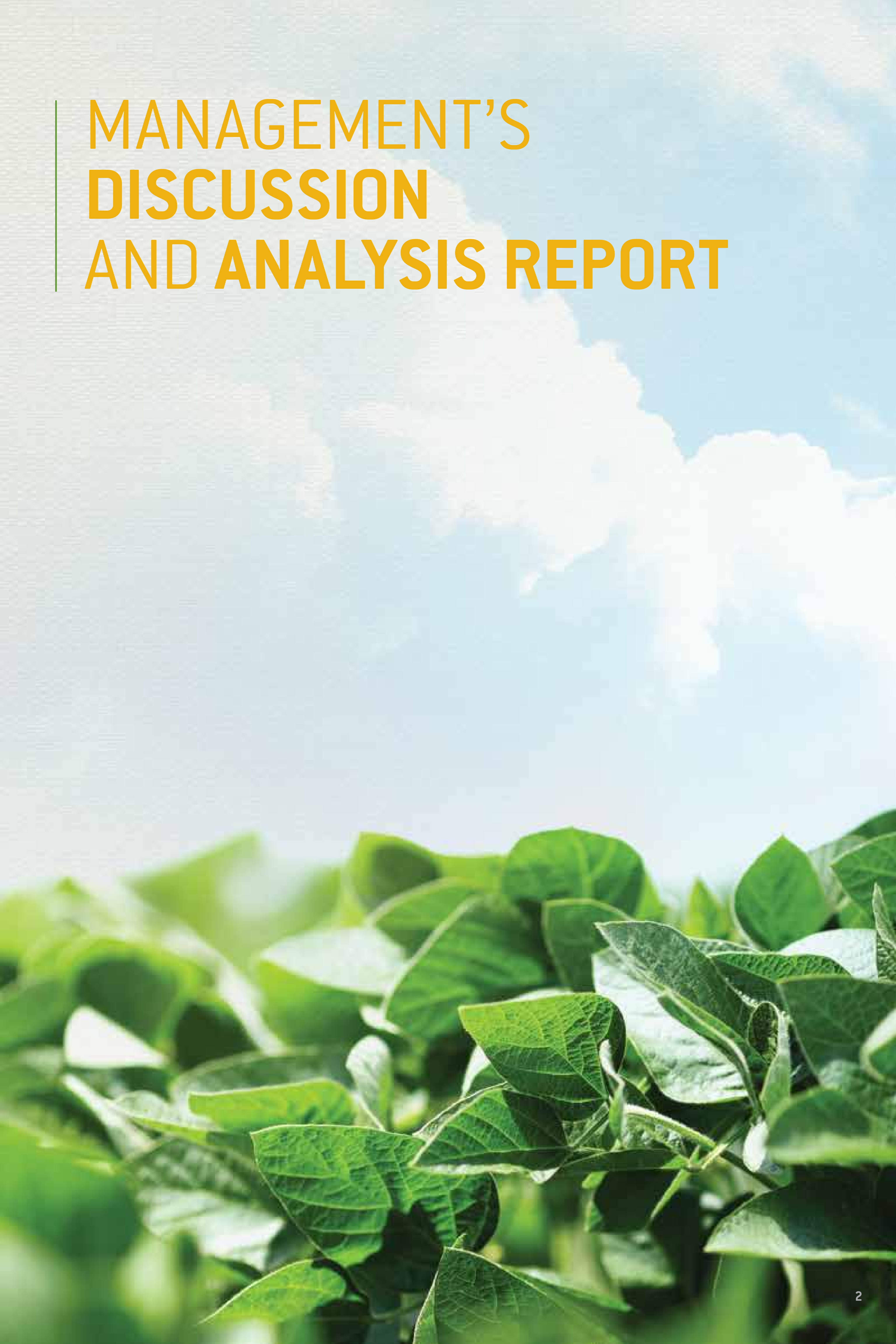
CANTERRA
SEEDS

FARMERS DESERVE THE BEST

QUARTERLY REPORT

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2019

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



CANTERRA SEEDS HOLDINGS LTD.

