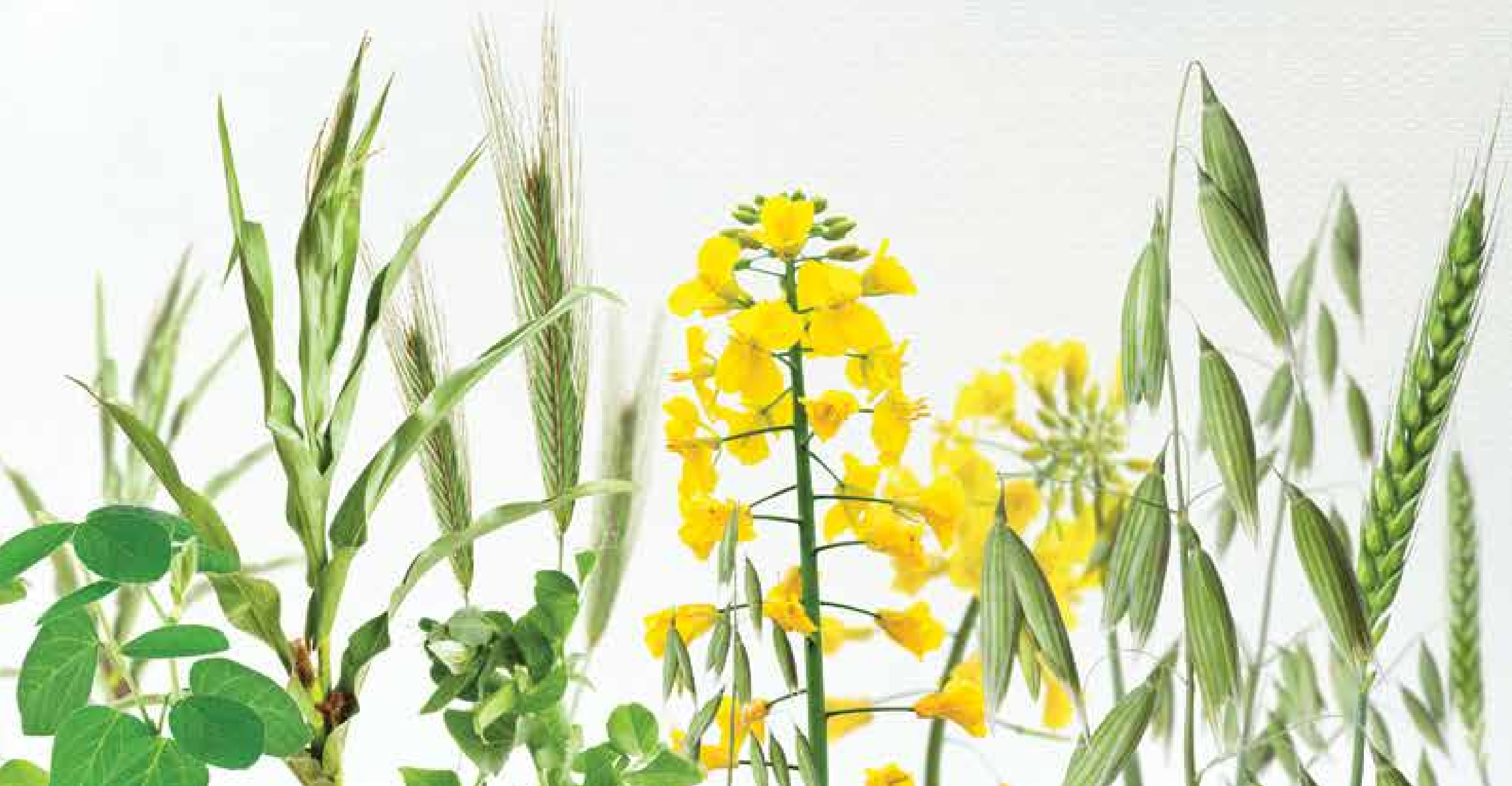
CANTERRA SEEDS

IT'S ALL ABOUT VARIETY

QUARTERLY REPORT

FOR THE SIX MONTHS ENDED MARCH 31, 2018



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

CANTERRA SEEDS HOLDINGS LTD.

