2021

CANTERRA SEEDS

ANNUAL REPORT

CANTERRA SEEDS

Seed the Difference.™

Message from **The President & CEO**

IT IS MY PLEASURE TO HAVE THE OPPORTUNITY ON AN ANNUAL BASIS TO SHARE WITH YOU THE RESULTS OF OUR YEAR, our focus and the future as we see it. Our fiscal year, starting Oct 1, 2020, has been successful in terms of our financial performance, our progress in the marketplace and our efforts to keep staff and families safe through the pandemic. It hasn't been a particularly easy year though, as the effects of the prolonged summer heat and the lack of rain across much of the Western Canadian crop did take a toll on our business in terms of limiting the performance of our seed genetics, our field demonstration sites and seed production. The real impact of all this may not be fully realized until next year.

The cereals and pulses business has continued on the same trend as the last two years, as we recorded our second-best year in the history of the company, with exceptional performance and sales of our key products, such as; AAC Cameron VB, CS Accelerate, AAC Congress, AAC Connect, Canmore, CS Camden and AAC Carver to name a few. Each of these products continue to hold or gain market share due to the efforts of our seed grower shareholders who continue to support these products and the positive experience of our seed grower farmer and wholesale customers.

It's also worth mentioning, the progress we are making with the two wheat varieties we have attached to the Variety Use Agreement (VUA): CS Daybreak and CS Accelerate. Each of these varieties have done as well as expected or better, which is an indication that farmers are willing to pay for value. This is very early in the evolution of the VUA, and as more varieties of cereals, pulses and special crops enter the market from CANTERRA SEEDS and others show increased value, the more growers will be accepting of the VUA. And with more players and more choices, the farmer will be the ultimate winner.

The corn acres in Western Canada total "approximately" 1 million acres annually, fluctuating about 10% in either direction year-over-year. These acres are primarily in southern Manitoba and southern and central Alberta, with the acres split fairly evenly between Grain and Silage types. As you are aware, CANTERRA SEEDS distributes exclusively for PRIDE Seeds, who provide us not only with excellent genetics and traits in a PRIDE Seeds bag, but they also provide the technical agronomic support and training for our sales team and our seed retail partners, and that sets us all up for success. This is what a true partnership looks like.

Corn acres in 2021 did shrink from 2020, and although our sales numbers were behind plan, we did hold our market share from the previous year, which we consider a win. However, with the slide in acres, the market was ultra-competitive, which has impacted our margins in a negative way, and that translates to a loss for the corn business this year, which is unfortunate.

Looking forward to 2022, we are optimistic with the strong field performance of PRIDE Seeds products in 2021. We will grow our sales and market share, and with growth, will come better margins.

Canola has been a good news story for the business again in 2021. Sales were strong, margins held and we grew market share. This relates to a few factors: first and foremost, it's about the people, including our seed retail partners, our team of seed professionals and our farmer customers. In this business, like any business, it's always about the people. Plain and simple.

Secondly, I give full marks to our Marketing and Communications team, who have done an amazing job increasing the awareness of CANTERRA SEEDS with the farmer, and creating the demand for our seed portfolio. Simply put, the more people know who we are and what we do, the more demand we have for our products.

The third element of our success can be attributed to the launch of Agro.Club at the beginning of the 2021 sales season. This took a lot of work and effort to have in place, but it has proven itself in so many ways and allowed us to do things we could only dream of before, such as Prebates and our Black Friday sales program.

In real terms, our 2021 canola sales and gross margins were more than 40% higher vs. 2020. This was a win, as was our increased market share. This can be attributed to excellent product performance with our TruFlex™ canola and Clearfield® hybrids, and the addition of our first LibertyLink® canola hybrid, CS4000 LL.

March 2021 marked CANTERRA SEEDS' 25th Anniversary and we have been celebrating this great milestone throughout the entire year with initiatives that honoured the Founding Members, our Shareholders and our Directors, past and present. We have put in place programs that give back to the local communities who have supported us, and to our customers who we strive to earn their business from each and every day.

Meridian Seeds, established in 2002, is a JV Company that was created with the intent to provide an opportunity for our seed grower shareholders with access to the U.S. market. Our partner in the U.S., Meridian Ventures, is a very similar company to that of CANTERRA SEEDS – seed growers selling Certified seed to farmers. Over the last number of years, as our business in Canada evolved, the relevancy of the JV and its effect on CANTERRA SEEDS has changed. As a result, the decision was made for the Company to exit the partnership at the end of this calendar year. This was not an easy decision, but it is the right one for both CANTERRA SEEDS and Meridian Ventures, and we will work collaboratively to ensure the success of Meridian Seeds and continued access for Canadian seed into the future.

Limagrain Cereals Research Canada (LCRC) was established in 2015 with Limagrain of France. The Company has been making terrific gains in CWRS and CPS spring wheat classes, building a pipeline that we will start to see arrive in the marketplace in the not too distant future. We are all familiar with the fact it takes approximately 10 years in the plant breeding business to bring a new variety from conception to commercialization. Having said that, with the evolution of new plant breeding tools, resources and processes, the timelines are shorter, meaning we are on the threshold of seeing the results of our investments earlier vs. later. We are very proud of what LCRC has become and what it will mean to our seed growers and to CANTERRA SEEDS. This is a world class business.

In addition to spring wheat, malt barley has been added in recent years to the LCRC program. This is very strategic and an opportunity we know will be an important element to the business. We also have to appreciate the timelines that maltsters and brewers have to adopt new varieties to their respective programs. It's an exercise that demands patience which is in addition to normal plant breeding and variety registration challenges.

I want to take this opportunity to make special mention of our key business partners who make what we do possible. This is not a short list, but it is essential to give proper recognition to all those who provide us with the support and services that contribute to our success. Without these companies and those individuals we work with each and every day, CANTERRA SEEDS would not be the company we are today:

AAFC
AgReliant Genetics
Agro.Club Canada
BASF
Bayer Crop Science
Canadian Malting Barley Technical Centre
Canadian Seed Coaters
Canadian Seed Growers Association
Cargill
Ceres Global Ag Corp
CIBC
Corteva
CropLife Canada
Crop Development Centre
DL Seeds
FCC
Federated Co-operatives Limited
HyTech Production Ltd
Independent Crop Input Retailers
Lantmännen
Limagrain
Limagrain Cereals Research Canada
Meridian Seeds
MLT Aikins LLP
MNP
P&H
Paterson Grain
PRIDE Seeds
Richardson International
Rosenau Transport
Seeds Canada
SGS
Suckerpunch – Knockout Creative
Syngenta
UFA
Warburtons

Looking forward, we can see the opportunities that await you, the shareholder. You, our customer. For you, our partner and CANTERRA SEEDS, the opportunity to continue growing our respective businesses together in terms of profitability in a safe and sustainable way… isn't that what it is all about?