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

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2019

CANTERRA SEEDS HOLDINGS LTD. (the Company) is a recognized leader in the pedigreed seed industry. Headquartered at 201-1475 Chevrier Boulevard in Winnipeg, Manitoba, the Company is committed to delivering high quality seed to its customers throughout Western Canada. The consolidated financial statements of the Company that follow are as at and for the six months ended March 31, 2019.

CANTERRA SEEDS reports a net loss for the six months ended March 31, 2019 of $513,972. This compares to the March 31, 2018 results where the Company recorded income of $832,878 for the same six-month period, a reduction of $1,346,850 for the year to-date. For the three-month quarter ended March 31, 2019 the Company reports net income of $1,144,979. This income is $892,946 lower than the net income of $2,037,925 recorded for the three-month period ended March 31, 2018.

1. Introduction

The following Management's Discussion and Analysis (MD&A) provides information which is supplementary to the CANTERRA SEEDS HOLDINGS LTD. results of operations and financial position. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes to the financial statements for the six-month period ending March 31, 2019. The financial data in this report and in the financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

All amounts reported both in the MD&A and in the consolidated financial statements are in Canadian currency and the consolidated financial statements were authorized for issue by the Company's Audit Committee and Board of Directors on May 24, 2019.

2. Forward-Looking Information

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

3. Results of Operations – Six Months Ended March 31

Sales and Gross Profit

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

Sales are lower by $6.44 million or 27%, from $23.67 million in 2017/18 to $17.23 million in 2018/19. This reduction is due to a combination of the following reasons:

- Environmental conditions caused both the decision on which crop types to seed, as well as the deliveries of products shipped to customers to be slower than during the previous year.
- In addition, orders for canola are lower than the prior year due to a reduction in the anticipated acreage being seeded to that product in 2019, along with a significant shift of the market to LibertyLink product in 2019, as compared to the Roundup Ready and Clearfield products that are marketed by CANTERRA SEEDS.

Overall, canola makes up for almost all of the reduction discussed above.

While corn sales are higher, and soybean and winter wheat tech fee royalty sales are lower, overall the effect is very small compared to the reduction in canola explained above.

This reduction in sales has in turn caused the gross profit to reduce by $1.49 million from $4.97 million in 2017/18 to $3.48 million in 2018/19. Overall, due to mix of sales and timing of certain expenses there has been a small reduction in the gross profit percentage from 21.0% in 2017/18 to 20.2% in 2018/19.

Other Revenue

The other revenue has reduced by $72 thousand, from $300 thousand to $228 thousand. This reduction is due mainly to a reduction in government incentive program grants as CANTERRA SEEDS has transferred a significant portion of its research initiatives over to its cereal breeding partner, Limagrain Cereals Research Canada.

Operating, General and Administrative Expenses

These expenses have reduced by $46 thousand or 2.7%, from $1.71 million in 2017/18 to $1.66 million in 2018/19. The Company is taking some specific actions to reduce costs and still effectively market its products to the market. Also, the research program has been reduced year to year.

Loss from Joint Ventures

This loss increased by $327 thousand, from $463 thousand for the six-month period ended March 31, 2018 to $790 thousand for the six-month period ended March 31, 2019.

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

The Limagrain Cereals Research Canada joint venture continues to ramp up its infrastructure. It was only originated in July of 2015 and had its first Research employee in February of 2016. Expenses have increased by 14% from the prior year. With the Company still in its early stages, it has no revenues, creating an increased loss in the six-month period ended March 31, 2019.

Depreciation and Amortization

Has reduced by $34 thousand, from $157 thousand in 2017/18 to $123 thousand in 2018/19. During the prior year there were some adjustments to fully amortize assets that were no longer being utilized; no such adjustment was required in 2018/19.

