cereals Research Canada. He will be based in Fort Collins, Colorado. He is a member of the Limagrain Field Seeds Division Executive Committee and he is on the board of Australian Grain Technologies in Australia. He has a very international career as Marketing and Sales Executive in the seed industry. He has been working for more than 15 years for different companies in Limagrain's vegetable seed division, such as Hazera and HM.Clause. While based in Europe, Sebastien has been active in the European Seeds Association and he was a board member of the Good Seed and Plant Practices foundation. Sébastien studied agricultural engineering in France and he has a MSc in Marketing and Management from Wageningen University in The Netherlands. He is a French citizen.

BOARD OF **DIRECTORS**

Darren Blair

Board Member

Darren joined the CANTERRA SEEDS Board of Directors in 2015. He owns Blair's, an independent ag retail with business partner, and cousin, Kevin along with their spouses. They run eight locations in Saskatchewan and have divisions in Professional Agronomy, Animal Nutrition, Livestock Genetics, Logistics, Real Estate to go along with their core business fertilizer, chemical and seed. Darren comes from a multigenerational family grain and cattle farm background and graduated from the University of Saskatchewan with a Bachelor of Science Degree. He currently holds the position of COO and works out of the Lanigan location, which is their corporate head office. He is responsible for the overall operation of all of their locations, a member of their executive and leadership team and is also the Lanigan location manager. Darren is a past Board Member for the Independent Dealers Association, and Councillor for the Village of Drake, and presently sits as a member of the Executive Committee for the Pound Maker AgVentures Board of Directors for the past five years.

Jeremy Hjelm

Board Member

Jeremy is the Director of Business Development for Ceres Global Ag in Minneapolis, MN. Jeremy re-joined the CANTERRA SEEDS Board in 2016 (also served in 2013/14) as the representative for Ceres. Jeremy brings to the Board 18 years of commercial commodity trading expertise, with particular focus on spring and winter wheat, as well as canola. His primary role today is establishing new markets and new product programs for Ceres Global Ag by expanding their global network of trading partners and customers, in addition to evaluating M&A opportunity and physical asset disposition. Jeremy completed his undergraduate work at the University of Minnesota with a B.S in Agricultural Education, and holds an MBA from Colorado State University with an emphasis in Finance.

MANAGEMENT'S **DISCUSSION** AND **ANALYSIS REPORT**

CANTERRA SEEDS HOLDINGS LTD.

MANAGEMENT'S **DISCUSSION AND ANALYSIS REPORT**

The following Management's Discussion and Analysis (MD&A) is intended to supplement the financial statements by explaining the Company's operating results and financial position for the year ended September 30, 2016, as compared to the year ended September 30, 2015. In addition, the MD&A is meant to provide the reader with an outlook on future trends and risks, or other factors that affect or may affect the business operations. This is provided to assist the reader in understanding the past results, as well as understanding the impact on the future. The following MD&A was prepared based upon information available up until November 28, 2016 and should be read in conjunction with the accompanying audited consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial information has been reviewed by the Company's audit committee and approved by the Board of Directors. All amounts reported are in Canadian currency.

The Business

CANTERRA SEEDS is a recognized leader in the pedigreed agriculture seed industry. Headquartered in Winnipeg, Manitoba, CANTERRA SEEDS is committed to developing, acquiring, producing, marketing, and selling seed varieties that meet market needs, to its customers throughout Western Canada and the Great Northern Plains and Pacific North West of the United States.

Results of Operations

Highlights of the 2016 fiscal operating results:

- While CANTERRA SEEDS' sales ended up lower than in 2015, for the fourth consecutive year, the Company recorded its highest gross profit level in the 20-year history of the business, and recorded net earnings before tax that exceeded budget.
- Sales are $33.8 million for the 2015/16 fiscal year, which is a reduction of $0.2 million from the year ending September 30, 2015.
- The gross profit percentage has increased from 22.4 to 22.9%.
- Gross profit has increased by $0.12 million, from $7.62 million for the 2014/15 period, to $7.74 million in 2015/16.
- Total corporate operating expenses, net of other revenue and loss from joint ventures, increased by $0.83 million or 14.6% from the 2014/15 to the 2015/16 fiscal year.
- For the 2014/15 fiscal year the provision for income taxes totaled to 22.0% of NIBT, and for the 2015/16 fiscal year this provision totals to 15.9%. The reduction is due to temporary differences that have caused a significant deferred tax recovery for the current year.
- The Company recorded a net income for the current year of $1.02 million. By comparison, in 2014/15, income in the amount of $1.49 million was recorded. Therefore, overall net income has reduced by $0.47 million.
- In addition to the net income for the year, the Company added an additional $6 thousand of equity to the balance sheet. This is the net investment by new shareholders to purchase Class B Preferred shares.
- The net income per share for the year ended September 30, 2016 is $0.14 per share in 2015/16, compared to a net income of $0.28 per share in 2014/15.
- Cash and short term investments increased by $0.28 million from September 30, 2015 to September 30, 2016.
- Accounts receivable has increased by $0.55 million to a balance of $2.43 million as of September 30, 2016.
- Inventory has increased by $1.12 million, from $3.29 million as at September 30, 2015, to $4.41 million at September 30, 2016.
- Prepaid expenses have decreased by $1.05 million, to a total of $3.35 million at September 30, 2016.
- Due to further investments, property and equipment and intangible assets increased by $0.62 million, from $0.56 million at September 30, 2015, to $1.18 million at September 30, 2016.
- CANTERRA SEEDS currently invests in two separate joint ventures, a 30% ownership in a cereal breeding joint venture, named Limagrain Cereals Research Canada and a 50% ownership of the sister seed company Meridian Seeds LLC in the United States. Currently, Meridian Seeds is making significant income. Limagrain Cereals Research Canada is entrenched in its startup phase, where as a breeding company, it has significant expenses and little revenue. It takes a number of years before a steady flow of products from the organization can be expected. The share of the Meridian Seeds income is more than offset by the share of the loss from Limagrain Cereals Research Canada, causing the long-term equity investments to reduce by $0.16 million.
- The Limagrain Cereals Research Canada joint venture started operating as a separate business in the fall of 2015, and

CANTERRA SEEDS funded a number of initial expenses of the venture before a bank account was finalized. Therefore, a significant advance to a related company was set up, totaling to $0.75 million. The bank account for Limagrain Cereals Research Canada is now set up, but there are still expenditures incurred by CANTERRA SEEDS that flow through to Limagrain Cereals Research Canada, leaving a current outstanding advance of $0.2 million.

- There is a very small increase in accounts payable of $0.04 million.
- The total assets of the Company continue to increase and are currently at a total of $20.64 million on September 30, 2016, an increase of $0.79 million from the $19.74 million balance on September 30, 2015.

Outstanding Share Data

Issued securities as of November 28, 2016:

Issued	Book Value
7,551,147 Class A common shares	$12,109,827
2,118,000 Class B series 1 shares	468,001

Trading History

CANTERRA SEEDS HOLDINGS LTD. is a reporting issuer. Shares of the Company can be traded privately between two parties, with or without using the assistance of a broker or can be sold "over the counter" at a licensed security trader. During the 2015/16 fiscal period the only new shares sold were an additional 6,000 Class B Preferred shares which were distributed in return for an investment totaling to $6,000. For the year ended September 30, 2015, the one transaction that occurred was the investment by Vilmorin USA Corp (Limagrain), who purchased 2,265,344 Class A shares. This added a net amount of $6.99 million to the equity of the Company. In 2015/16, the Class B shares were traded for an average of $1.00 per share. For the transactions that took place in September, 2015 the Class A shares were traded for a price of $3.09 per share.

In addition to these new share transactions there were trades between shareholders totaling to 71,376 Class A shares and 54,000 Class B preferred shares that took place during the year ended September 30, 2016. For the year ended September 30, 2015 trades between shareholders totaled to 142,540 Class A shares and 186,000 Class B preferred shares.

