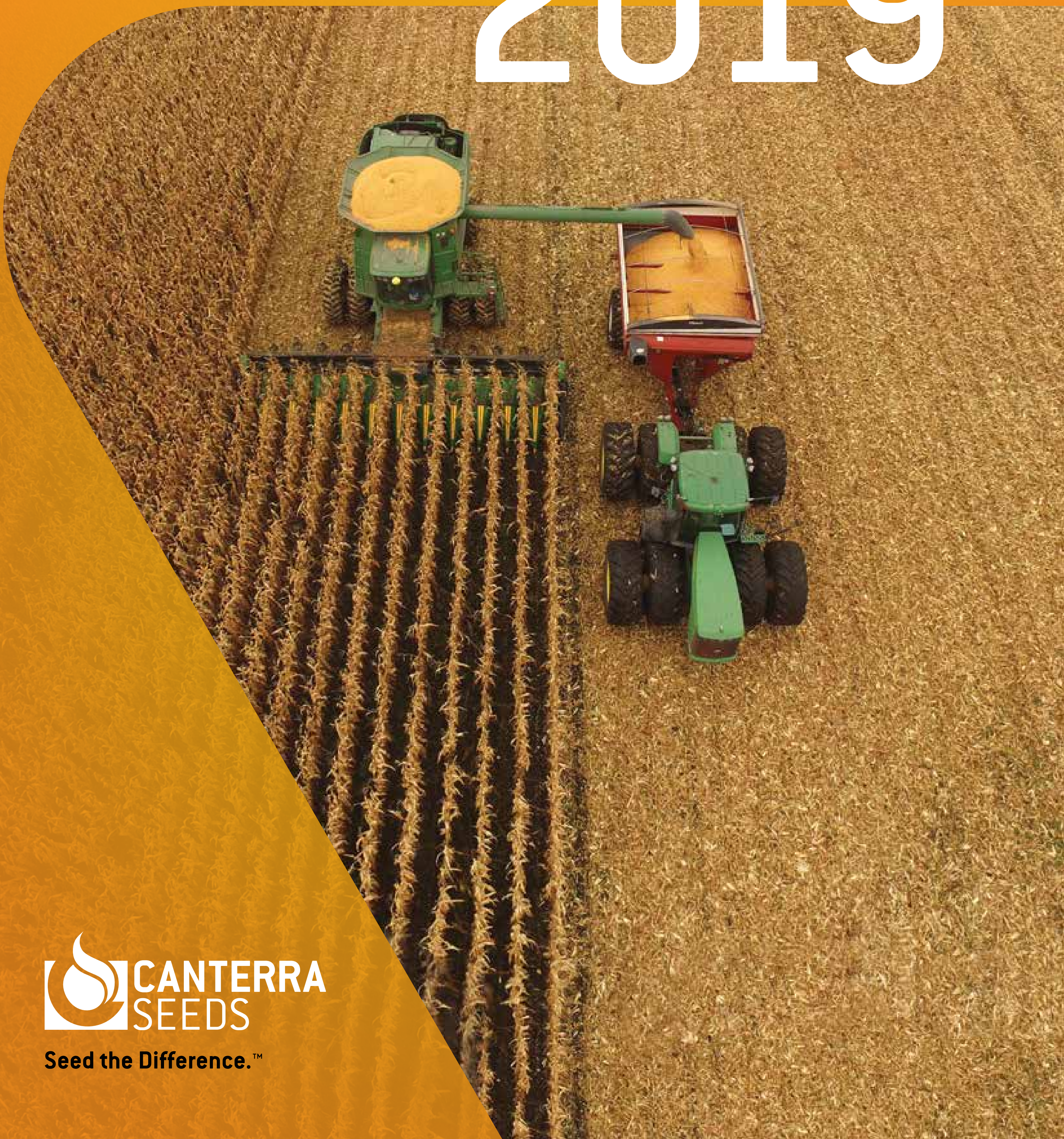
ANNUAL REPORT 2019



CANTERRA SEEDS

Seed the Difference.™

Message from **The Chairman**

AS I SIT DOWN TO PEN THIS LETTER TO THE CANTERRA SEEDS SHAREHOLDERS, I think back to November 5th of last year. I made the statement 'winter has struck again this fall, but today harvest 2018 is pretty much in the bin.' The Ag community was glad to put that harvest behind them and look for a better one the next year. Today, November 15, 2019, I see Twitter comments like 'the harvest of hell', 'the worst harvest in 20 years', and 'trudging through snow to get to the combine just doesn't seem right'. The feelings this year are not unique to our industry as we have weathered these conditions throughout the years.

Twenty-nineteen started dry and there was concern that the seeds would not germinate. On April 29th, we saw snow again, which was a welcome sight for providing moisture, but of course, making planting season a challenging finish. In mid-August, combines started rolling and results in quality and yield were positive in both cases. It looked like we would have an early finish to harvest. But by September 30th, we had another snow event leaving farmers struggling to finish. Even now, the Peace River area has as much as 50% left in the field. This season has been extremely emotional and draining on the whole agriculture community in Western Canada. A tribute is due to the whole Ag community for their optimism and perseverance in adversity for the love of feeding the world.

As part of the Ag community, CANTERRA SEEDS also ended up with a disappointing year end, which resulted in losses to our bottom line. As a Board, we don't take this lightly, nor does our Management Team. As you are all aware, we have made long-term commitments to the growth of CANTERRA SEEDS, investing in a cereal breeding program with our partner Limagrain France, called Limagrain Cereals Research Canada in Saskatoon. CANTERRA SEEDS still relies heavily on canola sales to fund our business and ensure our investments for the future are possible. As a result of dry spring market conditions and export market conditions, our sales lagged. Our genetics perform very well but we are in a crowded market segment which has remained a challenge for this year.

As a company that is committed to growth, we continue to look at ways to reach our goals. The Board made a decision with Management in 2018 to hire consultants, Osborne & Associates, to have a third-party look at our business. I am pleased to say, from their assessment, the direction we were taking was right. Management made significant change to our canola distribution strategy by reaching our retail customers directly. Early results of going direct with our distribution are proving to be very positive. Along with this, we have reached an agreement with PRIDE Seeds as an exclusive Western Canadian distributor of corn and soybeans. To round out our full portfolio, our cereals have exceeded expectations this year. Although CANTERRA SEEDS had a disappointing year end, we see so much positivity going into 2020, anticipating stronger results.

CANTERRA SEEDS remains committed, since 1996, to the basic founding principle: to acquire leading genetics for shareholders to grow and sell, and establish partnerships with breeding institutions. In order to achieve this, the farming community needs to understand the value of research and development in genetic research support. As farmers, we all have our preferences to green, yellow, red, or blue when it comes to Ag equipment. Innovation and technology improvement in the last 35 years are due to huge R&D dollars being spent in each of these colours. We have the perfect opportunity to get the same advancements in genetic improvement – not just in yield – but in traits, disease packages and quality parameters. We have both private and public breeding companies that will only survive and keep up with technology if they have R&D dollars and return on their investment. Canada is an exporting country and we need all the tools available to be competitive with our Ag products. The industry seems to be struggling on how to put a value capture system in place so we can remain competitive in this world market. We best get behind the current proposals on the table and pick the best model suitable to keep our breeding community from falling behind demands, or even exiting Canada. The urgency is now, as some of these advancements will not be available to us for another five to 10 years down the road. Plant breeding takes time.