Salaries, Wages and Benefits

Has reduced by $65 thousand, from $1.88 million for the six-month period ended March 31, 2018 to $1.815 million for the six-month period ended March 31, 2019. The main reduction is due to the reduced size of the Field Research Department over the last year.

Interest

No significant change.

4. Results of Operations – Three Months Ended March 31

Sales and Gross Profit

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

The explanation for the quarterly sales reductions are basically identical to those described with the six-month variances. The only significant difference is that in 2017/18, CANTERRA SEEDS had some of its canola and soybeans delivered in December 2017, making this a Q1 sale. These sales deliveries did not occur until Q2 for the 2018/19 fiscal year. Therefore, for the quarter, sales have reduced by $3.7 million (or 18%), from $20.8 million in 2017/18 to $17.1 million in 2018/19.

This reduction in sales then reduced the total gross profit of the Company for the quarter. Gross Profit is lower by $1.05 million, from $4.51 million in 2017/18 to $3.46 million in 2018/19.

Due to mix of sales and timing of certain expenses, there has been a reduction in the gross profit percentage from 21.7% in 2017/18 to 20.3% in 2018/19.

Other Revenue

The other revenue has reduced by $51 thousand, from $161 thousand to $110 thousand. This reduction is due mainly to a reduction in government incentive program grants as CANTERRA SEEDS has transferred a significant portion of its research initiatives over to its cereal breeding partner, Limagrain Cereals Research Canada. The balance is due to timing of income received year over year.

Operating, General and Administrative Expenses
These expenses have reduced by $37 thousand or 5.0%, from $737 thousand in 2017/18 to $700 thousand in 2018/19. As with the six-month explanation, the Company is taking some specific actions to reduce costs and still effectively market its products to the market. Also, the research program has been reduced year to year.

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

In total, the loss from joint ventures is $132 thousand higher than in 2017/18, an increase from $271 thousand in 2017/18 to $403 thousand in 2018/19. The reasons for this are exactly the same as those described in this same section for the year to-date variance discussion found above.

Depreciation And Amortization
As with the six-month term, the expenses have reduced by $29 thousand, from $90 thousand in 2017/18 to $61 thousand in 2018/19. As above, during the prior year there were some adjustments to fully amortize assets that were no longer being utilized, no such adjustment was required in 2018/19.

Salaries, Wages and Benefits
Has reduced by $15 thousand from $949 thousand for the quarter ended March 31, 2018, to $934 thousand for the quarter ended March 31, 2019. As above, the elimination of the Field Research program is the main reason for this decrease.

Interest
No expenses for either period.

5. Summary of Quarterly Financial Information – Restated

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

	2018/19 Q2	2018/19 Q1	2017/18 Q4	2017/18 Q3	2017/18 Q2	2017/18 Q1	2016/17 Q4	2016/17 Q3
Total revenue	17,072	164	3,321	4,283	20,796	2,879	863	5,415
Net income (loss)	1,145	(1,659)	(138)	(519)	2,038	(1,205)	(563)	(281)
Earnings (loss) per share (diluted)	0.15	(0.22)	(0.02)	(0.07)	0.27	(0.16)	(0.07)	(0.04)

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

6. Liquidity and Capital Resources

The Company's cash and short-term investment position has increased by $1.95 million for the six-month period ended March 31, 2019. The current cash and short-term investment position is $0.15 million higher than it was as at March 31, 2018.

Cash provided by operating activities during the year added $1.28 million. The major increase of $4.42 million is due to the increase in the Company's deferred revenues, increased due to an increase in undelivered canola, corn and soybean orders. Also, the Company made a cash profit of $0.5 million during this six-month period.

These positive factors to cash were partially offset by a $2.14 million reduction in Accounts Payable, due to timing of repayments. Also, there was a net increase in inventory and prepaid deposits for inventory of $1.01 million. As well, there has been a change in the timing of tax payments which has caused a reduction to cash of $0.35 million. Finally, Accounts Receivable has increased by $0.13 million which has also reduced cash.

