CANTERRA SEEDS

FARMERS DESERVE THE BEST

2018 ANNUAL REPORT

MESSAGE FROM **THE CHAIRMAN**

Winter has struck once again. The wind is swirling snow across the lawn and a small drift is starting to accumulate against the retaining wall. It looks like winter may be here to stay. This time it is much easier to accept then it was about six weeks ago. Today, harvest 2018 is pretty much in the bin.

This has been a very emotional, draining and challenging year for the farming community we serve.

I think a real tribute is due to farmers' optimism and perseverance through this adversity, all for the love of feeding the world.

Just like the farmers we serve, CANTERRA SEEDS remains committed – committed to bringing farmers the very best in seed. While the company has evolved over the years, this has not changed.

To bring farmers the very best, CANTERRA SEEDS has developed a number of key, strategic partnerships to strengthen our genetics portfolio.

The CANTERRA SEEDS board and management team made a very calculated and strategic decision in 2015, as you may recall, to partner with Limagrain to form a cereal breading program to be based in Saskatoon, SK. This decision is in line with why CANTERRA SEEDS was formed in 1996 – to access leading genetics for shareholders and their customers. This, in turn, aligns with Limagrain's mission to "increase prosperity and sustainability of Canadian Farmers by delivering better cereal varieties faster."

Although Limagrain Cereals Research Canada (LCRC) began operating in 2015, we do not expect positive returns from the partnership until 2025. Over this period of 10 years, we know that there will be significant investment needed to generate a steady supply of genetics for our farmer customers. I'm very pleased to report to you that only three years into our partnership, as a result of Limagrain's investment into leading-edge technology, along with a strong breeding program at LCRC, our newly formed partnership has some very promising lines we expect to reach the market very soon.

Also in the summer of 2015, we made a strategic decision to enter into what is known as the first Public, Private, Producer, Partnership (4P) with Agriculture and Agri-Food Canada's Lethbridge CPSR breeding program and the Alberta Wheat Commission. This partnership has also rewarded us very quickly with a new variety named AAC Crossfield, a high-yielding CPRS for 2019 planting, with another new variety, AAC Castle VB, on its heels.

Finally in 2015, to round out our complete seed portfolio, we formed a partnership with PRIDE Seeds, a leading-edge supplier of corn and soybean genetics, for western Canadian distribution of their products. This partnership continues to grow and once again shows positive returns both in acceptance and our bottom line.

While we value the strategic partnerships I've outlined, CANTERRA SEEDS also continues strong relationships with public breeding programs including Agriculture and Agri-Food Canada, the Crop Development Centre in Saskatoon, University of Alberta and Alberta Agriculture. All these programs continue to breed superior yielding, good performing, high-quality varieties.

All this adds to our commitment to the growth and bright future of our pedigreed seed business unit.

Canola continues to be what carries our company and is the backbone of our business.

Over the years, CANTERRA SEEDS has established our brand by providing strong genetics from key breeding partners. CANTERRA SEEDS has now become a trusted supplier of high-yielding, high-quality canola seed. Despite this, we continue to sell canola in a very crowded environment and this environment has taken its toll on sales in 2018.

Looking forward at the 2019 season, CANTERRA SEEDS is set up to succeed. We have very strong yield results again this fall and the performance of our new hybrids, like CS2500 CL, has been outstanding.

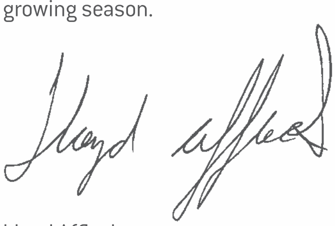
Clubroot has become a major threat in Western Canada and is no longer isolated to one region of Alberta. One key to managing this disease is to plant resistant varieties of canola. CS2000 continues to be a top yield performer and is adapted for all growing zones with a unique form of clubroot resistance.

We feel optimistic this year that with our winning canola portfolio, dedicated sales staff, and strong retail partners focused on sales, canola will continue to see steady growth and remain a firm backbone to the company, as we build our pedigreed business.

I want to take a moment to also reflect on the progress of our U.S. sister company. In 2002, CANTERRA SEEDS entered into a partnership to form Meridian Seeds, LLC south of the 49th. This company was initially operating in the grain growing area of the Dakota's and Montana. Our goal was to leverage the CANTERRA SEEDS varieties and infrastructure to distribute our genetics throughout the area. Meridian Seeds has proven to be a very good investment for CANTERRA SEEDS, growing into a profitable seed company which is growing and expanding throughout the Midwest U.S. and Northern Plains and is now consistently contributing positively to our profit line.

We on the Board of Directors are very optimistic about the 2018/19 results, due mainly to the fact that the CANTERRA SEEDS business is being run by a dedicated and competent management team and exceptional staff. Like the company itself, the commitment of our staff to providing farmers with the very best is continually confirmed by their actions.

On behalf of the CANTERRA SEEDS Board of Directors, I thank you for your continued support and wish you all the best in the 2019 growing season.



Lloyd Affleck
Chairman of the Board

MESSAGE FROM THE **PRESIDENT AND CEO**

In reading through this year's annual report, you will note the 2018 financial results are disappointing in terms of sales, market share and profitability. I would like to address these results head-on, and also highlight the progress CANTERRA SEEDS is making in other areas of our business.

The canola business has been challenged by three factors. The first is the significant turnover within the sales team; the second is the decline of the independent retailers via acquisitions; and the third is the reduction of canola acres in 2018.

Staff turnover, in any business that relies on relationships, creates challenges. It takes time to build trust between the salesperson and the retailer. What remains constant for CANTERRA SEEDS is our portfolio of high performing products. While this can ensure we do not lose significant ground with a retail partner, our planned sales progress was affected in areas where we have had a staff change.

The independent ag retail channel has declined in a measurable way, and the impact on our canola business has been significant. In the last three years alone, we lost 15 retail partners to acquisition by Nutrien, Richardson and others. While we strive to maintain a presence and convert existing CANTERRA SEEDS customers to another retailer, this has been a struggle.

Canola acres declined by 2.2% from 2017 to 2018. In addition, the Round-Up Ready® canola acres declined by 2.4%. This left CANTERRA SEEDS selling our canola portfolio into a smaller marketplace, with greater competition.

All the factors above have negatively affected our canola sales in 2018. We are working to manage these outside forces and maintain and grow our sales and market share in a decisive way.

In contrast to canola, the cereals and pulse business is growing. It's growing for two reasons – great products and great people. Great products ensure success for our existing seed growers and have also attracted many new shareholders in the past couple of years. Our portfolio continues to strengthen each and every year, and looking forward is no exception. I refer to: AAC Congress (CWAD), AAC Cameron VB (CWRS), AAC Connery (CWRS), AAC Crossfield (CPSR), AAC Connect (2-row malt), CDC Platinum Star (2-row malt), Canmore (2-row feed), CS Camden (milling oat) and AAC Carver (yellow pea). The uptake by our seed growers and farmer customers has been exciting.

I also mentioned great people. Without the right people, no business can be effective. CANTERRA SEEDS has been investing in people to help drive demand for our entire portfolio, and the successes we have seen in cereals and pulses attest to that commitment.

I would also like to draw your attention to two more important components of our business that deserve special mention.

The first one is Limagrain Cereals Research Canada (LCRC), based in Saskatoon. Established only three short years ago through the partnership of Limagrain and CANTERRA SEEDS, we expect to see the first flush of new genetics emerging from this young joint venture in the very near future. We are very proud of this program, and the impressive and rapid progress it has made. As LCRC matures, CANTERRA SEEDS will be in an even more desirable situation with a stable of new wheat varieties designed for Western Canada.

The second is Meridian Seeds. Our U.S. business entity, operating south of the border since 2003, has been growing very quickly in terms of sales, staff and profitability. This is a very good news story for CANTERRA SEEDS. Now operating in 13 states, their key crop focuses are chickpeas, peas, beans, wheat and canola.

