Farmers Deserve The Best

CANTERRA SEEDS

QUARTERLY REPORT

Report for the Nine Months Ended June 30, 2019

Management's Discussion and Analysis Report

CANTERRA SEEDS

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

Report for the Nine Months Ended June 30, 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 nine months ended June 30, 2019.

CANTERRA SEEDS reports a net loss for the nine months ended June 30, 2019 of $1,123,064. This compares to the June 30, 2018 results where the Company recorded income of $314,351 for the same nine-month period, a reduction of $1,437,415 for the year to-date. For the three-month quarter ended June 30, 2019, the Company reports a net loss of $609,092. This loss is an increase of $90,565 than the net loss of $518,527 recorded for the three-month period ended June 30, 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 nine-month period ending June 30, 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 August 15, 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 phases such as "believe," "expect," "anticipate," "intend," "plan," "likely," "will" or similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are, or may be, forward-looking statements. These forward-looking statements are based on the Company's current expectations and its projections about future events. However, whether actual results and developments will conform to the Company's expectations and projections is subject to a number of risks and uncertainties. These include, among other things, the risks and uncertainties associated with seed production, product performance, competition, poor weather, commodity prices, credit and foreign exchange risk. These are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other known and unpredictable factors could also harm results. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

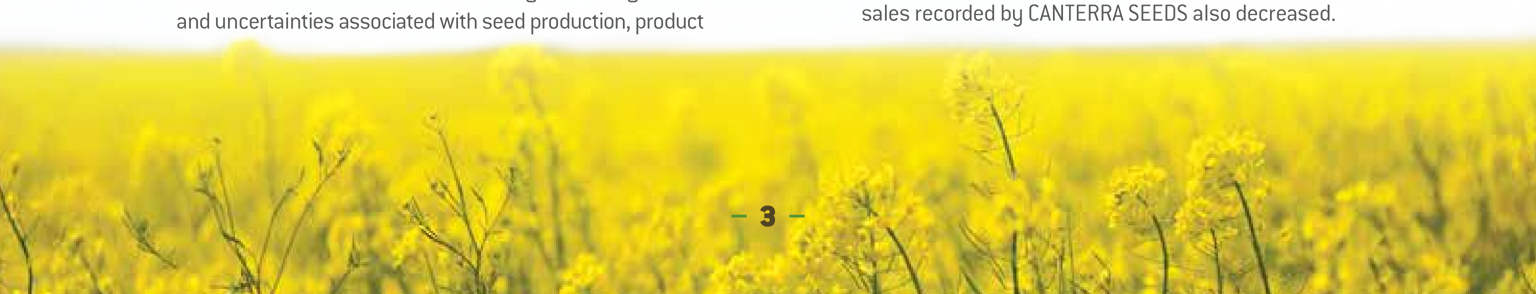
3. Results of Operations – Nine Months Ended June 30

Sales and Gross Profit

During the nine-month period from October 1 to June 30, all deliveries of canola, corn, soybeans, breeder and stock seed, and certified seed occur and are recorded in the books of CANTERRA SEEDS. The only sales of the Company that aren't recorded during this nine-month period are some late reported breeder or stock seed deliveries along with most of the royalties owing from spring sold and seed product by CANTERRA SEEDS shareholders. While deliveries of stock seed product occur in the spring and are managed by CANTERRA SEEDS, the deliveries occur between grower shareholders. Sometimes, the details of these deliveries can be received late thereby delaying the invoicing. For grower royalties, CANTERRA SEEDS allows the growers time to accumulate the amounts moved during the spring and these are generally not reported or recorded as sales until the fourth quarter (July 1 to September 30). Therefore, timing factors are not a significant reason for variance when comparing nine-month result with prior years.

Sales are lower by $4.30 million or 15%, from $27.96 million in 2017/18 to $23.66 million in 2018/19. This reduction is due to a combination of the following reasons:

- Most of this decrease is because 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. While the Company is expected to maintain its market share in the sectors it sells canola in, overall sales decreased due to the shift to LibertyLink.
- The amount of soybean seeded in Western Canada reduced significantly from 2018 to 2019 and with that the soybean sales recorded by CANTERRA SEEDS also decreased.



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- These were offset by a significant increase in sales of corn as the market in Western Canada and CANTERRA SEEDS market share continued to increase.

- There were no other significant changes in sales year to year.