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

FOR THE SIX MONTHS ENDED MARCH 31, 2018

CANTERRA SEEDS HOLDINGS LTD. (the Company) is a recognized leader in the pedigreed seed industry. Headquartered at 201–1475, Chevrier Boulevard in Winnipeg, Manitoba, the Company is committed to delivering high-quality seed to its customers throughout Western Canada. The consolidated financial statements of the Company that follow are as at and for the six months ended March 31, 2018.

CANTERRA SEEDS reports a net income for the six months ended March 31, 2018 of $0.83 million. This compares to the March 31, 2017 results where the Company recorded income of $1.22 million, a reduction of $0.39 million for the year to date. For the three-month quarter ended March 31, 2018, the Company reports net income of $2.04 million. This income is $0.53 million lower than the net income of $2.57 million recorded for the same three-month period in 2017.

1. Introduction

The following Management's Discussion and Analysis (MD&A) provides information which is supplementary to the CANTERRA SEEDS HOLDINGS LTD. results of operations and financial position. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes to the financial statements for the six-month period ending March 31, 2018. The financial data in this report and in the financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

All amounts reported both in the MD&A and in the consolidated financial statements are in Canadian currency and the consolidated financial statements were authorized for issue by the Company's Audit Committee and Board of Directors on May 8, 2018.

2. 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 are, or 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. These include, 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 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.

3. Results of Operations – Six Months Ended March 31

Sales and Gross Profit

Sales at CANTERRA SEEDS for the six-month period from October 1 to March 31 are predominantly canola and to a lesser extent corn and soybeans. The only other revenues that are generated by the Company during this period are royalties relating to fall-seeded cereal crops, as well as early certified and stock seed orders that have taken place prior to seeding. The timing of canola, corn and soybeans deliveries, and therefore the sales transactions relating to these deliveries, are dependent on a number of different factors, mainly market and environmental conditions.

Sales are lower by $0.31 million or 1% from $23.98 million in 2016/17 to $23.67 million in 2017/18. Market and environmental conditions have caused a situation where these deliveries are often occurring later than they did in 2016/17, in particular for the deliveries of canola. Specifically, dry conditions delayed farmers planting intentions as the amount of winter and spring pre-seed precipitation was a major factor in determining what crop they plan to seed. Also, significant late snow events throughout the prairies delayed seeding and the delivery of the seed in some areas.

For royalties reported and earned on fall-seeded products, while Emerson is still an industry leading product, the sales were lower than in 2016/17. The main reason for this is that this product has now been available for a few years and the amount of certified seed sold into the market has reduced. In addition, as with the prior two years, the market conditions continue to be extremely poor for winter wheat seeding. Wheat commodity prices are low and in general, producers do not feel that the potential additional yield is worth seeding a significant amount of winter wheat.

This reduction in sales has, in turn, caused the gross profit to reduce by $0.19 million from $5.16 million in 2016/17 to $4.97 million in 2017/18. In addition, due to a mix of sales and timing of certain expenses, there has been a small reduction in the gross profit percentage from 21.5% in 2016/17 to 21.0% in 2017/18.

Other Revenue
The other revenue has reduced by $18 thousand, from $318 thousand to $300 thousand. This reduction is due to the timing of receiving co-promotional funding from the Company's key partners for marketing initiatives during the year.

Operating, General and Administrative Expenses
These expenses have reduced by $0.01 million or 0.9%, from $1.72 million in 2016/17 to $1.71 million in 2017/18. The Company has kept its infrastructure and spending quite similar to what occurred during the prior year.

Loss from Joint Venture
This loss increased by $120 thousand, from $343 thousand for the six-month period ended March 31, 2017, to $463 thousand for the six-month period ended March 31, 2018.