There was $0.88 million of cash provided by financing activities during the six-month period as the Company was repaid for a portion of an inter-company loan from an affiliated company.

The cash used for investing activities was $0.2 million, as the Company had some purchases of long-term assets during the six-month period.

There has been no major change in the cash from the prior year due to the fact while there was a loss for the last twelve-month period, it was mainly a non-cash loss as a significant component of this related to the equity loss, mainly from the LCRC investment.

6. Outstanding Share Data

Issued securities as of May 24, 2019 are as follows:

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

No new shares were sold out of treasury during the past twelve months. A number of share transactions were finalized during the quarter ended December 31, 2018 but none of these transactions occurred from treasury.

7. Financial Instruments

A very small portion of the Company's revenues and a fairly small portion of the Company's expenditures are denominated in U.S. dollars. The Company is therefore exposed to currency fluctuations on transactions denominated in U.S. dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more U.S. dollars than it would earn when the Canadian exchange rate is weaker compared to the U.S. dollar it will work to reduce margins of the Company. This risk is managed, where practicable, through the use of foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows along with fixed Canadian dollar priced contracts for bare canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As at March 31, 2019, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

8. Outlook

As mentioned earlier in the report, orders and sales for canola in 2018/19 are lower than they were for the previous year. It is anticipated that the sales for Q3 for canola will exceed that recorded for the same period in 2017/18. However, overall it is anticipated that due mainly to the market conditions described earlier, canola sales will be lower than they were for the 2017/18 fiscal. While CANTERRA SEEDS market share is not expected to change in the Roundup Ready and Clearfield canola market segments, this segment has reduced year to year.

Corn, soybean and pedigreed margins are anticipated to increase from the prior year but will not make up the reduction in canola.

The Company is putting in specific expense reduction plans in order to offset the effect of the lower sales and margins for the balance of 2018/19 and into 2019/20.

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 partnerships 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.

- 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 there are canola varieties for as many market segments as possible and ensuring that canola can be accessed quickly and easily at a local retailer. To that end, CANTERRA SEEDS distributes its product through Univar, Winfield United and UFA along with its list of grower/retail shareholders. CANTERRA SEEDS canola can be purchased anywhere in Western Canada.

In the medium to long term with the corn and soybean business, the PRIDE Seeds brand is part of the AgReliant brand of companies, which is one of the top breeders and retailers of corn and soybean products in North America.

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 is forecasting an increase of sales from 2017/18 to 2018/19. 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, CANTERRA SEEDS has entered into partnerships with public breeders on specific pedigreed programs, where for economic and logistic support, it retains the first right for products released from the program. Lastly, as 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. This entity has now registered its first two wheat products and CANTERRA SEEDS will have the first right to the varieties that are released out of this program.

- On the distribution side for pedigreed seed, CANTERRA SEEDS ensures that it partners with the premier seed growers in Western Canada. Currently, the Company has 182 seed growers throughout the Prairies that are growing and selling CANTERRA SEEDS licensed varieties. The Company will continue to add growers where needed and as required, to ensure that farmers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

As well, the Company will continue to ensure that operating expenses are kept to the appropriate level based on sales and margins.

9. Advances to Related Affiliates

There are currently no outstanding advances to related affiliates.

10. Responsibilities, Control and Policies

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

Management, in accordance with International Financial Reporting Standards, has prepared the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions.

Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the unaudited interim consolidated financial statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

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

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

This report and the unaudited interim consolidated financial statements were reviewed by the Company's Audit Committee and approved by the CANTERRA SEEDS Board of Directors on May 24, 2019.