Selected Financial Information — Quarterly Financials

Selected Quarterly Financial Information Consolidated ($000s except per share amounts)

	2015/16 Q4	2015/16 Q3	2015/16 Q2	2015/16 Q1	2014/15 Q4	2014/15 Q3	2014/15 Q2	2014/15 Q1
Total Revenue	1,874	5,955	22,563	3,383	1,821	12,117	15,123	4,956
Net Income	(348)	(238)	2,493	(883)	(153)	633	1,323	(313)
Earnings per share (basic and diluted)	(0.04)	(0.03)	0.33	(0.12)	(0.03)	0.12	0.25	(0.06)

CANTERRA SEEDS sells agriculture seed of a number of different crop types. Canola product is ordered from October until June, and sales are recorded when the product is physically delivered to the customer. The majority of the canola is delivered, and therefore sold, in the months of January to May (Q2 & Q3). The Q1 financial quarter sometimes includes canola sales, if deliveries occur at that time, along with any royalties collected on fall seeded CANTERRA SEEDS pedigreed products. Besides canola sales, the months of January to June (Q2 and Q3) consist of sales of stock seed along with sales of registered and certified CANTERRA SEEDS licensed seed. The quarter consisting of the months July to September (Q4) mainly includes royalties collected on spring sales of CANTERRA SEEDS licensed seed.

CANTERRA SEEDS HOLDINGS LTD.

MANAGEMENT'S **DISCUSSION** AND **ANALYSIS REPORT**

Yearly Comparatives

($000s except per share amounts)

	2015/16 Q1	2015/16 Q2	2015/16 Q3	2015/16 Q4	2015/16 Year	2014/15 Year	2013/14 Year
Sales	3,383	22,563	5,955	1,874	33,775	34,017	31,630
Gross profit	647	4,710	1,241	1,139	7,737	7,617	6,820
Gross profit percentage	19.1%	20.9%	20.8%	60.8%	22.9%	22.4%	21.6%
Other revenue	69	169	169	572	979	1,599	968
Operating, general and administrative	908	733	682	905	3,228	3,526	2,806
Loss (income) from joint venture	54	74	63	(37)	154	237	(76)
Depreciation and amortization	39	49	64	56	208	175	142
Salaries, wages and benefits	859	811	901	1,338	3,909	3,345	3,099
Interest	–	–	–	–	–	2	4
Income (loss) from operations before taxes	(1,144)	3,212	(300)	(551)	1,217	1,931	1,813
Income tax recovery (expense)	261	(720)	63	203	(193)	(441)	41
Income and comprehensive income	(883)	2,492	(237)	(348)	1,024	1,490	1,854
Total assets	25,369	35,057	30,094	20,640	20,640	19,735	10,102
Long-term liabilities	–	–	–	–	–	–	–
Earnings per share-basic and diluted	(0.12)	0.33	(0.03)	(0.04)	0.14	0.28	0.35

Sales and Gross Profit

There are three separate ways that CANTERRA SEEDS sells agriculture seed in Western Canada. For pedigreed seed sales, CANTERRA SEEDS does not normally directly participate in the purchase and sale of the seed product. In general, a Class B shareholder of the Company owns this product, and with their rights, sells this product to one of their customers. They then will pay a royalty for this sale to the CANTERRA SEEDS, and it is this amount that is recorded in the accounting records.

For canola sales, the inventory is owned by CANTERRA SEEDS, and when this product is sold the entire amount of the sale is recorded on the books of the Company.

For corn and soybean sales, the Company sells this as a PRIDE Seeds branded product. In this case, the product is sold by PRIDE Seeds to CANTERRA SEEDS, and then in turn CANTERRA SEEDS sells this product to the retail customer. Once again, when this product is sold, the entire amount of the sale is recorded on the books of the Company.

Sales have reduced by $0.24 million or 0.7% from $34.01 million in 2014/15, to $33.77 million in 2015/16. The optimal way to look at this is to break down the sales into the major components described above.

For the canola sales, there was a reduction in the number of CANTERRA SEEDS canola bags sold into the market. This occurred for two reasons. First, the amount of acres that CANTERRA SEEDS sells canola products in, Clearfield and Roundup Ready, reduced as a percentage of the total canola market. Second, in 2015 the Company had additional sales relating to a very significant reseed event that occurred as a result of an extensive spring frost. Therefore, while CANTERRA SEEDS was able to retain its market share in the canola market, the number of bags sold compared to the prior year decreased.

For pedigreed seed, sales reduced from the total achieved in 2014/15. This reduction occurred mainly due to lower "tech fee" royalties and certified sales. For the "tech fee" royalties there were some reductions in the acreages of wheat (both winter and spring) and oats, along with a transition between varieties that caused this decline. Corporate certified seed sales also reduced during the year.

These reductions were offset by the fact that this was the inaugural year for CANTERRA SEEDS to sell corn and soybean products in Western Canada.

While sales did decrease marginally, the Company was able to improve its gross profit as a percentage of sales from 22.4% for the year ended September 30, 2015, to 22.9% for the year ended September 30, 2016. This improvement in gross profit percentage enabled gross profit to increase by $0.12 million or 1.6%, from $7.62 million in 2014/15, to $7.74 million in 2015/16.

Other Revenue

Other revenues totals to $0.98 million in 2015/16 which is a $0.62 million reduction from the $1.6 million recorded in 2014/15. This reduction is mainly due to the fact that in 2014/15, additional billings occurred from CANTERRA SEEDS to LIMAGRAIN CEREALS RESEARCH CANADA, for four years of fees related to field testing work done on behalf of the upcoming Joint Venture. This was a one-time event and the billing for this work was substantially lower during the current year.

Operating, General And Administrative Expenses

Operating, general and administrative expenses have reduced by $0.3 million from $3.53 million for the year ended September 30, 2015, to $3.23 million for the year ended September 30, 2016.

CANTERRA SEEDS continues to grow as a Company and anticipates this growth to continue into the future. However, for this year there are two main reasons why these expenses reduced from the prior year. First, for the 2014/15 fiscal year there was a considerable amount of work completed in order to finalize the establishment of the new joint venture, Limagrain Cereals Research Canada. Second, with the establishment of Limagrain Cereals Research Canada, some significant expenses that were incurred in the past, mainly third party research plot work, were either undertaken directly by that entity, or were expensed directly to Limagrain Cereals Research Canada.

Loss (Income) From Joint Venture

CANTERRA SEEDS has a 50% ownership in a joint venture called Meridian Seeds LLC and also owns a 30% ownership share of a joint venture named Limagrain Cereals Research Canada. In total, CANTERRA SEEDS recorded a loss totaling to $0.24 million in 2014/15. For 2015/16 the Company recorded a loss of $0.16 million, an improvement of $0.08 million.

The main reason for this improvement is due to substantial profits for the Meridian Seeds entity. Significant improvements in Meridian Seeds product portfolio and sales distribution network, along with a very favorable US/Canadian exchange rate, caused a very healthy bottom line for the 12 months ended September 30, 2016. This increased the results by $0.18 million for CANTERRA SEEDS.

Limagrain Cereals Research Canada is still in the its startup phase as a Company. As a breeding company, it will take a number of years before it derives any significant flow of revenues. While Limagrain Cereals Research Canada did not have a full year of operating expenses, there still were some substantial expenditures during the late spring/summer of 2016. Overall CANTERRA SEEDS share of the loss in this venture increased by $0.1 million.

Depreciation and Amortization

The depreciation and amortization expenses have increased by $32 thousand, or 18.5%. This is a relatively small change in the Company's expenses but has occurred due to some significant investments in both tangible and intangible long term assets.

Salaries, Wages and Benefits

Salaries, wages and benefit expenses have increased by 16.9%, or $0.56 million, from $3.35 million for the year ended September 30, 2015, to $3.91 million for the year ended September 30, 2016.

The Company has made a strategic decision to aggressively grow in the western Canadian seed market. These plans include substantial market share and profitability increases in the canola, corn and soybean and cereal seed markets over the next few years. In addition, CANTERRA SEEDS is now contracted to give ongoing administrative support to its two joint venture partners, Meridian Seeds LLC and Limagrain Cereals Research Canada. CANTERRA SEEDS has added sales, administrative and management personnel in an effort to ensure that the Company's growth plan is successful.

Interest

These expenses have reduced from $2,000 in 2014/15 to nil in 2015/16, no major change from year to year.

Income Tax Expense

For the 2014/15 year, the income tax provision was determined to be 22.8% of income from operations before taxes. For the current year of 2015/16, this provision was calculated at 15.9% of income from operations before taxes. This reduction occurred due to the recording of additional deferred tax assets that occurred due to temporary differences in the current period.

A reduction in income from operations before taxes of $0.71 million, along with the reduced net income tax provision rate, caused the income tax expense to reduce by $0.25 million.