We have: the right people; the right partners; a strong, viable and assured pipeline of canola, cereals, pulses and corn genetics and traits; a highly skilled and passionate Board of Directors, committed to the success and long-term sustainability of the organization; the vision that suits the business; and farmer and end-user customers who understand and appreciate the value of the products we bring to the market.

Thank you for your support of the CANTERRA SEEDS business: Past. Present. Future.

Best regards,

David Hansen, President and CEO

Message from **The Chairman**

CANTERRA SEEDS HAS HAD ANOTHER SUCCESSFUL YEAR IN TERMS OF PROFITS AND CONTINUED GROWTH and I am pleased to be able to present another completed year of the company financials.

Last spring marked our 25th year in business. Our team put together a great virtual celebration, including bringing in the nine founding members to share their thoughts and insights on how the company was formed. These interviews are still being shared on CANTERRA SEEDS' social media and are also on YouTube – a good view if you haven't seen them yet.

For the past 25 years, CANTERRA SEEDS has stayed committed to its founding roots: our focus continues to be a seed company.

I would like to remind everyone of the founding principles on which the company is based. I always like to keep these in mind as we make decisions at the Board table:

1. To acquire leading genetics for shareholders to grow and sell, and to establish partnerships with breeding institutions.
2. The business must give equal opportunity to each shareholder.
3. The shares need to be structured so they can be freely traded.

Our investment in a seed breeding company with Limagrain was a major step in fulfilling our first founding principle. Limagrain Cereals Research Canada (LCRC) is growing to be a world-class station and already has some very promising results coming out of the program, exclusive to CANTERRA SEEDS.

Our CEO made mention of some very strong varieties coming from our other seed breeding partners. I will reiterate this and share a personal experience I had this year growing AAC Congress. We grew 30 bushels/acre on two inches of rain through the growing season, starting with very low moisture reserves and growing in a furnace most days. It was a top yielder for the area.

CANTERRA SEEDS has a complete portfolio of seed varieties for the Western Canadian growing area that we serve. Cereals, pulses, corn and canola: all four have strong genetics. We were able to introduce LibertyLink® canola this year with CS4000 LL, allowing us to offer three major canola trait systems to our shareholders, including Roundup Ready®, Clearfield® and LibertyLink®.

Twenty-five years of a growing company also brings structural changes over time. As we continue to grow our footprint, we have been able to match Class B operating shares with new entrants. Our successes are creating demand which we are addressing. Along with this, we have a growing number of Class A shares by passive owners as they retire and wish to sell.

Meridian Seeds has been an important part of our business over the past two decades. The CANTERRA SEEDS Board has decided to divest of our 50% share in Meridian and has offered it to our U.S. partners. We feel it does not fit in our current strategy anymore, and both our human and financial resources are better placed in our growing Canadian company and the opportunities it presents us. We believe Merdian Seeds, under its current management, and the Meridian Board of Directors is well able to continue the business on its own.

It is always rewarding to be able to present to the shareholders the Board's confidence in our team at CANTERRA SEEDS. We have a very well-oiled team of professionals working for CANTERRA SEEDS, from management through sales, to support. We have dedicated people that have brought CANTERRA SEEDS to where it is today. Without our people, our products wouldn't mean much.

Thank you for your continued support as shareholders. The only way CANTERRA SEEDS grows is through your success. CANTERRA SEEDS has a strong Board of Directors around the table with a diverse set of skills to help guide management.

Once again, I would like to thank the Board for supporting me as Chair.

Lloyd Affleck, Chairman of the Board

Our Team

SENIOR MANAGEMENT

David Hansen

President and Chief Executive Officer

David joined CANTERRA SEEDS as Chief Executive Officer in October of 2009, and was shortly thereafter appointed President.

David is a seed 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.

David's seed management experience has focused on the commercial side of the industry with a strong lean towards sales and marketing, general management and leadership.

David's seeds experience has been focused on hybrid canola, cereals, pulses and corn here in Canada, and cotton seed in China.

Over the years, David's seed company experiences have included, Conti Seed, Garst Seed, ICI Seeds, Zeneca Seeds, Advanta Seeds, Delta Pine and Monsanto.

David has served or currently serves on a number of industry associations as a Director, including the Canadian Seed Trade Association, Limagrain Cereals Research Canada (LCRC), WCCRRC, CropLife International, CropLife Canada, Cereals Canada and 4-H Canada.

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 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 joined CANTERRA SEEDS in April of 2016 and currently holds the role of 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 Governors 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.

Andy was on city council from June 2016 – June 2020 and as of June 2020, he was elected Mayor of Mapleton, ND.

Lorri Keyowski

Director of Sales

Lorri joined CANTERRA SEEDS as Director of Sales in January 2020. She is responsible for leading CANTERRA SEEDS' team of Territory Managers and facilitating communication between the corporate and sales divisions. Lorri is a driven manager with 15 years of experience in sales and management with the proven ability to lead a high-performing sales team.

Before joining CANTERRA SEEDS, Lorri held numerous roles in the seed industry. She worked as the Western Sales Manager with FMC Agricultural Solutions Canada from 2017-2019, Western Sales Manager with E.I. Dupont Canada from 2014-2017, and previously worked in various sales and management roles with Cargill AgHorizons Ltd. from 2004-2014.

She graduated with a B.Sc. Agriculture from the University of Saskatchewan, College of Agriculture in Saskatoon in 2004.

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 have operated a grain farm near Darlingford, MB since 1974 and make their home in Morden, MB. They owned and operated a grain processing and retail seed business known as Wilson Seeds from 1993 to 2019.

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 Director's College.

Jim joined the CANTERRA SEEDS Board of Directors in 2010. In 2016, he was appointed Chair of the Manitoba Agricultural Services Corporation.

Jim is an active industry participant. In 2020, he was appointed to the Board of Directors for the amalgamation of Seeds Canada, and previously served on the Board of the Canadian International Grains Institute from 2012 to 2017.

Jim is also involved in the community, serving on the local Canadian Foodgrains Bank project committee.

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 for 20 years. In March 2019, Joe moved to a non-executive Board role at Farms.com and founded RH Accelerator Inc., an agri-food investment company.

Joe is on the Board of Directors of Vive Crop Protection Inc. and A&L Canada Laboratories Inc. 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 and 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.

Founder of RealAgriculture, Shaun Haney manages one of the leading industry ag media companies for Canadian farmers and ranchers. RealAgriculture.com provides the latest in ag-policy, agronomics, current events and farm show features.

Shaun is also the host of RealAg Radio, which is broadcast across North America on Rural Radio Channel 147 on SiriusXM daily at 4:30 PM Eastern.

Tatiana Henry

Board Member

Tatiana is the currently the CEO of the Limagrain Cereal 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 18 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.

Tatiana is also a board member of Limagrain Cereals Research Canada (LCRC).

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.

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 the Board of the Saskatchewan Canola Growers.

François Rollin

Board Member

François 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 U.S., in the areas of product development for seeds and agrochemicals, seeds production and global regulatory affairs for genetically modified crops, especially corn.

