CANTERRA SEEDS

IT'S ALL ABOUT VARIETY

QUARTERLY REPORT

FOR THE NINE MONTHS ENDED JUNE 30, 2018

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

CANTERRA SEEDS HOLDINGS LTD.

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

FOR THE NINE MONTHS ENDED JUNE 30, 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 nine months ended June 30, 2018.

CANTERRA SEEDS reports a net income for the nine months ended June 30, 2018 of $0.31 million. This compares to the June 30, 2017 results where the Company recorded income of $0.94 million for the same nine-month period, a reduction of $0.63 million for the year to date. For the three-month quarter ended June 30, 2018, the Company reports a net loss of $0.52 million. This loss is $0.24 million greater than the net loss of $0.28 million recorded for the three-month period ended June 30, 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 nine-month period ending June 30, 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 August 14, 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 phrases 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 – Nine Months Ended June 30

Sales and Gross Profit

CANTERRA SEEDS exclusively sells agricultural seed. To that end, sales are generated when seed is delivered to its customers and that seed is purchased and then seeded by growers. Deliveries and sales, therefore, generally take place between the months from October to early June so that the products can be seeded for the natural growing season of Western Canada. In addition, some products are ordered, paid for and delivered to CANTERRA SEEDS customers but these products are not seeded, for a variety of reasons. In this case, these products are returned to CANTERRA SEEDS and the net product sold after returns is recorded in the financial statements as sales and cost of sales.

The Company also records royalty sales on CANTERRA SEEDS licensed varieties that are sold to growers by the company's shareholders in the fall/spring. The revenue realization policy on these sales is that they are recorded as they are reported to the Company. In general, this reporting occurs between the months of July through to September and these will be the only sales and cost of sales recorded during the fourth quarter.

Sales are lower by $1.44 million, or 5%, from $29.4 million in 2016/17 to $27.96 million in 2017/18. Basically, this reduction occurred due to two reasons. Firstly, the canola sales of the Company reduced from the prior year. There was a transition in products sold from varieties such as CANTERRA 1990 and CS2000 to new products CS2300, CS2400 and CS2500CL. While all of these varieties are leading-edge products, there often can be some reduction during years of transition.

Secondly, the amount of tech fee royalties recorded during the first nine-month period of the year reduced significantly. This is a timing issue and it is expected that these royalties will exceed the amount recorded for the prior year by the end of September. 2018 was a late seeding year throughout the prairies and this likely resulted in a delay in the completion of the administration to report these sales and royalties owing for the 2018 crop year.

This reduction in sales has, in turn, caused gross profit to reduce by $0.46 million, from $6.48 million in 2016/2017 to $6.02 million in 2017/18. In addition, due to a mix of sales and timing of certain revenues, particularly the reduction in tech fee royalties, there has been a small reduction in the gross profit percentage from 22.0% in 2016/17 to 21.5% in 2017/18.

Other Revenue
The other revenue has reduced by $116 thousand, from $605 thousand to $489 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 $0.11 million, or 4.2%, from $2.69 million in 2016/17 to $2.58 million in 2017/18. The Company has kept its infrastructure and spending quite similar to what occurred during the prior year and this variance is due to small reductions in a number of areas.

Loss from Joint Venture
This loss increased by $191 thousand, from $306 thousand for the nine-month period ended June 30, 2017, to $497 thousand for the nine-month period ended June 30, 2018.

These totals reflect both CANTERRA SEEDS' 50% joint venture in Meridian Seeds, and the 30% joint venture in Limagrain Cereals Research Canada. While Meridian Seeds is having a very successful year in 2018, the majority of the gross profit is recorded during the months of July through to September. At the same time, Meridian Seeds continues to grow its infrastructure, and as such, overall profitability to the end of June is down.

The Limagrain Cereals Research Canada joint venture continues to ramp up its infrastructure. It was only originated in July of 2015 and had its first Research employee in February of 2016. Due to this infrastructure ramp-up, expenses have increased over last year. The Company is still in its early stages and has no revenues, creating an increased loss in the nine-month period ended June 30, 2018.