Quarterly Results

The quarterly results vary based on the normal sales and expenditure patterns for CANTERRA SEEDS. The majority of seed sales occur during the period from January until May of each year. More specifically, the most significant quarters for sales are generally the three months from January 1 to March 31, and the three months from April 1 to June 30. While "tech Fee" or royalty fee revenue is generated from planting and sales that occur in the period from April 1 to June 30, CANTERRA SEEDS only records these sales when the information is reported to the Company. This generally means most of these sales are recorded during the quarter from July 1 to September 30. The type of sales that take place during each quarter cause a significant difference in the gross profit percentage recorded during that time.

Other revenue is recorded as it is incurred. In 2015/16, the Q4 results were much higher than the other quarters. This is when billings for work done by the Company for its partners was ultimately realized and recorded, and when the final SRED adjustment was recorded.

Usually, operating, general and administrative expenses generally stay relatively constant throughout the year. The only main differences are the timing of when significant research and advertising expenditures are recorded during the year.

The loss (income) from the joint venture is predicated on the months that sales are recorded in the accounts. With Meridian Seeds, sales occur either in Q3 (April 1 to June 30) with seed sales or in Q4 (July 1 to September 30) with the receipt and recording of "tech fee" or royalty fee revenue. Few sales are recorded in the Q1 and Q2 quarters. With Limagrain Cereals Research Canada there was not a lot of expenses for the first two quarters as the Company had not yet hired a senior breeder. Once this breeder was hired substantial work was performed to ensure the 2016 field testing season was successful. Therefore, most of the expense for Limagrain Cereals Research Canada was recorded in quarters Q3 and Q4.

Depreciation and amortization are generally consistent through the four quarters. The investments in tangible and intangible long term assets occurred mainly in the last two quarters causing higher expenses in Q3 and Q4 of 2015/16.

Salaries, wages and benefits are higher in Q4 due to the fact that a corporate based performance pay accrual is made during that quarter, when the final results of the organization are set. In addition, CANTERRA SEEDS did hire staff during the year. These expenses associated with these new staff were recorded during the final two quarters of the year.

For the 2015/16 year, most of the sales for canola, corn and soybeans were focused in Q2 from January 1, 2016 to March 31, 2016. This created a quarterly result where the Company made $0.33 per share during this time period, while it actually recorded a loss for the other three quarters. Overall, the Company recorded a per share profit of $0.12 per share for 2015/16, which is a reduction of $0.16 per share from the $0.28 per share recorded for 2014/15. While the reduced profit is part of this reduction the more substantial cause is the fact that during the 2015/16 year CANTERRA SEEDS has a much higher total of Class A common shares outstanding.

The assets are highest at the end of Q2 and Q3 as this is when the majority of canola sales took place. This creates escalated amounts of accounts receivable and inventory, and accounts payable, all of which boosts corporate assets.

Liquidity and Capital Resources

CANTERRA SEEDS' cash position has improved by $0.06 million from September 30, 2015 to September 30, 2016.

In total, the Company was able to provide cash from operating activities of the Company totaling $0.55 million. CANTERRA SEEDS had a net income for the year of $1.02 million in addition to a significant amount of non-cash expenses. This enabled the Company to improve its cash from operations by a total of $1.41 million since September 30, 2015.

Also, due to the timing of repayment, the amount of accounts payable and accrued liabilities also increased by $0.04 million from the prior year.

In addition, the Company has now fully transitioned to its new lineup of canola varieties, CS2000, CS2100 and CS2200 CL. This was not the case going into the 2016 crop year, so there was a higher tonnage of product being produced for sale in 2016 and thereafter. Since inventory has been built up for these varieties relating to 2017 crop year, less tonnage is being produced to meet sales demand, which in turn has caused the prepayment to reduce. In addition, prepayment terms with our hybrid production partners have changed once again, causing the amount of prepayment to reduce. This reduction totaled to $1.05 million of additional cash.

These cash increases were partially offset by working capital items that used cash during the year. First, as explained in the paragraph above, the inventory balance is higher by $1.24

million as the Company has built up canola stocks of its current varieties for anticipated sales in 2016/17. Second, due to timing of repayments, there was an increase in accounts receivable of $0.55 million. Finally, the lower tax provision has reduced the income taxes payable balance by $0.17 million.

Cash provided by financing increased the CANTERRA SEEDS cash flow by $0.55 million. First, the Company sold an additional 6,000 Class B Preferred shares out of treasury at a price of $1.00 per share causing an increase in share capital of $6 thousand. Second, the amount owing, and therefore repaid from related companies, totaled to $0.54 million. Also, there was an additional contribution to long-term equity investment of $5 thousand.

During the year, CANTERRA SEEDS used an amount totaling $1.04 million for investing activities. In 2014/15 the Company used cash to acquire short-term investments for a net amount of $0.22 million. An additional $0.82 million was used for the acquisition of additional property and equipment, and intangible assets during the year.

The Company receives much of its cash inflows during the fall and spring, when sales and payments for agriculture seed come in. A significant portion of cash outflows, both for operating expenses and inventory purchases, occur throughout the year. In order to appropriately manage cash during the year, CANTERRA SEEDS works toward matching the timing of cash outflows to the Company's cash inflows. Over 80% of the cash inflows of CANTERRA SEEDS are dependent on sales of canola. Therefore, the Company is dependent on these sales in order to maintain its liquidity, both in the short-term and the long-term. With the strong new varieties of canola, corn and soybeans, along with the Company's long-term relationships with many canola breeding partners, liquidity is anticipated to continue to improve over time.

Being involved in the corn and soybeans market does serve to increase the need to manage cash flow. Substantial prepayments from CANTERRA SEEDS to its partner PRIDE Seeds, are not generally matched with equal prepayments from the eventual customer. As this part of the business grows it will continue to create cash flow strain on the business between the period that prepayment occurs to PRIDE Seeds, generally mid-October, to when this product is paid for by the eventual customer.

The Company continues to have a solid liquidity position. CANTERRA SEEDS is debt free and continues to have a strong asset base that can be used to access additional debt financing. The Company has not needed to access its credit line for over three years. The Company's strong financial results for the last four years and addition to share capital have also improved CANTERRA SEEDS' debt/equity and current ratios significantly.

Financial Instruments

A portion of the Company's revenues and expenditures are denominated in U.S. dollars. While the acquisition of U.S. dollars is not currently a significant requirement of the Company, it is exposed to currency fluctuations on transactions denominated in U.S. dollars. Currency fluctuations may impact the profitability of the Company. This risk is managed, where practicable, through the use of foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows. The Company does not hold or issue derivative contracts for speculative purposes. As at September 30, 2016, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

Financial instruments include cash, investments, accounts receivable, advances to related parties, bank indebtedness, accounts payable and accruals and long-term debt. For all instruments other than the advances to related parties, the carrying values approximate fair value due to the short-term nature of the financial instruments.

The fair value of the advances to related parties is not determinable due to the underlying terms and conditions of the instruments.

Risks and Uncertainties

Inventory Obsolescence Risk

In order to sell seed in the marketplace, the seed inventory must meet stringent standards that are determined and set by the Canada Seeds Act. In addition, regardless of this quality point, a product must be one that is demanded by the western Canadian market. CANTERRA SEEDS works diligently to efficiently manage the life-cycle of its products and consistently introduce new improved varieties into the market, in order to limit its inventory provisions to manageable levels.

Production Risk

The availability of high-quality pedigreed seed for sale is dependent upon crop yields as well as the impact of weather and other factors on the quality of seed harvested. Reduced yields and quality can negatively impact the availability of seed. Prior to sale, each bag of canola seed has to pass stringent tests for both germination and herbicide tolerance. CANTERRA SEEDS partially mitigates the risk of this exposure through the diversification of crop varieties, careful strategic planning on choosing the producer of the seed, and through geographic variation of production.

Competition

The pedigreed seed business is a very competitive marketplace. Certain competitors may have greater financial resources than CANTERRA SEEDS. In addition, certain competitors may have access to a wider range of pedigreed seed varieties through in-house breeding programs or relationships with external plant breeders. It is also very important for CANTERRA SEEDS to continue to market excellent new and improved varieties to ensure that the Company stays competitive.

Currently, there are a number of potential mergers that are in the process of approval within the seed industry. While the Company does not know fully whether these mergers will be finalized or the overall effects of these mergers on the operating conditions of CANTERRA SEEDS, it is confident that it is well structured to take advantage of any opportunities that arise from these combinations.