These totals reflect both CANTERRA SEEDS' 50% joint venture in Meridian Seeds, along with the 30% joint venture in Limagrain Cereals Research Canada. For Meridian Seeds, this quarter is generally not a significant revenue generator. As with the pedigreed side of the CANTERRA SEEDS seed business, if Meridian Seeds has any substantial revenue during this six-month period, it generally comes from the recording of royalties on winter seeded varieties. While Meridian Seeds did record some revenue on these royalties, it was not a significant amount for this time period. At the same time, Meridian Seeds continues to grow its infrastructure and its overall expense base. With this six-month period having negligible revenues with increased costs, the overall result is a higher loss from this joint venture for this period.

The Limagrain Cereals Research Canada joint venture continues to ramp up its infrastructure. It was only originated in July 2015 and had its first research employee in February 2016. Expenses have increased by more than $500,000 over last year. With the Company still in its early stages, it has no revenues, creating an increased loss in the six-month period ended March 31, 2018.

Depreciation and Amortization
Has increased by $44 thousand from $113 thousand in 2016/17 to $157 thousand in 2017/18. These increases are due to the addition of some capital assets with relatively short-term amortization schedules over the last year.

Salaries, Wages and Benefits
Has increased by $0.15 million from $1.73 million for the six-month period ended March 31, 2017, to $1.88 million for the six-month period ended March 31, 2018. During the 2016/17 period, there was a reduction in salary expenses due to accrual adjustments. In addition, more of the full-time positions were filled during the current year's period increasing the current costs.

Interest
No change.

4. Results of Operations – Three Months Ended March 31

Sales and Gross Profit
The predominant portion of second-quarter sales at CANTERRA SEEDS (sales from January 1 to March 31) are canola sales. The other revenues that are generated by the Company during this quarter are deliveries/sales of corn and soybeans along with some early certified seed deliveries.

Sales have reduced by $2.37 million or 10% from $23.17 million in 2016/17 to $20.8 million in 2017/18. Deliveries/sales of canola are lower for the current quarter mainly because of the reasons described in the six-month variance above, along with the timing of deliveries. In 2016/17, there were no deliveries made in the quarter from October to December, where during the current quarter some of these occurred. In addition, due to timing between the first and second quarter, the deliveries of corn on the CANTERRA SEEDS Pride Seed corn program were slightly lower for the current year.

This reduction in sales also reduced the total gross profit of the Company for the quarter. Gross Profit is lower by $0.55 million from $5.06 million in 2016/17 to $4.51 million in 2017/18.

There was no significant difference in the gross profit percentage year to year. 21.8% in 2016/17 compared to 21.7% in 2017/18.

Other Revenue
The other revenue has increased by $23 thousand from $138 thousand in 2016/17 to $161 thousand for 2017/18. This increase was caused by the timing of recording certain income year over year.

Operating, General and Administrative Expenses
These are $9 thousand higher in 2017/18 than they were in 2016/17.

Loss from Joint Venture
As described above, this amount now reflects both CANTERRA SEEDS 50% joint venture in Meridian Seeds along with the Company's 30% ownership in Limagrain Cereals Research Canada.

In total, the loss from joint ventures is $99 thousand higher than in 2016/17. The reasons for this are exactly the same as those described in this same section for the year to date variance discussion found above.

Depreciation and Amortization
Has increased by $32 thousand from $58 thousand in 2016/17 to $90 thousand in 2017/18. As above, these increases are due to the addition of some capital assets with relatively short-term amortization schedules over the last year.

Salaries, Wages and Benefits
Has increased by $0.02 million from $0.93 million for the quarter ended March 31, 2017, to $0.95 million for the quarter ended March 31, 2018. The main reason for this is normal increases in these costs.

Interest
No expenses for either period.