Looking forward, CANTERRA SEEDS has a vital role to play in the seed market. We alone provide a complete portfolio of crop seed suitable for every farm in Western Canada. Our presence in the market is growing, as is the impact we are making. It is never easy, and it is never simple, but our focus on farmers, and our belief that they deserve the best, fuels us. As we strive to become the company that best understands and meets the seed needs of farmers, we continue to push forward, changing, adapting, inventing, and creating new opportunities and new ways to be relevant at every bend in the road.

As a shareholder, customer, partner, I thank you for your continued support of CANTERRA SEEDS.

David Hansen
President and CEO

OUR TEAM

SENIOR MANAGEMENT

David Hansen

President and Chief Executive Officer

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

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

David has served or is currently serving on various industry associations and committees including the CSTA, Crop Life International, Crop Life Canada and Cereals Canada, etc.

Gerry Cantin, CPA, CA

Chief Financial Officer

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

Gerry holds a Bachelor of Arts and a Bachelor of Commerce from the University of Manitoba. He received his Chartered Accountant designation from the CA firm of Clarkson Gordon, now known as Ernst & Young.

As of October 1, 2017, Gerry also took on the role of Chief Administrative Officer of Limagrain Cereals Research Canada (LCRC), a joint venture cereal breeding company owned by Limagrain and CANTERRA SEEDS and located in Saskatoon, Saskatchewan.

Gerry also sits on the Board of Governors for Meridian Seeds, LLC and on the Board of Directors for LCRC.

Erin Armstrong, PhD

Director of Industry and Regulatory Affairs

Erin Armstrong is Director, Industry and Regulatory Affairs for CANTERRA SEEDS. She is responsible for variety and trait licenses and other strategic agreements and industry and regulatory issues, including Value Creation and Seed Synergy. Erin joined CANTERRA SEEDS in 2008 following her tenure as President and CEO of the Brewing and Malting Barley Research Institute (BMBRI). Prior to BMBRI, Erin worked with Canada Malting Co., Ltd. and General Mills, Inc.

In addition to her CANTERRA SEEDS responsibilities, Erin served for two years as the inaugural CEO of Limagrain Cereals Research Canada (LCRC), a joint venture cereal breeding company established by Limagrain and CANTERRA SEEDS, launched in July 2015.

Erin holds a Bachelor of Science in Agriculture from the University of Manitoba and a PhD in Biochemistry from the University of Ottawa. Currently, she is Chair of the Canadian Food Inspection Agency's Plant Breeders Rights Advisory Committee, on the Board of Directors for the Canadian Seed Trade Association, a member of CropLife Canada's Plant Biotech Committee, and of Agriculture & Agri-Food Canada's Grains Round Table, as well as several industry committees and working groups.

Jim Bagshaw

Director of Sales

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

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

Jim received a diploma in Agriculture, followed by a Bachelor of Science in Agriculture from the University of Saskatchewan.

SENIOR MANAGEMENT

Curt Baldwin

Director, Canola, Corn and Soybean Business Unit

Curt is CANTERRA SEEDS' Director, Canola, Corn and Soybean Business Unit and is responsible for all activities related to these crop areas.

Primary responsibilities for the canola business include product development, seed production and manufacturing as well as managing distribution and key stakeholder relationships. Curt also leads the strategy with PRIDE Seeds' corn and soybeans.

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

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

Brent Derkatch

Director, Pedigreed Seed Business Unit

Brent joined CANTERRA SEEDS in 2001, initially as Production Manager. Today, as Director, Pedigreed Seed Business Unit, Brent is responsible for all activities related to CANTERRA SEEDS broad seed portfolio of cereals, pulses and special crops. His primary focus is on demand creation through various variety specific market development efforts with grain handlers and end-users across Canada and abroad.

Brent has been an active volunteer in the seed industry for many years and is a past president of both the Canadian Seed Trade Association and Canadian Plant Technology Agency. He currently sits on the Board of Directors for Meridian Seeds.

Brent graduated from the Olds College Seed and Grain Technology Program and holds a Certificate in Management from the University of Manitoba.

Sheena Pitura

Director of Marketing

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

Sheena graduated from the University of Manitoba with a Bachelor of Science in Agribusiness and also holds a Certificate in Agri-Marketing from CAMA. She currently sits on the Board of Directors for Agriculture in The Classroom–Manitoba.

Andrew Draeger

General Manager, Meridian Seeds

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

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

BOARD OF **DIRECTORS**

Lloyd Affleck

Chairman of the Board

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

Jim Wilson

Vice-Chairman

Jim and his wife Norleen operate a grain farm and seed processing and marketing plant in Darlingford, MB. Jim received his Chartered Accountant designation in 1974 and worked in public practice until 1993. In 2007, Jim received the designation of Chartered Director from the Directors College. Jim joined the CANTERRA SEEDS Board of Directors in 2010. Previously, Jim served as a director on a number of industry boards and committees including the board of the Canadian International Grains Institute from 2012-2017. In 2016, he was appointed as Chair of the Manitoba Agriculture Services Corp. Jim is also involved in the community, serving on the local Canadian Foodgrains Bank project committee, and having served on the Board of the Morden District General Hospital.

Ryan Baldwin

Board Member

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

Darren Blair

Board Member

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

BOARD OF **DIRECTORS**

Antoine Colombo

Board Member

Antoine Colombo is the CEO of Limagrain Europe. Previously, he was the Deputy CEO of Limagrain Field Seeds. He has almost 18 years of senior financial management experience in agriculture, is a Certified Public Accountant (CPA) and has a Business degree in Finance.

Prior to joining Limagrain in 1999, Antoine was Senior Manager in KPMG Audit in France. From 2002 to 2004, he was CFO at Vilmorin. In December 2005, he became a Member of the Executive Committee Group, with eight years as VP Administrative, Organization and Finance Control & VP Strategy & Development. In December 2012, he moved to the Limagrain Field Seeds Division as CEO, to build up the Limagrain South America Business Unit, in the fast-growing Brazil and Argentina markets. He currently sits on the Board of Directors of Seed Co and has been on the CANTERRA SEEDS board since 2017.

Joe Dales

Board Member

Joe joined the CANTERRA SEEDS Board of Directors in 2003. He has over 30+ years of agriculture industry sales, marketing and senior management experience working with companies such as Pfizer, Cyanamid Crop Protection, First Line Seeds and NK Syngenta Seeds. Joe is a co-founder of Farms.com Ltd. and AgCareers.com, where he provides governance and guides the long-term strategic plans. He is an active entrepreneur and thought leader on innovation in the agriculture and food industry with a vast global network. Joe has gained extensive corporate governance experience with several companies and is the Chair of the Board of Governors for the Western Fair Association in London, ON, where he lives. Joe has an Honours Bachelor of Science in Chemistry from Western University and a Masters in Business Administration from Wilfrid Laurier University.

Robert Day

Board Member

Robert is the President and CEO of Ceres Global Ag Corp, and he joined the CANTERRA SEEDS Board of Directors in 2018. Ceres Global is a North American-based grain & oilseeds, fertilizer, energy and industrial products supply chain company serving customers globally. Robert has been with Ceres since February 2015. Prior to that, he spent three years at ED&F Man, based in Miami and Singapore, and 19 years with Cargill, Inc. working in Asia, Latin America and the U.S. Robert has an MBA from St. Thomas University in Minneapolis, MN and a B.A. in International Relations from the University of Minnesota.

Shaun Haney

Board Member

Shaun joined the CANTERRA SEEDS Board of Directors in March 2009. Shaun and his family reside in Picture Butte, AB where Shaun is very active in managing his family seed business. In 2008, Shaun founded the agricultural media website RealAgriculture.com, which focuses on providing Canadian farmers with the latest in agriculture information and news. Shaun is also the co-host of RealAg Radio, which is broadcast daily on Rural Radio Channel 147 on SiriusXM.

BOARD OF **DIRECTORS**

Tatiana Henry

Board Member

Tatiana is the currently the CEO of the Limagrain Cereals Seeds business unit, and joined the CANTERRA SEEDS board of directors in 2017. She graduated with a Master's degree in Life Science from AgroParisTech (France) and has a Business degree from INSEAD and SKEMA. Tatiana has been working with Limagrain for 15 years. After five years as the Eastern Europe Area Manager for HM.CLAUSE (vegetable seeds), she joined Limagrain Field Seeds to establish, develop and manage subsidiaries in the fast-growing Ukraine and Russia markets.