Disclosure Controls

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

CONSOLIDATED
FINANCIAL STATEMENTS

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018

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

Consolidated Statements of Financial Position

	March 31, 2019 *Unaudited*	**March 31, 2018** *Unaudited*	**September 30, 2018** *Audited*
	$	**$**	**$**
Assets			
Current			
Cash and cash equivalents	9,632,004	9,486,310	7,677,139
Accounts receivable	4,363,662	8,615,919	4,231,208
Income taxes receivable	476,214	–	–
Inventory (note 5)	6,376,719	6,604,541	7,560,873
Prepaid expenses and deposits	4,480,785	4,173,503	2,282,827
	25,329,384	28,880,273	21,752,047
Property and equipment	592,746	594,261	513,845
Intangible assets	624,957	639,611	626,649
Deferred tax asset	416,057	419,015	416,636
Investment in joint venture (note 9)	1,839,311	2,720,109	2,889,614
Advances to related company (note 6)	–	–	877,412
	28,802,455	33,253,269	27,076,203
Liabilities			
Current			
Accounts payable and accruals	10,206,442	14,868,063	13,348,090
Deferred revenue (note 7)	4,425,958	2,806,765	8,000
Income taxes payable	–	237,526	36,086
	14,632,400	17,912,354	12,392,176
Shareholders' Equity			
Share capital (note 8)	12,577,828	12,577,828	12,577,828
Deficit	1,573,504	2,744,364	2,087,476
Contributed surplus	18,723	18,723	18,723
	14,170,055	15,340,915	14,684,027
Total Liabilities and Equity	28,802,455	33,253,269	27,076,203

Approved on behalf of the board

James Wilson, Director

Lloyd Affleck, Director

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

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018

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

Consolidated Statements of Comprehensive Income

	Three months ended		Six months ended	
	2019	**2018**	**2019**	**2018**
	Unaudited	***Unaudited***	***Unaudited***	***Unaudited***
	$	**$**	**$**	**$**
Sales	17,071,835	20,795,756	17,235,950	23,674,556
Cost of sales	13,612,076	16,283,877	13,751,626	18,704,100
Gross profit	3,459,759	4,511,879	3,484,324	4,970,456
Other revenue (note 4)	110,327	160,889	227,857	299,654
	3,570,086	4,672,768	3,712,181	5,270,110
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	699,809	736,997	1,660,030	1,706,064
Loss from joint venture	402,958	271,440	789,828	462,722
Depreciation	60,629	89,558	122,743	156,914
Salaries, wages and benefits	934,112	949,145	1,814,831	1,879,693
Interest	–	–	–	1,002
	2,097,508	2,047,140	4,387,432	4,206,395
Loss from operations before taxes	1,472,578	2,625,628	(675,251)	1,063,715
Income tax expense	(327,599)	(587,702)	161,279	(230,836)
Loss and comprehensive income	1,144,979	2,037,926	(513,972)	832,879
Income per share				
Basic and fully diluted (note 10)	0.15	0.27	(0.07)	0.11

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

CANTERRA SEEDS HOLDINGS LTD.

INTERIM CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE SIX-MONTH PERIOD ENDED MARCH 31, 2019 AND 2018

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

Consolidated Statements of Cash Flows

	2019 *Unaudited*	**2018** *Unaudited*
	$	**$**
Cash provided by (used for) the following activities:		
Operating activities		
Net income (loss)	(513,972)	832,879
Depreciation of plant and equipment	69,926	88,526
Depreciation of intangible assets	52,817	68,388
Transfer with joint-ventures – non-cash	260,475	(65,600)
Loss from joint venture	789,828	462,722
Income tax recovery accrual	(161,279)	230,836
	497,795	1,617,751
Changes in working capital accounts		
Accounts receivable	(132,454)	(5,715,643)
Inventory	1,184,154	(1,446,785)
Prepaid expenses and deposits	(2,197,958)	(426,795)
Accounts payable and accruals	(2,141,648)	5,847,643
Deferred revenue	4,417,958	2,806,765
Income tax payable	(350,442)	17,813
	1,277,405	2,700,749
Financing activities		
Repayments (advances) to related company	877,412	231,968
Contributions to long-term equity investments	–	–
	877,412	231,968
Investing activities		
Purchases of property and equipment	(148,827)	(51,231)
Acquisition of shares in joint venture	(51,125)	(70,000)
	(199,952)	(121,231)
Increase in cash resources	1,954,865	2,811,486
Cash and investments, beginning of period	7,677,139	6,674,824
Cash and investments, end of period	9,632,004	9,486,310