Industry Cyclicality

The demand for pedigreed seed is dependent upon a number of factors. These include the global seed supply, the relative price of the commodity as compared to its alternatives, the climactic conditions, as well as many economic factors. Reductions in farm incomes and the relative commodity price, as well as high global inventory supplies, can all negatively impact the demand for pedigreed seed.

Foreign Exchange Risk

CANTERRA SEEDS contracts a small portion of its hybrid canola seed production to producers in U.S. dollars. To the extent that the Canadian dollar weakens significantly as compared to the U.S. dollar, these purchases will negatively impact returns. To mitigate the effects of foreign exchange risk, management has implemented a hedging strategy of purchasing forward contracts against U.S. dollar future contract commitments, to the extent practicable. As the timing of harvest, harvested yield and quality data all impact the amount and timing of U.S. dollar payments, all foreign exchange risk cannot be hedged. To the extent that the Company is not able to hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on CANTERRA SEEDS' results of operation, business, prospects and financial condition.

Outlook

With the canola business, CANTERRA SEEDS is in an extremely competitive environment. In order to succeed and flourish in this market, the Company needs to absolutely focus on the critical success factors of the business. First, it is critical that the Company distributes products that are of impeccable quality. To this end, CANTERRA SEEDS has implemented a quality control policy that is at the highest standard in the industry. It ensures that the quality of the bagged canola not only meets the standards set by the Canada Seeds Act, but consistently exceeds the competition in the market.

Second, it is necessary that the Company continues to introduce "leading edge" new canola varieties into the market. The Company has partnerships with some of the top canola breeders in Western Canada which will once again ensure that only varieties that compete and beat all other options in the market are introduced.

Third, as explained in the risk section above, with canola there is always the risk of inventory obsolescence. This could be due to a loss of germination or it could be due to the fact that the variety is no longer competitive in the western Canadian agriculture market. The Company proactively manages each of its varieties through their life cycle in order to keep these risks to a minimum.

Finally, it is critical that the Company is able to ensure its canola products are accessible to as many growers as possible. CANTERRA SEEDS has worked diligently to continue to improve the corporate brand and canola distribution to ensure that CANTERRA SEEDS canola can be accessed quickly and easily at a local independent retail.

With the corn and soybeans business, CANTERRA SEEDS has partnered with PRIDE Seeds. PRIDE Seeds is part of the AgReliant brand of products which makes it one of the top breeders and retailers of corn and soybean products in North America. With an extensive breeding effort and with high quality controls, they promise to bring some of the top varieties to the western Canadian market. CANTERRA SEEDS brings its extensive seed distribution network into this relationship which will ensure that these products will be available to growers throughout Western Canada.

For the Pedigreed Seed business, CANTERRA SEEDS once again focuses on its critical success factors. When it comes to accessing leading edge varieties the Company has been extremely successful on a number of fronts. First, in acquiring top varieties from the public breeding entities like Ag Canada and the Crop Development Centre. Second, by entering into partnerships with public breeders on specific pedigreed programs where for economic and logistic support it retains the first right for products that are coming out of the program. Third, the Company has run an extensive field testing program where it has partnered with some of the top private pedigreed breeders in the world. This gives CANTERRA SEEDS the exclusive rights to varieties that come out of this program for registration. Lastly, as has been mentioned above, the Company is a 30% partner in a cereal breeding venture with Vilmorin USA Corp. named Limagrain Cereals Research Canada. This entity will soon be releasing new cereal varieties into the market and CANTERRA SEEDS will have first right to the varieties that are released out of this program.

On the distribution side for pedigreed seed, CANTERRA SEEDS ensures that it partners with the top seed growers in Western Canada. Currently the Company has 177 seed growers throughout the prairies that are actively growing and selling CANTERRA SEEDS licensed varieties. The Company will continue to add growers where needed and as required to ensure that growers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

On the administrative side, CANTERRA SEEDS has added some key positions which not only assist the Company in ensuring it delivers the expectations of today but is fully prepared to take advantage of the growth of tomorrow.

The expectation is that CANTERRA SEEDS is well positioned to continue to achieve financial success both in 2016/17 and into the future.

Reporting Issuer

To facilitate new and existing shareholders entering and exiting the Company, CANTERRA SEEDS became a reporting issuer in 2004. Under provincial securities law, the Company is considered a public company and as such is required to make continuous disclosure to the public of its annual and quarterly financial statements and any material changes in the business or operations. Although the company is not listed on any prescribed stock exchange, the shares of the Company are tradable with few restrictions within the Company's shareholder group and, with Board of Directors' approval, outside the shareholder group.

Forward Looking Information

Certain statements in this MD&A may constitute forward-looking statements. These forward-looking statements can generally be identified by the use of statements that include the phases such as "believe", "expect", "anticipate", "intend", "plan", "likely", "will" or similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals may be forward-looking statements. These forward-looking statements are based on the Company's current expectations and its projections about future events. However, whether actual results and developments will conform to the Company's expectations and projections is subject to a number of risks and uncertainties. This includes, among other things, the risks and uncertainties associated with seed production, product performance, competition, poor weather, commodity prices, credit and foreign exchange risk. These are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other known and unpredictable factors could also harm its results. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

Additional Information

Any additional information relating to CANTERRA SEEDS is available on the SEDAR website at www.sedar.com.

Advances from Related Affiliates

Advances to affiliates are unsecured, non-interest bearing and have no fixed terms of repayment. The advance is made to Limagrain Cereals Research Canada. The advances occurred due to the fact that CANTERRA SEEDS is the administrative arm of Limagrain Cereals Research Canada and there are charges that are borne by CANTERRA SEEDS and then charged through to Limagrain Cereals Research Canada. This amount was repaid in the first few months of the 2016/17 fiscal year.

Corporate Governance

CANTERRA SEEDS has developed a corporate infrastructure to support the expanding business in an effort to reach its strategic goals. The staffing of the Company, as well as the composition of the Board of Directors, has been designed in a way that will enable full support for anticipated future growth.

The consolidated financial statements and MD&A of CANTERRA SEEDS HOLDINGS LTD., and all other information in this annual report, are the responsibility of management and have been reviewed and approved by its Board of Directors.

Management has prepared the consolidated financial statements in accordance with IFRS accounting standards. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects.

The Board of Directors is responsible to all shareholders for overall strategic direction, the fiduciary responsibilities and corporate policy decisions. The Board of Directors has eleven members, all of which are non-management. Two of the Directors are not seed grower shareholders, but have significant business experience in the agriculture and seed industry. Three Directors represent the interest of Vilmorin USA Corp. (Limagrain) and another Director represents the interest of Ceres Global Ag Corp. One Director is an independent seed retailer and represents the interests of these retailers on the Board. The final four Directors, including the Chairman of the Board, are seed growers or past seed growers with significant experience in the seed industry. Besides the Chairman of the Board, each seed grower represents different geographical regions of the prairies.

CANTERRA SEEDS HOLDINGS LTD.

MANAGEMENT'S **DISCUSSION** AND **ANALYSIS REPORT**

Commencing in 2004, in conjunction with the change to reporting issuer status, the Board of Directors appointed an Audit Committee. The entire Audit Committee, including the committee Chairman, is currently comprised of five non-management Directors. This committee is responsible for overseeing the overall accounting and financial reporting systems of the Company. The Audit Committee recommends the appointment of the proposed external auditors to the shareholders at the Annual General Meeting (AGM). The Audit Committee meets with the external auditor and/or Chief Financial Officer (CFO) on a regular basis as part of its review of the annual audits as well as the quarterly unaudited financial statements, prior to submission to the Board for approval. The external auditors report to the Audit Committee.

In March of 2010, the Board appointed a Governance Committee that is responsible for making recommendations to the Board of Directors regarding the appropriate corporate governance policy and procedures for the CANTERRA SEEDS Board of Directors. This committee is active and consists of five directors, including the Vice-Chairman as Committee Chair. Outside legal counsel is used as a reference as required. This committee has also been tasked with the task of evaluating the effectiveness of the Board of Directors and its committees while also determining the appropriate makeup of the Board of Directors. Therefore, the Governance Committee is also responsible for overseeing the entire process of nominations to be voted for approval at the Company's AGM.

Management's Responsibility for Financial Statements

To the shareholders of CANTERRA SEEDS HOLDINGS LTD.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including the responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management, nor employees of the Company. The Audit Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Committee fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Committee is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of chartered accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

November 28, 2016

David Hansen
Chief Executive Officer

Gerry Cantin
Chief Financial Officer

CONSOLIDATED
FINANCIAL STATEMENTS

CANTERRA SEEDS HOLDINGS LTD.