We feel comfortable as a Board that we have a Management Team in place second to none, to run our business. We have a dedicated and very competent sales team that continue to build our frontline, supported by our central office. We feel very positive for the year ahead.

On behalf of the Board, thank you for your support.

Lloyd Affleck, Chairman of the Board

Message from **The President & CEO**

WOW!!! WHAT A YEAR THIS HAS BEEN.

Twenty-nineteen started out bad, ended even worse, and the middle was less than stellar. It didn't seem to matter which side of the border you might be on or on what side of the country, it was a challenge for every single farmer. Plain and simple.

However, even through all the extreme challenges, the farmers across this great country figured out how to adapt. They kept their eyes on the horizon and by nature, found a way to make the best of it and now are looking forward with optimism to a better year next year. Because that's what they do.

The spirit and determination of our customers and partners inspires our team each and every day to find solutions to the challenges we are all facing. The extreme events farmers are dealing with affect all of us in one way or another. We have the drive, passion and experience to find solutions to these challenges and, at the end of the day, are stronger and healthier because of it.

On paper, the 2019 financial results are without a doubt very disappointing. The losses we have posted are not to be taken lightly. Through this letter, I will do my best to provide a perspective of the business – where the problems are and what we are doing to turn the business around. I want you to appreciate that the financial results do not properly tell the entire story.

I want to start by reminding you, the foundation of the CANTERRA SEEDS business is in our cereals, pulses and special crops. This segment remains a critically important component of this company's future. It is for this very reason we partnered with Limagrain in 2015 to build a cereals breeding company, Limagrain Cereals Research Canada (LCRC). We committed to this long-term investment to ensure we have a solid pipeline of high-performing exclusive genetics for our seed grower and retail shareholders who grow and sell pedigreed seed. In doing so, we are expanding our options on how to access genetics. I am very happy to report to you, that LCRC is ahead of plan and under budget.

It is also important to note, CANTERRA SEEDS and LCRC launched the first two varieties from this program this past summer, and they will both be in full commercial production in 2020.

On the same topic, CANTERRA SEEDS recorded record sales for our cereals and pulses business this year, exceeding both our budget and target numbers in a very significant way. The net result can be attributed to: (1) our sales teams' efforts to drive demand for these products, (2) a very strong portfolio, (3) and the great support of our shareholders and retail partners, new and old, who made it all happen. This is something to celebrate.

In 2015, the same year we joined forces with Limagrain, we entered into a partnership with PRIDE Seeds for distribution of their corn and soybeans. This was strategic, ensuring we were positioned to capture the opportunities for two crop types that are expanding in acres and importance across Western Canada. Since our first corn seed sales in 2016, our corn sales have been growing exponentially year over year. We have accomplished all this with the strong support of PRIDE Seeds, their highly competitive genetics, and our investment in staff and training.

As a show of confidence, PRIDE Seeds awarded CANTERRA SEEDS with exclusive distribution rights for the Prairie Region in mid-2019. This was a true milestone for us and will further enhance our ability to continue our growth of this segment of the CANTERRA SEEDS business.

The canola seed business was certainly a challenge for us this year, in terms of net sales and earned margins, which is duly reflected in our net results. There are several factors contributing to this. Some in our control and some not.

These factors include trade issues, environmental considerations, a growing shift to traits not currently in our portfolio, distribution support, brand awareness, and the aggressive nature of our competitors who were determined to maintain or grow market share.

The Meridian Seeds business in the U.S. has also recorded a loss, which in-turn negatively impacts our bottom line. The environmental factors and a softening chickpea market coupled with the timing of the addition of two new salespeople all factored into the disappointing net results.

When you take into consideration the reduction in canola sales, the financial commitment we have to the LCRC program, and the Meridian Seeds results, regardless of the huge success of our corn, cereals and pulses business, we are coming out on the wrong side on our P&L statement.

Going forward, we have made significant changes with our "Go to Market" strategy which includes the decision to go direct to retail, versus the traditional pathway of using distributors for our canola business. This allows our sales team to build a better and more influential relationship with the seed retailer. This is already proving itself in terms of our early bookings.

Secondly, the decision was made to begin a rebranding strategy by partnering with a new marketing agency in early 2019. The impact of the new branding and new positioning is showing great promise, with increased awareness for both our CANTERRA SEEDS brand and our high-performing portfolio.

Expense management is always top of mind and it continues as a normal course of business, however, in addition to the strategic changes to our business which I noted, our plan also includes expense reduction, targeted at non-core functions of the business and designed to not put the company at risk.

With 2019 behind us, our attention is well and truly on 2020 and beyond. There is still crop on the ground that will need to be harvested before seeding can begin, but we all know farmers will plant their next crop in the spring of 2020. We will be doing everything in our power to assist the farmers, our seed growers and retail partners any way we can with programming, financing options and so on. Extraordinary situations require extraordinary solutions.

Thank you for your continued support of CANTERRA SEEDS. Together we will "Seed the Difference."

With best regards,

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 over 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 Certified Professional Accountant, Chartered Accountant designation from the CPA firm Ernst and 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.

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 also undertaken overseeing the CANTERRA SEEDS marketing department.

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.

SENIOR MANAGEMENT

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 operated a grain farm and seed processing and marketing plant in Darlingford, MB until 2019. They now live in Morden, 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 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.

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**

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 was a co-founder of Farms.com Ltd. and AgCareers.com, where he provided governance and guided the long-term strategic plans. After 20 years, Joe left Farms.com in March 2019. 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 Lethbridge, AB after selling the family farm in 2019. 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.

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.

BOARD OF **DIRECTORS**

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.

François Rollin

Board Member

François Rollin is currently the Strategic Marketing Director of Limagrain Field Seeds and joined the CANTERRA SEEDS Board of Directors in January 2019. He graduated with a Master's degree in Life Science from ENSH (France). Prior to joining Limagrain, François worked for 10 years for De Sangosse, an international player in the supply of crop protection products (conventional and biologicals), biocides, fertilizers and seeds, with the title of R&D, Regulatory and Governmental Affairs Director. Previously, he held positions within Monsanto in Europe and the USA, in the areas of product development for seeds and agrochemicals, seeds production and global regulatory affairs for genetically modified crops, especially corn.

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.

2019-20 **Marketing Update**

Last winter, we invested in market research to hear from our retail and farmer customers about what CANTERRA SEEDS is doing right and where we needed to improve. We took a good, hard look at the feedback they gave, what we've been doing to support our seed retailers and what changes needed to be made to help them sell more seed.

The most significant change we made was to start working with a new marketing agency, to bring a fresh perspective to what and how we're advertising. This new relationship started with us telling them two things: (1) no idea is off the table and (2) whatever idea comes to the table, it must focus on bringing the farmer to the doors of our seed retailers.

A lot more advertising

One of the most telling pieces of feedback we got from our market research was that a majority of farmers hadn't seen our marketing messages. Parallel to this, what we heard from our retailer partners was that they'd all like to see more advertising. Well, we've heard the message and we are acting upon it.

A significant advertising campaign was launched in the last quarter of 2019 in regional and local markets, with the goal of driving retail sales and building brand awareness. We have been using a combination of media channels, such as newspaper, billboards, radio and internet to do this, leveraging the unique strengths of each channel to keep CANTERRA SEEDS top-of-mind when seeding decisions are being made.