5. Summary of Quarterly Financial Information – Restated

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

	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2	2016/17 Q1	2015/16 Q4	2015/16 Q3
Total revenue	20,796	2,879	863	5,415	23,168	817	1,874	5,955
Net income (loss)	2,038	(1,205)	(563)	(281)	2,568	(1,344)	(438)	(238)
Earnings (loss) per share (diluted)	0.27	(0.16)	(0.07)	(0.04)	0.34	(0.18)	(0.06)	(0.03)

CANTERRA SEEDS sells agriculture seed of a number of different crop types. Sales orders for canola, corn and soybeans occur from October until June. Delivery of these sales generally takes place from December until June, as most growers prefer to defer delivery until a date closer to their time of seeding. The majority of the deliveries and sales take place in the months of February to April (Q2 & Q3). The October to December quarter consists mainly of the recording of royalties for fall seeded cereal varieties, along with some early delivered canola, corn and soybean sales. The financial quarter Q2, from January to March, is made up almost solely of canola, corn and soybean deliveries and sales. Q3 sales consist of additional canola, corn and soybean sales, sales of stock seed and sales of registered and certified CANTERRA SEEDS licensed seed. The quarter consisting of the months July to September (Q4) generally includes only royalties collected on sales of CANTERRA SEEDS licensed seed along with any adjustments on sales recorded during the previous three quarters.

6. Liquidity and Capital Resources

The Company's cash and short-term investment position has increased by $2.81 million for the six-month period ended March 31, 2018. The current cash and short-term investment position is $8.08 million lower than it was as at March 31, 2017.

Cash provided by operating activities during the year added $2.7 million. The major increase of $5.85 million is due to the buildup of accounts payable as costs relating to canola sales are accrued and will be paid later in 2018. In addition, the company's deferred revenues increased by $2.81 million due to an increase in undelivered canola orders. Finally, the Company made a cash profit of $1.62 million during this six-month period.

These positive factors to cash were partially offset by a $5.7 million increase in Accounts Receivable as a significant amount of canola and corn was ordered with payment terms ending after March 31 for the year. In addition, due to lower sales and the introduction of three new canola varieties, the inventory/prepaid deposits balance increased by $1.87 million during the six-month period.

There was $0.23 million of cash provided by financing activities during the six-month period as the Company was repaid for a portion of an inter-company loan from an affiliated company.

The cash used for investing activities was $0.12 million, as the Company had a small number of purchases of long-term assets during the six-month period.

The reason for the $8.08 million reduction in cash from March 31, 2017 has occurred mainly due to three reasons. A delay in deliveries caused mainly by the late spring in Western Canada, a programming change and market trend that reduced the amount early paid for canola and corn, along with the buildup of inventory for three new canola products.

7. Outstanding Share Data

Issued securities as of May 8, 2018 are as follows:

Issued	Book Value
7,551,147 Class A common shares	$12,109,827
2,118,000 Class B series 1 shares and series 3 shares	$468,001

No new shares were sold out of treasury during the past 24 months.

8. Financial Instruments

A very small portion of the Company's revenues and a fairly small portion of the Company's expenditures are denominated in U.S. dollars. The Company is therefore exposed to currency fluctuations on transactions denominated in U.S. dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more U.S. dollars than it would earn when the Canadian exchange rate is weaker compared to the U.S. dollar it will work to reduce margins 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 along with fixed Canadian $ priced contracts for bare canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As of March 31, 2018, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

9. Outlook

As mentioned earlier in the report, it has been difficult for growers to make their final determinations on seeding intentions. Both dry conditions and a late spring have caused significant uncertainty. While sales are behind the prior year to the end of March, sales forecasts show that sales of canola, corn, soybeans and cereal products are expected to be higher than they were for the 2016/17 fiscal year. With the late spring, there is still a significant amount of seed being sold and CANTERRA SEEDS has high-quality product available to sell for all seed orders.

CANTERRA SEEDS focuses on its critical success factors for each of the crop types it market in. For canola, it is critical that the Company distributes products that are of impeccable quality. CANTERRA SEEDS has implemented a quality control policy that is of 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.

Secondly, the Company must continue to introduce "leading edge" canola hybrids into the market. The Company has partnerships with several of the top canola breeders in Western Canada, which ensures that only hybrids that meet or exceed the market standard are introduced. CANTERRA SEEDS introduced three new canola varieties into the market for the 2018 crop year. CS2300, a big-yielding Genuity® Roundup Ready® hybrid that features excellent standability, CS2400 an early maturing Genuity Roundup Ready hybrid and CS2500 CL, a high-yielding Clearfield® variety, all will be seeded this year.

