

FOR THE  
**L**OVE  
of **SEED**



Interim Consolidated Financial Statements

FOR THE NINE MONTHS ENDED JUNE 30, 2017

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2017 AND 2016

*These financial statements are unaudited and were not reviewed by an auditor.*

## Consolidated Statements of Financial Position

	June 30, 2017 <i>Unaudited</i>	June 30, 2016 <i>Unaudited</i>	September 30, 2016 <i>Unaudited</i>
	\$	\$	\$
<b>Assets</b>			
Current			
Cash	7,172,763	11,288,504	5,728,884
Accounts receivable	11,273,509	6,939,059	2,427,294
Inventory (note 5)	5,007,925	4,574,814	4,413,501
Prepaid expenses and deposits	2,807,693	2,636,960	3,347,718
	26,261,890	25,439,337	15,917,397
Property and equipment	480,355	478,562	495,646
Intangible assets	664,465	755,159	681,177
Deferred tax asset	148,153	54,492	148,153
Investment in joint venture	3,060,937	3,220,976	3,193,548
Advances to related company (note 6)	78,323	145,858	203,719
	30,694,123	30,094,384	20,639,640
<b>Liabilities</b>			
Current			
Accounts payable and accruals	15,356,314	15,184,913	6,233,286
Deferred revenue (note 7)	–	45,671	–
Income taxes payable	265,938	387,545	277,918
	15,622,252	15,618,129	6,511,204
<b>Shareholders' Equity</b>			
Share capital (note 8)	12,577,828	12,577,828	12,577,828
Surplus	2,475,320	1,879,704	1,531,885
Contributed surplus	18,723	18,723	18,723
	15,071,871	14,476,255	14,128,436
<b>Total Liabilities and Equity</b>	30,694,123	30,094,384	20,639,640

Approved on behalf of the board

James Wilson, Director

Lloyd Affleck, Director

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

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2017 AND 2016

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## Consolidated Statements of Comprehensive Income

	Three months ended		Nine months ended	
	2017 <i>Unaudited</i>	2016 <i>Unaudited</i>	2017 <i>Unaudited</i>	2016 <i>Unaudited</i>
	\$	\$	\$	\$
Sales	5,414,314	5,954,946	29,399,600	31,901,517
Cost of sales	4,096,170	4,713,897	22,917,544	25,303,345
Gross profit	1,318,144	1,241,049	6,482,056	6,598,172
Other revenue (note 4)	287,302	169,103	605,478	406,941
	1,605,446	1,410,152	7,087,534	7,005,113
Selling, general and administrative expenses and loss (income) from joint venture				
Operating, general and administrative	968,879	682,266	2,690,819	2,323,029
Loss (income) from joint venture	(37,667)	63,328	305,528	191,330
Depreciation and amortization	57,020	64,044	169,524	151,790
Salaries, wages and benefits	968,655	901,150	2,702,317	2,570,961
Interest	–	–	1,067	–
	1,956,887	1,710,788	5,869,255	5,237,110
Income (loss) from operations before taxes	(351,441)	(300,636)	1,218,279	1,768,003
Income tax recoverable (expense)	70,456	62,655	(274,844)	(396,451)
Income and comprehensive income (loss)	(280,985)	(237,981)	943,435	1,371,552
Income (loss) per share				
Basic and fully diluted (note 10)	(0.04)	(0.03)	0.12	0.18

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# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2017 AND 2016

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## Consolidated Statements of Cash Flows

