CANTERRA SEEDS

Quarterly Report

FOR THE SIX MONTHS ENDED MARCH 31, 2017

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

CANTERRA SEEDS HOLDINGS LTD.

MANAGEMENT'S **DISCUSSION AND ANALYSIS REPORT**

FOR THE SIX MONTHS ENDED MARCH 31, 2017

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, 2017.

CANTERRA SEEDS reports a net income for the six months ended March 31, 2017 of $1.22 million. This compares to the March 31, 2016 results where the Company recorded income of $1.61 million, a reduction of $0.39 million for the year to date. For the three-month quarter ended March 31, 2017, the Company reports net income of $2.57 million. This income is $0.08 million higher than the net income of $2.49 million recorded for the three-month period ended March 31, 2016.

1. Introduction

The following Management's Discussion and Analysis (MD&A) provides information that is supplementary to the Company 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, 2017. 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 9, 2017.

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 terminology 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 comprised predominantly of canola along with some corn and soybean deliveries. Other revenues are generated during this period through sales of soybeans, royalties relating to fall seeded cereal crops, and some 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 several different factors, including market and environmental conditions.

Sales are lower by $1.96 million or 8%, from $25.95 million in 2015/16 to $23.99 million in 2016/17. Market and environmental conditions have caused a situation where these deliveries are often occurring later than they did in 2015/16, in particular for the deliveries of canola.

For royalties reported and earned on fall seeded products, Emerson still had industry leading sales; however, they were lower than in 2015/16 due to poor market conditions for winter wheat. Wheat commodity prices are low and in general, producers do not feel that the potential additional yield is worth seeding any winter wheat at this time. Instead, they would prefer to closely watch the commodity markets and plant what they feel will be the most profitable alternative in the spring. As such, the number of acres seeded to winter wheat in Western Canada in the fall of 2016 are lower than the acres seeded to winter wheat in the fall of 2015.

This reduction in sales has in turn caused the gross profit to reduce by $0.19 million, from $5.35 million in 2015/16 to $5.16 million in 2016/17. In addition, due to efficiency gains the Company has continued to increase its gross profit percentage from 20.6% in 2015/16, to 21.5% in 2016/17.

Other Revenue

The other revenue has increased by $80 thousand, from $238 thousand to $318 thousand. This increase is almost exclusively 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 increased by $0.08 million or 4.8%, from $1.64 million in 2015/16 to $1.72 million in 2016/17. The biggest reason for this increase is the continued growth in the Company.

Loss from Joint Venture
This loss increased by $115 thousand, from $128 thousand for the six-month period ended March 31, 2016 to $343 thousand for the six-month period ended March 31, 2017.

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, as with Western Canada, winter wheat acreage is significantly lower than it has been in past years.

Meridian Seeds has grown considerably over the last few years, and with it, the operating expenses of the Company have increased significantly. Higher operating expenses, along with lower sales and margins for the quarter, have caused a higher loss from this joint venture.

While the Limagrain Cereals Research Canada (LCRC) joint venture was in operation during the six-months ended March 31, 2016, it was still in its infancy. At that time, the venture had no office and only one employee – the CEO. Now, the LCRC has three full-time staff along with a handful of term employees and an office in Saskatoon. This translates to higher expenses, and with the LCRC still in its early stages, it has no revenues, creating an increased loss in the six-month period ended March 31, 2017.

Depreciation and Amortization
Has increased from $25 thousand to $113 thousand due to the addition of capital and variety rights fees during the year.

Salaries, Wages and Benefits
Has increased by $0.06 million, from $1.67 million for the six-month period ended March 31, 2016 to $1.73 million for the six-month period ended March 31, 2017. The main reason for this increase is continued growth in the Company.

Interest
Has increased from $3 thousand to $7 thousand for the six-month period ending March 31 – no significant 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 increased by $0.61 million or 3%, from $22.56 million in 2015/16 to $23.17 million in 2016/17. Deliveries/sales of canola are quite comparable year vs. year. The main reason for the increase is that additional deliveries of corn occurred as CANTERRA SEEDS PRIDE Seeds corn program continues to gain traction and market share in Western Canada.