Kris Mayerle

Board Member

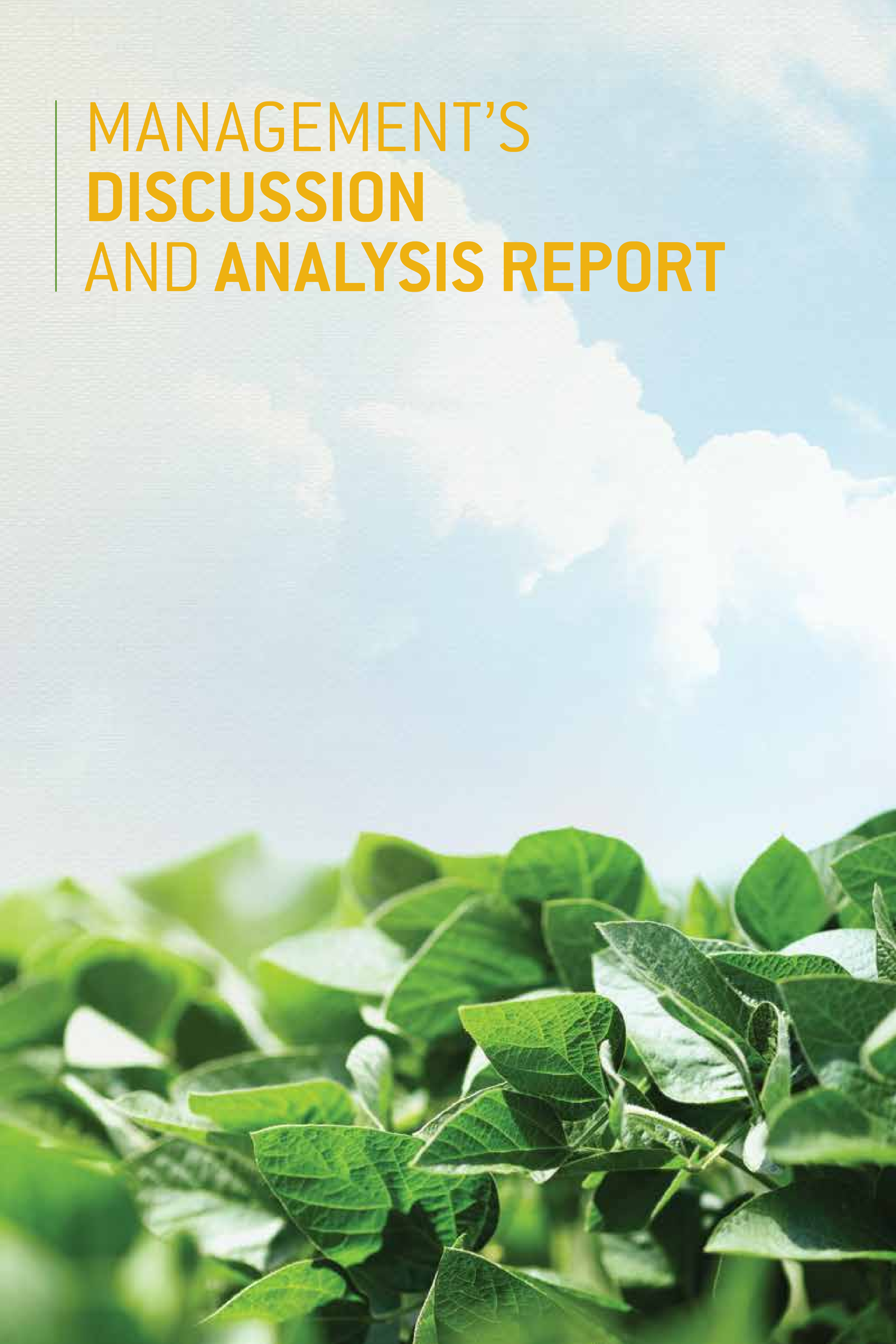
Kris joined the CANTERRA SEEDS Board of Directors in February 2011. He is a third-generation pedigreed seed grower. Along with his family, Kris owns and operates Greenleaf Seeds Ltd., a pedigreed seed farm and processing plant, at Tisdale, SK. The family also runs a custom harvesting business that travels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

Thomas Jolliffe

Board Member

Thomas joined the board in 2015 at the conclusion of Limagrain's purchase of a minority stake in CANTERRA SEEDS. He has been with Limagrain since 2010 and is currently Head of Research – Cereals and Pulses and is based in the U.K. Thomas is a senior executive in the seeds industry with 35 years' experience that includes directing global research and plant breeding programs, intellectual property management (plant breeders rights, patenting and licensing), commercial strategy, merger and acquisition, marketing, sales and general management. He is a specialist in the international development of cereal seeds markets, and in wheat and barley genetics. He is a director (and former chairman) of the U.K. seeds industry trade association, with associated board memberships; a former non-executive director of a public sector institute; and, a former chairman of pension fund trustees. Thomas is trained in commercial strategy and negotiation, with a diploma in company direction and a PhD in biometrics.

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



CANTERRA SEEDS HOLDINGS LTD.

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

The following Management's Discussion and Analysis (MD&A) is intended to supplement the financial statements by explaining the Company's operating results and financial position for the year ended September 30, 2018, as compared to the year ended September 30, 2017. In addition, the MD&A is meant to provide the reader with an outlook on future trends and risks or other factors that affect or may affect the business operations, to assist the reader in understanding the past results, as well as understanding the impact on the future. The following MD&A was prepared based upon information available up until November 26, 2018 and should be read in conjunction with the accompanying audited consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial information has been reviewed by the Company's audit committee and approved by the Board of Directors. All amounts reported are in Canadian currency.

The Business

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

Results of Operations

Highlights of the 2018 fiscal operating results:

- Sales, gross profit and income from operations before income taxes all increased from the 2016/17 fiscal year.
- Sales totalled $31.3 million for the 2017/18 fiscal year which is an increase of $1.0 million from the year ending September 30, 2017.
- Gross profit is at $7.34 million, compared to $6.82 million in 2016/17, an increase of $0.52 million or 7.6%.
- The gross profit percentage increased from 22.5 to 23.5%.
- Total corporate operating expenses, net of other revenue and loss from joint ventures, increased by $0.39 million or 5.8% from the 2016/17 to the 2017/18 fiscal year.
- Overall, therefore, the Company's income from operations before income taxes increased from $0.1 million in 2016/17 to $0.23 million in 2017/18.
- Due to significant timing differences and tax credit carryforward taxes for the 2016/17 fiscal year, the comparative provision for income taxes added $0.28 million. This compares to a cost of $0.05 million for the current year of 2017/18. Overall, a reduction of $0.33 million in income.
- The Company recorded a net income for the current year of $0.18 million. By comparison, in 2016/17 net income in the amount of $0.38 million was recorded. Overall net income has reduced by $0.2 million.
- Besides the increase in equity from the net income, there were no other changes to equity on the balance sheet. While new shareholders were added, they purchased shares from existing shareholders, and no new shares were sold out of the treasury.
- The net income per share for the year ended September 30, 2018, is $0.02 per share in 2017/18, compared to a net income of $0.05 per share in 2016/17.
- Cash and short-term investments increased by $1.0 million from September 30, 2017, to September 30, 2018.
- Accounts receivable have increased by $1.33 million, from $2.9 million on September 30, 2017, to a balance of $4.23 million as of September 30, 2018.
- Inventory has increased by $2.4 million from $5.16 million as at September 30, 2017, to $7.56 million at September 30, 2018.
- Prepaid expenses and deposits have reduced by $1.46 million to a total of $2.28 million as at September 30, 2018.
- Due to annual amortization and some sales of fixed assets, property and equipment, along with intangible assets, are reduced by $0.13 million from $1.27 million at September 30, 2017, to $1.14 million at September 30, 2018.
- CANTERRA SEEDS currently invests in two separate joint ventures. First, it owns a 30% ownership in a cereal breeding joint venture named Limagrain Cereals Research Canada (LCRC). LCRC is still entrenched in its startup phase, with significant expenses and little revenue, as it takes a number of years to develop a steady flow of bred products from the organization. Therefore, this caused an equity loss for the Company during the year.
- In addition, CANTERRA SEEDS owns a 50% ownership of sister seed company in the United States, Meridian Seeds LLC.