Depreciation and Amortization
Has increased by $58 thousand, from $170 thousand in 2016/17 to $228 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 $0.12 million, from $2.7 million for the nine-month period ended June 30, 2017, to $2.82 million for the nine-month period ended June 30, 2018. During the 2016/17 period, there was a reduction to 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 June 30

Sales and Gross Profit
For CANTERRA SEEDS, the third quarter of the fiscal year always has the most diverse range of sales, as compared to the other three quarters. The quarter includes the rest of the deliveries of canola, corn and soybeans, along with the returns on these same three crop types. In addition, most of the stock seed sales are recorded during this same period. Finally, while the tech fee royalty reporting is due during Q4, some of these are reported and recorded early and are therefore included in the Q3 sales figures.

Sales have reduced by $1.13 million, or 20.9%, from $5.41 million in 2016/17 to $4.28 million in 2017/18. Deliveries/sales of canola, net of returns, are lower for the current quarter mainly because of the reasons described in the nine-month variance above. The transition to new products worked to reduce corporate canola sales. Also, due to timing, reported and recorded tech fees were lower than in the prior year.

This reduction in sales also reduced the total gross profit of the Company for the quarter. Gross profit is lower by $0.26 million, from $1.32 million in 2016/17 to $1.06 million in 2017/18.

There was no significant difference in the gross profit percentage year to year, at 24.4% in 2016/17 compared to 24.6% in 2017/18.

Other Revenue
Other revenue is lower by $98 thousand, from $287 thousand in 2016/17 to $189 thousand for 2017/18. This reduction was caused by 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 are $99 thousand lower in 2017/18 than they were in 2016/17. There are a number of reasons for this reduction but the main contributors are lower expenses for research, professional and consulting fees.

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 $72 thousand greater than the $38 thousand revenue recorded in 2016/17. The reasons for this are described in the year to date variance discussion found above.

Depreciation and Amortization
Has increased by $14 thousand, from $57 thousand in 2016/17 to $71 thousand in 2017/18. As above, these increases are due to the addition of capital assets with relatively short-term amortization schedules over the last year.

Salaries, Wages and Benefits
Has reduced by $0.02 million, from $0.97 million for the quarter ended June 30, 2017, to $0.95 million for the quarter ended June 30, 2018. The main reason for this is the timing of hirings and salary adjustments year over year.

Interest
No expenses for either period.

5. Summary of Quarterly Financial Information

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

	2017/18 Q3	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2	2016/17 Q1	2015/16 Q4
Total revenue	4,283	20,796	2,879	863	5,415	23,168	817	1,874
Net income (loss)	(519)	2,038	(1,205)	(563)	(281)	2,568	(1,344)	(438)
Earnings (loss) per share (diluted)	(0.07)	0.27	(0.16)	(0.07)	(0.04)	0.34	(0.18)	(0.06)

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 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 reduced by $2.57 million for the nine-month period ended June 30, 2018. The current cash and short-term investment position is $3.07 million lower than it was as at June 30, 2017.

Cash provided by operating activities during the year used $2.68 million. The major reduction of $5.1 million is due to the buildup of accounts receivable. This is mainly from purchases of canola, corn and soybeans that were paid for in July of 2018. The introduction of new canola varieties also served to increase the amount of inventory, causing an increased balance of $2.81 million.

These negative factors to cash were partially offset by a $2.34 million decrease in prepaid deposits and expenses, basically an offset to the increase in inventory, a $1.85 million increase in accounts payable due to amounts still outstanding related to canola sales, and a $1.01 million contribution from earnings after adding back the non-cash portions of the income statement.

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 amount of purchases of long-term assets during the six-month period.

The reason for the $3.07 million reduction in cash from June 30, 2018 has occurred mainly due to two reasons. A buildup of inventory for the three new canola products along with a much lower accounts payable balance compared to the prior year. This reduction in accounts payable works to ensure that cash flow will continue to be strong over the next fiscal year.

7. Outstanding Share Data

Issued securities as of August 14, 2018 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

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 at June 30, 2018, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

9. Outlook

As mentioned earlier in the report, CANTERRA SEEDS recorded lower canola sales in 2017/18 than it did in 2016/17. The reduction came from a number of reasons, the most significant being the transition to three new canola varieties. The Company expects a significant improvement in canola sales for the 2018/19 fiscal year based on the extreme focus on the critical success factors in the industry as follows:

- For canola, 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, the Company will 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.