CONSOLIDATED **FINANCIAL STATEMENTS**

Independent Auditors' Report

To the Shareholders of CANTERRA SEEDS HOLDINGS LTD.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CANTERRA SEEDS HOLDINGS LTD. and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2016 and September 30, 2015, the consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 audits 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 auditors' 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 opinions.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CANTERRA SEEDS HOLDINGS LTD. and its subsidiaries as at September 30, 2016 and September 30, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Winnipeg, Manitoba
November 28, 2016

MNP LLP

Chartered Professional Accountants

Consolidated Statements of Financial Position

As at September 30

	2016	2015
	$	**$**
Assets		
Current assets		
Cash	879,394	823,229
Investments (note 4)	4,849,490	4,626,826
Accounts receivable	2,427,294	1,873,522
Inventory (note 5)	4,413,501	3,293,364
Prepaid expenses and deposits	3,347,718	4,402,107
	15,917,397	**15,019,048**
Property and equipment (note 6)	495,646	327,679
Intangible assets (note 7)	681,177	235,906
Deferred tax asset (note 19)	148,153	54,492
Long-term equity investments (note 12)	3,193,548	3,352,587
Advances to related company (note 8)	203,719	745,200
	20,639,640	**19,734,912**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	6,233,286	6,192,698
Income taxes payable	277,918	443,511
	6,511,204	**6,636,209**
Shareholders' equity		
Share capital (note 11)	12,577,828	12,571,828
Retained earnings	1,531,885	508,152
Contributed surplus	18,723	18,723
	14,128,436	**13,098,703**
	20,639,640	**19,734,912**

Commitments (note 15)

See accompanying notes to the consolidated financial statements.

James M. Wilson

James Wilson, Director

Lloyd Affleck

Lloyd Affleck, Director

CANTERRA SEEDS HOLDINGS LTD.

CONSOLIDATED
FINANCIAL STATEMENTS

Consolidated Statements of Comprehensive Income

Years ended September 30

	2016	2015
	$	$
Sales	33,774,997	34,016,599
Cost of sales (note 5)	26,038,540	26,399,470
Gross profit	7,736,457	7,617,129
Other revenue (note 13)	979,287	1,599,082
Profit before other expense (income) items	8,715,744	9,216,211
Operating, general and administrative	3,228,128	3,526,771
Loss from long-term equity investments (note 12)	153,802	236,765
Depreciation	208,073	175,649
Salaries, wages and benefits	3,908,845	3,344,991
Interest	0	1,595
	7,498,848	**7,285,771**
Income from operations before income taxes	1,216,896	1,930,440
Provision for income taxes (note 19)		
Current (provision)	(286,824)	(443,645)
Deferred tax (provision) recovery	93,661	3,148
	(193,163)	**(440,497)**
Net income and comprehensive income	1,023,733	1,489,943
Earnings per share		
Basic and fully diluted (note 14)	0.14	0.28

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

As at September 30, 2016

	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
	$	$	$	$	$
Balance, September 30, 2014	5,582,230	18,723	(981,791)	–	4,619,162
Comprehensive income	–	–	1,489,943	–	1,489,943
Issuance of share capital	6,989,598	–	–	–	6,989,598
Balance, September 30, 2015	12,571,828	18,723	508,152	–	13,098,703
Comprehensive income	–	–	1,023,733	–	1,023,733
Issuance of share capital	6,000	–	–	–	6,000
Balance, September 30, 2016	12,577,828	18,723	1,531,885	–	14,128,436

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended September 30

	2016	2015
	$	$
Cash provided by (used for) the following activities:		
Operating activities		
Net income	1,023,733	1,489,943
Depreciation of property and equipment	107,094	77,715
Depreciation of intangible assets	100,979	97,934
Loss from investment in long-term investments	153,802	236,765
Deferred income taxes	(93,661)	(3,281)
Interest expense	–	1,595
Realized gain on sale of investments	–	–
Inventory provision	118,117	(12,329)
	1,410,064	**1,888,342**
Changes in working capital accounts		
Account receivables	(553,772)	(593,286)
Inventory	(1,238,254)	(772,815)
Prepaid expenses and deposits	1,054,389	(499,548)
Accounts payable and accrued liabilities	40,588	744,021
Income taxes payable	(165,593)	443,511
Deferred revenue	–	(34,053)
	547,422	**1,176,172**
Financing activities		
Advances to related company	541,481	(745,200)
Issuance of share capital	6,000	6,989,598
Contributions to long-term equity investments	5,237	(3,359,147)
Interest expense	–	(1,595)
	552,718	**2,883,656**
Investing activities		
Purchase of property and equipment	(275,061)	(133,352)
Purchase of intangible assets	(546,250)	(59,875)
Purchase of investments	(222,664)	(8,601,009)
Proceeds from sale of investments	–	4,000,000
	(1,043,975)	**(4,794,236)**
Increase (decrease) in cash	56,165	(734,408)
Cash, beginning of year	823,229	1,557,637
Cash, end of year	**879,394**	**823,229**

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended September 30, 2016

1. Incorporation and Operations

Entity information

CANTERRA SEEDS HOLDINGS LTD. (the "Company") was incorporated under the laws of the Province of Saskatchewan on March 14, 1996. The head and registered office for the Company is located at 201–1475 Chevrier Blvd., Winnipeg, Manitoba, Canada R3T 1Y7. The Company purchases, produces, and distributes seed varieties and related technologies. Due to the seasonal nature of the agricultural industry, the majority of seed sales occur during the months of October to June. This same seasonal nature significantly affects the statement of financial position on a quarterly basis as accounts receivable, inventory and accounts payable and accrued liabilities have significant swings depending on the canola and other seed sales cycle.

The consolidated financial statements of the Company reflect the operations and financial position of the Company and its wholly-owned subsidiaries: CANTERRA SEEDS (2002) Ltd. (a Canadian corporation) and CANTERRA SEEDS (USA) Ltd. (a U.S. company), and its joint venture investments Meridian Seeds LLC (a U.S. company) and Limagrain Cereals Research Canada (a Canadian partnership), which are accounted for using the equity method.

2. Basis of Presentation and Going Concern

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (ISAB).

The financial statements of the Company were recommended for approval by the Audit Committee and were approved and authorized by the Board of Directors on November 28, 2016.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company, CANTERRA SEEDS HOLDINGS LTD. The functional currencies of the subsidiaries are as follows: CANTERRA SEEDS (2002) Ltd. and Limagrain Cereals Research Canada in Canadian dollars, CANTERRA SEEDS (USA) Ltd. and Meridian Seeds LLC in U.S. dollars.

3. Significant Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Where property or equipment is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise corporate acquisitions are accounted for as business combinations.

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity through a jointly controlled entity. Joint control exists when strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method and are recognized initially at cost. The Company recognizes its share of the post-acquisition income and expenses and equity movement in the venture. If the cumulative losses exceed the carrying amount of the equity investment, they are first applied to any additional advances that are receivable from the joint venture to the extent of the total amount receivable. Additional losses are recognized only to the extent that there exists a legal or constructive obligation.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in direct operations and administration expenses in the statement of comprehensive income. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is determined to be an asset or liability will be recognized in accordance with IAS 39 – Financial Instruments: Recognition and Measurement, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Inventory
Inventory is comprised of finished goods consisting of treated and bagged seed, as well as raw materials consisting of bare untreated seed, and is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis. The Company has no work-in-progress.

Property and equipment
Property and equipment are initially recorded at cost net of any related investment tax credits. Depreciation is provided using the below methods at rates intended to depreciate the cost of assets over their estimated useful lives.

Asset	Method	Rate
Computer hardware	declining balance	30%
Computer software	declining balance	20%
Website, furniture and fixtures	declining balance	20-30%
R&D plot equipment	declining balance	20-30%
Leasehold improvements	straight line	term of lease

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the results in the period which the asset is derecognized.

Repair and maintenance costs are recognized in the period as incurred.

Long-lived assets
Long-lived assets consist of property and equipment, and intangible assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies. Long-lived assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company conducts an internal review each reporting period of long-lived asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Intangible assets
Intangible assets are initially recognized at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Intangible assets, other than goodwill and indefinite life intangible assets, are amortized on a straight-line basis over the shorter of their estimated periods of benefit or contractual lives. The estimated useful lives and depreciation methods are reviewed annually, with any changes in estimate accounted for prospectively.