Currently, Meridian Seeds is making significant income. However, the share of the Meridian Seeds income is more than offset by the share of the loss from LCRC overall. The balance reduced from $3.12 million at September 30, 2017, to $2.89 million at September 30, 2018, a reduction of $0.23 million.

- Advances from related companies increased by $0.65 million to a balance of $0.88 million at September 30, 2018.
- Accounts payable have increased by $3.33 million from $9.02 million as at September 30, 2017, to $12.35 million as at September 30, 2018.
- Deferred revenues have increased by $8 thousand from a balance of $0 at September 30, 2017.
- The total assets of the Company continue to increase and are currently at a total of $27.08 million on September 30, 2018. This is an increase of $3.55 million from the $23.53 million balance on September 30, 2017.

Outstanding Share Data

Issued securities as of November 26, 2018:

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

Trading History

CANTERRA SEEDS HOLDINGS LTD. is a reporting issuer. Shares of the Company can be traded privately between two parties, with or without using the assistance of a broker, or can be sold “over the counter” at a licensed security trader. During both the 2017/18 and 2016/17 fiscal periods no shares were sold out of the treasury.

While there were no new share transactions, there were trades between shareholders totalling to 110,359 Class A shares and 138,000 Class B preferred shares that took place during the year ended September 30, 2018. For the year ended September 30, 2017, trades between shareholders totalled to 24,294 Class A shares and 84,000 Class B preferred shares.

Selected Financial Information – Quarterly Financials

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

	2017/18 Q4	2017/18 Q3	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3	2016/17 Q2	2016/17 Q1
Total revenue	3,321	4,283	20,796	2,879	863	5,415	23,168	817
Net income	(138)	(519)	2,038	(1,205)	(563)	(281)	2,568	(1,344)
Earnings per share (basic and diluted)	(0.02)	(0.07)	0.27	(0.16)	(0.07)	(0.04)	0.34	(0.18)

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 retailers 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 pedigreed stock seed and sales of registered and certified CANTERRA SEEDS licensed pedigreed 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.

Yearly Comparatives

($000s except per share amounts)

	2017/18 Q1	2017/18 Q2	2017/18 Q3	2017/18 Q4	2017/18 Year	2016/17 Year	2015/16 Year
Sales	2,879	20,796	4,283	3,321	31,279	30,263	33,775
Gross profit	458	4,512	1,054	1,315	7,339	6,824	7,737
Gross profit percentage	15.9%	21.7%	24.6%	39.6%	23.5%	22.5%	22.9%
Other revenue	139	161	189	286	775	990	979
Operating, general and administrative	969	737	870	909	3,485	3,582	3,228
Loss (income) from joint venture	191	272	34	(203)	294	209	154
Depreciation and amortization	67	90	71	77	305	237	208
Salaries, wages and benefits	931	949	947	976	3,803	3,687	3,909
Interest	1	–	–	–	1	1	–
Income (loss) from operations before taxes	(1,562)	2,625	(679)	(158)	226	98	1,217
Income tax recovery (expense)	357	(588)	160	21	(50)	282	(193)
Income and comprehensive income	(1,205)	2,037	(519)	(137)	176	380	1,024
Total assets	31,801	33,253	25,777	27,076	27,076	23,528	20,640
Long-term liabilities	–	–	–	–	–	–	–
Earnings per share – basic and diluted	(0.16)	0.27	(0.07)	(0.02)	0.02	0.05	0.14

Sales and Gross Profit

CANTERRA SEEDS sells agriculture seed in Western Canada using a number of different methods.

For canola sales, the inventory is produced, treated and bagged by the Company in a CANTERRA SEEDS bag. When this product is sold, the entire amount of the sale is recorded on the books of the Company.

For corn and soybean sales, the Company acts as a distribution arm for the PRIDE Seeds branded product in Western Canada. In this case, the product is sold by PRIDE Seeds to CANTERRA SEEDS and then, when seeded by the farmer, the entire amount of the sale is recorded on the books of the Company.

For pedigreed seed sales, CANTERRA SEEDS rarely takes direct participation in the purchase and sale of the seed product. Instead, a Class B shareholder of the Company owns this product and sells it to one of their customers. CANTERRA SEEDS holds the license to sell these products, and the shareholder will pay the Company a tech fee royalty for every sale they make. This royalty is recorded in the accounting records.

Overall, sales have increased by $1.0 million or 3.4%, from $30.26 million in 2016/17 to $31.28 million in 2017/18. In order to describe the detail of this variance, the optimal way to review is to break down the sales into the various sales categories described above.

For canola sales, there was a small increase in canola sales during the year. The change, year to year, was skewed due to the fact that there was a revision in the Company's seed return policy for the 2016/17 fiscal year. In the industry, it is normal for seed companies such as CANTERRA SEEDS to sell inventory of canola seed to their channel customers, exceeding what will be planted in that season. This is done to ensure all inventory is in place so as to not miss any sales opportunities. In the past, this excess inventory would stay in the ownership of the customer through the summer, and would then be marketed and sold by the customer the next season. For the 2016/17 fiscal period, the policy changed and these unseeded bags were fully returned to the ownership of CANTERRA SEEDS. For that fiscal period, the customers started the season with owned inventory and were able to return all remaining inventory at the end of the selling season. Therefore, for that fiscal year,

the sales recorded on the books for CANTERRA SEEDS were less than the bags actually seeded to CANTERRA SEEDS canola in Western Canada.

Canola sales increased by 2.5%, but overall CANTERRA SEEDS sales to the growers have decreased. This occurred for the following reasons: the total acres of canola reduced, the number of acres of canola that were seeded to products that CANTERRA SEEDS markets reduced, the retail partners that CANTERRA SEEDS distributes through were reduced, a number of varieties sold during the current year were introduced in 2017/18 and finally, the sales team at CANTERRA SEEDS is generally quite new and therefore are still in the process of establishing relationships with the retails and growers.

For the corn and soybean products, there was a 4.4% increase in sales. While the Company increased its overall market share on these products, the market reduced, particularly on the soybean side, and fewer acres were seeded with these products. The market share increased as the Company continues to grow its business with both new and established retails throughout Western Canada.

For pedigreed seed, sales increased by more than 6% from 2016/17. The Company focuses on having market-leading varieties available throughout the prairies and in 2018, CANTERRA SEEDS marketed some of the leading varieties of wheat, oats, and barley and peas.

The increase in sales described above also caused gross profit to increase. It has increased by $0.52 million, from $6.82 million in 2016/17 to $7.34 million in 2017/18. There was an increase in gross profit as a percentage of sales, from 22.5% for the year ended September 30, 2017, to 23.5% for the year ended September 30, 2018. This increase was mainly due to efficiencies made by the Company year over year.

Other Revenue

Other revenues total to $0.77 million in 2017/18 which is a $0.22 million reduction from the $0.99 million recorded in 2016/17. This reduction occurred due mainly to a corporate decision to discontinue a portion of the field research program, particularly for the wheat side of the business. This field trialling is now being done exclusively by CANTERRA SEEDS investment, Limagrain Cereals Research Canada. While this has reduced expenses for the Company, this has also reduced the amount billed out to third parties. This reduction was the main cause of the reduction referred to above.

Operating, General and Administrative Expenses

Operating, general and administrative expenses have reduced by $0.1 million or 2.7% from $3.58 million for the year ended September 30, 2017, to $3.48 million for the year ended September 30, 2018.

The main reason for this reduction is the pullback from field trialling that was referred to in the other revenue section above.