A new look, a new attitude

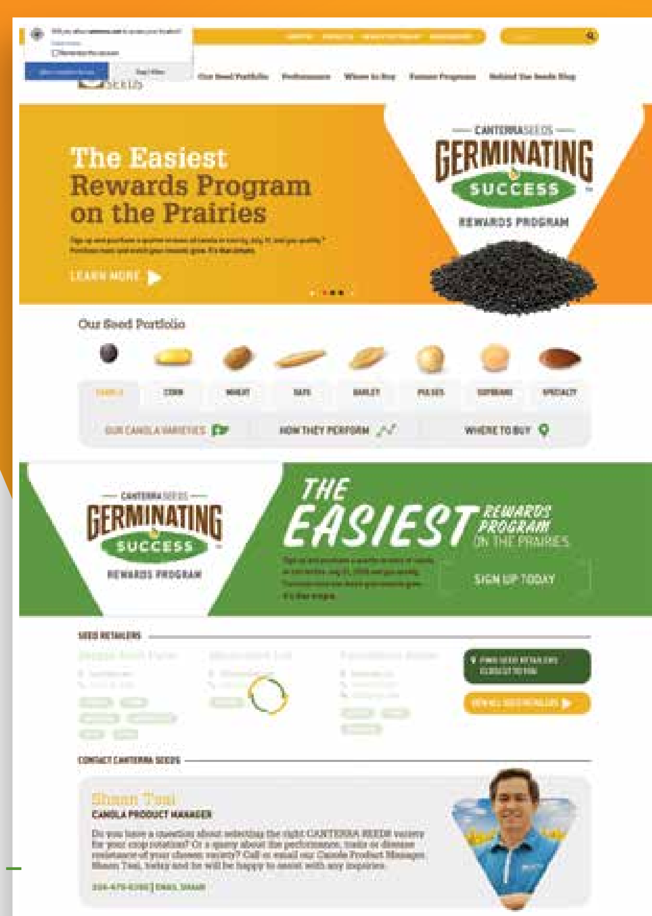
To complement our increased volume of advertising this year, we also saw an opportunity to get a little bolder with our look and what we say. We think the new look and tone of our advertising is a great reflection of the kind of company we are. We've provided a few samples of what this looks like below.

A greater focus on farmer rewards

Farmer reward programs can have a big influence on seed purchase decisions. A common complaint is the complexity of the programs, so we have gone to great lengths to make our rewards program, Germinating Success™, the easiest rewards program on the Prairies.

We're also going to great lengths to make sure as many farmers know about it as possible, taking every opportunity we have to promote the program. In addition to using the rewards program to encourage sales, it is being leveraged as our primary tool to increase our understanding of our customers so we can better match their needs with our seed.

Through our team's interactions with retailers and farmers, early indications are we are on the right path, but the work isn't done yet. The launch of this year's advertising campaign is only the start. We know there will be challenges, but we also know we have a team that will be doing everything they can to help us sell more CANTERRA SEEDS, this year and into the future.



Management's Discussion and Analysis Report

Management's **Discussion** and **Analysis Report**

REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019, as compared to the year ended September 30, 2018. 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 25, 2019 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 2019 fiscal operating results:

- Sales, gross profit and income (loss) from operations before income taxes all were reduced from the 2017/18 fiscal year.
- Sales totalled $25.9 million for the 2018/19 fiscal year which is a reduction of $5.38 million from the year ending September 30, 2018.
- Gross profit is at $5.78 million, compared to $7.34 million in 2017/18, a reduction of $1.56 million.
- The gross profit percentage reduced from 23.5% to 22.3%.
- Total corporate operating expenses, net of other revenue reduced by $0.38 million or 5.6% from the 2017/18 to the 2018/19 fiscal year.
- The loss from joint venture increased from $0.29 million in 2017/18 to $1.23 million in 2018/19.
- Overall, the Company's income from operations before income taxes reduced by $2.11 million, from income of $0.23 million in 2017/18 to a loss of $1.89 million in 2018/19.
- The provision for income taxes is positive in 2018/19 and totals to $0.52 million as the losses have been carried back and offset by income earned in prior years and set up as a deferred tax offset for income in future years. This compares to the 2017/18 fiscal year where a small tax payable of $0.05 million occurred.
- The Company recorded a net loss for the current year of $1.36 million. By comparison, in 2017/18, net income in the amount of $0.18 million was recorded. Overall net income has reduced by $1.54 million.
- Besides the reduction in equity from the loss, there were no other changes to equity on the balance sheet. There were no changes in shareholders during the twelve-month period ended September 30, 2019.
- The net loss per share for the year ended September 30, 2019 is $0.18 per share, compared to a net income of $0.03 per share in 2017/18.
- Cash and short-term investments reduced by $4.98 million from September 30, 2018 to September 30, 2019.
- Accounts receivable have reduced by $1.28 million, from $4.23 million on September 30, 2018 to a balance of $2.95 million as of September 30, 2019.
- Inventory has increased by $0.77 million, from $7.56 million as at September 30, 2018 to $8.33 million at September 30, 2019.
- Prepaid expenses have reduced by $0.95 million to a total of $1.33 million as at September 30, 2019.
- Property and equipment, along with intangible assets, have increased by $0.09 million from $1.14 million at September 30, 2018, to $1.23 million at September 30, 2019.
- Currently, the Company has income tax assets (both deferred and current receivable) totaling to $0.94 million at September 30, 2019. This is an increase of $0.56 million from the net asset position of $0.38 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. While Meridian Seeds, LLC has had very significant income results over the past few years, in 2018/19 due to very weak market conditions, Meridian Seeds recorded a substantial loss. Overall, the investment in joint ventures reduced by $1.12 million, from a balance of $2.89 million at September 30, 2018 to $1.77 million at September 30, 2019.
- Advances from related companies reduced by $0.56 million from a balance of $0.88 million at September 30, 2018 to $0.32 million at September 30, 2019.
- Accounts payable have reduced by $6.09 million, from $12.34 million as at September 30, 2018, to $6.25 million as at September 30, 2019.
- Deferred revenues have reduced from a balance of $8 thousand at September 30, 2018 to $Nil at September 30, 2019.
- The total assets of the Company have reduced significantly year to year and are currently at a total of $19.57 million on September 30, 2019. This is a reduction of $7.51 million from the $27.08 million balance on September 30, 2018.

OUTSTANDING SHARE DATA

Issued securities as of November 25, 2019:

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 2018/19 and 2017/18 fiscal periods no shares were sold out of the treasury.

Besides the share transactions from treasury, there are share transactions that are trades between outgoing and new shareholders. There were no such share transactions that took place during the twelve months ended September 30, 2019. For the twelve-month period ended September 30, 2018, there were trades between shareholders totalling to 110,359 Class A shares and 138,000 Class B preferred shares.