This reduction in sales has in turn caused the gross profit to reduce by $1.24 million, from $6.02 million in 2017/18 to $4.78 million in 2018/19. Overall, due to mix of sales and timing of certain expenses there has been a reduction in the gross profit percentage, from 21.5% in 2017/18 to 20.2% in 2018/19.

Other Revenue
The other revenue has reduced by $99 thousand, from $489 thousand to $390 thousand. This drop 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 $75 thousand or 2.9%, from $2.576 million in 2017/18 to $2.501 million in 2018/19. The Company is taking some specific actions to reduce costs and still more 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 $0.633 million, from $0.497 million for the nine-month period ended June 30, 2018 to $1.130 million for the nine-month period ended June 30, 2019.

These totals reflect both CANTERRA SEEDS 50% joint venture in Meridian Seeds, along with the 30% joint venture in Limagrain Cereals Research Canada. Meridian Seeds experienced exceptional results during the 2017/18 fiscal period. Led by a strong chickpea market, the Company posted record sales and earnings. For 2018/19, while Meridian Seeds increased its sales of other crop types such as oats, wheat and peas, a depressed chickpea market significantly reduced the overall sales and earnings for the Company. At the same time, Meridian Seeds continues to grow its infrastructure and its overall expense base. With this nine-month period having reduced revenues and increased costs, the overall result is a loss from this joint venture for this period, while an income was recorded during the same period in 2018.

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 26% from the prior year. With the Company still in its early stages, it has no revenues, creating an increased loss in the nine-month period ended June 30, 2019.

Depreciation and Amortization
Has reduced by $53 thousand from $228 thousand in 2017/18 to $175 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 $105 thousand from $2.827 million for the nine-month period ended June 30, 2018, to $2.722 million for the nine-month period ended June 30, 2019. This decrease is mainly due to lower staffing levels year to year.

Interest
No significant change.

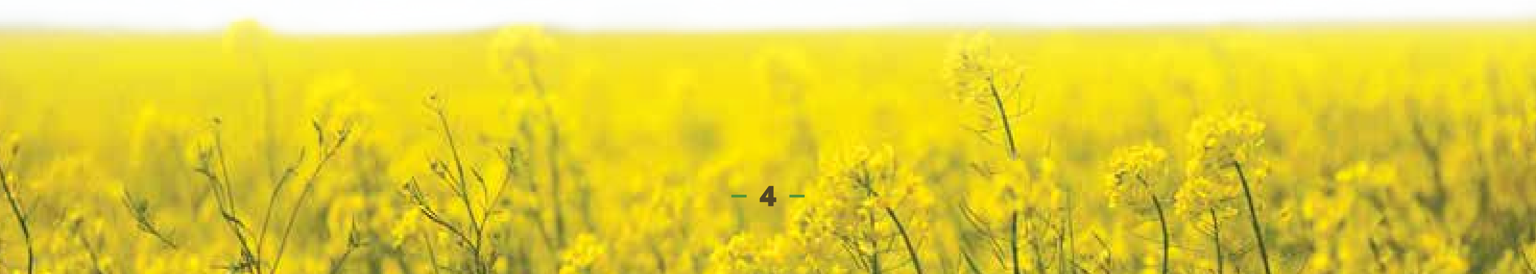
Provision for Income Taxes
Due to the loss discussed above, this provision has changed by $302 thousand year to year. In 2017/18, with a positive EBT, a provision totaling to $71 thousand was recorded. Since 2018/19 currently has an EBT loss of $1.354 million, an income tax recovery totaling to $231 thousand has been recorded.

4. Results of Operations – Three Months Ended June 30

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

Sales have increased by $2.135 million or 49.8%, from $4.283 million in 2017/18 to $6.418 million in 2018/19. Deliveries/sales of canola, corn and soybeans (net of returns) are all higher for the current quarter mainly due to the timing of deliveries year to year as well as a reduction in the amount of returns year to year. Also, due to timing, there was an increase in reported tech fees than during the prior year.

This increase in sales also increased the total gross profit of the Company for the quarter. Gross profit has increased by



$0.24 million, from $1.06 million in 2017/18 to $1.30 million in 2018/19.

Due mainly to the timing and adjustments during the quarter there was a reduction in the gross profit percentage year to year – 24.6% in 2017/18 compared to 20.3% in 2018/19.