François currently sits on the Board of Directors for AgReliant Genetics and Limagrain Cereals Research Canada (LCRC).

Cécile Richard

Board Member

Cécile accounts more than 30 years of experience in various sectors of the seed industry from Amateur Garden Products to Field Seeds, including vegetables.

She is currently the CEO of Limagrain Field Seeds, North and South America. She has been with Limagrain since 1989, taking positions in France, Germany, the U.K., Thailand and Brazil.

Cécile originally joined the CANTERRA SEEDS board in 2015 when Limagrain acquired its minority stake in the company, and recently rejoined the board in 2021.

She studied at the Institut D'Études Politiques de Lyon and has her Master's in Finance and Business Management from the École supérieure de Commerce de Reims.

2020-2021 **Marketing Update**

Our 2020/21 Marketing Strategy established four primary goals for this fiscal year:

1. Build brand awareness and drive demand across all product lines
2. Introduce and leverage our digital sales platform
3. Launch our first LibertyLink® canola hybrid
4. Celebrate our Company's 25th anniversary

Build brand awareness and drive demand across all product lines

Our market research study conducted in early 2020 indicated we had made significant gains in both brand awareness and recall, with our revised media strategy playing a significant role. Our 2020/21 marketing plan built on this success, with a focus on frequent product advertising in the major agriculture print publications in Western Canada. Additional budget was also allocated to radio advertising, focusing on the specific suitability of canola hybrids in key markets.

Our "retailer toolkit" program, providing advertising support to our retail partners, was also expanded in both budget and reach. This program has been very successful in building relationships between our retailer and seed grower partners, Territory Managers and the Marketing team and converting demand to sales at the local level.

Research and sales data indicate success in achieving these goals, with a new high set for brand awareness and recall, and increased sales in our canola and pedigreed product lines year over year.

Introduce and leverage our digital sales platform

CANTERRA SEEDS established itself as a market leader with the introduction of an online order portal in conjunction with Agro.Club Canada. Used by retailers and farmers for order entry, we now have realtime insight into sales progress and programming uptake.

This new platform, positioned as "Easy as 1-2-3", was widely advertised and the promo code capabilities were used throughout the season for special programming.

The special programming capabilities is best demonstrated by our "Black Friday Sale" a first-in-the-industry initiative that offered limited-time special pricing on CS2300 and CS2100 canola hybrids, unlocked through use of a promo code.

Launch our first LibertyLink canola hybrid

The long awaited introduction of the first LibertyLink canola hybrid to the CANTERRA SEEDS portfolio was delayed until mid-December 2020, at which time the majority of canola seed sales had already been booked and our canola marketing program was complete. Budget had been reserved to support the introduction of this hybrid, CS4000 LL, and our marketing efforts kicked off immediately after the availability of CS4000 LL for planting in 2021 was confirmed.

Celebrate our Company's 25th anniversary.

March 2021 marked CANTERRA SEEDS' 25th Anniversary and we took this opportunity to use this occasion to share our Company's brand story through a variety of initiatives, starting with the announcement of our Rooted in the Prairies Project during the virtual celebration of our founding. We produced a series of videos, advertisements, owned and earned content and social media posts that celebrated and shared the story of our company's founding and growth over 25 years.

We have completed our second year of working with our Agency of Record, Suckerpunch, and have made great gains in the areas of concern that initiated our change of agency – declining sales and low brand awareness. We have seen annual gains in each category, backed by sales data and market research, and we are looking forward to building on these successes as our marketing operations and product portfolio continues to evolve.

25 YEARS
CANTERRA SEEDS

Management's Discussion and Analysis Report

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

REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021, as compared to the year ended September 30, 2020. 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 December 16, 2021 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 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 2021 fiscal operating results:

- Sales, gross profit and net income have all increased from the 2019/20 fiscal year.
- Sales totalled $37.92 million for the year ending September 30, 2021, which is an increase of $6.33 million from the $31.59 million recorded for the year ending September 30, 2020.
- Gross profit is at $7.61 million, compared to $7.3 million in 2019/20, an increase of $0.31 million.
- The gross profit percentage has reduced from 23.1% in 2019/20 to 20.1% for 2020/21.
- Total corporate operating expenses, net of other revenue, increased by $0.29 million or 5% from the 2019/20 to the 2020/21 fiscal year.
- The loss from joint venture reduced by $0.04 million from $0.95 million in 2019/20 to $0.91 million in 2020/21. A decision has been made to sell CANTERRA SEEDS ownership in Meridian Seeds, LLC during the 2022 fiscal year. As such, the investment and earnings from this operation have been separated on the financial statements. The numbers above represent the total amounts on the Consolidated Statement of Comprehensive Income on the Loss from long-term equity investments and the Loss from discontinued operations (net of tax).
- Because the Company now has some results from some discontinued operations, the Consolidated Statement of Comprehensive Income has a different look. With the information above, the Income from continuing operations before income taxes has increased by $0.15 million from $0.68 million in 2020 to $0.83 million in 2021
- Taxes have changed due to the change in profitability. There are also several other factors that change the taxes number, including some deferred tax adjustments and an adjustment to an earlier US tax accrual. Overall, the provision for income taxes increased by $0.05 million from the expense of $0.12 million in 2019/20 to $0.17 million in 2020/21.
- Net income from continuing operations then has increased by $0.11 million from $0.55 million in 2020 to $0.66 million in 2021.
- After reducing the Loss from discontinued operations from the last amount, the Company recorded net income for the current year of $0.39 million. By comparison, in 2019/20, the Company recorded net income in the amount of $0.38 million. Overall, net income has increased by $0.01 million.
- Besides the increase in equity from the net income, there were no other changes to equity on the balance sheet.
- Including the loss from discontinued operations, the net income per share for the year ended September 30, 2021, is $0.05 per share, compared to a net income per share of $0.05 in 2019/20.
- Cash and short-term investments increased by $0.59 million from September 30, 2020, to September 30, 2021.
- Accounts receivable has reduced by $0.39 million, from $5.19 million on September 30, 2020, to a balance of $4.8 million as of September 30, 2021.
- Inventory has reduced by $0.73 million from $6.14 million on September 30, 2020, to $5.41 million on September 30, 2021.
- Prepaid expenses have increased by $1.73 million from $2.43 million on September 30, 2020, to a total of $4.16 million on September 30, 2021.
- Property and equipment, along with intangible assets, have reduced by $0.2 million from $1.23 million on September 30, 2020 to a total of $1.03 million as at September 30, 2021.
- Beginning in 2020, CANTERRA SEEDS adopted IFRS 16 and now capitalizes its leased assets onto the balance sheet. The premise is that this more properly characterizes the commitment the Company has to these assets and works to more properly compare companies that lease rather than purchase a portion of their assets. The Company has increased this commitment by $0.63 million from a balance of $0.33 million on September 30, 2020, to $0.96 million on September 30, 2021. There is

a matching liability for the amount owing relating to these leased assets split between current and long term (more than one year) debt.