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

Consolidated Statements of Changes in Equity

Unaudited

	Share capital	Contributed surplus	Surplus (deficit)	Total
	$	$	$	$
Balance, September 30, 2017	12,577,828	18,723	1,911,485	14,508,036
Comprehensive income	–	–	832,879	832,879
Balance, March 31, 2018	12,577,828	18,723	2,744,364	15,340,915
Balance, September 30, 2018	12,577,828	18,723	2,087,476	14,684,027
Comprehensive income	–	–	(513,972)	(513,972)
Balance, March 31, 2019	12,577,828	18,723	1,573,504	14,170,055

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

1. Incorporation and Operations

Entity information

CANTERRA SEEDS Holdings Ltd. (the "Company") was incorporated under the laws of the Province of Saskatchewan on March 14, 1996. The head and registered office for the Company is located at 201–1475 Chevrier Blvd., Winnipeg, Manitoba, Canada R3T 1Y7. The Company purchases, produces, and distributes seed varieties and related technologies. Due to the seasonal nature of the agricultural industry, seed sales generally occur during the months of October to June. This same seasonal nature significantly affects the statement of financial position on a quarterly basis as accounts receivable, inventory and accounts payable and accrued liabilities have significant swings depending on the canola, corn and soybeans sales cycles.

The interim consolidated financial statements of the Company reflect the operations and financial position of the Company and its wholly owned subsidiaries: CANTERRA SEEDS (2002) Ltd. (a Canadian corporation) and CANTERRA SEEDS (USA) Ltd. (a U.S. company), and its joint venture investment Meridian Seeds, LLC (a U.S. company), which is accounted for using the equity method.

2. Basis of Presentation and Continuing Operations

Statement of compliance

The unaudited condensed consolidated interim financial statements (or "consolidated financial statements") of the Company as at March 31, 2019 have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These condensed financial statements do not include all the information required for consolidated financial statements and use the accounting policies consistent with the annual audited consolidated financial statements for the year ended September 30, 2018.

These interim condensed consolidated financial statements for the six-month period ended March 31, 2019 and 2018 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on May 24, 2019.

3. Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue and profits from the sale of seed when the seed has been shipped. Volume related royalty revenue is recognized in the period in which the sale is reported to the Company by the grower. Scientific Research and Experimental Development credits are recognized when the related expenses have been incurred. Deferred revenue is taken into income in the period in which it is earned. Contract services and program payments are recognized when earned.

Key Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property and equipment. Scientific Research and Experimental Development tax credit claims are based on methodologies and assumptions applied by management in previous successful claims. Actual results may differ from these estimates.

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

4. Other Revenue

	Three months ended		Six months ended	
	March 31, 2019	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**
	$	**$**	**$**	**$**
Interest and investment income	51,612	29,058	73,449	44,115
Other	40,653	83,873	118,283	159,623
Scientific research and development tax refundable	18,062	47,958	36,125	95,916
	110,327	160,889	227,857	299,654

5. Inventory

	March 31, 2019	**March 31, 2018**	**September 30, 2018**
	$	**$**	**$**
Finished goods	2,719,127	2,330,635	3,886,553
Raw materials	3,657,592	4,273,906	3,674,320
	6,376,719	6,604,541	7,560,873

The cost of inventories recognized as an expense and included in cost of sales in 2019 amounted to $4,549,143 (2018 – $6,578,482).

6. Advances to Related Company

	March 31, 2019	**March 31, 2018**	**September 30, 2018**
	$	**$**	**$**
Meridian Seeds LLC	–	–	877,412
Limagrain Cereals Research Canada	–	–	–
	–	–	877,412

Advances to related company are unsecured, non-interest bearing and have no fixed terms of repayment. Meridian Seeds, LLC, a U.S. Limited Liability Corporation, is a 50% joint venture interest and Limagrain Cereals Research Canada, a Canadian partnership, is a 30% joint venture interest.