Other Revenue
The other revenue has reduced by $27 thousand, from $190 thousand to $163 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 $29 thousand or 3.3%, from $870 thousand in 2017/18 to $841 thousand in 2018/19. As with the nine-month explanation, the Company is taking some specific actions to reduce costs and still more 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 $306 thousand higher than in 2017/18, an increase from $34 thousand in 2017/18 to $340 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 nine-month term the expenses have reduced by $19 thousand, from $71 thousand in 2017/18 to $52 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 $41 thousand from $948 thousand for the quarter ended June 30, 2018, to $907 thousand for the quarter ended June 30, 2019. As above, lower staffing levels is the main reason for this decrease.

Interest
A small amount of interest was paid in 2018/19 and no expenses were recorded in 2017/18.

Provision for Income Taxes
Due to an adjustment with how to amortize for the income tax provision the income tax recovery has reduced by $91 thousand from 2017/18 to 2018/19.

5. Summary of Quarterly Financial Information – Restated

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

	2018/19 Q3	2018/19 Q2	2018/19 Q1	2017/18 Q4	2017/18 Q3	2017/18 Q2	2017/18 Q1	2016/17 Q4
Total revenue	6,418	17,072	164	3,321	4,283	20,796	2,879	863
Net income (loss)	(609)	1,145	(1,659)	(138)	(519)	2,038	(1,205)	(563)
Earnings (loss) per share (diluted)	(0.08)	0.15	(0.22)	(0.02)	(0.07)	0.27	(0.16)	(0.07)

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 takes 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.

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6. Liquidity and Capital Resources

The Company's cash and short-term investment position has reduced by $5.01 million for the nine-month period ended June 30, 2019. The current cash and short-term investment position is $1.44 million lower than it was as at June 30, 2018.

Cash used by operating activities during the year lowered cash by $5.57 million. The major reduction of $4.65 million is due to a reduction in Accounts Payable as this balance was paid down. In addition, due to the timing of the accounting cycles, Accounts Receivable increased by $2.38 million. Also, Inventory increased by $0.18 million using some additional cash. CANTERRA SEEDS recorded a small cash loss during the nine-month period totaling to $0.13 million. Finally, the Company made tax payments during the nine-month period totaling to $0.02 million.

These uses of cash were partially offset by a $1.26 million increase in Deferred Revenues or deposits for future sales. In addition, Prepaid Expenses and Deposits reduced by $0.53 million over this nine-month period.

There was $0.8 million of cash provided by financing activities during the nine-month period as the Company was repaid for an inter-company loan from an affiliated company totaling to $0.88 million. This is offset by additional investments to long-term equity investments totaling to $0.08 million.

The cash used for investing activities was $0.32 million, as the Company had some purchases of long-term assets during the nine-month period.

As the loss in the last 12-month period is mainly a non-cash loss, the $1.44 million reduction in cash from the prior year is driven mainly by timing around the Accounts Receivable/Accounts Payable balances year to year.

7. Outstanding Share Data

Issued securities as of August 15, 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.

8. Financial Instruments

A very small portion of the Company's revenues and a fairly small portion of the Company's expenditures are denominated in U.S. dollars. The Company is therefore exposed to currency fluctuations on transactions denominated in U.S. dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more U.S. dollars than it would earn when the Canadian exchange rate is weaker compared to the U.S. dollar it will work to reduce margins of the Company. This risk is managed, where practicable, through the use of foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows along with fixed Canadian dollar priced contracts for bare canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As at June 30, 2019, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

9. Outlook

In the outlook section of the Q2 financial report, it mentioned that it was anticipated that Q3 canola sales would be higher than they were in 2017/18 but that this increase would not offset the overall reduction in sales of canola for the full year. This has been the case and this is due mainly to the market conditions that were described earlier in this report. Overall, it is anticipated that while CANTERRA SEEDS market share is not expected to change in the Roundup Ready and Clearfield canola market segments these segments have reduced year to year.

In addition, due to market conditions, acres seeded to soybeans in Western Canada reduced significantly and CANTERRA SEEDS sales also then reduced.

Corn and pedigreed sales and margins, however, are at the highest levels in the history of the Company.

Overall however, the report notes sales and margins have reduced during the current year. The Company has put in specific expense reduction plans that will help 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 made a decision 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.
- 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 can be purchased anywhere in the Prairies.

With the corn and soybean business beginning for the 2020 crop year, CANTERRA SEEDS is now the only 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.