Thirdly, with canola, there is always the risk of inventory obsolescence. This could be due to a loss of germination, or it could 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 that keep these risks to a minimum.

Finally, it is critical that the Company ensures its canola products are accessible to as many growers as possible. CANTERRA SEEDS has worked diligently to continually improve the corporate brand and canola distribution footprint, ensuring seed can be accessed quickly and easily at a local retailer. To that end, CANTERRA SEEDS distributes its product through Univar, Winfield United and UFA, along with its list of grower/retail shareholders. CANTERRA SEEDS canola can be purchased anywhere in Western Canada.

With the corn and soybeans business, CANTERRA SEEDS partners with PRIDE Seeds. PRIDE Seeds is part of the AgReliant brand of companies, which is 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 products to the western Canadian market. CANTERRA SEEDS brings its extensive seed distribution network into this relationship, which ensures that these products are available to growers throughout Western Canada.

As mentioned above, corn and soybean sales are going to increase again for the 2018 crop year and are anticipated to continue to increase into the future as CANTERRA SEEDS continues to build the PRIDE Seed brand throughout Western Canada.

For the pedigreed seed business, CANTERRA SEEDS once again focuses on the critical success factors of the business. When it comes to accessing leading edge varieties, the Company has been extremely successful on many fronts. Firstly, CANTERRA SEEDS has been very successful at acquiring some of the top varieties that were available from the public breeding entities like Agriculture and Agri-Food Canada, the Crop Development Centre and the University of Alberta. Secondly, CANTERRA SEEDS has entered into partnerships with public breeders on specific pedigreed programs, where for economic and logistic support, it retains the first right for products released from the program. Lastly, as has been mentioned above, the Company is a 30% partner with Limagrain, one of the world's largest field seed companies, in a cereal breeding venture named Limagrain Cereal Research Canada. This entity will soon be releasing new cereal varieties into the market, and CANTERRA SEEDS will have the 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 premier seed growers in Western Canada. Currently, the Company has 182 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 farmers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

CANTERRA SEEDS has gained access to some very exciting new pedigreed products and anticipates future growth in tech fee royalties both for the 2017/18 fiscal year as well as future years.

The expectation is that CANTERRA SEEDS is well positioned to continue to achieve financial success both in 2017/18 and into the future.

10. Advances to Related Affiliates

There currently is no outstanding advances from related affiliates.

11. Responsibilities, Control and Policies

Management's Responsibility for Financial Reporting

The consolidated financial statements, the MD&A and all other information in this interim report are the responsibility of Management and have been reviewed and approved by the Board of Directors.

Management, in accordance with International Financial Reporting Standards, has prepared the consolidated financial statements. 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 for ensuring that management fulfils its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the unaudited interim consolidated financial statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee, appointed by the Board of Directors, is financially literate and is fully comprised of independent directors. The Audit Committee meets periodically with management to review the unaudited interim consolidated financial statements, the MD&A, auditing matters and financial reporting issues. The Audit Committee also discusses internal controls over the financial reporting process and ensures that each party is properly discharging its responsibilities. In addition, the Audit Committee has the duty to review the appropriateness of the accounting policies and significant estimates, and judgments underlying the unaudited interim consolidated financial statements as presented by management. The Audit Committee also reviews and makes recommendations to the Board of Directors with respect to the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when it approves the consolidated financial statements and MD&A for issuance to shareholders.

Meyers Norris Penny LLP, external auditors designated by the shareholders, meets annually with the Audit Committee to discuss audit activities, financial reporting matters and other related subjects.

This report and the unaudited interim consolidated financial statements were reviewed by the Company's Audit Committee and approved by the CANTERRA SEEDS Board of Directors on May 8, 2018, but were not reviewed or audited by an auditor.