7. Deferred Revenue

Deferred revenue is comprised of deposits received from customers for which the related product has not been shipped as at March 31, 2019 or March 31, 2018.

8. Share Capital

Authorized

Unlimited number of Class A voting common shares.

Unlimited number of Class B shares, non-voting, non-participating, redeemable at the option of the Company if the shareholder fails to fully pay for shares, fails to exercise share purchase options, or if the shareholder causes the corporation to have its rights under any license agreement terminated.

Unlimited number of Class C shares without nominal or par value, non-voting, and non-redeemable.

	March 31, 2019	March 31, 2018	September 30, 2018
Issued	$	$	$
Common shares			
7,551,147 Class A common shares (2017 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2017 – 2,118,000)	468,001	468,001	468,001
	12,577,828	12,577,828	12,577,828

There were no share transactions through treasury for the six-month periods ended March 31, 2019 and March 31, 2018. However, there were share transactions with shares already released from treasury. 110,631 Class A shares and 138,000 Class B shares were transferred during the six-month period ended December 31, 2018. No such activity took place during the same six-month period ending March 31, 2018.

9. Interest in Joint Ventures

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

The following amounts represent the results and financial position of Meridian Seeds, LLC for the six months ended March 31, 2019 and 2018. The amounts below are in U.S. dollars.

	2019	2018
	$	$
Current assets	1,786,488	2,720,287
Long-term assets	270,531	164,758
Current liabilities	623,047	1,857,723
Revenues	308,881	554,544
Expenses	353,606	982,533
Net loss	(645,340)	(427,989)
Cash provided by (used in) operating activities	(487,667)	781,309
Cash provided by (used in) investing and financing activities	(690,714)	11,230

The Company has a wholly owned subsidiary, CANTERRA SEEDS USA LTD. whose investment in Meridian Seeds, LLC, a U.S. Limited Liability Corporation is a 50% joint venture interest. These numbers are converted to Canadian dollars.

	2019	2018
	$	$
Investment in CANTERRA SEEDS USA LTD.	493,152	622,203

The Company also owns a 30% investment in Limagrain Cereals Research Canada, a cereal breeding and development partnership located in Saskatoon, Saskatchewan. Investments in this company, which are subject to joint control, are accounted for using the equity method.

The following amount represent the results and financial position of Limagrain Cereals Research Canada for the six months ended March 31, 2019 and 2018. The amounts below are in Canadian dollars.

	2019	2018
	$	$
Current assets	2,502,901	5,050,591
Long-term assets	1,799,971	1,749,110
Current liabilities	67,063	58,270
Revenues	–	–
Expenses	564,915	898,900
Net loss	(564,915)	(898,900)
Cash provided by (used in) operating activities	(585,442)	(811,076)
Cash provided by (used in) investing and financing activities	(124,058)	(527,305)

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

	2019	2018
	$	$
Investment in Limagrain Cereals Research Canada	1,346,159	2,097,906

10. Earnings per share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the six-month period ended March 31, 2019 of 7,551,147 (2018 – 7,551,147).

11. Commitments

The Company has entered into an agreement to lease its premises to June, 2021 and to lease vehicles and equipment to March, 2022 with estimated minimum annual payments as follows:

Not later than one year	$357,148
Later than one year not later than five years	$408,493

Director and Officer Indemnification

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

12. Capital Management

A wholly owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As of March 31, 2019 the Company is not in default of these capital requirements and is in good standing in its dealings with its bank.

13. Related Party Transactions

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

14. Supplemental Cash Flow Information

Interest paid for the six-month period totaled to $Nil (2018 - $1,002). Interest paid for the latest three-month period totaled to $Nil (2018 - $Nil).

CANTERRA SEEDS

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