- The Company has income tax assets (both deferred and current receivable) totaling to $0.64 million on September 30, 2021. This is a reduction of $0.26 million from the net asset position of $0.9 million at September 30, 2020.

- The Company signed an agreement that extended the terms on an accounts receivable account on September 30, 2020, to long term (due more than one year in the future). This receivable has not changed significantly from the prior year as the terms for the payment date have not yet occurred. In both years, the balance is at $0.21 million.

- Earlier in the summary, the $0.83 loss on investments was highlighted. There was a net cash and non-cash investment of $1.03 million, so overall, the investment in joint ventures increased by $0.2 million from a balance of $1.76 million on September 30, 2020, to $1.96 million on September 30, 2021.

- Advances from related companies increased by $0.02 million from a balance of $0.01 million at September 30, 2020, to $0.03 million on September 30, 2021.

- Accounts payable has increased by $0.53 million from $7.89 million on September 30, 2020, to $8.42 million as of September 30, 2021.

- There has been a small deposit made for the 2022 sales year totaling to $0.03 million. There were no such deposits or balance on September 30, 2020.

- The total assets of the Company have increased year to year and are currently at a total of $23.5 million on September 30, 2021. This is an increase of $1.58 million from the $21.92 million balance on September 30, 2020.

OUTSTANDING SHARE DATA

Issued securities as of December 16, 2021:

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 2020/21 and 2019/20 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. During the 2021 fiscal year there were no trades between shareholders as the Company has been looking to acquire an exemption for new shareholders to purchase the Class B shares without purchasing from an accredited investor or through an offering memorandum. A number of trades are pending the finalization of this exemption. During the 2020 fiscal year there were trades between shareholders totalling to 104,367 Class A shares and 132,000 Class B preferred shares.

SELECTED FINANCIAL INFORMATION

QUARTERLY FINANCIALS

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

	2020/21 Q4	2020/21 Q3	2020/21 Q2	2020/21 Q1	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1
Total Revenue	2,634	9,428	25,287	569	2,834	8,307	20,419	29
Income and comprehensive income	(169)	83	1,980	(1,500)	250	(1)	1,688	(1,550)
Earnings per share (basic and diluted)	$ (0.02)	$ 0.01	$ 0.26	$ (0.20)	$ 0.04	$ (0.00)	$ 0.22	$ (0.21)

CANTERRA SEEDS sells agriculture seed of several 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 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	2020/21 Year	2019/20 Year	2018/19 Year
Sales	569	25,287	9,428	2,634	37,918	31,590	25,903
Gross profit	42	4,440	1,786	1,347	7,615	7,301	5,779
Gross profit percentage	7.4%	17.6%	18.9%	51.1%	20.1%	23.1%	22.3%
Other revenue	62	76	98	746	982	789	689
Operating, general and administrative	715	554	574	551	2,394	2,347	3,204
Loss from joint ventures	301	254	151	(65)	641	775	841
Depreciation and amortization	148	143	156	150	597	543	236
Salaries, wages and benefits	834	971	964	1,339	4,108	3,731	3,688
Interest	4	3	3	15	25	19	2
Income (loss) from continuing operations before taxes	(1,898)	2,591	36	103	832	675	(1,503)
Income tax recovery (expense)	398	(611)	47	(3)	(169)	(120)	524
Net income from continuing operations	(1,500)	1,980	83	100	663	555	(979)
Loss from discontinued operations (net of tax)	–	–	–	269	269	178	385
Income and comprehensive income	(1,500)	1,980	83	(169)	394	377	(1,364)
Total assets	33,668	36,309	33,547	23,501	23,501	21,917	19,573
Long-term liabilities	76	12	762	687	687	60	–
Earnings per share-basic and diluted	$ (0.20)	$ 0.26	$ 0.01	$ (0.02)	$ 0.05	$ 0.05	$ (0.18)

SALES AND GROSS PROFIT

CANTERRA SEEDS sells agriculture seed in Western Canada using several 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 the exclusive distributor for the PRIDE Seeds branded product in Western Canada. In this case, the product is sold by PRIDE Seeds to CANTERRA SEEDS and then, when seeded by the farmer, the entire amount of the sale is recorded on the books of the Company.

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

Overall, sales have increased by $6.33 million or 20.0%, from $31.59 million in 2019/20 to $37.92 million in 2020/21. The optimal way to describe the detail of this variance is to break down the sales into the various sales categories described above.

Canola sales increased by 39% for the year. Canola sales increased because of several reasons, the biggest ones being the introduction of the Company's first LibertyLink® hybrid, CS4000 LL, a partnership with Agro.Club Canada to facilitate farmer orders and a more focused and determined canola sales and marketing strategy. LibertyLink® canola hybrids dominate the western Canadian market (over 60%), so this introduction has increased the accessibility to the market. The partnership with Agro.Club Canada has allowed CANTERRA SEEDS to now understand who has purchased its canola varieties which in turn allows the Company to complete direct marketing with the farmers who still need to purchase their canola. And led by Sales Director, Lorri Keyowski, Marketing Manager, Renee McMillan and the Company's marketing partner Suckerpunch, CANTERRA SEEDS has put forward a more focused sales and marketing plan that focuses on bringing value to its partners and customers.

As with the 2019/20 results, the soybean sales are once again very small. The overall soybean market is extremely small and very competitive leaving very little room for sales and margins.

With corn products, the acreage seeded to that crop appears to have reduced in 2020/21. As with soybeans, when the acreage seeded to a crop type reduces, it makes this market extremely competitive. While CANTERRA SEEDS was able to hold its market share, sales still reduced by 11%.

For pedigreed seed in 2020, CANTERRA SEEDS had the best year of sales and margins in its history. While the Company was unable to match the 2020 sales amounts the sales were still the second highest in the history of the Company and were significantly higher than budget.

The increase in sales caused gross profit to also increase. It is higher by $0.31 million, from $7.3 million in 2019/20 to $7.61 million in 2020/21. So, while sales increased by 20%, gross margins increased by 4.3%. The gross profit as a percentage of sales reduced, from 23.1% for the year ended September 30, 2020, to 20.1% for the year ended September 30, 2021. This reduction in gross profit percentage occurred for several reasons. For the canola business, the main reason was that the Company made the decision to make a povision for some inventory that it felt would be difficult to sell, and for the corn business, the competitiveness of this market created lower margins for these products.

OTHER REVENUE

Other revenues total to $0.98 million in 2020/21 which is a $0.19 million increase from the $0.79 million recorded in 2019/20. Generally, as sales increase, partnership contributions to offset operating expenses also increases. The increased sales caused the increase in Other Revenue. Also, as the Company adds earnings and profitability, the amount claimed for SRED also increases as it is used to reduce taxes payable.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

Operating, general and administrative expenses have increased by $0.05 million or 2% from $2.35 million for the year ended September 30, 2020, to $2.4 million for the year ended September 30, 2021.