- Thirdly, with canola there is always the risk of inventory obsolescence. This could be due to a loss of germination, or it could be 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 their canola can be accessed quickly and easily at a local retailer. To that end, CANTERRA SEEDS distributes its product through Univar, Winfield United, 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.

For the 2017/18 crop year, CANTERRA SEEDS increased its market for corn while staying relatively unchanged in its sales of soybeans, even though the overall market was reduced. It is anticipated that with the PRIDE Seeds brand of products, market share and sales volumes will continue to increase for corn and soybeans due to the Company's focus of the following critical success factors of the business.

- CANTERRA SEEDS has partnered with PRIDE Seeds and AgReliant who are committed to strong breeding results and high-quality controls to ensure that only the top varieties are distributed in Western Canada.

- In addition, CANTERRA SEEDS brings its extensive seed distribution network into this relationship, which ensures that these products are available to growers throughout the Prairie provinces.

For the pedigreed seed business, CANTERRA SEEDS once again focuses on the critical success factors of the business as follows:

- 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.

As well, the Company will continue to ensure that operating expenses are very carefully monitored at all times.

10. Advances to Related Affiliates

There currently are 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 August 14, 2018.

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 NINE-MONTH PERIOD ENDED JUNE 30, 2018 AND 2017

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

Consolidated Statements of Financial Position

	June 30, 2018 *Unaudited*	June 30, 2017 *Unaudited*	September 30, 2017 *Audited*
	$	$	$
Assets			
Current			
Cash	4,100,714	7,172,763	6,674,824
Accounts receivable	8,004,680	11,273,509	2,900,276
Income taxes receivable	–	–	11,123
Inventory (note 5)	7,964,137	5,007,925	5,157,756
Prepaid expenses and deposits	1,407,273	2,807,693	3,746,708
	21,476,804	26,261,890	18,490,687
Property and equipment	558,456	480,355	631,556
Intangible assets	606,667	664,465	637,999
Deferred tax asset	419,015	148,153	419,015
Investment in joint ventures (note 9)	2,715,682	3,060,937	3,117,231
Advances to related companies (note 6)	–	78,323	231,968
	25,776,624	30,694,123	23,528,456
Liabilities			
Current			
Accounts payable and accruals	10,867,245	15,356,314	9,020,420
Deferred revenue (note 7)	9,750	–	–
Income taxes payable	77,242	265,938	–
	10,954,237	15,622,252	9,020,420
Shareholders' Equity			
Share capital (note 8)	12,577,828	12,577,828	12,577,828
Surplus	2,225,836	2,475,320	1,911,485
Contributed surplus	18,723	18,723	18,723
	14,822,387	15,071,871	14,508,036
Total Liabilities and Equity	25,776,624	30,694,123	23,528,456

Approved on behalf of the board

James M. Wilson   Lloyd Affleck

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 NINE-MONTH PERIOD ENDED JUNE 30, 2018 AND 2017

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

Consolidated Statements of Comprehensive Income

	Three months ended		Nine months ended	
	2018 *Unaudited*	**2017** *Unaudited*	**2018** *Unaudited*	**2017** *Unaudited*
	$	**$**	**$**	**$**
Sales	4,283,356	5,414,314	27,957,912	29,399,600
Cost of sales	3,229,269	4,096,170	21,933,369	22,917,544
Gross profit	1,054,087	1,318,144	6,024,543	6,482,056
Other revenue (note 4)	189,758	287,302	489,412	605,478
	1,243,845	1,605,446	6,513,955	7,087,534
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	870,221	968,879	2,576,285	2,690,819
Loss (income) from joint ventures	34,054	(37,667)	496,776	305,528
Depreciation and amortization	70,885	57,020	227,799	169,524
Salaries, wages and benefits	947,497	968,655	2,827,190	2,702,317
Interest	–	–	1,002	1,067
	1,922,657	1,956,887	6,129,052	5,869,255
Income (loss) from operations before taxes	(678,812)	(351,441)	384,903	1,218,279
Income tax recovery (expense)	160,284	70,456	(70,552)	(274,844)
Income (loss) and comprehensive income (loss)	(518,528)	(280,985)	314,351	943,435
Earnings per share				
Basic and fully diluted (note 10)	(0.07)	(0.04)	0.04	0.12