Revenue recognition
The Company recognizes revenue and profits from the sale of seed when the seed has been shipped. Deposits on contracts are recorded in prepaid expenses and deposits. Volume related royalty

revenue is recognized in the period in which the sale is reported to the Company by the grower. Deferred revenue is taken into income in the period in which it is earned. Contract services and program payments are recognized when earned.

Deferred revenue

Deferred revenue is comprised of deposits received from customers for which the related product has either not been shipped or the contractual commitments have not been met as at period end.

Deferred income taxes

The Company follows the liability method of accounting for deferred income taxes. Under this method, deferred income tax assets and liabilities are recorded based on temporary differences between the carrying amount of statement of financial position items and their corresponding tax bases, and on unused tax losses and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted and substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized. Deferred tax assets are recognized only to the extent that it is probable that taxable income will be available against which the deductible temporary differences or loss carry forwards can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable profit will be available that allow the deferred tax asset to 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.

Government assistance

The income tax credits related to scientific research and experimental development activities are accounted for in other income or as a reduction of capital expenditures depending on the nature of the expenses that qualify for the credit incurred during the year.

Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange as at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates.

The assets and liabilities of the subsidiaries, denominated in their respective functional currencies, are translated into Canadian dollars at the rate of exchange in effect at the date of the statement of financial position. Revenues and expenses of the subsidiaries are translated at the exchange rates at the dates of the transactions.

Per share information

Basic per share amounts are calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Diluted per share amounts are determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which consist of convertible debentures.

Key accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Provisions are made for slow moving and obsolete inventory. Management assesses inventory provisions on the basis of seed germination results, volumes of product on hand, competing products, and market trends in conjunction with sales forecasts.

Management has evaluated and concluded that the Company has only one operating segment and cash generating unit for purposes of analysis of the business.

Depreciation is based on the estimated useful lives of property and equipment.

Scientific Research and Experimental Development tax credit claims are based on methodologies and assumptions applied by management in previous successful claims. Actual results may differ from these estimates.

Intangible assets consist of licenses, which are depreciated over the life of the agreement. Recovery of intangibles is analyzed on an annual basis.

Management has evaluated long-term equity investments and determined if there is joint control in place.

Management has estimated that, while the terms of advances to related companies are not defined, the fair value approximates the carrying value due to the anticipated repayment dates of the advances.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Cash
Cash in the consolidated statement of financial position consists of cash on deposit in financial institutions and on hand.

Financial instruments
Financial instruments are classified as financial assets at fair value through profit or loss (FVTPL), held to maturity (HTM), loans and receivables, available for sale (AFS) financial assets or other financial liabilities. Financial instruments are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. All financial instruments, including derivatives, are initially measured at fair value and are reflected on the statement of financial position at fair value. Subsequently, except for those classified as loans and receivables, HTM investments and other financial liabilities are measured at amortized cost using the effective interest rate method less any impairment. Receivables are reduced by provisions for estimated bad debts, which are determined by reference to past experience and expectations. Changes in fair value of FVTPL financial instruments are recorded in operations. Changes in fair value of AFS financial assets are recorded in other comprehensive income until the investment is sold or impaired at which time, the realized gain or loss will be recorded in operations.

The Company has designated its financial instruments, as follows:

Financial Statement Item	Classification	Measurement
Cash	Loans and receivables	Amortized cost
Investments	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Advances to related companies	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Transaction costs related to FVTPL are expensed as incurred. Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest rate method.

A provision for impairment is recognized when there is evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include default on payments and significant financial difficulty of the counterparty. The carrying amount of the asset is reduced through a provision account, and the amount of the loss is recognized in net income within operating expenses. Bad debt write-offs occur when the Company determines collection is unlikely. Any subsequent recoveries of amounts previously written off are credited against bad debt expense in net income. Accounts receivable that are less than one month past due are not considered impaired unless there is evidence that collection is not possible.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Operating leases are recognized as an expense on a straight line basis over the lease term.

Provisions
Provisions are recognized when the Company has a legal or constructive obligation that is the result of a past event, it is probable that the Company will be required to settle the obligation,

and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the obligation.

New IFRS standards and interpretations not applied

IFRS 9
Financial Instruments, is part of the IASB's wider project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard.

IFRS 15
Revenue from Contracts with Customers is part of IASB and FASB's joint project to converge requirements for the recognition of revenue in both IFRS and US GAAP. IFRS 15 provides improvements to the quality and consistency of how revenue from contracts with customers is reported and improves comparability in the financial statements through:

- Removing inconsistencies and weaknesses in existing revenue requirements
- Providing a more robust framework for addressing revenue issues
- Improving comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets
- Providing more useful information to users of financial statements through improved disclosure requirements
- Simplifying the preparation of financial statements by reducing the number of requirements an entity must refer to

The standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of this standard.

IFRS 16
Leases replaces IAS 17 — Leases and requires lessees to account for leases on statement of financial positions by recognizing a right of use asset and a lease liability. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained.

The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is currently assessing the impact of this standard.

4. Investments

The Company has investments in managed funds.

	2016	2015
	$	$
Fair value	4,849,490	4,626,826
Cost, net of writedowns and provisions	4,849,490	4,626,826

Investments bear interest at a rate of 1.35% (2015 – 1.35%) and mature within one year.

5. Inventory

	2016	2015
	$	$
Finished goods	1,086,962	1,008,839
Raw materials	3,326,539	2,284,525
	4,413,501	**3,293,364**

The cost of inventories recognized as an expense and included in cost of sales amounted to $8,837,077 (2015 – $9,428,180). During the year a provision of $118,117 (2015 – $nil) was recorded to reduce inventory from its carrying amount to its net realizable value. Previous writedowns of $nil (2015 – $12,329) were reversed during the period.

6. Property and Equipment

	Computer hardware	Computer software	Website, furniture and fixtures	R&D plot equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, September 30, 2014	145,608	223,644	142,787	260,432	31,357	803,828
Additions	13,497	28,428	54,590	36,397	440	133,352
Balance, September 30, 2015	159,105	252,072	197,377	296,829	31,797	937,180
Additions	18,411	7,618	10,500	224,652	13,880	275,061
Balance, September 30, 2016	177,516	259,690	207,877	521,481	45,677	1,212,241
Depreciation						
Balance, September 30, 2014	121,243	136,861	109,323	139,190	25,169	531,786
Depreciation	9,334	20,199	14,435	30,130	3,617	77,715
Balance, September 30, 2015	130,577	157,060	123,758	169,320	28,786	609,501
Depreciation	11,320	19,764	20,180	52,213	3,617	107,094
Balance, September 30, 2016	141,897	176,824	143,938	221,533	32,403	716,595
Net book value						
At September 30, 2015	28,528	95,012	73,619	127,509	3,011	327,679
At September 30, 2016	35,619	82,866	63,939	299,948	13,274	495,646

As at September 30, 2016 the Company had $4,023 (2015 – $4,023) of fully depreciated assets still in use.

7. Intangible Assets

Intangible assets consist of licence fees that have been paid to secure the production and distribution rights for various types of breeder seed. These fees are initially stated at cost and are being amortized over the term of the contract agreements.

	Licence fees
Cost	**$**
Balance, September 30, 2014	1,256,804
Additions	59,875
Balance, September 30, 2015	1,316,679
Additions	546,250
Balance, September 30, 2016	1,862,929
Depreciation	
Balance, September 30, 2014	982,839
Depreciation	97,934
Balance, September 30, 2015	1,080,773
Depreciation	100,979
Balance, September 30, 2016	1,181,752
Net book value	
At September 30, 2015	235,906
At September 30, 2016	681,177

8. Advances to Related Company

	2016	2015
	$	$
Limagrain Cereals Research Canada	197,360	745,200
Meridian Seeds, LLC	6,359	–
	203,719	**745,200**

Advances to related companies are unsecured, non-interest bearing and have no fixed terms of repayment. The Company has a 30% interest in Limagrain Cereals Research Canada and a 50% joint venture interest in Meridian Seeds, LLC.

9. Government Assistance

During the year, the Company filed Canadian federal and provincial income tax returns for the 2015 taxation year, in order to apply for Scientific Research and Experimental Development (SR&ED) Investment Tax Credits (ITCs). The Company also estimated and accrued the SR&ED ITCs for the 2016 taxation year. ITCs reduce taxes payable and are accounted for as other revenue or a reduction of capital expenditures, depending on the nature of the expenses that qualify for the credit. The benefit recorded resulted in other revenues of $260,886 (2015 – $674,000) and a reduction of the cost of equipment of $nil (2015 – $nil). In the normal course of SR&ED expense claims the Company is subject to reviews by federal and provincial government authorities.