This increase is small, but has occurred due to additional marketing costs for the Company relating to the introduction of CS4000 LL, the launch of the Agro.Club Canada platform and the celebration of CANTERRA SEEDS' 25th anniversary. These were offset by a further reduction in expenses from lower travel and meeting costs due to the COVID-19 virus.

LOSS (INCOME) FROM JOINT VENTURES

CANTERRA SEEDS has a 50% ownership in a joint venture called Meridian Seeds LLC and owns a 30% ownership share of a joint venture named Limagrain Cereals Research Canada (LCRC). In total, CANTERRA SEEDS recorded a loss totalling $0.91 million in 2020/21 compared to a loss of $0.95 million for the 2019/20 fiscal period, a reduction of $0.4 million.

LCRC is a cereals breeding company, and it takes at least 10 years for such a Company, due to the time it takes to develop, test and register new products, to start to cash flow positively. The Company is still therefore in its earlier stages as an entity and has not yet become profitable. However, it is continuing to grow its sales and some of its operating expenses are being reduced as LCRC continues to grow and bill out some of the services it manages. Due to this, a loss was recorded for the current year, but it was a lower loss than what was recorded for the 2019/20 fiscal period.

Meridian Seeds is still dealing with poor market conditions in the crop types that Meridian Seeds focuses much of its sales on. Due to this, the entity recorded losses for the 2020/21 fiscal year. The Company was able to reduce its net operating expenses year-to-year and overall, the equity loss recorded for the year has decreased from what was recorded during the 2019/20 fiscal year. A decision has been made to sell CANTERRA SEEDS ownership in Meridian Seeds during the 2021/22 fiscal year. Due to this decision, the 2020/21 equity loss of $269,274 has been separated on the financial statement and considered a loss from discontinued operations. This loss has been adjusted to an amount before tax. In 2020, the loss from this entity (net of tax) was recorded at $178,277.

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expenses have increased by $0.05 million. Almost all of this increase is due to the increase in amortization of right of use assets. These have increased as the amount of assets leased by the Company has increased year-to-year.

SALARIES, WAGES AND BENEFITS

Salaries, wages and benefit expenses have increased by 10%, or $0.37 million, from $3.73 million for the year ended September 30, 2020, to $4.1 million for the year ended September 30, 2021.

These costs have increased due to a few reasons as follows:

- Small increase in the number of staff year-to-year.
- A reduction in the amount of "unfilled positions" comparatively year-to-year.
- A higher accrual for bonuses due to positive company factors (growth, profitability) year-to-year.
- Payroll adjustments to most staff.

INTEREST

These expenses increased by $6 thousand, from $19 thousand in 2019/20 to $25 thousand in 2020/21. This is a small increase, but as with the depreciation and amortization expenses, the increase in the amount of assets leased has increased this expense.

INCOME TAX EXPENSE

Overall, when you take the deferred and current income tax provision combined, these have increased by $0.05 million due to an increase in income before income taxes.

QUARTERLY RESULTS

The quarterly results vary based on the normal sales and expenditure patterns for CANTERRA SEEDS. Most 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 2020/21, 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 have stayed relatively flat through the year. The only real change quarterly is in Q1. This is when a significant amount of the 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 few revenues being recorded at present, but those that are are generally recorded in either Q3 or Q4. The operating expenses for both LCRC and Meridian were split quite evenly throughout the year. In Q4, a decision was made to sell CANTERRA SEEDS interest in Meridian Seeds. As such, it has been separated on both the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income during this quarter.

Depreciation and amortization have little change and are consistent during all four quarters.

Salaries, wages and benefits are also quite constant throughout the year. The timing of some incentive-based payments, especially those accrued in Q4, do affect the expenses a bit by quarter.

Interest expense is higher in Q4 as the Company recommitted to a long-term lease for the corporate office.

The tax entries mainly altered with the earnings (loss) before tax.

The assets are highest at the end of Q1, Q2 and Q3 as this is when canola inventory is accumulated and then sold. Therefore, the Company either has higher inventory or accounts receivable balances during these quarters. For Q4, the inventory has been reduced from sales and the accounts receivable has been collected creating a lower overall asset balance.

The long-term debt relates to the operating leases for the corporate office and many of its vehicles. This balance increased in Q3 and Q4 because the Company committed to a new 5-year lease on its office in Winnipeg.

Overall, the Company recorded a per-share income of $0.05 for 2020/21. This matches the income of $0.05 per-share recorded for 2019/20. For the 2020/21 year, most of the sales for canola, corn and soybeans were focused in Q2 from January 1, 2021, to March 31, 2021. This has created a quarterly result where the Company made $0.26 per share during this time-period. Additional sales in Q3 and strong pedigreed tech fees recorded in Q4 made the results close to break-even for those quarters. There were few sales in Q1 and with additional operating expenses, mainly marketing costs, the Q1 period recorded a loss of 20 cents per share.

LIQUIDITY AND CAPITAL RESOURCES

CANTERRA SEEDS cash position has increased by $3.18 million from September 30, 2020 to September 30, 2021. A significant part of this relates to the reduction in short-term investments from year to year which is basically due to the timing of transactions year to year. This is for $2.6 million of this increase, so when you factor the two together the overall increase is $0.58 million from September 30, 2020, to September 30, 2021.

In total, the Company added cash from operating activities of the Company in the amount of $2.05 million. CANTERRA SEEDS had net income for the year of $0.39 million. There were, however, a few significant non-cash expenses so after these were added back, there was a cash income totaling to $2.1 million.

Also, inventory was reduced due to sales over the year. A reduction by $0.73 million.

In addition, accounts receivable reduced by $0.39 million because more prepayments occurred, which more than offset the increase in sales.

Also, accounts payable and accrued liabilities have increased by $0.53 million from the prior year, due mainly to the increase in sales year to year, increasing royalty accruals to canola partners.

Finally, there was a small deposit that increased deferred revenues from the prior year; $0.03 million.

The reduction in inventory was directly offset by an increase in prepaid expenses, particularly prepaid deposits for new canola inventory. This used $1.73 million in cash.

During the year, CANTERRA SEEDS used an amount totalling to $1.46 million for financing and investing activities. The Company made an additional $1.02 million of investment into its subsidiaries during the year that used cash. Also, the Company made net lease obligation payments totaling to $0.35 million during the year. Finally, CANTERRA SEEDS made a small amount of capital and intangible asset purchases of $0.06 million as well as a small advance to its affiliated companies of $0.02 million.

RISKS AND UNCERTAINTIES

COVID-19 RISK

The effect and risk to CANTERRA SEEDS of this virus to its sales has been limited. Farmers seed their crops as they do every year and CANTERRA SEEDS has been able to manage its way through any delays caused by the pandemic to ensure product was manufactured and shipped in a timely manner.