Loss (Income) from Joint Venture

CANTERRA SEEDS has a 50% ownership in a joint venture called Meridian Seeds LLC and also owns a 30% ownership share of a joint venture named Limagrain Cereals Research Canada. In total, CANTERRA SEEDS recorded a loss totalling $0.29 million in 2017/18 compared to a loss of $0.21 million for the 2016/17 fiscal period, an increase of $0.08 million or 40%.

Limagrain Cereals Research Canada is still in the early stages as an entity. The program has not yet licensed any varieties in Western Canada, and the costs of the program and the staff to work with that program continue to grow. As such, the Company had a larger operating cost for the 2017/18 fiscal period than it did during 2016/17, causing CANTERRA SEEDS to incur a loss that increased by $0.07 million from the previous year. It is important to note that as a breeding company it will also take a number of years before it derives any significant flow of revenues, so these investment losses are expected to continue over the next few years.

The results with the Meridian Seeds entity are very similar to the prior year. The entity had significant profits during the year, but they were slightly lower than the profits recorded for the 12 months ended September 30, 2017, and caused CANTERRA SEEDS' share of this profit to reduce by $0.01 million.

Depreciation and Amortization

The depreciation and amortization expenses have increased by $69 thousand, or 28.9%. This is a relatively small change in the Company's expenses, but has occurred due to some significant investments in both tangible and intangible long-term assets for the Company.

Salaries, Wages and Benefits

Salaries, wages and benefit expenses have increased by 3.1%, or $0.12 million, from $3.69 million for the year ended September 30, 2017, to $3.8 million for the year ended September 30, 2018.

The Company made a decision to not make any additional increases to personnel during the 2017/18 fiscal period, and therefore the staffing numbers were relatively similar to the 2016/17 fiscal year. The difference is due to changes in salary levels and timing of employee replacements compared year to year.

Interest

These expenses did not change year to year.

Income Tax Expense

For the 2016/17 fiscal year, there was a number of temporary differences including SRED credits being carried forward to future years. The provision for income taxes was actually positive for the year by $0.28 million. During the 2017/18 fiscal period, there was a cost to the Company of $0.05 million. Overall, the taxes cost has increased by $0.33 million year to year.

Quarterly Results

The quarterly results vary based on the normal sales and expenditure patterns for CANTERRA SEEDS. The majority of seed deliveries, and therefore sales, occur during the period from January until May of each year. More specifically, the most significant quarters for sales are generally the three months from January 1 to March 31, and the three months from April 1 to June 30. While "tech fee" or royalty fee revenue is generated from planting and sales that occur in the period from April 1 to June 30, CANTERRA SEEDS only records these sales when the information is reported to the Company. This generally means most of these sales are recorded during the quarter from July 1 to September 30. The type of sales that take place during each quarter cause a significant difference in the gross profit percentage recorded during that time. In addition, at the end of the third quarter for 2017/18 CANTERRA SEEDS estimated the amount of canola seed being returned based on initial reports. These returns ended up lower than the original estimates and caused a positive sales adjustment in Q4.

Other revenue is recorded as it is incurred. In 2017/18, the Q4 results were much higher than the other quarters. This is when billings for work done by the Company with its partners was ultimately realized and recorded and when the final SRED adjustment was recorded.

Operating, general and administrative expenses generally stay relatively constant throughout the year. The main differences are the timing of when significant marketing expenditures are recorded during the year.

The loss (income) from the joint venture by quarter is mainly determined by when sales are recorded in the accounts. With Meridian Seeds, sales occur either in Q3 (April 1 to June 30) with seed sales, or in Q4 (July 1 to September 30) with the receipt and recording of "tech fee" or royalty fee revenue. Few sales are recorded in the Q1 and Q2 quarters. With Limagrain Cereals Research Canada, there are no revenues being recorded at present and the expenses were split fairly evenly throughout the year.

Depreciation and amortization are generally consistent in the four quarters. The timing of when investments occur in tangible and intangible long-term assets will affect when some of these costs are incurred.

Salaries, wages and benefits are also quite constant throughout the year.

Overall, the Company recorded a per-share profit of $0.02 for 2017/18, which is a reduction of $0.03 from the $0.05 per-share recorded for 2016/17. For the 2017/18 year, most of the sales for canola, corn and soybeans were focused in Q2 from January 1, 2018, to March 31, 2018. This has created a quarterly result where the Company made $0.27 per share during this time period while it recorded a loss for the other three quarters.

The positive adjustments to the deferred tax accounts were recorded during the fourth quarter of the past year.

The assets are highest at the end of Q1 and Q2 as this is when canola inventory is accumulated and then sold. Therefore, the Company either has higher inventory or accounts receivable balances.

Liquidity and Capital Resources

CANTERRA SEEDS cash position has reduced by $0.16 million from September 30, 2017, to September 30, 2018.

In total, the Company was able to provide cash from operating activities of the Company totalling $1.89 million. CANTERRA SEEDS had a net income for the year of $0.18 million, in addition to a significant amount of non-cash expenses. This enabled the Company to improve its cash from operations by a total of $0.78 million since September 30, 2017.

Accounts payable and accrued liabilities have increased by $3.33 million from the prior year, due mainly to the timing of repayment along with higher canola returns.

Also, due to higher inventory and the introduction of CS2300, CS2400 and CS2500 CL for the 2018 crop year, prepaid expenses and deposits are lower by $1.46 million. Also, changes in income tax balances and deferred revenue added $0.06 million.

These cash increases were partially offset by working capital items that used cash during the year. Firstly, increases in inventory due to the introduction of CS2300, CS2400 and CS2500 CL, along with a buildup of canola stocks for anticipated 2018/19 canola orders, has caused cash to reduce by $2.4 million. Also, due to the timing of repayments, there was an increase in accounts receivable of $1.33 million.

CANTERRA SEEDS has used cash for financing activities totalling $0.71 million. There are additional amounts owing from affiliated companies of $0.64 for the year. This occurred due to the timing of repayments year to year. In addition, the Company contributed $0.07 million in capital costs to its long-term equity investments.

During the year, CANTERRA SEEDS used an amount totalling $1.34 million for investing activities. In 2017/18, the Company used cash to acquire additional short-term investments which used $1.16 million of cash. Also, an additional $0.18 million was used for the acquisition of additional property and equipment, and intangible assets during the year.

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

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

The Company continues to have a solid liquidity position. CANTERRA SEEDS is debt free and continues to have a strong asset base that can be used to access additional debt financing. The Company has only accessed its credit line over the last four years to commit to corn and soybean inventory from PRIDE Seeds, in order to prepare for the upcoming sales season. The Company's continued strong financial results and addition to share capital, also leave CANTERRA SEEDS with very strong debt/equity and current ratios.

Financial Instruments

A portion of the Company's revenues and expenditures are denominated in U.S. dollars. While the acquisition of U.S. dollars is not currently a significant requirement of the Company, it is exposed to currency fluctuations on transactions denominated in U.S. dollars. Currency fluctuations may impact the profitability of the Company. This risk is managed, where practicable, through the use of foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows. The Company does not hold or issue derivative contracts for speculative purposes. As at September 30, 2018, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

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

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

Risks and Uncertainties

Inventory Obsolescence Risk

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

Production Risk

The availability of high-quality pedigreed seed for sale is dependent upon crop yields as well as the impact of weather and other factors

on the quality of seed harvested. Reduced yields and quality can negatively impact the availability of seed. Prior to sale, each bag of canola seed passes stringent tests for hybridity, germination and herbicide tolerance. CANTERRA SEEDS partially mitigates the risk of this exposure through the diversification of crop varieties, careful strategic planning in choosing the producer of the seed and through geographic variation of production.

Competition

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

Industry Cyclicality

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

Foreign Exchange Risk

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

CANTERRA SEEDS does have a natural hedge as its investment in Meridian Seeds LLC has produced positive U.S. cash flow to the business over the last few years. As opposed to the comments above, to the extent that the Canadian dollar weakens the return to CANTERRA SEEDS would improve as it is recorded in Canadian dollars.

Outlook

As mentioned earlier in the report, CANTERRA SEEDS recorded lower canola sales to farmers in 2017/18 than it did in 2016/17. The reduction came from a number of reasons both internal and external to CANTERRA SEEDS. 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:

- 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.
- Secondly, 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.
- 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 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.