10. Demand Facility

The Company has available to it a revolving demand facility available to finance inventory and receivables to a maximum of $2,500,000 from June 15 to December 31 of each calendar year, reducing to $250,000 outside of those dates. Interest is payable on the outstanding balance at the rate of prime plus 1.25% on all amounts outstanding. The revolving demand facility is secured by a general security agreement together with a first charge on all present and after-acquired personal property. The terms of the revolving demand facility require that certain measurable covenants be met. As at September 30, 2016, the Company was in compliance with the covenants specified in the agreement.

As at September 30, 2016, the Company had not drawn against the revolving demand facility (2015 – $nil).

11. Share Capital

	2016	2015
Authorized		
Unlimited number of class A voting common shares.		
Unlimited number of class B shares, non-voting non-participating, redeemable at the option of the Company if the shareholder fails to fully pay for Shares, fails to exercise share purchase options, or if the shareholder causes the Company to have its rights under any license terminated.		
Unlimited number of class C shares without nominal or par value, non-voting, and non-redeemable.		
Unlimited number of class D shares without nominal or par value, non-voting, and non-redeemable.		
Issued and fully paid:		
7,551,147 class A voting common shares (2015 – 7,551,147)	12,109,827	12,109,827
2,118,000 class B shares (2015 – 2,112,000)	468,001	462,001
	12,577,828	**12,571,828**

During the year the Company issued 6,000 class B shares (2015 – $nil) at a subscription price of $1 per share for cash consideration of $6,000 (2015 – $nil).

12. Long-Term Equity Investments

The Company has an investment in a joint venture, Meridian Seeds LLC, in which it shares 50% control. Investments in this company, which are subject to joint control, are accounted for using the equity method.

The following amounts represent the results and financial position of Meridian Seeds LLC:

	2016	2015
	$	$
Current assets	1,204,235	671,603
Long-term assets	79,490	43,721
Current liabilities	465,736	208,861
Revenues	4,762,070	2,913,304
Expenses	4,426,154	2,940,379
Net income (loss)	335,916	(27,075)
Cash provided by operating activities	647,723	120,733
Cash provided (used) in investing and financing activities	(44,428)	88,283

Meridian Seeds, LLC, a U.S. Limited Liability Corporation is a 50% joint venture interest.

	2016	2015
	$	$
Investment in joint venture	404,820	243,120

On September 28, 2015 the Company finalized its 30% investment in a new cereal breeding and development partnership, Limagrain Cereals Research Canada, located in Saskatoon, SK. The venture is intended to bring significant added value to western Canadian agriculture by developing new varieties of cereals, with a specific focus on wheat, using the most advanced technologies currently available. Investments in this company, which represent significant influence, are accounted for using the equity method.

The following amounts represent the results and financial position of Limagrain Cereals Research Canada:

	2016	2015
	$	$
Current assets	9,167,555	11,500,000
Long-term assets	790,876	–
Current liabilities	272,845	745,200
Revenues	84,523	149,281
Expenses	1,154,619	894,481
Net loss	(1,070,096)	(745,200)
Cash used in operating activities	(1,042,648)	(745,200)
Cash provided by investing and financing activities	656,905	12,245,200

Limagrain Cereals Research Canada is a 30% interest.

	2016	2015
	$	$
Investment in partnership	2,788,728	3,109,467

13. Other Revenue

	2016	2015
	$	$
Interest	145,266	126,864
Contract services and program payments	449,189	577,457
Other	62,747	220,761
Scientific research and development tax credits (Note 9)	322,085	674,000
	979,287	**1,599,082**

14. Earnings per Share

The basic earnings per share has been calculated based upon the weighted average number of shares outstanding during the period ended September 30, 2016 of 7,551,147 (2015 – 5,323,042).

15. Commitments

The Company has entered into an agreement to lease its premises to June 2021 and to lease vehicles and equipment to June 2018 with estimated minimum annual payments as follows:

Not later than one year	306,117
Later than one year not later than five years	680,984

The Company has entered into an agreement with Agriculture and Agri-Food Canada to commit to contribute $291,410 per year, consisting of a combination of cash and "in-kind" investment, for four years ending December 2018.

Director and officer indemnification
The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

16. Financial Instruments and Risk Management

Risk management
In the normal course of business, the Company is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates. Management's involvement in operations helps identify risks and variations from expectations.

As a part of the overall operation of the Company, management takes steps to avoid undue concentrations of risk. The Company manages the risks, as follows:

Liquidity risk
Liquidity risk arises from the possibility of the Company having insufficient financial resources to fund its growth and refinance its debt as it matures.

The economic uncertainty which currently exists throughout the global marketplace has resulted in a more conservative and restrictive lending market. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial obligations.

Interest rate risk
The Company may be exposed to interest rate risk as bank indebtedness charges interest at variable rates; however, the Company had not drawn against the credit facility as at September 30, 2016, therefore the risk is minimal.

The Company does invest excess cash in investments and therefore decreases in interest rates impact the amount of interest income earned from those investments. Investments are comprised of investments in pooled funds which are also subject to market price risk (i.e. fair value fluctuates based changes in market prices).

At September 30, 2016, the Company has $4,849,490 invested in managed funds. A 1% variation in the market price of underlying securities would have resulted in an increase or decrease in the value of this asset of approximately $48,000.

Market risk
Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: credit risk, foreign currency risk and other price risk.

Credit risk
Financial instruments that potentially subject the Company to concentrations of credit risk are accounts receivable. The Company believes that there is minimal risk associated with the collection of these amounts. The maximum credit risk exposure is the carrying value of the financial assets. The Company manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not generally require collateral or other security from customers on accounts receivable.

Accounts receivable are past due when a customer fails to make a payment when contractually due. The following is an aging of accounts receivable past due but not impaired:

	2016	**2015**
	$	**$**
31–60 days	46,414	29,073
61–90 days	20,614	58,868
More than 90 days	137,667	49,089
	204,695	**137,030**

A reconciliation of allowance for doubtful accounts is as follows:

	2016	**2015**
	$	**$**
Balance, beginning of year	–	–
Amount charged to bad debt expense (recovery)	–	–
Balance, end of year	–	–

Foreign currency risk
The Company enters into transactions denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject

to exchange rate fluctuations. The following items are denominated in United States currency:

	2016	2015
	CAD$	CAD$
Cash	35,090	182,849
Accounts receivable	–	5,848
Accounts payable	49,151	263,429

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. No foreign currency forward contracts exist at September 30, 2016.

A 1% increase/decrease in United States dollar foreign exchange rates would result in a corresponding decrease/increase in other revenue and net income of approximately $141.

Other price risk
Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The Company manages these risks by limiting inventory levels and actively monitoring the market and adjusting its pricing strategies accordingly. The Company also manages their exposure to changes in market prices by diversifying their holdings within investments.

Fair value of financial instruments
Financial instruments include cash, investments, accounts receivable, advances to related companies and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate fair value due to the short term nature of the financial instruments or they are carried at fair value.

Fair value hierarchy
The financial assets and liabilities recorded at fair value on the statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. The Company has no financial instruments classified as Level 1.
- Level 2: Quoted prices in markets that are not active or model inputs that are observable either directly as prices or indirectly for substantially the full term of the asset or liability. In determining the inputs for calculating fair values, the company looks to readily observable market inputs. All financial instruments are disclosed at fair value base on a Level 2 classification.
- Level 3: Values are based on prices or valuation techniques that contain unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities. The Company has no financial instruments classified as Level 3.

The following table summarizes the Company's financial liabilities with corresponding maturity:

	Total	Less than 1 year	1 to 2 years	After 2 years
	$	$	$	$
Accounts payable and accrued liabilities	6,233,286	6,233,286	–	–
Total	6,233,286	6,233,286	–	–

Current assets exceed current liabilities outstanding and management expects the Company to meet its obligations as they come due. In addition, management has available to it a revolving line of credit as described in Note 10 to assist with any temporary working capital shortfalls.

17. Capital management

The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth and to allow the Company to respond to changes in economic and/or marketplace conditions. The Company also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, the Company includes bank indebtedness and shareholders' equity. The Board of Directors has established quantitative return on capital criteria for management as well as long term growth targets. In order to maintain or adjust the capital structure the Company may issue shares, debentures, return capital to shareholders, purchase shares, or reduce debt.