This increase in sales has also increased the total gross profit of the Company for the quarter. Gross profit has increased by $0.35 million, from $4.71 million in 2015/16 to $5.06 million in 2016/17.

In addition, for the quarter the Company was able to improve its gross profit percentage from 20.9% in 2015/16 to 21.8% in 2016/17. The main reason for this increase is once again efficiency gains in the company.

Other Revenue
The other revenue has reduced by $31 thousand, from $169 thousand in 2015/16 to $138 thousand for 2016/17. This reduction was mainly caused by a lower accrual for SRED credits granted by the Federal Government, as more of the field research work will now be billed through to a third-party entity.

Operating, General and Administrative Expenses
These amounts are $5 thousand lower in 2016/17 than they were in 2015/16.

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 LCRC.

In total, the loss from joint ventures is $99 thousand higher than in 2015/16. The reasons for it 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 $9 thousand, from $49 thousand in 2015/16 to $58 thousand in 2016/17, due to the addition of capital and variety rights fees during the year.

Salaries, Wages and Benefits

Has increased by $0.12 million, from $0.81 million for the quarter ended March 31, 2016 to $0.93 million for the quarter ended March 31, 2017. The main reason for this increase is continued growth in the Company.

Interest

Has increased from $1 thousand to $3 thousand for the quarter ending March 31, 2017 – no significant change.

5. Summary of Quarterly Financial Information

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

	2016/17 Q2	2016/17 Q1	2015/16 Q4	2015/16 Q3	2015/16 Q2	2015/16 Q1	2014/15 Q4	2014/15 Q3
Total revenue	23,168	817	1,874	5,955	22,563	3,383	1,821	12,117
Net income (loss)	2,568	(1,344)	(438)	(238)	2,493	(883)	(153)	633
Earnings (loss) per share (diluted)	0.34	(0.18)	(0.06)	(0.03)	0.33	(0.12)	(0.03)	0.12

CANTERRA SEEDS sells agriculture seed of several 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 consists 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 $11.84 million for the six-month period ended March 31, 2017. The current cash and short-term investment position is $5.13 million lower than it was as at March 31, 2016.

Cash provided by operating activities during the year added $11.77 million. The major increase of $10.85 million is due to the buildup of accounts payable, as costs relating to canola sales are accrued and will be paid later in 2016. In addition, the Company made a cash profit of $1.98 million during this six-month period. Finally, the Company had reductions in inventory/prepaid deposits and increases to deferred revenues, totalling to $1.54 million, which also increased the cash during the period.

These positive influences to cash were partially offset due to increases in accounts receivable. Due to market conditions, CANTERRA SEEDS was proactive in dealing with its customers and how and when it would be paid for purchases of canola. Where as most of the canola purchased in 2015/16 was paid for in October, November and January, in 2016/17 a significant amount of the orders will be paid for in Q3 and Q4.

There was $0.2 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 $0.13 million, as the Company had a small amount of purchases of long-term assets during the six-month period.

As explained above, the reason that the cash is $5.13 million lower than on March 31, 2016, is the change in canola payment programming for the current year.

7. Outstanding Share Data

Issued securities as of May 9, 2017 are as follows:

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

During the 2015/16 fiscal period, an additional 6,000 Class B preferred shares were distributed for an investment totalling to $6 thousand. No other new shares were sold out of treasury during the past 12 months.

8. Financial Instruments

A small portion of the Company's revenues and 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 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 at March 31, 2017, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

9. Outlook

Statistics Canada has released its projections for seeded acres for Western Canada and is reporting canola acres may be up to a record 22.4 million. Despite this increase in acreage, CANTERRA SEEDS is expecting a small decline in market share from the 2016 crop year.

There are still a large number of acres in Western Canada that are undecided, both in crop type and in brand. It is anticipated that a significant portion, as suggested with the Statistics Canada report, will go to canola. CANTERRA SEEDS has ready inventory of leading-edge hybrid and open pollinated (OP) products to meet this anticipated demand.

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 focus on its critical success factors. Firstly, 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 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, it is critical that the Company continues 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.