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 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

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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 turn become income as LCRC expands 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 experienced 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, the Company will continue to ensure that these are kept to the appropriate level based on sales and margins.

10. Advances to Related Affiliates

There are currently no outstanding advances to related affiliates.

11. Responsibilities, Control and Policies

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

Management, in accordance with International Financial Reporting Standards, has prepared the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgements 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 August 15, 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.

Interim Consolidated **Financial Statements**

CANTERRA SEEDS

Interim Consolidated **Financial Statements**

Report for the Nine Months Ended June 30, 2019 and 2019

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

Consolidated Statements of Financial Position

	June 30, 2019 *Unaudited*	June 30, 2018 *Unaudited*	September 30, 2018 *Audited*
	$	$	$
Assets			
Current			
Cash and cash equivalents	2,664,733	4,100,714	7,677,139
Accounts receivable	6,608,342	8,004,680	4,231,208
Income taxes receivable	218,453	–	–
Inventory (note 5)	7,739,148	7,964,137	7,560,873
Prepaid expenses and deposits	1,755,518	1,407,273	2,282,827
	18,986,194	21,476,804	21,752,047
Property and equipment	638,695	558,456	513,845
Intangible assets	647,900	606,667	626,649
Deferred tax asset	416,069	419,015	416,636
Investment in joint venture (note 9)	1,840,156	2,715,682	2,889,614
Advances to related company (note 6)	–	–	877,412
	22,529,014	25,776,624	27,076,203
Liabilities			
Current			
Accounts payable and accruals	7,696,549	10,867,245	13,348,090
Deferred revenue (note 7)	1,271,502	9,750	8,000
Income taxes payable	–	77,242	36,086
	8,968,051	10,954,237	12,392,176
Shareholders' Equity			
Share capital (note 8)	12,577,828	12,577,828	12,577,828
Deficit	964,412	2,225,836	2,087,476
Contributed surplus	18,723	18,723	18,723
	13,560,963	14,822,387	14,684,027
Total Liabilities and Equity	22,529,014	25,776,624	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.

Interim Consolidated **Financial Statements**

Report for the Nine Months Ended June 30, 2019 and 2019

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

Consolidated Statements of Comprehensive Income

	Three months ended		Nine months ended	
	2019 *Unaudited*	**2018** *Unaudited*	**2019** *Unaudited*	**2018** *Unaudited*
	$	**$**	**$**	**$**
Sales	6,418,188	4,283,356	23,654,138	27,957,912
Cost of sales	5,118,108	3,229,269	18,869,734	21,933,369
Gross profit	1,300,080	1,054,087	4,784,404	6,024,543
Other revenue (note 4)	162,921	189,758	390,778	489,412
	1,463,001	1,243,845	5,175,182	6,513,955
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	841,133	870,221	2,501,163	2,576,285
Loss from joint venture	340,049	34,054	1,129,877	496,776
Depreciation and amortization	52,172	70,885	174,915	227,799
Salaries, wages and benefits	906,883	947,497	2,721,714	2,827,190
Interest	1,598	–	1,598	1,002
	2,141,835	1,922,657	6,529,267	6,129,052
Net income (loss) from operations before taxes	(678,834)	(678,812)	(1,354,085)	384,903
Income tax recovery (expense)	69,742	160,284	231,021	(70,552)
Net income (loss) and comprehensive income (loss)	(609,092)	(518,528)	(1,123,064)	314,351
Net income (loss) per share				
Basic and fully diluted (note 10)	(0.08)	(0.07)	(0.15)	0.04

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

Interim Consolidated **Financial Statements**

Report for the Nine Months Ended June 30, 2019 and 2019

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)	(1,123,064)	314,351
Depreciation of plant and equipment	95,041	126,467
Depreciation of intangible assets	79,874	101,332
Transfer with joint-ventures – non-cash	(80,419)	(95,227)
Loss from joint venture	1,129,877	496,776
Income tax expense (recovery) accrual	(231,021)	70,552
	(129,712)	1,014,251
Changes in working capital accounts		
Accounts receivable	(2,377,134)	(5,104,404)
Inventory	(178,275)	(2,806,381)
Prepaid expenses and deposits	527,309	2,339,435
Accounts payable and accruals	(4,651,541)	1,846,825
Deferred revenue	1,263,502	9,750
Income tax receivable/payable	(22,951)	17,813
	(5,568,802)	(2,682,711)
Financing activities		
Repayments from related company	877,412	231,968
	877,412	231,968
Investing activities		
Purchases of property and equipment	(219,891)	(53,367)
Acquisition of intangible assets	(101,125)	(70,000)
	(321,016)	(123,367)
Reduction in cash resources	(5,012,406)	(2,574,110)
Cash and investments, beginning of period	7,677,139	6,674,824
Cash and investments, end of period	2,664,733	4,100,714