Market requirements for attracting capital may vary in ways that the Company may not be able to accurately predict.

The Company monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debt less cash and investments. Adjusted capital comprises all components of equity.

There were no changes in the Company's approach to capital management during the year.

The Company has entered into a credit facility agreement with the Canadian Imperial Bank of Commerce that provides additional liquidity of up to $2,500,000 from June 15 to December 31. This is reduced to $250,000 outside of those dates. A wholly-owned subsidiary of the Company has externally imposed capital requirements as governed through its credit facilities. As of September 30, 2016 the subsidiary Company must have an effective Tangible Net Worth not less than $9,000,000. As of September 30, 2016, this requirement was met. As at September 30, 2016, there was a $nil balance outstanding on the line of credit. The Company has not drawn upon an available line of credit facilities since November 2010.

18. Related party transactions

The following summarizes the Company's related party revenues and expenses with shareholders for the year:

	2016	2015
	$	$
Revenue	4,442,540	4,783,041
Expenses	3,169,935	3,162,406

Certain shareholders have entered into transactions with the Company for the purchase and sale of seed and seed products. These transactions were in the normal course of business and were recorded at their exchange amount.

The amount due from related companies has no specified interest or repayment terms.

At September 30, 2016, accounts receivables includes $nil (2015 – $nil) from directors and officers, and $59,066 (2015 – $153,049) from shareholders.

Accounts payable and accrued liabilities include $394,652 (2015 – $58,779) payable to shareholders.

During the year, employee future benefits recorded as an expense amounted to $86,410 (2015 – $77,483).

Directors and key management personnel
Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director.

Aggregate compensation of KMP during the year consisted of:

	2016	2015
	$	$
Salary and short-term benefits	1,127,755	1,125,377
Post-employment benefits	64,958	65,824
	1,192,713	**1,191,201**

During the year payments for Board and Shareholder meetings totaled $47,446 (2015 – $44,161).

19. Income taxes

The major components of income tax expense (recovery) are as follows:

	2016	2015
	$	$
Current tax expense	286,824	443,645
Adjustments for current tax of prior periods	–	–
Current tax expense	286,824	443,645
Deferred tax expense (recovery) relating to origination and reversal of temporary differences	(93,661)	72,509
Changes in tax rate	–	(75,657)
Deferred tax expense (recovery)	(93,661)	(3,148)
Income tax expense (recovery)	193,163	440,497

Income tax expense (recovery) differs from the amount computed by applying the combined expected Canadian Federal and

Provincial tax rate of 27% (27% in 2015) to income before income taxes. The reasons for the difference are as follows:

	2016	2015
	$	$
Computed income tax expense (recovery)	328,562	521,219
Income tax rate differentials of foreign investees	17,417	(1,446)
Permanent differences	37,413	40,083
Temporary differences	(93,661)	–
Small business deduction	(49,000)	(71,000)
Other items	(47,568)	(48,359)
Actual tax expense	193,163	440,497

The Company's deferred tax assets are as follows:

	2016	2015
	$	$
Property and equipment	(30,725)	(30,258)
Intangible assets	88,243	93,527
Other items	90,635	(8,777)
	148,153	**54,492**

The Company's deferred tax expense (recovery) recognized in respect of each type of temporary difference is as follows:

	2016	2015
	$	$
Property and equipment	467	36,705
Intangible assets	5,284	(78,428)
Other items	(99,412)	38,575
	(93,661)	**(3,148)**

The Company has deductible temporary differences and unused tax losses related to continuing operations for which no deferred tax asset has been recognized are as follows:

	2016	2015
	$	$
Unused tax losses	330,000	280,000
Property and equipment		–
Investment tax credits		–
SR&ED expenditure pool		–
	330,000	**280,000**

The Company has available income tax losses in Canada of approximately $nil, and in the United States of approximately $330,000 which can be used to offset taxable income in future years. The losses expire according to the following schedule:

	Canada	United States
	$	$
2024	–	47,000
2025	–	70,000
2026	–	65,000
2027	–	25,000
2028	–	74,000
2029	–	49,000
2030	–	–
2031	–	–
2032	–	–

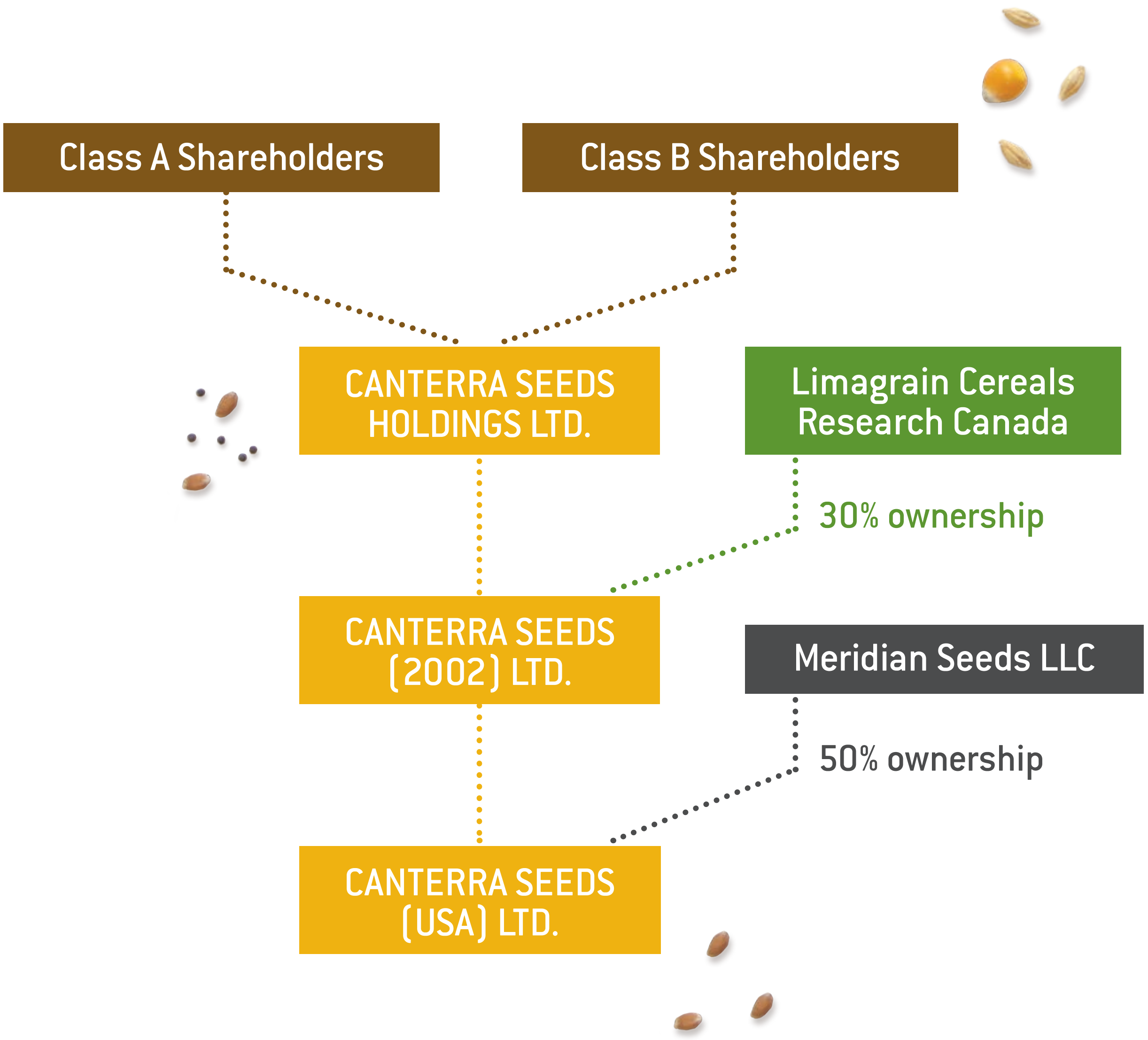
20. Contingencies

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

NOTES

COMPANIES HELD BY
CANTERRA SEEDS HOLDINGS LTD.

CANTERRA SEEDS HOLDINGS LTD. was established in 2002. CANTERRA SEEDS (2002) LTD. is the operating seed company. Meridian Seeds LLC is a U.S. seed joint venture in which CANTERRA SEEDS (USA) LTD. is a member.



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