The Company closed its head office to the public on Friday, March 13, 2020, and it continues to be closed to the public today. In addition, a significant number of staff have been working from their home offices throughout this time. The Company and its information systems work very well from remote access, so overall, the effect has been relatively minimal for operations.

On an operating expense basis, this has meant significant reduction in all types of travel, the cancellations of meetings and other industry events and the cancellation of some promotional plans. This has worked to therefore improve profitability and, since the rest of the industry was also basically shut down, is not expected to create any significant competitive downside to the Company.

Going forward, the biggest risk and/or opportunity is the uncertainty on how the economic and market demand effects of this virus will affect the commodity markets and seeding intentions in future years. In addition, the ability to receive and deliver products in a timely manner may also be a risk.

INVENTORY OBSOLESCENCE RISK

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 lifecycle 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.

OUTLOOK

The most effective way to analyze the seed sales at CANTERRA SEEDS is to break the business down into their three methods: (1) canola sales where CANTERRA SEEDS acts as the manufacturer and processor and sells the seed in a CANTERRA SEEDS branded bag, (2) the corn and soybean sales where CANTERRA SEEDS sells a PRIDE Seeds branded product to Western Canadian retailers and (3) pedigreed seed sales where the products are owned and distributed by CANTERRA SEEDS seed grower shareholders and the Company collects a tech fee (royalty plus margin) for the grower's right to produce and sell these varieties which are under exclusive license from the breeder to CANTERRA SEEDS.

With canola, the Company will continue to focus on the critical success factors:

- The Company will continue to introduce "leading-edge" spring canola hybrids into the western Canadian and U.S. markets. The Company partners with several of the top canola seed and trait developers in Western Canada. This ensures that only those hybrids that meet or exceed the market standard are introduced. CANTERRA SEEDS is selling hybrids that deliver the agronomic traits farmers expect and require such as clubroot and blackleg tolerance, shatter tolerance, Roundup Ready®, TruFlex™ canola, Clearfield® (Non-GMO) and, beginning for the 2020/21 fiscal year, LibertyLink® canola, with various ranges of maturity that compete with the best in the market.

- 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 canola seed quality not only meets the standards set by the Canada Seeds Act but exceeds these standards and the competition in the market.

- Thirdly, there is always the risk of inventory obsolescence with all seed products. This could be due to a drop or decreased germination level, or the variety is no longer competitive in the market. The Company proactively manages the lifecycles of the specific hybrids and varieties as well as following its strict seed quality protocol that keeps these risks to a minimum.

- CANTERRA SEEDS continues to create partnerships with both canola breeders and other entities to ensure that it strengthens its portfolio and its value proposition to both retails and farmers.

- Finally, it is critical that the Company ensures its canola products are accessible to as many farmers as possible. CANTERRA SEEDS has worked diligently to continually improve the corporate brand and canola distribution footprint, ensuring CANTERRA SEEDS canola hybrids are easily accessible at a local retailer. The Company is now distributing its canola product directly with independent retails across Western Canada. The Company also agreed to a partnership with Agro.Club Canada where customers can order its canola and corn inventory online. Overall, the goal is to make purchasing CANTERRA SEEDS products as simple as possible.

CANTERRA SEEDS is working to increase its market share in the western Canadian canola market. This improvement started in 2020 and, with the 20% increase in sales, has continued for 2021. It is anticipated that this improvement will continue in future years.

For the corn and soybean business, as mentioned earlier in the report, CANTERRA SEEDS is the exclusive western Canadian distribution partner for the PRIDE Seeds brand of corn and soybeans. PRIDE Seeds is part of AgReliant, one of the top breeders and retailers of corn and soybean products in North America.

CANTERRA SEEDS anticipates that the acreage in Western Canada seeded to corn and soybeans will grow over the next few years. With the PRIDE Seeds brand of products, the market share and overall quantity of sales is anticipated 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 a solid pipeline of corn products to support the CANTERRA SEEDS portfolio of highly competitive genetics and traits developed specifically for the Western Canadian market.

- CANTERRA SEEDS' extensive seed distribution network ensures that these products are available to farmers throughout the Prairie provinces.

For the pedigreed seed business, 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 high-performing varieties from public breeding entities like Agriculture and Agri-Food Canada, the Crop Development Centre and the University of Alberta. Secondly, the Company is a 30% partner with Limagrain, one of the world's largest and most innovative field seed companies, in a cereals breeding venture named Limagrain Cereals Research Canada. This entity registered its first wheat varieties including CS Daybreak and CS Accelerate which CANTERRA SEEDS has the rights to. Thirdly, CANTERRA SEEDS has arrangements with breeders throughout the world to test (using its internal field program) and register products in Western Canada. This has been very successful for the Company and currently, its most successful pedigree product, CS Camden, came from one of these partnerships.
- 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 190 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 as mentioned earlier, LCRC will continue to improve its earnings as it continues to register new varieties for the western Canadian market. LCRC is also part of the Variety Use Agreement (VUA) pilot project which will enable it to receive royalties on all acreage seeded with its varieties. These improvements in revenue will occur while operating expenses are kept quite 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 experienced and well-trained staff. However, as was mentioned earlier, there is a plan for CANTERRA SEEDS to sell its ownership portion of this business at the end of the 2021 calendar year. The effect that this divestiture will have on CANTERRA SEED's future financials is dependent on the results that business has. Meridian Seeds, LLC success is currently quite dependent on a couple of key markets (chickpeas and pulses). The results of the Company have therefore related to the supply/demand in these crop types.

For net operating expenses, CANTERRA SEEDS is being as proactive as possible by limiting expenses in areas where possible. As always, the focus will be to ensure that all expenses will guarantee a successful return on investment. It is anticipated that as more and more people get vaccinated against the COVID-19 virus, things will return to somewhat normal with more trade shows, meetings and travel. However, it is also anticipated that there will be a "different" business model in the seed industry which will likely bring less face-to-face meetings and less travel and therefore lower operating expenses.

Overall, the 2020/21 financial results were an improvement in overall sales, margins, equity pickup and, of course, net income; basically, the year was very successful. Going forward, the Company expects these trends to continue and profitability to continue to improve.

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 using 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 few 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 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 because 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 amounts owing at both September 30, 2020, and September 30, 2021, were repaid in the first two months of the following fiscal year.

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 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 nine 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. 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 or past 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 three 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.