For the 2017/18 crop year, CANTERRA SEEDS increased its sales of 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 the market share and

overall quantity of sales 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 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 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.

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

Reporting Issuer

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

Forward-Looking Information

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

Additional Information

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

Advances from Related Affiliates

Advances to affiliates are unsecured, non-interest bearing and have no fixed terms of repayment. The advances are made to Limagrain Cereals Research Canada and Meridian Seeds, LLC. The advances occurred due to the fact that CANTERRA SEEDS is the administrative arm for both LCRC and Meridian Seeds, LLC

and there are charges that are borne by CANTERRA SEEDS and then charged through to Limagrain Cereals Research Canada. This amount was repaid in the first two months of the 2018/19 fiscal year.

Corporate Governance

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

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

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

The Board of Directors is responsible to all shareholders for overall strategic direction, the fiduciary responsibilities and corporate policy decisions. The Board of Directors has 11 members, all of which are non-management. Two of the Directors are not seed grower shareholders but have significant business experience in the agriculture and seed industry. Three Directors represent the interest of Vilmorin USA Corp. (Limagrain) and another Director represents the interest of Ceres Global Ag Corp. One Director is an independent seed retailer and represents the interests of these retailers on the Board. The final four Directors, including the Chairman of the Board, are seed growers or past seed growers with significant experience in the seed industry. Besides the Chairman of the Board, each seed grower represents different geographical regions of the prairies.

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

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

Management's Responsibility for Financial Statements

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

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

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

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

November 26, 2018

David Hansen
Chief Executive Officer

Gerry Cantin
Chief Financial Officer

CONSOLIDATED **FINANCIAL STATEMENTS**

Independent Auditors' Report

To the Shareholders of CANTERRA SEEDS HOLDINGS LTD.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CANTERRA SEEDS HOLDINGS LTD. and its subsidiaries, which comprise the consolidated statement of financial position as at September 30, 2018 and September 30, 2017, the consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of CANTERRA SEEDS HOLDINGS LTD. and its subsidiaries as at September 30, 2018 and September 30, 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Winnipeg, Manitoba
November 26, 2018

MNP LLP

Chartered Professional Accountants

CANTERRA SEEDS HOLDINGS LTD.

CONSOLIDATED **FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position

As at September 30

	2018	2017
	$	$
Assets		
Current assets		
Cash	1,088,297	1,249,458
Investments (note 4)	6,588,842	5,425,366
Accounts receivable	4,231,208	2,900,276
Inventory (note 5)	7,560,873	5,157,756
Income taxes receivable (note 19)	–	11,123
Prepaid expenses and deposits	2,282,827	3,746,708
	21,752,047	**18,490,687**
Property and equipment (note 6)	513,845	631,556
Intangible assets (note 7)	626,649	637,999
Deferred tax asset (note 19)	416,636	419,015
Long-term equity investments (note 12)	2,889,614	3,117,231
Advances to related companies (note 8)	877,412	231,968
	27,076,203	**23,528,456**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	12,348,090	9,020,420
Deferred Revenue	8,000	–
Income taxes payable	36,086	–
	12,392,176	**9,020,420**
Shareholders' equity		
Share capital (note 11)	12,577,828	12,577,828
Retained earnings	2,087,476	1,911,485
Contributed surplus	18,723	18,723
	14,684,027	**14,508,036**
	27,076,203	**23,528,456**

Commitments (note 15)

See accompanying notes to the consolidated financial statements.

James M. Wilson

James Wilson, Director

Lloyd Affleck

Lloyd Affleck, Director

Consolidated Statements of Comprehensive Income

Years ended September 30

	2018	**2017**
	$	**$**
Sales	31,279,021	30,262,772
Cost of sales (note 5)	23,939,548	23,438,694
Gross profit	7,339,473	6,824,078
Other revenue (note 13)	774,761	989,872
Profit before other expense items	8,114,234	7,813,950
Operating, general and administrative	3,484,729	3,581,580
Loss from long-term equity investments (note 12)	293,588	209,301
Depreciation	305,510	236,947
Salaries, wages and benefits	3,803,547	3,687,440
Interest	1,002	1,067
	7,888,376	**7,716,335**
Income from operations before income taxes	225,858	97,615
Provision for income taxes (note 19)		
Recovery (provision)	(45,115)	11,123
Deferred tax (provision) recovery	(4,752)	270,862
	(49,867)	**281,985**
Net income (loss) and comprehensive income	175,991	379,600
Earnings per share		
Basic and fully diluted (note 14)	0.02	0.05

See accompanying notes to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Changes in Shareholders' Equity

As at September 30

	Share capital	Contributed surplus	Retained earnings	Total
	$	$	$	$
Balance, September 30, 2016	12,577,828	18,723	1,531,885	14,128,436
Comprehensive income	–	–	379,600	379,600
Balance, September 30, 2017	12,577,828	18,723	1,911,485	14,508,036
Comprehensive income	–	–	175,991	175,991
Balance, September 30, 2018	12,577,828	18,723	2,087,476	14,684,027

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended September 30

	2018	2017
	$	$
Cash provided by (used for) the following activities:		
Operating activities		
Net income	175,991	379,600
Depreciation of property and equipment	159,590	131,269
Depreciation of intangible assets	145,920	105,678
Loss from investment in long-term investments	293,588	209,301
Deferred income taxes	4,752	(270,862)
Inventory provision (reversal)	–	(55,255)
	779,841	**499,731**
Changes in working capital accounts		
Account receivables	(1,330,932)	(472,982)
Income taxes receivable	11,123	(11,123)
Inventory	(2,403,117)	(689,000)
Prepaid expenses and deposits	1,463,881	(398,990)
Accounts payable and accrued liabilities	3,327,670	2,787,134
Income taxes payable	36,086	(277,918)
Deferred revenue	8,000	–
	1,892,552	**1,436,852**
Financing activities		
Advances to related companies	(645,444)	(28,249)
Contributions to long-term equity investments	(65,971)	(132,984)
	(711,415)	**(161,233)**
Investing activities		
Purchase/Sale of property and equipment	(42,197)	(267,179)
Purchase of intangible assets	(136,625)	(62,500)
Purchase of investments	(1,163,476)	(575,876)
	(1,342,298)	**(905,555)**
Increase (decrease) in cash	(161,161)	370,064
Cash, beginning of year	1,249,458	879,394
Cash, end of year	**1,088,297**	**1,249,458**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED **FINANCIAL STATEMENTS**

Notes to Consolidated Financial Statements

Year ended September 30, 2018

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, accounts payable and accrued liabilities have significant swings depending on the canola and other seed sales cycle.

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

2. Basis of Presentation and Going Concern

Statement of Compliance

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

The financial statements of the Company were recommended for approval by the Audit Committee and were approved and authorized by the Board of Directors on November 26, 2018.

Basis of Measurement

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

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

3. Significant Accounting Policies

Basis of Consolidation

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

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

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

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

Joint Ventures

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

Business Combinations

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

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

Inventory

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

Property and Equipment

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

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

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

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

Long-Lived Assets

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

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

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

Intangible Assets

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

Revenue Recognition
The Company recognizes revenue and profits from the sale of seed when the seed has been shipped. Deposits on contracts are recorded in prepaid expenses and deposits. Volume related royalty revenue is recognized in the period in which the sale is reported to the Company by the grower. Deferred revenue is taken into income in the period in which it is earned. Contract services and program payments are recognized when earned.

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

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

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

Recognition of deferred tax assets is restricted to those instances where it is probable that future taxable profit will be available which allow the deferred tax asset to be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

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

Financial statements of joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity.

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

Long-term Equity Investments
Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Company's long-term equity investments in joint ventures.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has designated its financial instruments, as follows:

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

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

A provision for impairment is recognized when there is evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include default on payments and significant financial difficulty of the counterparty. The carrying amount of the asset is reduced through a provision account, and

the amount of the loss is recognized in net income within operating expenses. Bad debt writeoffs occur when the Company determines collection is unlikely. Any subsequent recoveries of amounts previously written off are credited against bad debt expense in net income. Accounts receivable that are less than one month past due are not considered impaired unless there is evidence that collection is not possible.