SELECTED FINANCIAL INFORMATION

QUARTERLY FINANCIALS

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

	2018/19 Q4	2018/19 Q3	2018/19 Q2	2018/19 Q1	2017/18 Q4	2017/18 Q3	2017/18 Q2	2017/18 Q1
Total revenue	2,249	6,418	17,072	164	3,321	4,283	20,796	2,879
Net income	(241)	(609)	1,145	(1,659)	(138)	(519)	2,038	(1,205)
Earnings per share (basic and diluted)	$ (0.03)	$ (0.08)	$ 0.15	$ (0.22)	$ (0.02)	$ (0.07)	$ 0.27	$ (0.16)

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. Most of the deliveries and sales take place in the months of March to May (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) includes 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)

	Q1	Q2	Q3	Q4	2018/19 Year	2017/18 Year	2016/17 Year
Sales	164	17,072	6,418	2,249	25,903	31,279	30,263
Gross profit	25	3,459	1,300	995	5,779	7,339	6,824
Gross profit percentage	15.0%	20.3%	20.3%	44.2%	22.3%	23.5%	22.5%
Other revenue	117	111	163	298	689	775	990
Operating, general and administrative	960	700	841	703	3,204	3,485	3,582
Loss (income) from joint venture	387	403	340	96	1,226	294	209
Depreciation and amortization	62	60	53	61	236	305	237
Salaries, wages and benefits	881	934	906	967	3,688	3,803	3,687
Interest	--	--	2	--	2	1	1
Income (loss) from operations before taxes	(2,148)	1,473	(679)	(534)	(1,888)	226	98
Income tax recovery (expense)	489	(328)	70	293	524	(50)	282
Income and comprehensive income	(1,659)	1,145	(609)	(241)	(1,364)	176	380
Total assets	27,722	28,802	22,529	19,573	19,573	27,076	23,528
Long-term liabilities	--	--	--	--	--	--	--
Earnings per share-basic and diluted	$ (0.22)	$ 0.15	$ (0.08)	$ (0.03)	$ (0.18)	0.02	0.05

SALES AND GROSS PROFIT

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

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 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 reduced by $5.38 million or 17%, from $31.28 million in 2017/18 to $25.90 million in 2018/19. In order to describe the detail of this variance, we will break down the sales into the various sales categories described above.

Canola sales makes up all of the reduction for the year. Canola sales reduced for the following reasons:

- Due to market conditions, including the decision by China to not allow imports of Canadian canola, the acres planted to canola were reduced from the prior year.
- Due to a number of factors, including a trend for farmers to move to straight-cut varieties and an aggressive campaign to keep or increase market share after mergers, the share of canola acreage planted to Roundup Ready® and Clearfield® traits reduced as compared to LibertyLink® acres. CANTERRA SEEDS only sells varieties with Roundup Ready® and Clearfield® traits.
- Therefore, while CANTERRA SEEDS market share was similar to the past year in the acreage seeded to Roundup Ready® and Clearfield® varieties, the market shifts caused a significant reduction in sales for the Company.

For soybeans, consecutive years of tough environmental conditions has created a significantly reduced acreage seeded in Western Canada. Due to this reason, CANTERRA SEEDS sales of soybean products reduced from 2018 to 2019.

For corn products, both the acreage seeded to that crop as well as CANTERRA SEEDS market share continues to grow. Since CANTERRA SEEDS became a distributor of the PRIDE Seeds brand corn in 2016, sales have increased every year. In 2019, there is a 24% increase in sales.

For pedigreed seed, CANTERRA SEEDS had the best year of sales and margins in its history. The Company increased its sales by more than 32% from 2017/18 and continues to have some of the market leading varieties of wheat, oats, barley and peas seeded in Western Canada.

The overall reduction in sales described above also caused gross profit to reduce. It is lower by $1.56 million, from $7.34 million in 2017/18 to $5.78 million in 2018/19. There was a reduction in gross profit as a percentage of sales, from 23.5% for the year ended September 30, 2018, to 22.3% for the year ended September 30, 2019. While the margin percentage improved for the pedigreed side of the business, margins were reduced in the canola, corn and soybean sectors due to market conditions.

OTHER REVENUE

Other revenues total to $0.69 million in 2018/19, which is a $0.09 million reduction from the $0.78 million recorded in 2017/18. This reduction is mainly due to a reduction in the SRED support payments year to year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

Operating, general and administrative expenses have reduced by $0.28 million or 8.0%, from $3.48 million for the year ended September 30, 2018, to $3.2 million for the year ended September 30, 2019.

This reduction is due to a general reduction of expenditures that occurred to offset the lower sales and margins described earlier.

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 $1.23 million in 2018/19 compared to a loss of $0.29 million for the 2017/18 fiscal period, an increase of $0.94 million.

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 2018/19 fiscal period than it did during 2017/18, causing CANTERRA SEEDS to incur a loss that increased by $0.16 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.

For the Meridian Seeds entity, they were able to achieve significant profits during the 2017 and 2018 fiscal years. Due to poor market conditions, particularly in the crop types that Meridian Seeds focuses on, the entity was unable to keep this sales momentum going in 2019. Instead, it recorded a significant loss during the year, and this has caused an equity loss of $0.39 million in 2019. This compares to an equity income of $0.39 million in 2018. Overall, the equity pick-up from Meridian Seeds, LLC was lower by $0.78 million for the year ended September 30, 2019 than it was for the same period in 2018.

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expenses have reduced by $69 thousand, or 22.7%. In 2018, the Company wrote down a number of assets that were no longer being used by the Company. This increased the amortization and depreciation for that particular year. In addition, it lowered the expenses for 2019. There have also not been significant capital additions so this expense has reduced.

SALARIES, WAGES AND BENEFITS

Salaries, wages and benefit expenses have reduced by 3%, or $0.11 million, from $3.8 million for the year ended September 30, 2018, to $3.69 million for the year ended September 30, 2019.

Again, due to lower sales and margins a decision was made to reduce overall operating expenses including salaries, wages and benefits. Some positions were not replaced when the incumbent left the organization.

INTEREST

These expenses did not change year to year.

INCOME TAX EXPENSE

This has changed basically because for the 2017/18 year there was income before tax, and therefore a tax payable, and for the 2018/19 year there was a loss before tax. This loss has been carried back against years where tax was paid and has created a reimbursement of taxes paid in earlier years while also being set up as an asset to reduce future years taxes.

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.

Other revenue is recorded as it is incurred. In 2018/19, 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 quite 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. Some incentive-based payments are accrued for year-end based on sales staff meeting sales targets.

Overall, the Company recorded a per-share loss of $0.18 for 2018/19, which is a reduction of $0.21 from the $0.03 per-share recorded for 2017/18. For the 2018/19 year, most of the sales for canola, corn and soybeans were focused in Q2 from January 1, 2019, to March 31, 2019. This has created a quarterly result where the Company made $0.15 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 increased by $1.12 million from September 30, 2018, to September 30, 2019.

In total, the Company used cash for operating activities of the Company in the amount of $5.11 million. CANTERRA SEEDS had a net loss for the year of $1.36 million. There were, however, a number of significant non-cash expenses so after these were added back there was a cash loss from income totaling to $0.35 million.

Accounts payable and accrued liabilities have reduced by $6.09 million from the prior year, due mainly to the timing of payments year to year.

Also, higher inventory due mainly to the lower canola sales used an additional $0.77 million of cash.

This increased inventory was directly offset by a reduction in prepaid expenses, particularly prepaid deposits for new canola inventory. This added an additional $0.95 million in cash.

In addition, accounts receivable was reduced by $1.28 million, also offsetting the reduction in cash discussed above.

Finally, there was a transfer from an income taxes payable to an income taxes receivable which reduced cash by a further $0.11 million.

During the year, CANTERRA SEEDS provided an amount totalling to $6.23 million for investing activities. In 2018/19, the Company was provided cash from the sale of some of its short-term investments which added $6.11 million of cash. In addition, the Company reduced the amount owing from inter-company by $0.56 million. There were two offsets, however, as firstly $0.33 million was used for the acquisition of additional property, equipment and rights fees during the year. Secondly, the Company contributed an additional $0.11 million in capital costs to its long-term investments.