Thirdly, as explained in the risk section above, with canola there is always the risk of inventory obsolescence. It 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 improve the corporate brand and canola distribution footprint, ensuring their canola can be accessed quickly and easily at a local retail.

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 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.

Corn and soybeans orders are significantly higher than they were for the 2016 crop year, and additional orders are anticipated over the next couple of months.

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 a number of 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 and the Crop Development Centre. 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. Thirdly, 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 Cereal 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 premiere 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 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. CANTERRA SEEDS has budgeted for a significant increase in tech fee royalties for the 2016/17 fiscal year and currently anticipates to meet this target for the year.

The expectation is that CANTERRA SEEDS is well positioned to continue to achieve financial success, both for 2016/17 as well as future years.

10. Advances from Related Affiliates

Advances to affiliates are unsecured, non-interest bearing and have no fixed terms of repayment. The advance is made to LCRC, a Canadian partnership and is a 30% joint venture with Limagrain as the majority partner. The advances occurred due to the fact that the Company was in a startup mode and the bank account has just now been set up to pay bills. CANTERRA SEEDS paid these bills on behalf of LCRC, and it is anticipated that these advances will be repaid over the quarter.

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 9, 2017.

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, 2017 AND 2016

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

Consolidated Statements of Financial Position

	March 31, 2017 *Unaudited*	**March 31, 2016** *Unaudited*	**September 30, 2016** *Audited*
	$	**$**	**$**
Assets			
Current			
Cash	17,569,225	22,699,376	5,728,884
Accounts receivable	4,739,385	1,984,857	2,427,294
Inventory (note 5)	5,739,506	4,930,554	4,413,501
Prepaid expenses and deposits	1,553,536	907,949	3,347,718
	29,601,652	30,522,736	15,917,397
Property and equipment	504,758	360,845	495,646
Intangible assets	690,869	672,613	681,177
Deferred tax asset	148,153	54,492	148,153
Investment in joint venture (note 9)	2,898,201	3,224,585	3,193,548
Advances to related company (note 6)	664	221,408	203,719
	33,844,297	35,056,679	20,639,640
Liabilities			
Current			
Accounts payable and accruals	17,079,750	18,560,232	6,233,286
Deferred revenue (note 7)	1,075,296	885,594	–
Income taxes payable	336,395	902,617	277,918
	18,491,441	20,348,443	6,511,204
Shareholders' Equity			
Share capital (note 8)	12,577,828	12,571,828	12,577,828
Surplus	2,756,305	2,117,685	1,531,885
Contributed surplus	18,723	18,723	18,723
	15,352,856	14,708,236	14,128,436
Total Liabilities and Equity	33,844,297	35,056,679	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.

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2017 AND 2016

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

Consolidated Statements of Comprehensive Income

	Three months ended		Six months ended	
	2017 *Unaudited*	**2016** *Unaudited*	**2017** *Unaudited*	**2016** *Unaudited*
	$	**$**	**$**	**$**
Sales	23,168,044	22,563,585	23,985,286	25,946,571
Cost of sales	18,107,075	17,853,484	18,821,374	20,589,448
Gross profit	5,060,969	4,710,101	5,163,912	5,357,123
Other revenue (note 4)	137,744	168,478	318,176	237,838
	5,198,713	4,878,579	5,482,088	5,594,961
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	728,029	731,667	1,721,940	1,640,763
Loss from joint venture	172,314	73,527	343,195	128,002
Depreciation and amortization	57,965	48,802	112,504	87,746
Salaries, wages and benefits	929,801	811,338	1,733,662	1,669,811
Interest	–	–	1,067	–
	1,888,109	1,665,334	3,912,368	3,526,322
Income from operations before taxes	3,310,604	3,213,245	1,569,720	2,068,639
Income tax expense	(742,441)	(720,462)	(345,300)	(459,106)
Income and comprehensive income	2,568,163	2,492,783	1,224,420	1,609,533
Income per share				
Basic and fully diluted (note 10)	0.34	0.33	0.16	0.21