Leases

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

Provisions

Provisions are recognized when the Company has a legal or constructive obligation that is the result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the obligation.

New IFRS Standards and Interpretations Not Applied

(a) Financial Instruments ("IFRS 9")

In July 2014, the IASB published the final version of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities selected to be measured at fair value, such that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. The final version of IFRS 9 is effective for periods beginning on or after January 1, 2018; however, it is available for early adoption.

The Company is in the process of assessing the impact of adopting this standard.

(b) Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Company is in the process of assessing the impact of adopting this standard.

(c) Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. IFRS 16 is effective for periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company is in the process of assessing the impact of adopting this standard.

4. Investments

The Company has investments in managed funds.

	2018	2017
	$	$
Fair value	6,588,842	5,425,366

Investments bear interest at a rate of 1.80% (2017 – 1.35%) and mature within one year.

5. Inventory

	2018	2017
	$	$
Finished goods	3,886,553	1,907,102
Raw materials	3,674,320	3,250,654
	7,560,873	**5,157,756**

The cost of inventories recognized as an expense and included in cost of sales amounted to $7,544,407 (2017 – $7,265,741). Previous writedowns of $55,844 (2017 – $55,255) were reversed during the period.

6. Property and Equipment

	Computer hardware	Computer software	Website, furniture and fixtures	R&D plot equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, September 30, 2016	177,516	259,690	207,877	521,481	45,677	1,212,241
Additions	79,352	21,314	50,380	3,521	112,612	267,179
Disposals	(117,002)	(55,666)	–	(8,145)	–	(180,813)
Balance, September 30, 2017	139,866	225,338	258,257	516,857	158,289	1,298,607
Additions	29,511	32,682	8,750	–	8,548	79,491
Disposals	(6,004)	–	(115,286)	(126,159)	–	(247,449)
Balance, September 30, 2018	163,373	258,020	151,721	390,698	166,837	1,130,649
Depreciation						
Balance, September 30, 2016	141,897	176,824	143,938	221,533	32,403	716,595
Depreciation	22,588	18,705	21,435	65,765	2,776	131,269
Disposals	(117,002)	(55,666)	–	(8,145)	–	(180,813)
Balance, September 30, 2017	47,483	139,863	165,373	279,153	35,179	667,051
Depreciation	29,843	18,576	21,039	48,860	41,272	159,590
Disposals	(4,872)	–	(110,108)	(94,857)	–	(209,837)
Balance, September 30, 2018	72,454	158,439	76,304	233,156	76,451	616,804
Net book value						
At September 30, 2017	92,383	85,475	92,884	237,704	123,110	631,556
At September 30, 2018	90,919	99,581	75,417	157,542	90,386	513,845

As at September 30, 2018 the Company had $nil (2017 – $4,023) of fully depreciated assets still in use.

7. Intangible Assets

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

	Licence fees
Cost	**$**
Balance, September 30, 2016	1,862,929
Additions	62,500
Balance, September 30, 2017	1,925,429
Additions	136,625
Disposals	(5,000)
Balance, September 30, 2018	2,057,054
Depreciation	
Balance, September 30, 2016	1,181,752
Depreciation	105,678
Balance, September 30, 2017	1,287,430
Depreciation	145,920
Disposals	(2,945)
Balance, September 30, 2018	1,430,405
Net book value	
At September 30, 2017	637,999
At September 30, 2018	626,649

8. Advances to Related Companies

	2018	2017
	$	**$**
Limagrain Cereals Research Canada	–	196,901
Meridian Seeds, LLC	877,412	35,067
	877,412	**231,968**

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

9. Government Assistance

During the year, the Company filed Canadian federal and provincial income tax returns for the 2017 taxation year, in order to apply for Scientific Research and Experimental Development (SR&ED) Investment Tax Credits (ITCs). The Company also estimated and accrued the SR&ED ITCs for the 2018 taxation year. ITCs reduce taxes payable and are accounted for as other revenue or a reduction of capital expenditures, depending on the nature of the expenses that qualify for the credit. The benefit recorded resulted in other revenues of $168,019 (2017– $122,991) and a reduction of the cost of equipment of $nil (2017 – $nil). In the normal course of SR&ED expense claims the Company is subject to reviews by federal and provincial government authorities.

10. Demand Facility

The Company has available to it a revolving demand facility available to finance inventory and receivables to a maximum of $6,000,000 from June 15 to December 31 of each calendar year, reducing to $250,000 outside of those dates. Interest is payable on the outstanding balance at the rate of prime plus 1.25% on all amounts outstanding. The revolving demand facility is secured by a general security agreement together with a first charge on all present and after-acquired personal property. The terms of the revolving demand facility require that certain measurable covenants be met. As at September 30, 2018, the Company was in compliance with the covenants specified in the agreement.

As at September 30, 2018, the Company had not drawn against the revolving demand facility (2017 – $nil).

11. Share Capital

	2018	2017
Authorized		
Unlimited number of Class A voting common shares.		
Unlimited number of Class B shares, non-voting non-participating, redeemable at the option of the Company if the shareholder fails to fully pay for Shares, fails to exercise share purchase options, or if the shareholder causes the Company to have its rights under any license terminated.		
Unlimited number of Class C shares without nominal or par value, non-voting and non-redeemable.		
Unlimited number of Class D shares without nominal or par value, non-voting and non-redeemable.		
Issued and fully paid:		
7,551,147 Class A voting common shares (2017 – 7,551,147)	12,109,827	12,109,827
2,118,000 Class B shares (2017 – 2,118,000)	468,001	468,001
	12,577,828	**12,577,828**

12. Long-Term Equity Investments

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

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

	2018	2017
	$ USD	$ USD
Current assets	3,420,823	1,600,287
Long-term assets	316,038	216,427
Current liabilities	127,368	35,919
Revenues	9,085,708	6,617,766
Expenses	7,982,112	5,675,960
Net income	1,103,596	374,665
Cash provided by operating activities	797,946	61,484
Cash provided (used) in investing and financing activities	(60,945)	(68,708)

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

	2018	2017
	$	$
Investment in joint venture	1,203,856	749,655

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

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

	2018	2017
	$	$
Current assets	3,770,204	6,404,514
Long-term assets	1,773,185	1,536,472
Current liabilities	175,584	299,408
Revenues	65,730	72,512
Expenses	2,329,769	1,920,044
Net loss	(2,264,039)	(1,847,532)
Cash used in operating activities	(2,018,244)	(1,767,178)
Cash provided by investing and financing activities	(196,901)	(2,457)

Limagrain Cereals Research Canada is a 30% interest.

	2018	2017
	$	$
Investment in partnership	1,685,758	2,367,576

13. Other Revenue

	2018	2017
	$	$
Interest	125,729	132,142
Contract services and program payments	216,982	509,307
Other	264,031	225,432
Scientific research and development tax credits (note 9)	168,019	122,991
	774,761	**989,872**

14. Earnings Per Share

The basic earnings per share has been calculated based upon the weighted average number of shares outstanding during the period ended September 30, 2018 of 7,551,147 (2017 – 7,551,147).

15. Commitments

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

Not later than one year	339,833
Later than one year not later than five years	380,037

The Company's agreement with Agriculture and Agri-Food Canada to contribute $291,410, consisting of a combination of cash and "in-kind" investment, ending December 2018.

Director and Officer Indemnification

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

16. Financial Instruments and Risk Management

Risk Management

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

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

Liquidity Risk

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

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

Interest Rate Risk

The Company may be exposed to interest rate risk as bank indebtedness charges interest at variable rates; however, the Company had not drawn against the credit facility as at September 30, 2018, therefore the risk is minimal.

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

At September 30, 2018, the Company has $6,588,842 invested in managed funds. A 1% variation in the market price of underlying securities would have resulted in an increase or decrease in the value of this asset of approximately $65,888.