In summary, there was a relatively small cash loss from operations in 2018/19 after adding back the non-cash expenses. Accounts payable were paid back earlier than they were in 2017/18 and this was financed by a reduction in short-term investments.

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 70% 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 in the late fall, 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 on very specific occasions over the last five years and will continue to only access this line if by doing so more profitability will be added to the Company. Due to its low capital base, CANTERRA SEEDS continues to have 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, 2019, 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 despite the poor result for the 2018/19 fiscal year, 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

For the long-term, the best way to analyze the seed sales at CANTERRA SEEDS is to break them down into their three methods: (1) canola sales where CANTERRA SEEDS acts as the manufacturer and processor and sells the product in a Company branded bag, (2) the corn and soybean sales where CANTERRA SEEDS sells PRIDE Seeds brand products to western Canadian retailers and (3) pedigreed sales where the products are owned and distributed by CANTERRA SEEDS licensees and the Company takes a portion of the sale for the grower's right to produce and sell the varieties.

With canola, the Company will continue to focus on the critical success factors for the product as follows:

- The Company will continue to introduce "leading-edge" canola hybrids into the market. The Company has decided to partner with several of the top canola breeders in Western Canada. This ensures that only hybrids that meet or exceed the market standard are introduced. CANTERRA SEEDS is currently selling varieties that match up to any in the market, whether that be clubroot, straight-cut, Clearfield®, or other features.

- Secondly, the Company will continue to distribute 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. These quality products are available for sale this spring.

- Thirdly, there is always the risk of inventory obsolescence with canola. 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 lifecycle that keep these risks to a minimum.

- In particular, after a year of reduced sales and increased inventory it is critical that the Company is vigilant in working through its stock of canola inventory in a well-managed way. This will ensure that products are distributed and sold when they meet the quality standards of the industry and when they can be sold competitively in the marketplace. CANTERRA SEEDS has reviewed its inventory stock and it continues to more than meet the industry's quality standards while still being more than competitive in third-party trials performed throughout Western Canada.

- 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, the Company has made a decision to distribute its canola product directly with independent retails throughout Western Canada. CANTERRA SEEDS canola will continue to be available for purchase anywhere in the Prairies.

With the corn and soybean business, CANTERRA SEEDS is now the exclusive western Canadian partner for the PRIDE Seeds brand which is part of AgReliant, one of the top breeders and retailers of corn and soybean products in North America. This will mean a significant increase in sales and margins for these crop types for the 2019/20 fiscal period as well as into the future.

In addition, CANTERRA SEEDS anticipates 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:

- PRIDE Seeds and AgReliant are committed to strong breeding results and high-quality controls to ensure that only the top varieties are distributed in Western Canada.
- CANTERRA SEEDS brings its extensive seed distribution network into this relationship, which ensures that these products are available to growers throughout the Prairie provinces.

As mentioned, for the pedigreed seed business, CANTERRA SEEDS has just completed a record year of sales and earnings for the 2018/19 fiscal year. Long term, the Company will focus on the critical success factors of the business as follows:

- CANTERRA SEEDS will continue to access leading edge varieties by focusing on the following. Firstly, CANTERRA SEEDS has been very successful at acquiring some of the top varieties that were available from public breeding entities like Agriculture and Agri-Food Canada, the Crop Development Centre and the University of Alberta. Secondly, as mentioned earlier in the report, the Company is a 30% partner with Limagrain, one of the world's largest and most innovative field seed companies, in a cereal breeding venture named Limagrain Cereal Research Canada (LCRC). This entity has now registered its first two wheat products and CANTERRA SEEDS has the first right to the varieties that are released out of this program.
- On the distribution side for pedigreed seed, CANTERRA SEEDS ensures that it partners with the premier seed growers in Western Canada. Currently, the Company has 185 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.

With the affiliated companies results, it is anticipated that LCRC will begin to start earning royalty revenue during the 2019/20 fiscal year and this will build over time. It is also anticipated that a model will be passed in Canada that will enable LCRC to receive royalties on all acreage seeded with its varieties in the coming years. This will occur while operating expenses are kept fairly stable. Over the next few years, it is anticipated that this loss on investment will reduce and will become income as LCRC continues to expand its market share.

For Meridian Seeds, they focus heavily on their critical success factors which is superior products, strong production and retail partners, along with an experience and well-trained staff. While 2018/19 has been a down year, the Company has great products, top-notch staff and excellent markets, and is in a great position to reverse this trend and create additional investment income for CANTERRA SEEDS over the next few years.

For net operating expenses, while CANTERRA SEEDS was able to reduce these significantly in 2018/19, the Company plans to reduce these again for the 2019/20. The focus will be to ensure that all expenses are focused to ensure a successful return on investment.

With all of these factors, it is anticipated that CANTERRA SEEDS will have significantly improved financial results for the 2019/20 fiscal and future years.

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 LCRC. The amount owing at September 30, 2018 was repaid in the first two months of the 2018/19 fiscal year. There are no balances owing at September 30, 2019.

CORPORATE GOVERNANCE

CANTERRA SEEDS has developed a corporate infrastructure to support the expanding business 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 ten members, all of which are non-management. One of the Directors is not a seed grower shareholder but has significant business experience and influence 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 four 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 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 25, 2019

David Hansen
Chief Executive Officer

Gerry Cantin
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canterra Seeds Holdings Ltd.:

Opinion

We have audited the consolidated financial statements of Canterra Seeds Holdings Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and September 30, 2018, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

The engagement partner on the audit resulting in this independent auditor's report is Matt Pilloud.

Winnipeg, Manitoba
November 25, 2019

MNP LLP

Chartered Professional Accountants

CONSOLIDATED FINANCIAL STATEMENTS

AUDITED BY MNP LLP

CANTERRA SEEDS HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30

	September 30, 2019	September 30, 2018
ASSETS		
Current assets		
Cash	$2,211,257	$1,088,297
Investments *(note 5)*	481,284	6,588,842
Accounts receivable	2,954,837	4,231,208
Inventory *(note 6)*	8,331,608	7,560,873
Income tax receivable	77,893	-
Prepaid expenses and deposits	1,331,593	2,282,827
	15,388,472	21,752,047
Property and equipment *(note 7)*	609,591	513,845
Intangible assets *(note 8)*	621,003	626,649
Deferred tax asset *(note 20)*	863,271	416,636
Long-term equity investments *(note 13)*	1,771,647	2,889,614
Advances to related companies *(note 9)*	319,495	877,412
	19,573,479	27,076,203
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	6,253,100	12,348,090
Deferred revenue	-	8,000
Income taxes payable	-	36,086
	6,253,100	12,392,176
Shareholders' equity		
Share capital *(note 12)*	12,577,828	12,577,828
Retained earnings	723,828	2,087,476
Contributed surplus	18,723	18,723
	13,320,379	14,684,027
	19,573,479	27,076,203

Commitments *(note 16)*

See accompanying notes to the consolidated financial statements.