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

Interim Consolidated **Financial Statements**

Report for the Nine Months Ended June 30, 2019 and 2019

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

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	–	–	314,351	314,351
Balance, June 30, 2018	12,577,828	18,723	2,225,836	14,822,387
Balance, September 30, 2018	12,577,828	18,723	2,087,476	14,684,027
Comprehensive income	–	–	(1,123,064)	(1,123,064)
Balance, June 30, 2019	12,577,828	18,723	964,412	13,560,963

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

Interim Consolidated **Financial Statements**

Report for the Nine Months Ended June 30, 2019 and 2019

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

1. Incorporation and Operations

Entity information

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

Statement of compliance

The unaudited condensed consolidated interim financial statements (or "consolidated financial statements") of the Company as at June 30, 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 of the information required for consolidated financial statements and use the accounting policies consistent with the annual audited consolidated financial statements for the year ended September 30, 2018.

These interim condensed consolidated financial statements for the nine-month period ended June 30, 2019 and 2018 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on August 15, 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		Nine months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	$	$	$	$
Interest and investment income	48,552	33,337	122,001	77,452
Other	96,307	108,463	214,590	268,086
Scientific research and development tax refundable	18,062	47,958	54,187	143,874
	162,921	189,758	390,778	489,412

5. Inventory

	June 30, 2019	June 30, 2018	September 30, 2018
	$	$	$
Finished goods	2,313,337	4,273,526	3,886,553
Raw materials	5,425,811	3,690,611	3,674,320
	7,739,148	7,964,137	7,560,873

The cost of inventories recognized as an expense and included in cost of sales in 2019 amounted to $6,097,024 (2018 – $7,275,554).

6. Advances to Related Company

	June 30, 2019	June 30, 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 June 30, 2019 or June 30, 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.

	June 30, 2019	June 30, 2018	September 30, 2018
Issued	$	$	$
Common shares			
7,551,147 Class A common shares (2018 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2018 – 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 nine-month periods ended June 30, 2019 and June 30, 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 nine-month period ended June 30, 2019. No such activity took place during the same nine-month period ending June 30, 2018.

9. Investment in Joint Ventures

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

The following amounts represent the results and financial position of Meridian Seeds LLC for the nine months ended June 30, 2019 and 2018. The amounts below are in U.S. dollars.

	2019	2018
	$	$
Current assets	1,451,918	2,836,246
Long-term assets	284,868	189,099
Current liabilities	427,248	1,658,023
Revenues	1,505,973	5,347,120
Expenses	2,279,208	5,435,110
Net loss	(773,235)	(87,990)
Cash provided by (used in) operating activities	(736,594)	(166,163)
Cash provided by (used in) investing and financing activities	(697,108)	(29,926)

The Company has a wholly owned subsidiary, CANTERRA SEEDS U.S.A. 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.	803,455	861,621

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 nine months ended June 30, 2019 and 2018. The amounts below are in Canadian dollars.

	2019	2018
	$	$
Current assets	1,616,258	4,285,325
Long-term assets	1,755,877	1,810,063
Current liabilities	167,853	166,570
Revenues	–	–
Expenses	2,163,522	1,711,713
Net loss	(2,163,522)	(1,711,713)
Cash provided by (used in) operating activities	(1,851,322)	(1,514,559)
Cash provided by (used in) investing and financing activities	(145,399)	(612,721)

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

	2019	2018
	$	$
Investment in Limagrain Cereals Research Canada	1,036,701	1,854,061

10. Net income (loss) per share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the nine-month period ended June 30, 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	$339,644
Later than one year not later than five years	$426,110

Director and Officer Indemnification

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

12. Capital Management

A wholly owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As of June 30, 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 nine-month period ended June 30, 2019 totaled to $1,598 (2018 - $1,002). Interest paid for the three-month period ended June 30, 2019 totaled to $1,598 (2018 - $Nil).

CANTERRA SEEDS

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