Market Risk

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

Credit Risk

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

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

	2018	**2017**
	$	**$**
31–60 days	86,319	90,153
61–90 days	75,868	16,267
More than 90 days	761,247	495,830
	923,434	**602,250**

A reconciliation of allowance for doubtful accounts is as follows:

	2018	**2017**
	$	**$**
Balance, beginning of year	–	–
Amount charged to bad debt expense (recovery)	–	–
Balance, end of year	–	–

Foreign Currency Risk

The Company enters into transactions denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. The following items are denominated in United States currency:

	2018	2017
	CAD$	CAD$
Cash	82,033	715,244
Accounts receivable	8,381	1,600
Accounts payable	92,919	152,069

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. No foreign currency forward contracts exist at September 30, 2018.

A 1% increase/decrease in United States dollar foreign exchange rates would result in a corresponding decrease/increase in other revenue and net income of approximately $25.

Other Price Risk

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

Fair Value of Financial Instruments

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

Fair Value Hierarchy

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

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

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

	Total	Less than 1 year	1 to 2 years	After 2 years
	$	$	$	$
Accounts payable and accrued liabilities	12,348,090	12,348,090	–	–
Total	12,348,090	12,348,090	–	–

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

17. Capital Management

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

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

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

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

The Company has entered into a credit facility agreement with the Canadian Imperial Bank of Commerce that provides additional liquidity of up to $6,000,000 from June 15 to December 31. This is reduced to $250,000 outside of those dates. A wholly-owned subsidiary of the Company has externally imposed capital requirements as governed through its credit facilities. As of September 30, 2018, the subsidiary Company must have an effective Tangible Net Worth not less than $9,000,000. As of September 30, 2018, this requirement was met. As at September 30, 2018, there was a $nil balance outstanding on the line of credit. The Company has not drawn upon an available line of credit facilities since October 2017.

18. Related Party Transactions

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

	2018	2017
	$	$
Revenue	5,416,207	4,320,926
Expenses	3,269,973	2,947,569

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

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

At September 30, 2018, accounts receivables includes $nil (2017 – $nil) from directors and officers, and $433,114 (2017 – $133,164) from shareholders.

Accounts payable and accrued liabilities include $241,557 (2017 – $413,309) payable to shareholders.

During the year, employee future benefits recorded as an expense amounted to $101,842 (2017 – $98,874).

Directors and Key Management Personnel

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

Aggregate compensation of KMP during the year consisted of:

	2018	2017
	$	$
Salary and short-term benefits	1,601,719	1,237,865
Post-employment benefits	83,683	83,848
	1,685,402	**1,321,713**

During the year payments for Board and Shareholder meetings totaled $47,868 (2017 – $70,997).

19. Income taxes

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

	2018	2017
	$	$
Current tax expense (recovery)	45,115	(11,123)
Adjustments for current tax of prior periods	–	–
Current tax expense (recovery)	45,115	(11,123)
Deferred tax expense (recovery) relating to origination and reversal of temporary differences	4,752	(270,862)
Changes in tax rate	–	–
Deferred tax expense (recovery)	4,752	(270,862)
Income tax expense (recovery)	49,867	(281,985)

Income tax expense (recovery) differs from the amount computed by applying the combined expected Canadian Federal and Provincial tax rate of 27% (27% in 2017) to income before income taxes. The reasons for the difference are as follows:

	2018	2017
	$	$
Computed income tax expense (recovery)	60,982	55,398
Income tax rate differentials of foreign investees	(32,334)	37,750
Permanent differences	34,757	46,134
Temporary differences	(64,147)	(270,862)
ITC credit recognition	–	148,221
Small business deduction	(12,536)	(10,500)
Other items	58,393	(17,264)
Actual tax expense	**45,115**	**(11,123)**

The Company's deferred tax assets are as follows:

	2018	2017
	$	$
Property and equipment	(44,508)	(36,977)
Intangible assets	75,277	84,224
Unused tax losses	–	63,698
ITC carryforwards	329,496	294,262
Other items	56,371	13,808
	416,636	**419,015**

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

	2018	2017
	$	$
Property and equipment	7,533	6,252
Intangible assets	8,947	4,019
Other items	(11,728)	(281,133)
	4,752	**(270,862)**

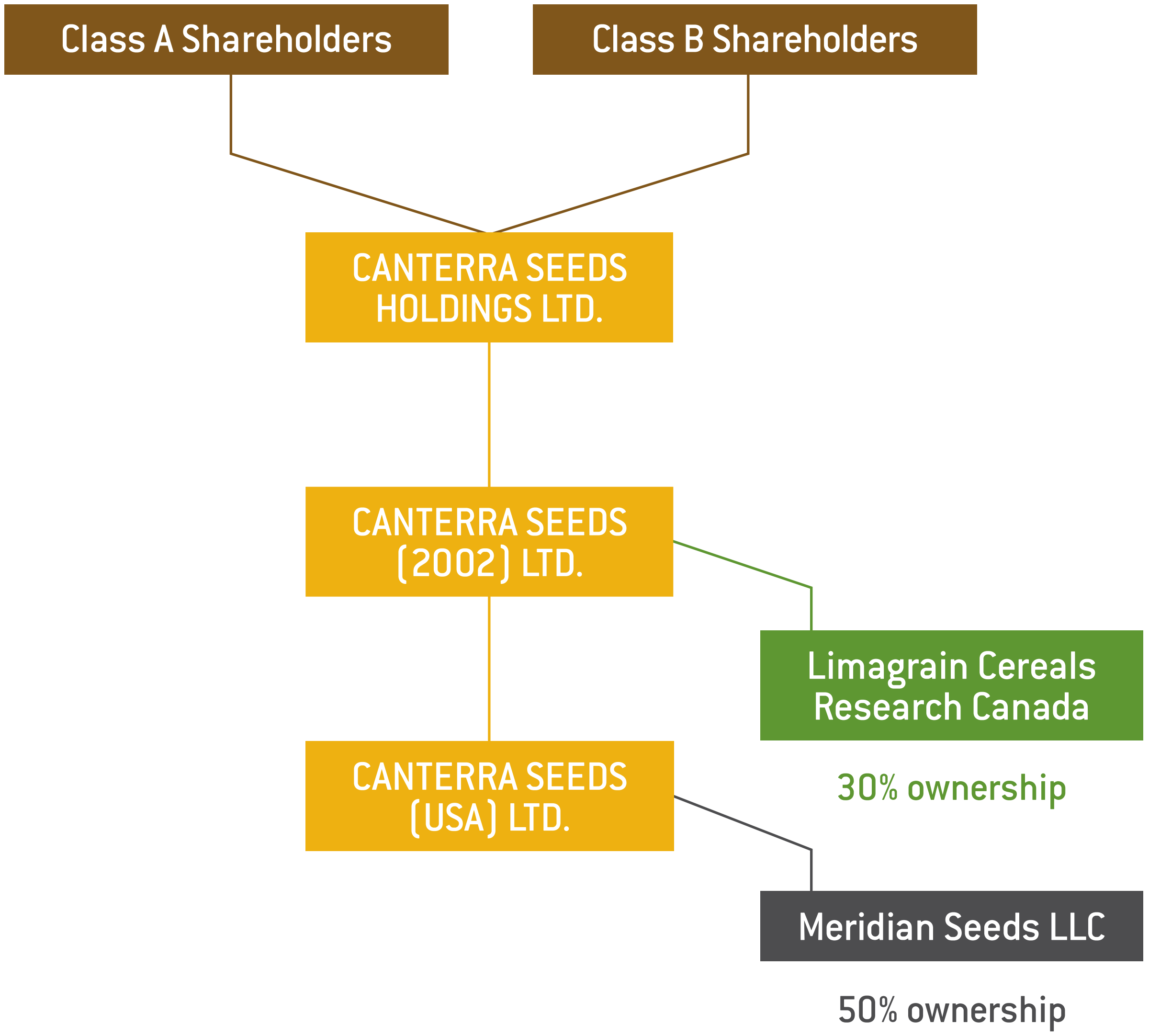
20. Contingencies

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

NOTES

COMPANIES HELD BY
CANTERRA SEEDS HOLDINGS LTD.

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



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