Lloyd Affleck
Chairman of the Board

James M. Wilson

Jim Wilson
Vice-Chairman

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended September 30

	2019	2018
Sales	$25,902,820	$31,279,021
Cost of sales *(note 6)*	20,123,349	23,939,548
Gross profit	5,779,471	7,339,473
Other revenue *(note 14)*	689,109	774,761
Profit before other expense items	6,468,580	8,114,234
Operating, general and administrative	3,203,926	3,484,729
Loss from long-term equity investments *(note 13)*	1,226,386	293,588
Depreciation	236,165	305,510
Salaries, wages, and benefits	3,687,962	3,803,547
Interest	1,597	1,002
	8,356,036	7,888,376
Income (loss) from operations before income taxes	(1,887,456)	225,858
(Provision for) recovery of income taxes *(note 20)*:		
Current	77,173	(45,115)
Deferred	446,635	(4,752)
	523,808	(49,867)
Net income (loss) and comprehensive income (loss)	(1,363,648)	175,991
Earnings (loss) per share		
Basic and fully diluted *(note 15)*	(0.18)	0.02

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As at September 30

	Share capital	Contributed surplus	Retained earnings	Total
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
Comprehensive income (loss)	-	-	(1,363,648)	$(1,363,648)
Balance, September 30, 2019	$12,577,828	$18,723	$723,828	$13,320,379

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended September 30

	2019	2018
Cash provided by (used for) the following activities:		
Operating activities:		
Net income (loss)	$(1,363,648)	$175,991
Depreciation of property and equipment	128,394	159,590
Depreciation of intangible assets	107,771	145,920
Loss from long-term equity investments	1,226,386	293,588
Deferred income taxes	(446,635)	4,752
	(347,732)	779,841
Changes in working capital accounts		
Accounts receivable	1,276,371	(1,330,932)
Income taxes receivable/payable	(113,979)	47,209
Inventory	(770,735)	(2,403,117)
Prepaid expenses and deposits	951,234	1,463,881
Accounts payable and accrued liabilities	(6,094,990)	3,327,670
Deferred revenue	(8,000)	8,000
	(5,107,831)	1,892,552
Investing activities		
Repayment of (advances to) related companies	557,917	(645,444)
Contributions to long- term equity investments	(108,419)	(65,971)
Purchase of property and equipment	(224,140)	(42,197)
Purchase of intangible assets	(102,125)	(136,625)
(Purchase) sale of investments	6,107,558	(1,163,476)
	6,230,791	(2,053,713)
Increase (decrease) in cash	1,122,960	(161,161)
Cash, beginning of year	1,088,297	1,249,458
Cash, end of year	2,211,257	1,088,297

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended September 30, 2019 and 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 25, 2019.

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 IFRS 9 - Financial Instruments, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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's seed revenue transactions consist of a single performance obligation to transfer promised goods. The Company recognizes revenue when it has fulfilled a performance obligation, which is typically when the seed is shipped from the facility. In accordance with IFRS 15, the Company follows a policy of recognizing sales revenue at the time of delivery of the product and when all the following have occurred: a sales agreement is in place, title and risk of loss have passed, pricing is fixed or determinable, and collection is reasonably assured.

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 by the grower. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 dollars 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 subject to significant influence 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.

The allowance for doubtful accounts is estimated using the expected credit loss model as detailed in the financial instruments section of Note 3.

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 judgement 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 judgement 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 judgements, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS

Financial instruments are accounted for, presented, and disclosed in accordance with IFRS 9 - *Financial Instruments*. Upon initial recognition, all financial assets and liabilities are measured at fair value, except for trade receivables that do not contain a significant financing component, which are measured at the transaction price. As a practical expedient, IFRS 15 - *Revenue from Contracts with Customers* permits entities to presume that a trade receivable does not have a significant financing component if the expected term is less than one year.

The measurement amount at initial recognition of a financial asset or financial liability that is not classified as fair value through profit or loss ("FVTPL") is adjusted by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Transaction costs directly attributable to the acquisition of a financial asset or financial liability that is measured at FVTPL is recognized immediately in profit or loss. Trade receivables that do not have a significant financing component are measured at their transaction price.

Financial Assets

Financial assets are classified and measured based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification of the financial asset is determined at the time of initial recognition and is based on the nature and purpose of the financial asset. Subsequent to initial recognition, financial assets are measured based on (i) amortized cost, (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) fair value through profit or loss ("FVTPL").

A summary of the three classifications is as follows:

Classification	Definition	Measurement
Amortized cost	A financial asset is classified and measured at amortized cost if it is held by the Company with the objective to collect the contractual cash flows from the asset and if the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	After initial recognition, the financial asset is measured at amortized cost using the effective interest rate method, except for a trade receivable without a significant financing component, which is measured at its transaction price. Interest income is recognized using the effective interest rate method.
Fair value through other comprehensive income ("FVTOCI")-	A financial asset is classified and measured at FVTOCI when its objective is achieved by both collecting contractual cash flows and by selling the financial asset, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	After initial recognition, changes in the fair value of the financial assets are recognized in other comprehensive income. Interest income is calculated using the effective interest rate method and impairment gains and losses are recognized immediately in profit and loss.
Fair value through profit or loss ("FVTPL")	A financial asset is classified as measured at FVTPL when it does not qualify for classification and measurement at amortized cost or FVTOCI.	After initial recognition, the financial asset is measured at fair value, with changes in value recognized through profit and loss.

The Company's financial assets are, as follows:

Financial Assets	Classification and Measurement
Cash	Fair value through profit and loss
Accounts receivable	Amortized cost
Investments	Fair value through profit and loss
Advances to related parties	Amortized cost

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Any gain or loss on derecognition is recognized through profit and loss and any fair value changes previously recognized through other comprehensive income are recycled to profit and loss.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset is impaired. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company applies the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance on all trade receivables. To measure the ECL, trade receivables have been grouped based on shared risk characteristics and the days past due. As at September 30, 2019 and 2018, ECL were not significant.

FINANCIAL LIABILITIES

Debt and equity instruments are accounted for as financial liabilities or as equity based on the substance of the contractual obligation and the definitions of a financial liability and an equity instrument. Financial liabilities are classified and measured as either amortized cost or FVTPL. A summary of the two classifications is, as follows:

Classification	Definition	Measurement
Fair value through profit or loss ("FVTPL")	A financial liability is classified and measured as FVTPL when it is designated as FVTPL as discussed below, or when it is held for trading. A financial liability may be designated as FVTPL when (i) such designation eliminates or significantly reduces an accounting mismatch in the treatment of related or associated financial assets and financial liabilities. (H) a contract contains one or more embedded derivatives, or (HI) a group of financial liabilities, or a combination of financial assets and liabilities, is managed with its performance evaluated on a fair value basis. A financial liability is considered to be held for trading if the financial liability has been acquired primarily for the purpose of repurchasing it in the near term; or, if on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or, if it is a derivative that is not designated and effective as a hedging instrument.	After initial recognition, the financial liability is measured at fair value, with changes in value recognized through profit and loss.
Amortized cost	All other liabilities	After initial recognition, the financial liability is measured at amortized cost using the effective interest method. Interest expense is calculated using the effective interest rate method.

The Company's financial liabilities are as follows:

Financial Liability	Classification and Measurement
Accounts payable and accrued liabilities	Amortized cost

The Company derecognizes a financial liability when, and only when, the Company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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) 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. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted the following new accounting standards effective October 1, 2018:

Financial Instruments IFRS 9

Financial Instruments ("IFRS 9") which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. Effective October 1, 2018, the Company adopted IFRS 9 using the modified retrospective approach and this adoption did not have a material impact on the Company's financial statements.