Disclosure Controls

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been conducted under the CEO's and CFO's supervision, to provide reasonable assurance that the material information relating to the Company is known to management in the period in which the interim filings are made.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2018 AND 2017

THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

Consolidated Statements of Financial Position

	March 31, 2018 *Unaudited*	March 31, 2017 *Unaudited*	September 30, 2017 *Audited*
	$	$	$
Assets			
Current			
Cash	9,486,310	17,569,225	6,674,824
Accounts receivable	8,615,919	4,739,385	2,900,276
Income taxes receivable	–	–	11,123
Inventory (note 5)	6,604,541	5,739,506	5,157,756
Prepaid expenses and deposits	4,173,503	1,553,536	3,746,708
	28,880,273	29,601,652	18,490,687
Property and equipment	594,261	504,758	631,556
Intangible assets	639,611	690,869	637,999
Deferred tax asset	419,015	148,153	419,015
Investment in joint venture (note 9)	2,720,109	2,898,201	3,117,231
Advances to related company (note 6)	–	664	231,968
	33,253,269	33,844,297	23,528,456
Liabilities			
Current			
Accounts payable and accruals	14,868,063	17,079,750	9,020,420
Deferred revenue (note 7)	2,806,765	1,075,296	–
Income taxes payable	237,526	336,395	–
	17,912,354	18,491,441	9,020,420
Shareholders' Equity			
Share capital (note 8)	12,577,828	12,577,828	12,577,828
Surplus	2,744,364	2,756,305	1,911,485
Contributed surplus	18,723	18,723	18,723
	15,340,915	15,352,856	14,508,036
Total Liabilities and Equity	33,253,269	33,844,297	23,528,456

Approved on behalf of the board

James Wilson, Director

Lloyd Affleck, Director

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

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2018 AND 2017

THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

Consolidated Statements of Comprehensive Income

	Three months ended		Six months ended	
	2018 *Unaudited*	**2017** *Unaudited*	**2018** *Unaudited*	**2017** *Unaudited*
	$	$	$	$
Sales	20,795,756	23,168,044	23,674,556	23,985,286
Cost of sales	16,283,877	18,107,075	18,704,100	18,821,374
Gross profit	4,511,879	5,060,969	4,970,456	5,163,912
Other revenue (note 4)	160,889	137,744	299,654	318,176
	4,672,768	5,198,713	5,270,110	5,482,088
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	736,997	728,029	1,706,064	1,721,940
Loss from joint venture	271,440	172,314	462,722	343,195
Depreciation and amortization	89,558	57,965	156,914	112,504
Salaries, wages and benefits	949,145	929,801	1,879,693	1,733,662
Interest	–	–	1,002	1,067
	2,047,140	1,888,109	4,206,395	3,912,368
Loss from operations before taxes	2,625,628	3,310,604	1,063,715	1,569,720
Income tax expense	(587,702)	(742,441)	(230,836)	(345,300)
Income and comprehensive income	2,037,926	2,568,163	832,879	1,224,420
Income per share				
Basic and fully diluted (note 10)	0.27	0.34	0.11	0.16

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

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2018 AND 2017

THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

Consolidated Statements of Cash Flows

	2018 *Unaudited*	2017 *Unaudited*
	$	$
Cash provided by (used for) the following activities:		
Operating activities		
Net income	832,879	1,224,420
Depreciation of plant and equipment	88,526	59,696
Depreciation of intangible assets	68,388	52,808
Transfer with joint ventures – non-cash	(65,600)	(47,849)
Loss from joint venture	462,722	343,196
Income tax accrual	230,836	345,300
	1,617,751	1,977,571
Changes in working capital accounts		
Accounts receivable	(5,715,643)	(2,312,091)
Inventory	(1,446,785)	(1,326,005)
Prepaid expenses and deposits	(426,795)	1,794,182
Accounts payable and accruals	5,847,643	10,846,464
Deferred revenue	2,806,765	1,075,296
Deferred income tax adjustment	17,813	(286,823)
	2,700,749	11,768,594
Financing activities		
Repayments from related company	231,968	203,055
Repayment of finance leases	–	–
	231,968	203,055
Investing activities		
Purchases of property and equipment	(51,231)	(68,808)
Acquisition of intangible assets	(70,000)	(62,500)
	(121,231)	(131,308)
Increase in cash resources	2,811,486	11,840,341
Cash and investments, beginning of period	6,674,824	5,728,884
Cash and investments, end of period	9,486,310	17,569,225