	2017 <i>Unaudited</i>	2016 <i>Unaudited</i>
	\$	\$
<b>Cash provided by (used for) the following activities:</b>		
Operating activities		
Net income	943,435	1,371,552
Depreciation of plant and equipment	90,312	75,543
Depreciation of intangible assets	79,212	76,247
Transfer with joint ventures – non-cash	(172,917)	–
Loss from joint venture	305,528	191,330
Income tax accrual	274,844	396,451
	1,520,414	2,111,123
Changes in working capital accounts		
Accounts receivable	(8,846,215)	(5,065,537)
Inventory	(594,424)	(1,281,450)
Prepaid expenses and deposits	540,025	1,765,147
Accounts payable and accruals	9,123,028	8,992,215
Deferred revenue	–	45,671
Income tax payable	(286,824)	(452,417)
	1,456,004	6,114,752
Financing activities		
Repayments from related company	125,396	599,342
Issuance of share capital	–	6,000
Repayment of finance leases	–	(59,719)
	125,396	545,623
Investing activities		
Purchases of property and equipment	(75,021)	(226,426)
Acquisition of intangible assets	(62,500)	(595,500)
	(137,521)	(821,926)
Increase in cash resources	1,443,879	5,838,449
Cash and investments, beginning of period	5,728,884	5,450,055
Cash and investments, end of period	7,172,763	11,288,504

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

CANTERRA SEEDS HOLDINGS LTD.

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2017 AND 2016

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## Consolidated Statements of Changes in Equity

Unaudited

	Share capital	Contributed surplus	Surplus (deficit)	Total
	\$	\$	\$	\$
Balance, September 30, 2015	12,571,828	18,723	508,152	13,098,703
Comprehensive income	6,000	–	1,371,552	1,377,552
Balance, June 30, 2016	12,577,828	18,723	1,879,704	14,476,255
Balance, September 30, 2016	12,577,828	18,723	1,531,885	14,128,436
Comprehensive income	–	–	943,435	943,435
Balance, June 30, 2017	12,577,828	18,723	2,475,320	15,071,871

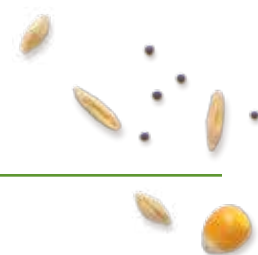
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# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2017 AND 2016

*These financial statements are unaudited and were not reviewed by an auditor.*



## 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 sales cycle.

The interim 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 investment Meridian Seeds LLC (a U.S. company), which is accounted for using the equity method. The interim consolidated financial statements of the Company also reflect the operations and financial position of the Company’s joint venture investment in Limagrain Cereals Research Canada (a Canadian partnership), which is accounted for using the equity method.

## 2. Basis of Presentation and Continuing Operations

### Statement of Compliance

The unaudited condensed consolidated interim financial statements (or “consolidated financial statements”) of the Company as at June 30, 2017 have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). These condensed financial statements do not include all of the information required for consolidated financial statements and use the accounting

policies consistent with the annual audited consolidated financial statements for the year ended September 30, 2016.

These interim condensed consolidated financial statements for the nine-month periods ended June 30, 2017 and 2016 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on July 26, 2017.

## 3. Significant Accounting Policies

### Revenue Recognition

The Company recognizes revenue and profits from the sale of seed when the seed has been shipped. Volume related royalty revenue is recognized in the period in which the sale is reported to the Company by the grower. Scientific research and experimental development credits are recognized when the related expenses have been incurred. Deferred revenue is taken into income in the period in which it is earned. Contract services and program payments are recognized when earned.

### 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. Amortization 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.

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.

## 4. Other Revenue

	Three months ended		Nine months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	\$	\$	\$	\$
Interest and investment income	42,515	41,397	98,126	87,783
Other	208,488	77,405	398,455	168,256
Scientific research and development tax refundable	36,299	50,301	108,897	150,902
	287,302	169,103	605,478	406,941

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2017 AND 2016

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## 5. Inventory

	June 30, 2017	June 30, 2016	September 30, 2016
	\$	\$	\$
Finished goods	1,711,158	813,410	1,086,962
Raw materials	3,296,767	3,761,404	3,326,539
	5,007,925	4,574,814	4,413,501

The cost of inventories recognized as an expense and included in cost of sales in 2017 amounted to \$7,631,834 (2016 – \$8,837,784).

## 6. Advances to Related Company

	June 30, 2017	June 30, 2016	September 30, 2016
	\$	\$	\$
Meridian Seeds LLC	34,967	–	6,359
Limagrain Cereals Research Canada	43,356	145,858	197,360
	78,323	145,858	203,719

Advances to related company are unsecured, non-interest bearing and have no fixed terms of repayment. Meridian Seeds, LLC, a U.S. Limited Liability Corporation, is a 50% joint venture interest and Limagrain Cereals Research Canada, a Canadian partnership, is a 30% joint venture interest.