As at October 1, 2018, the measurement category of the Company's financial instruments comparing IAS 39 to IFRS 9 are as follows, with no transitional adjustments required:

Financial	IAS 39 Classification	IFRS 9 Classification
Cash	Fair value through profit and loss	Fair value through profit and loss
Accounts receivable	Amortized cost	Amortized cost
Investments	Fair value through profit and loss	Fair value through profit and loss
Advances to related companies	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Revenue from Contracts with Customers IFRS 15

Revenue from contracts with customers supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

Under IFRS 15, revenue from the sale of seeds is generally recognized at a point in time when the seed is shipped. Deposits on contracts are recorded in prepaid expenses and deposits. Payment is typically due prior to shipment and is recognized into revenue upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon shipment to the customer, the timing of which is consistent with the Company's previous revenue recognition policy under IAS 18.

Under IFRS 15 revenue from tech fees are generally recognized at a point in time after the sale, when they have been reported to the Company. This is after the delivery has taken place. Sales of Registered and Certified seed are reported by Shareholders in July with payment due July 31st. Once tech fees are reported, the amount owing based on the tech fee rate is invoiced out to the shareholders. The timing of revenue being recognized is consistent with the Company's previous revenue recognition policy under IAS 18.

Under IFRS 15 revenue from stock seed sales are generally recognized at a point in time after the seed has shipped, once the sale has been reported to the Company. This is after the delivery has taken place. Stock seed sales are between shareholders and information on final weights is provided to the Company after the transaction has occurred. The company then invoices the purchaser of the stock seed and creates a payable to the seller. Revenue on the margin earned is then recorded. The Company satisfies its performance obligation as the seed has already been delivered to the end user. The timing of revenue being recognized is consistent with the Company's previous revenue recognition policy under IAS 18.

Incremental costs to obtain a contract with a customer are capitalized if the Company expects to recover those costs and are amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company had no capitalized incremental costs of obtaining a customer contract on adoption of IFRS 15 or as at September 30, 2019.

Effective October 1, 2018, the Company adopted IFRS 15 using the modified retrospective method and this adoption had no impact on the Company's financial statements or the timing of revenue recognition policies.

5. INVESTMENTS

The Company has investments comprised of a deposit in a investment, money market savings account, managed fund and guaranteed investments certificates which have maturities within one year bearing an interest rate of 1.8% (2018 – 1.8%) per annum.

	2019	2018
	$	$
Fair value	481,284	6,588,842

6. INVENTORY

	2019	2018
	$	$
Finished goods	2,672,688	3,886,553
Raw materials	5,658,920	3,674,320
	8,331,608	7,560,873

The cost of inventories recognized as an expense and included in cost of sales amounted to $5,675,248 (2018 - $7,544,407). Previous write-downs of $0 (2018 - $55,844) were reversed during the period.

7. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Website, furniture and fixtures	R&D plot equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
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
Additions	7,041	153,510	19,071	5,344	39,174	224,140
Disposals	-	-	-	-	-	-
Balance, September 30, 2019	**170,414**	**411,530**	**170,792**	**396,042**	**206,011**	**1,354,789**
Depreciation						
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
Depreciation	29,494	29,487	18,187	34,508	16,718	128,394
Disposals	-	-	-	-	-	-
Balance, September 30, 2019	**101,948**	**187,926**	**94,491**	**267,664**	**93,169**	**745,198**
Net book value						
At September 30, 2018	**90,919**	**99,581**	**75,417**	**157,542**	**90,386**	**513,845**
At September 30, 2019	**68,466**	**223,604**	**76,301**	**128,378**	**112,842**	**609,591**

8. 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, 2017	1,925,429
Additions	136,625
Disposals	(5,000)
Balance, September 30, 2018	**2,057,054**
Additions	102,125
Disposals	-
Balance, September 30, 2019	**2,159,179**
Depreciation	
Balance, September 30, 2017	1,287,430
Depreciation	145,920
Disposals	(2,945)
Balance, September 30, 2018	**1,430,405**
Depreciation	107,771
Disposals	--
Balance, September 30, 2019	**1,538,176**
Net book value	
At September 30, 2018	626,649
At September 30, 2019	**621,003**

9. ADVANCES TO RELATED COMPANIES

	2019	2018
	$	**$**
Meridian Seeds, LLC	**319,495**	877,412

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

10. GOVERNMENT ASSISTANCE

During the year, the Company filed Canadian federal and provincial income tax returns for the 2018 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 2019 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 $70,085 (2018 - $168,019) and a reduction of the cost of equipment of $nil (2018 - $nil). In the normal course of SR&ED expense claims the Company is subject to reviews by federal and provincial government authorities.

11. DEMAND FACILITY

The Company has available to it a revolving demand facility available to finance inventory and accounts receivable 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, 2019, the Company was in compliance with the covenants specified in the agreement.

As at September 30, 2019, the Company had not drawn against the revolving demand facility (2018 – $nil).

12. SHARE CAPITAL

	2019	2018
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 (2018 – 7,551,147)	**$12,109,827**	$12,109,827
2,118,000 class B shares (2018 – 2,118,000)	**$468,001**	468,001
	$12,577,828	$12,577,828

13. 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:

	2019	2018
	$CAD	**$CAD**
Current assets	**1,974,159**	3,420,823
Long-term assets	**307,468**	316,038
Current liabilities	**70,037**	127,368
Revenues	**2,902,195**	9,085,708
Expenses	**3,744,187**	7,982,112
Net income (loss)	**(841,992)**	1,103,596
Cash provided (used in) by operating activities	**(653,994)**	797,946
Cash provided (used in) investing and financing activities	**471,402**	(60,945)

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

	2019	2018
	$	**$**
Investment in joint venture	926,813	1,203,856

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:

	2019	2018
	$	**$**
Current assets	**926,707**	3,770,204
Long-term assets	**2,066,603**	1,773,185
Current liabilities	**149,249**	175,584
Revenues	**39,916**	65,730
Expenses	**2,842,995**	2,329,769
Net loss	**(2,803,079)**	(2,264,039)
Cash used in operating activities	**(2,769,888)**	(2,018,244)
Cash provided (used in) investing and financing activities	**2,593,682**	(196,901)

Limagrain Cereals Research Canada is a 30% interest.

	2019	2018
	$	**$**
Investment in partnership	844,834	1,685,758

14. OTHER REVENUE

	2019	2018
	$	$
Interest	129,339	125,729
Contract services and program payments	247,110	216,982
Other	242,575	264,031
Scientific research and development tax credits *(Note 10)*	70,085	168,019
	689,109	774,761

15. EARNINGS PER SHARE

The basic and diluted earnings (loss) per share has been calculated based upon the weighted average number of shares outstanding during the period ended September 30, 2019 of 7,551,147 (2018 – 7,551,147). Diluted earnings (loss) per share equals basic earnings (loss) per share as there are no dilutive instruments.

16. COMMITMENTS

The Company has entered into an agreement to lease its premises to June 2021 and to lease vehicles and equipment to June 2020 with estimated minimum annual payments as follows:

Not later than one year	374,705
Later than one year not later than five years	390,198

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.

17. 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, 2019, 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, 2019, the Company has $481,284 comprised of a deposit in an investment, money market savings account, managed funds and guaranteed investment certificates. 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 $4,813.