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

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2018 AND 2017

THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

Consolidated Statements of Changes in Equity

Unaudited

	Share capital	Contributed surplus	Surplus (deficit)	Total
	$	$	$	$
Balance, September 30, 2016	12,577,828	18,723	1,531,885	14,128,436
Comprehensive income	–	–	1,224,420	1,224,420
Balance, March 31, 2017	12,577,828	18,723	2,756,305	15,352,856
Balance, September 30, 2017	12,577,828	18,723	1,911,485	14,508,036
Comprehensive income	–	–	832,879	832,879
Balance, March 31, 2018	12,577,828	18,723	2,744,364	15,340,915

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

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2018 AND 2017

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, seed sales generally 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, corn and soybeans sales cycles.

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 investments Limagrain Cereals Research Canada and Meridian Seeds LLC (a U.S. company), 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 March 31, 2018 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, 2017.

These interim condensed consolidated financial statements for the six-month period ended March 31, 2018 and 2017 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on May 8, 2018.

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		Six months ended	
	March 31, 2018	**March 31, 2017**	**March 31, 2018**	**March 31, 2017**
	$	**$**	**$**	**$**
Interest and investment income	29,058	42,093	44,115	55,611
Other	83,873	59,352	159,623	189,967
Scientific research and development tax refundable	47,958	36,299	95,916	72,598
	160,889	137,744	299,654	318,176

5. Inventory

	March 31, 2018	March 31, 2017	September 30, 2017
	$	$	$
Finished goods	2,330,635	1,773,564	1,907,102
Raw materials	4,273,906	3,965,942	3,250,654
	6,604,541	5,739,506	5,157,756

The cost of inventories recognized as an expense and included in cost of sales in 2018 amounted to $6,578,482 (2017 – $6,617,073).

6. Advances to Related Company

	March 31, 2018	March 31, 2017	September 30, 2017
	$	$	$
Meridian Seeds LLC	–	–	35,067
Limagrain Cereals Research Canada	–	664	196,901
	–	664	231,968

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 March 31, 2018 or March 31, 2017.

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.

	March 31, 2018	March 31, 2017	September 30, 2017
Issued	$	$	$
Common shares			
7,551,147 Class A common shares (2017 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2017 – 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 six-month periods ended March 31, 2018 and March 31, 2017.

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 six months ended March 31, 2018 and 2017. The amounts below are in US $.

	2018	2017
	$	$
Current assets	2,720,287	1,093,698
Long-term assets	164,758	89,100
Current liabilities	1,857,723	707,253
Revenues	554,544	451,677
Expenses	982,533	732,092
Net loss	(427,989)	(280,415)
Cash provided by (used in) operating activities	781,309	(232,215)
Cash provided by (used in) investing and financing activities	11,230	62,144

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.

	2018	2017
	$	$
Investment in CANTERRA SEEDS USA LTD.	622,203	74,828

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 $.

	2018	2017
	$	$
Current assets	5,050,791	8,160,212
Long-term assets	1,749,110	1,010,048
Current liabilities	58,270	9,510
Revenues	–	–
Expenses	898,900	535,387
Net loss	(898,900)	(535,387)
Cash provided by (used in) operating activities	(811,076)	(490,300)
Cash provided by (used in) investing and financing activities	(527,305)	(520,963)

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

	2018	2017
	$	$
Investment in Limagrain Cereals Research Canada	2,097,906	2,823,373

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 March 31, 2018 of 7,551,147 (2017 – 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	$330,552
Later than one year, not later than five years	$899,856

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.

12. Capital Management

A wholly-owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As of March 31, 2018, 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.

14. Supplemental Cash Flow Information

Interest paid for the six-month period ended March 31, 2018 totalled to $1,002 (2017 – $1,067). Interest paid for the latest three-month period ended March 31, 2018 totalled to $Nil (2017 – $Nil).

CANTERRA SEEDS

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