## 7. Deferred Revenue

Deferred revenue is comprised of deposits received from customers for which the related product has not been shipped as at June 30, 2017 or June 30, 2016.

## 8. Share Capital

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 corporation to have its rights under any license agreement terminated.

Unlimited number of Class C shares without nominal or par value, non-voting, and non-redeemable.

	June 30, 2017	June 30, 2016	September 30, 2016
	\$	\$	\$
Issued			
Common shares			
7,551,147 Class A common shares (2016 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2016 – 2,118,000)	468,001	468,001	468,001
	12,577,828	12,577,828	12,577,828

There were no share transactions through treasury for the nine-month period ended June 30, 2017. During the 2016 fiscal year, the Company issued 6,000 Class B shares at a subscription price of \$1 per share for cash consideration of \$6,000.



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FOR THE NINE-MONTH PERIOD ENDED JUNE 30, 2017 AND 2016

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## 9. Interest in Joint Ventures

The Company, through a wholly-owned subsidiary, 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 for the nine months ended June 30, 2017 and 2016. The amounts below are in US\$.

	2017	2016
	\$	\$
Current assets	1,528,310	696,226
Long-term assets	108,133	64,957
Current liabilities	664,628	396,740
Revenues	3,901,144	2,800,008
Expenses	3,757,288	2,805,691
Net income (loss)	143,856	(5,683)
Cash provided by (used in) operating activities	(470,784)	26,990
Cash provided by (used in) investing and financing activities	61,651	(35,915)

The Company has a wholly-owned subsidiary, CANTERRA SEEDS USA LTD. whose investment in Meridian Seeds, LLC, a U.S. Limited Liability Corporation is a 50% joint venture interest.

	2017	2016
	\$	\$
Investment in CANTERRA SEEDS USA LTD.	525,228	41,625

The Company also owns a 30% investment in Limagrain Cereals Research Canada, a cereal breeding and development partnership located in Saskatoon, Saskatchewan. Investments in this company, which are subject to joint control, are accounted for using the equity method.

The following amount represent the results and financial position of Limagrain Cereals Research Canada in CDN\$.

	2017	2016
	\$	\$
Current assets	6,880,720	9,823,365
Long-term assets	1,518,737	804,534
Current liabilities	134,675	523,067
Revenues	–	–
Expenses	1,481,695	756,868
Net loss	(1,481,695)	(756,868)
Cash provided by (used in) operating activities	(1,363,255)	(909,495)
Cash provided by (used in) investing and financing activities	(1,008,020)	(808,777)

Limagrain Cereals Research Canada is Canadian limited partnership and a 30% joint venture interest.

	2017	2016
	\$	\$
Investment in Limagrain Cereals Research Canada	2,535,709	3,179,351

## 10. Earnings Per Share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the period ended June 30, 2017 of 7,551,147 (2016 – 7,551,147).

## 11. Commitments

The Company has entered into an agreement to lease its premises to June 2021 and to lease vehicles and equipment to March 2022 with estimated minimum annual payments as follows:

Not later than one year	\$412,666
Later than one year not later than five years	\$700,983

### Director and Officer Indemnification

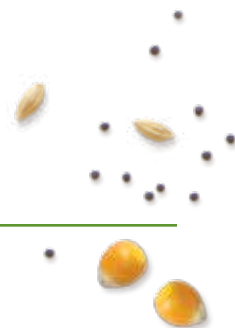
The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

CANTERRA SEEDS HOLDINGS LTD.

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## 12. Capital Management

A wholly-owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As of June 30, 2017, the Company is not in default of these capital requirements and is in good standing in its dealings with its bank.

## 13. Related Party Transactions

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.

## 15. Supplemental Cash Flow Information

Interest paid for the nine-month period ended June 30, 2017 totalled to \$1,067 (2016 – \$Nil). Interest paid for the latest three-month period ended June 30, 2017 totalled to \$Nil (2016 – \$Nil).



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