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, 2017 AND 2016

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

Consolidated Statements of Cash Flows

	2017 *Unaudited*	**2016** *Unaudited*
	$	**$**
Cash provided by (used for) the following activities:		
Operating activities		
Net income	1,224,420	1,609,533
Depreciation of plant and equipment	59,696	42,453
Depreciation of intangible assets	52,808	45,293
Transfer with joint ventures – non-cash	(47,848)	–
Loss from joint venture	343,195	128,002
Income tax accrual	345,300	459,106
	1,977,571	2,284,387
Changes in working capital accounts		
Accounts receivable	(2,312,091)	(111,335)
Inventory	(1,326,005)	(1,637,190)
Prepaid expenses and deposits	1,794,182	3,494,158
Accounts payable and accruals	10,846,464	12,367,534
Deferred revenue	1,075,296	885,594
Deferred income tax adjustment	(286,823)	–
	11,768,594	17,283,148
Financing activities		
Repayments from related company	203,055	523,792
Repayment of finance leases	–	–
	203,055	523,792
Investing activities		
Purchases of property and equipment	(68,808)	(75,619)
Acquisition of intangible assets	(62,500)	(482,000)
	(131,308)	(557,619)
Increase in cash resources	11,840,341	17,249,321
Cash and investments, beginning of period	5,728,884	5,450,055
Cash and investments, end of period	17,569,225	22,699,376

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

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	–	–	1,609,533	1,609,533
Balance, March 31, 2016	12,571,828	18,723	2,117,685	14,708,236
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

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

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 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 of Meridian Seeds LLC (a U.S. company) and Limagrain Cereals Research Canada, which are 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, 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 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 six-month period ended March 31, 2017 and 2016 were recommended for approval by the Audit Committee, and were approved and authorized for issue by the Board of Directors on May 9, 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 effect the reported amounts and disclosure of contingent of 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, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	$	$	$	$
Interest and investment income	42,093	38,396	55,611	46,386
Other	59,352	79,782	189,967	90,851
Scientific research and development tax refundable	36,299	50,300	72,598	100,601
	137,744	168,478	318,176	237,838

5. Inventory

	March 31, 2017	March 31, 2016	September 30, 2016
	$	$	$
Finished goods	1,773,564	1,403,500	1,086,962
Raw materials	3,965,942	3,527,054	3,326,539
	5,739,506	4,930,554	4,413,501

The cost of inventories recognized as an expense and included in cost of sales in 2017 amounted to $6,617,073 (2016 – $7,893,494).

6. Advances to Related Company

	March 31, 2017	March 31, 2016	September 30, 2016
	$	$	$
Meridian Seeds LLC	–	–	6,359
Limagrain Cereals Research Canada	664	221,408	197,360
	664	221,408	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 March 31, 2017 or March 31, 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.

	March 31, 2017	March 31, 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 – 2,112,000)	468,001	462,001	468,001
	12,577,828	12,571,828	12,577,828

There were no share transactions through treasury for the six-month periods ended March 31, 2017 and March 31, 2016.

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 thousand.

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, 2017 and 2016. The amounts below are in US$.

	2017	2016
	$	$
Current assets	1,093,698	881,801
Long-term assets	89,100	48,055
Current liabilities	707,253	668,840
Revenues	451,677	814,480
Expenses	732,092	931,590
Net loss	(280,415)	(117,110)
Cash provided by (used in) operating activities	(232,215)	(248,738)
Cash provided by (used in) investing and financing activities	62,144	(22,369)

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.	74,828	(28,538)

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	8,160,212	10,851,177
Long-term assets	1,010,048	–
Current liabilities	9,510	258,187
Revenues	–	–
Expenses	522,023	258,425
Net loss	(522,023)	(258,425)
Cash provided by (used in) operating activities	(522,023)	(258,425)
Cash provided by (used in) investing and financing activities	(489,240)	–

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

	2017	206
	$	$
Investment in Limagrain Cereals Research Canada	2,823,373	3,253,123

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, 2017 of 7,551,147 (2016 – 7,551,147).

11. Commitments

The Company has entered 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	$405,902
Later than one year not later than five years	$744,820

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, 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 six-month period ended March 31, 2017 totalled to $1,067 (2016 – $Nil). Interest paid for the latest three-month period ended March 31, 2017 totalled to $Nil (2016 – $Nil).

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