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.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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:

	2019	2018
	$	$
31-60 days	279,823	86,319
61-90 days	130,355	75,868
More than 90 days	615,138	761,247
	1,025,316	923,434

A reconciliation of the allowance for doubtful accounts is as follows:

	2019	2018
	$	$
Balance, beginning of year	-	-
Amount charged to bad debt expense	32,994	-
Balance, end of year	32,994	-

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:

	2019	2018
	CAD$	CAD$
Cash	57,009	82,033
Accounts receivable	-	8,381
Accounts payable	149,861	92,919

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, 2019.

A 1% increase/decrease in United States dollar foreign exchange rates would result in a corresponding decrease/increase in net income of approximately $925.

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 its 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* – Investments are presented at fair value based on a level 1 classification.
- 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*. – The Company has no financial instruments classified as level 2.
- 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	6,253,100	6,253,100	-	-
Total	6,253,100	6,253,100	-	-

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 11 to assist with any temporary working capital shortfalls.

18. 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, 2019, the subsidiary Company must have an effective Tangible Net Worth not less than $9,000,000. As of September 30, 2019, this requirement was met. As at September 30, 2019, 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.

19. RELATED PARTY TRANSACTIONS

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

	2019	2018
	$	$
Revenue	7,707,827	5,416,207
Expenses	4,608,772	3,269,973

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, 2019, accounts receivables includes $nil (2018 – $nil) from directors and officers, and $305,817 (2017 – $433,114) from shareholders.

Accounts payable and accrued liabilities include $128,603 (2018 – $241,557) payable to shareholders.

During the year, employee future benefits recorded as an expense amounted to $106,024 (2018- $101,842).

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:

	2019	2018
	$	$
Salary and short-term benefits	1,307,047	1,601,719
Post-employment benefits	78,117	83,683
	1,385,164	1,685,402

During the year payments for Board and Shareholder meetings totaled $27,779 (2018 - $47,868).

20. INCOME TAXES

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

	2019	2018
	$	$
Current tax expense (recovery)	(77,173)	45,115
Current tax expense (recovery)	(77,173)	45,115
Deferred tax expense (recovery) relating to origination and reversal of temporary differences	(446,635)	4,752
Deferred tax expense (recovery)	(446,635)	4,752
Income tax expense (recovery)	(523,808)	49,867

Income tax expense (recovery) differs from the amount computed by applying the combined expected Canadian Federal and Provincial tax rate of 27% (27% in 2018) to income before income taxes. The reasons for the difference are as follows:

	2019	2018
	$	$
Computed income tax expense (recovery)	(476,604)	60,982
Income tax rate differentials of foreign investees	32,382	(32,334)
Permanent differences	(27,441)	34,757
Temporary differences	447,209	(64,147)
Small business deduction	-	(12,536)
Other items	(52,719)	58,393
Actual tax expense	(77,173)	45,115

The Company's deferred tax assets are as follows:

	2019	2018
	$	$
Property and equipment	(88,280)	(44,508)
Intangible assets	68,330	75,277
Unused tax losses	394,456	-
ITC carryforwards	422,457	329,496
Other items	66,308	56,371
	863,271	416,636

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

	2019	2018
	$	$
Property and equipment	43,772	7,533
Intangible assets	6,947	8,947
Unused tax losses	(394,456)	66,071
ITC carryforwards	(92,961)	(35,234)
Other items	(9,937)	(42,565)
	(446,635)	4,752

21. CONTINGENCIES

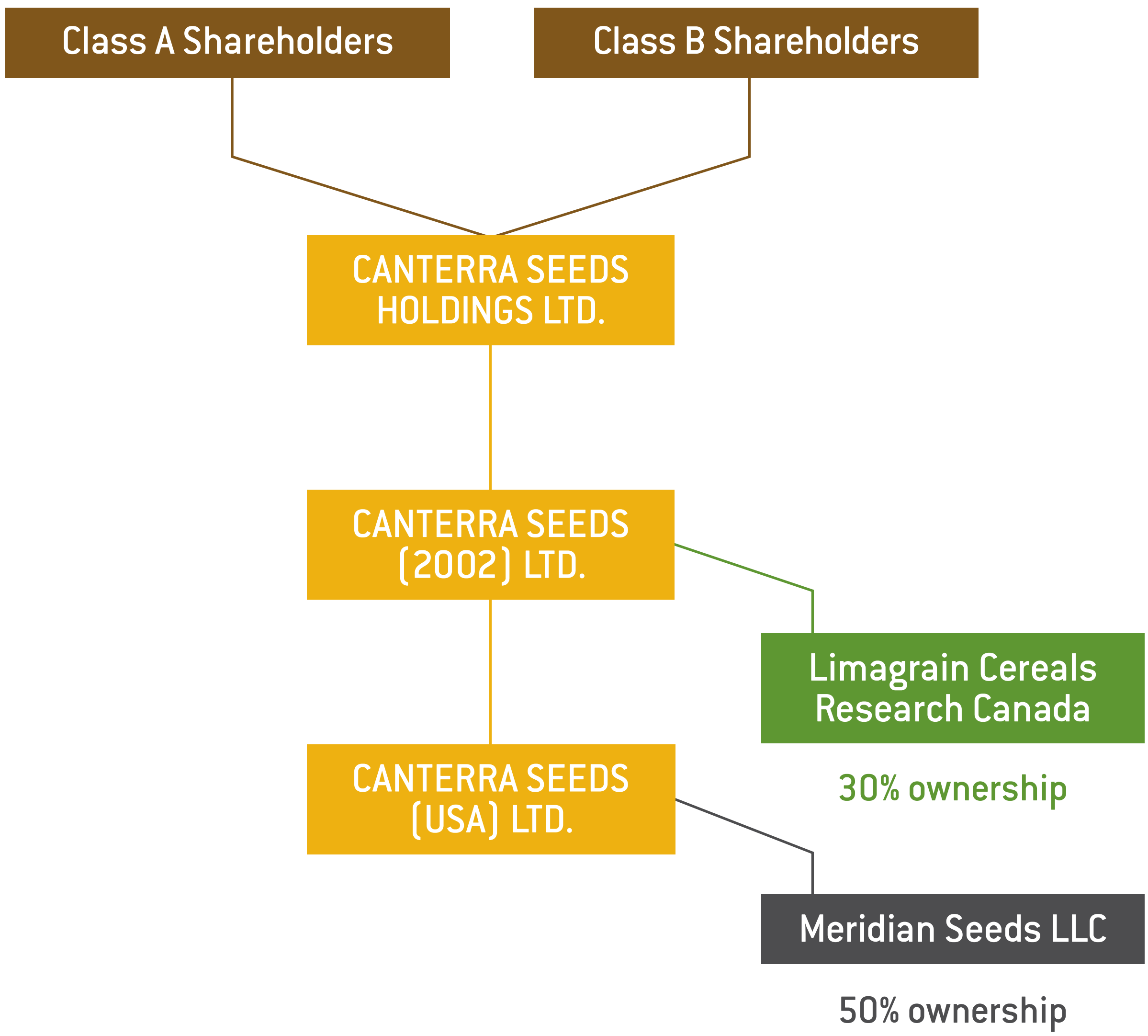
The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

22. COMPARATIVE FIGURES

Advances to related companies and contributions to long-term equity investments were presented in financing activities in the consolidated statement of cash flows for the year ended September 30, 2018.

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.



NOTES

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CANTERRA SEEDS

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