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, 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	314,351	943,435
Depreciation of plant and equipment	126,467	90,312
Depreciation of intangible assets	101,332	79,212
Transfer with joint ventures – non-cash	(95,227)	(172,917)
Loss from joint venture	496,776	305,528
Income tax accrual	70,552	274,844
	1,014,251	1,520,414
Changes in working capital accounts		
Accounts receivable	(5,104,404)	(8,846,215)
Inventory	(2,806,381)	(594,423)
Prepaid expenses and deposits	2,339,435	540,025
Accounts payable and accruals	1,846,825	9,123,028
Deferred revenue	9,750	–
Deferred income tax adjustment	17,813	(286,824)
	(2,682,711)	1,456,005
Financing activities		
Repayments from related company	231,968	125,395
Repayment of finance leases	–	–
	231,968	125,395
Investing activities		
Purchases of property and equipment	(53,367)	(75,021)
Acquisition of intangible assets	(70,000)	(62,500)
	(123,367)	(137,521)
Increase in cash resources	(2,574,110)	1,443,879
Cash and investments, beginning of period	6,674,824	5,728,884
Cash and investments, end of period	4,100,714	7,172,763

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, 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
Balance, September 30, 2017	12,577,828	18,723	1,911,485	14,508,036
Comprehensive income	–	–	314,351	314,351
Balance, June 30, 2018	12,577,828	18,723	2,225,836	14,822,387

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, 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 Cereal Research Canada and Meridian Seeds LLC (a U.S. company), 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 June 30, 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 nine-month period ended June 30, 2018 and 2017 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on August 14, 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		Nine months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	$	$	$	$
Interest and investment income	33,337	42,515	77,452	98,126
Other	108,463	208,488	268,086	398,455
Scientific research and development tax refundable	47,958	36,299	143,874	108,897
	189,758	287,302	489,412	605,478

5. Inventory

	June 30, 2018	June 30, 2017	September 30, 2017
	$	$	$
Finished goods	4,273,526	1,711,158	1,907,102
Raw materials	3,690,611	3,296,767	3,250,654
	7,964,137	5,007,925	5,157,756

The cost of inventories recognized as an expense and included in cost of sales in 2018 amounted to $7,275,554 (2017 – $7,631,834).

6. Advances to Related Company

	June 30, 2018	June 30, 2017	September 30, 2017
	$	$	$
Meridian Seeds LLC	–	34,967	35,067
Limagrain Cereals Research Canada	–	43,356	196,901
	–	78,323	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 June 30, 2018, June 30, 2017 and September 30, 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.

	June 30, 2018	June 30, 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 June 30, 2018 and June 30, 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 nine months ended June 30, 2018 and 2017. The amounts below are in US $.

	2018	2017
	$	$
Current assets	2,836,246	1,528,310
Long-term assets	189,099	108,133
Current liabilities	1,658,023	664,628
Revenues	5,347,120	3,901,144
Expenses	5,435,110	3,757,288
Net income (loss)	(87,990)	143,856
Cash provided by (used in) operating activities	(166,163)	(470,784)
Cash provided by (used in) investing and financing activities	(29,926)	61,651

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.	861,621	525,228

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	4,285,325	6,880,720
Long-term assets	1,810,063	1,518,737
Current liabilities	166,570	134,675
Revenues	–	–
Expenses	1,711,713	1,481,695
Net loss	(1,711,713)	(1,481,695)
Cash provided by (used in) operating activities	(1,514,559)	(1,363,255)
Cash provided by (used in) investing and financing activities	(612,721)	(1,008,020)

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

	2018	2017
	$	$
Investment in Limagrain Cereals Research Canada	1,854,061	2,535,709

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, 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	$372,235
Later than one year, not later than five years	$577,215

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 June 30, 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 nine-month period ended June 30, 2018 totalled to $1,002 (2017 – $1,067). Interest paid for the latest three-month period ended June 30, 2018 totalled to $Nil (2017 – $Nil).

CANTERRA SEEDS

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