December 16, 2021

David Hansen
Chief Executive Officer

Gerry Cantin
Chief Financial Officer

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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. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and September 30, 2020, and the consolidated statements of comprehensive income, changes in shareholders' 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, 2021 and September 30, 2020, 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 Management's Discussion and Analysis. The other information also comprises the information included in the Annual Report, but does not include the consolidated 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 Management's Discussion and Analysis and 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Winnipeg, Manitoba
December 16, 2021

MNP LLP

Chartered Professional Accountants

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CONSOLIDATED FINANCIAL STATEMENTS

AUDITED BY MNP LLP

CANTERRA SEEDS HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30

	2021	2020
ASSETS		
Current assets		
Cash	3,546,375	362,668
Investments *(note 4)*	761,888	3,359,881
Accounts receivable	4,799,156	5,189,204
Inventory *(note 5)*	5,412,043	6,146,403
Income tax receivable	-	78,730
Prepaid expenses and deposits	4,162,180	2,431,323
	18,681,642	17,568,209
Assets held for sale *(note 14)*	528,021	–
	19,209,663	17,568,209
Property and equipment *(note 6)*	571,326	683,741
Intangible assets *(note 7)*	452,857	542,682
Right-of-use assets *(note 8)*	959,858	326,938
Deferred tax asset *(note 21)*	639,199	816,612
Long-term equity investments *(note 14)*	1,427,496	1,758,973
Long-term receivables	213,884	212,607
Advances to related companies *(note 10)*	26,754	6,838
	23,501,037	21,916,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	8,419,441	7,892,779
Contract liabilities	31,261	–
Current portion of lease obligations *(note 9)*	272,879	266,762
	8,723,581	8,159,541
Lease obligations *(note 9)*	686,979	60,176
	9,410,560	8,219,717
Shareholders' equity		
Share capital *(note 13)*	12,577,828	12,577,828
Retained earnings	1,493,926	1,100,332
Contributed surplus	18,723	18,723
	14,090,477	13,696,883
	23,501,037	21,916,600

See accompanying notes to the consolidated financial statements.

Lloyd Affleck
Chairman of the Board

Jim Wilson
Vice-Chairman

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended September 30

	2021	2020
Sales	37,918,292	31,590,275
Cost of sales *(note 5)*	30,303,593	24,289,308
Gross profit	7,614,699	7,300,967
Other revenue *(note 15)*	982,033	789,509
Profit before other expense items	8,596,732	8,090,476
Operating, general and administrative	2,393,565	2,347,194
Loss from long-term equity investments *(note 14)*	640,803	774,535
Depreciation	597,060	542,940
Salaries, wages and benefits	4,108,250	3,731,380
Interest	25,444	19,098
	7,765,122	7,415,147
Income (loss) from operations before income taxes	831,610	675,329
(Provision for) recovery of income taxes *(note 21)*:		
Current	301	827
Deferred	168,441	119,721
	168,742	120,548
Net income from continuing operations	662,868	554,781
Loss from discontinued operations (net of tax) *(note 14)*	269,274	178,277
Net income and comprehensive income	393,594	376,504
Earnings (loss) per share		
Basic and fully diluted (note 16)	0.09	0.07
Loss per share from discontinued operations		
Basic and fully diluted (note 16)	(0.04)	(0.02)
Earnings per share		
Basic and fully diluted (note 16)	0.05	0.05

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, 2019	$12,577,828	$18,723	$723,828	$13,320,379
Comprehensive income	–	–	$376,504	$376,504
Balance, September 30, 2020	$12,577,828	$18,723	$1,100,332	$13,696,883
Comprehensive income	–	–	$393,594	$393,594
Balance, September 30, 2021	$12,577,828	$18,723	$1,493,926	$14,090,477

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended September 30

	2021	2020
Cash provided by (used for) the following activities:		
Operating activities:		
Net income (loss)	393,594	376,504
Depreciation of property and equipment	148,829	140,895
Depreciation of intangible assets	117,325	114,141
Depreciation of right of use assets	330,906	287,904
Interest expense	25,444	19,098
Loss from long-term equity investments	774,263	1,025,874
Provision for income taxes	251,751	47,486
Income taxes (paid) received	4,392	(1,664)
Fair value adjustment on assets held for sale	52,805	–
	2,099,309	2,010,238
Changes in working capital accounts		
Accounts receivable	388,771	(2,446,974)
Inventory	734,360	2,185,205
Prepaid expenses and deposits	(1,730,857)	(1,099,730)
Accounts payable and accrued liabilities	526,662	1,639,679
Contract liabilities	31,261	–
	2,049,506	2,288,418
Financing Activities		
Lease obligation repayments	(356,350)	(307,002)
Investing activities		
Repayment from (advances to) related companies	(19,916)	312,657
Contributions to long-term equity investments	(1,023,612)	(1,013,200)
Purchase of property and equipment	(36,414)	(215,045)
Purchase of intangible assets	(27,500)	(35,820)
Sale (purchase) of investments	2,597,993	(2,878,597)
	1,490,551	(3,830,005)
Increase (decrease) in cash	3,183,707	(1,848,589)
Cash, beginning of year	362,668	2,211,257
Cash, end of year	3,546,375	362,668

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended September 30, 2021 and 2020

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 (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 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 December 16, 2021.

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 and investments 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 INCOME TAXES

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

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

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

GOVERNMENT ASSISTANCE

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 uncertainties around the outbreak of the COVID-19 pandemic required the use of judgments and estimates, which resulted in no material impact for the year ended September 30, 2021. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements.

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.

Management has estimated the Company's incremental borrowing rate for leases where the implicit rate cannot be determined.

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.

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, 2021 and 2020, 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

LEASES

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented in note 9: Lease obligations

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in note 8: Right of-use assets.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in impairment of non-financial assets.

Variable rents that do not depend on an index or rate are not included in the measurement, the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included within operating expenses in the statement of income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

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 obligations.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets that may be classified as held for sale consist of a long-term equity investment. The Company classifies a non-current asset or group of assets and related liabilities (a disposal group) as held for sale when, amongst other things, the Company has committed to a plan of disposition, the asset is available for immediate sale, the plan is not expected to change significantly and the sale is expected to occur within one year. An asset or disposal group acquired in a business combination that will be sold rather than held and used is classified as held for sale at the date of acquisition when it is probable that the Company will dispose of the assets within one year. The held for sale asset or disposal group is presented separately on the Statement of Financial Position.

An asset or disposal group classified as held for sale, including those newly acquired in a business combination, is measured at the lower of its carrying amount and its fair value less costs to sell. No assets classified as held for sale are subject to depreciation or amortization. Any initial or subsequent write-downs of the assets to fair value less costs to sell are recognized as impairment losses. Subsequent increases in fair value not in excess of the cumulative loss previously recorded are recognized as gains. An impairment loss or any subsequent gain recognized for a disposal group decreases or increases the carrying amount of the non-current assets in the group, respectively.

4. INVESTMENTS

The Company has investments comprised of a deposit in a money market savings account which has a maturity within one year bearing an interest rate of 0.75% (2020 – 0.75%) per annum.

5. INVENTORY

	2021	2020
	$	$
Finished goods	**2,589,883**	2,066,193
Raw materials	**2,822,160**	4,080,210
	5,412,043	6,146,403

The cost of inventories recognized as an expense and included in cost of sales amounted to $9,971,157 (2020 - $6,911,108). During the year, $903,340 (2020 – $579) of inventory was written down to its net realizable value included in cost of sales.

6. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Website, furniture and fixtures	R&D plot equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, September 30, 2019	170,414	411,530	170,792	396,042	206,011	1,354,789
Additions	4,847	100,084	57,714	42,280	10,120	215,045
Balance, September 30, 2020	175,261	511,614	228,506	438,322	216,131	1,569,834
Additions	9,015	18,984	–	–	8,415	36,414
Balance, September 30, 2021	**184,276**	**530,598**	**228,506**	**438,322**	**224,546**	**1,606,248**
Depreciation						
Balance, September 30, 2019	101,948	187,926	94,491	267,664	93,169	745,198
Depreciation	20,600	48,389	24,025	29,664	18,217	140,895
Balance, September 30, 2020	122,548	236,315	118,516	297,328	111,386	886,093
Depreciation	16,602	58,333	20,658	33,555	19,681	148,829
Balance, September 30, 2021	**139,150**	**294,648**	**139,174**	**330,883**	**131,067**	**1,034,922**
Net book value						
At September 30, 2020	52,713	275,299	109,990	140,994	104,745	683,741
At September 30, 2021	**45,126**	**235,950**	**89,332**	**107,439**	**93,479**	**571,326**

7. INTANGIBLE ASSETS

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

	Licence fees
Cost	$
Balance, September 30, 2019	**2,159,179**
Additions	35,820
Balance, September 30, 2020	**2,194,999**
Additions	27,500
Balance, September 30, 2021	**2,222,499**
Depreciation	
Balance, September 30, 2019	**1,538,176**
Depreciation	114,141
Balance, September 30, 2020	**1,652,317**
Depreciation	117,325
Balance, September 30, 2021	**1,769,642**
Net book value	
At September 30, 2020	542,682
At September 30, 2021	**452,857**

8. RIGHT-OF-USE ASSETS

	Building	Office Equipment	Vehicle	Total
Cost	$	$	$	$
Balance, September 30, 2020	297,911	13,264	303,667	614,842
Additions	798,636	25,204	146,382	970,222
Disposal	–	(13,264)	–	(13,264)
Balance, September 30, 2021	**1,096,547**	**25,204**	**450,049**	**1,571,800**
Accumulated Depreciation				
Balance, September 30, 2020	166,412	5,108	116,384	287,904
Depreciation	159,032	4,460	167,414	330,906
Disposal	–	(6,868)	–	(6,868)
Balance, September 30, 2021	**325,444**	**2,700**	**283,798**	**611,942**
Net book value				
At September 30, 2020	131,499	8,156	187,283	326,938
At September 30, 2021	**771,103**	**22,504**	**166,251**	**959,858**

9. LEASE OBLIGATIONS

LEASE LIABILITIES

The following table sets out a maturity analysis of lease liabilities:

	2021	2020
Maturity analysis – contractual undiscounted cash flows		
Less than one year	329,187	277,277
One to five years	1,081,114	338,547
Total undiscounted lease liabilities at September 30, 2021	1,410,301	615,824
Lease liabilities included in the statement of financial position at September 30	959,858	326,938
Current	272,879	266,762
Non-current	686,979	60,176

No expenditures related to short term, low value and variable lease payments were made during the year.

The following table details the reconciliation of the lease liability balance from October 1, 2020 to September 30, 2021:

Lease liabilities

Balance at October 1, 2020	Cash flows	Changes in lease	Imputed interest	Balance at September 30, 2021
326,938	(356,350)	963,826	25,444	959,858

10. ADVANCES TO RELATED COMPANIES

	2021	2020
Meridian Seeds, LLC	$ 31,301	$(12,213)
Limagrain Cereals Research Canada	(4,547)	19,051
	$ 26,754	$ 6,838

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, and 30% investment in Limagrain Cereals Research Canada.

11. GOVERNMENT ASSISTANCE

During the year, the Company filed Canadian federal and provincial income tax returns for the 2020 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 2021 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 $185,803 (2020 - $61,801). In the normal course of SR&ED expense claims the Company is subject to reviews by federal and provincial government authorities.

12. DEMAND FACILITY

The Company has available to it a revolving demand facility available to finance inventory and accounts receivable to a maximum of $3,000,000 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, 2021, the Company was in compliance with the covenants specified in the agreement. As at September 30, 2021, the Company had not drawn against the revolving demand facility (2020 – $nil).

13. SHARE CAPITAL

	2021	2020
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 (2020 – 7,551,147)	$12,109,827	$12,109,827
2,118,000 class B shares (2020 – 2,118,000)	468,001	468,001
	$12,577,828	$12,577,828

14. 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. During the year, the Company has entered into negotiations to exit the 50% partnership in Meridian Seeds LLC.

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

	2021	2020
	$CAD	$CAD
Current assets	**1,151,762**	1,623,586
Long-term assets	**276,886**	393,778
Current liabilities	**340,907**	441,204
Non-current liabilities	**31,572**	–
Revenues	**3,689,933**	3,621,100
Expenses	**4,063,305**	4,123,779
Net loss	**(373,372)**	(502,679)
Cash used in operating activities	**(259,935)**	(342,407)
Cash provided by (used in) investing and financing activities	**274,179**	196,470

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

	2021	2020
Investment in joint venture	**$528,021**	$689,674

During the year, the Company committed to a plan to dispose of its interest in Meridian Seeds LLC in the next year and, as a result, has classified the investment as held for sale and presented its results as discontinued operations. This classification resulted in a fair value adjustment to the value of the investment representing differences in current and historical foreign exchange rates.

Loss from discontinued operations is comprised of the following:

	2021	2020
	$CAD	$CAD
Equity loss on investment in joint venture	**133,460**	251,339
Provision for (recovery of) of income taxes: *(note 20)*		
Current	**74,037**	–
Deferred	**8,972**	(73,062)
Fair value adjustment	**52,805**	–
	269,274	178,277

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 are accounted for using the equity method.

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

	2021	2020
	$	$
Current assets	**3,376,758**	1,985,973
Long-term assets	**1,583,456**	1,695,938
Current liabilities	**376,069**	149,456
Non-current liabilities	**81,761**	–
Revenues	**425,608**	174,363
Expenses	**2,561,618**	2,756,146
Net loss	**(2,136,010)**	(2,581,783)
Cash used in operating activities	**(1,800,910)**	(2,368,461)
Cash provided by investing and financing activities	**1,652,405**	1,604,764

Limagrain Cereals Research Canada is a 30% joint venture interest.

	2021	2020
Investment in partnership	**$1,427,496**	$1,069,299

15. OTHER REVENUE

	2021	2020
	$	$
Interest	**45,890**	85,548
Contract services and program payments	**663,885**	535,777
Other	**86,455**	106,383
Scientific research and development tax credits (note 11)	**185,803**	61,801
	982,033	789,509

16. 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, 2021 of 7,551,147 (2020 – 7,551,147). Diluted earnings (loss) per share equals basic earnings (loss) per share as there are no dilutive instruments.

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, 2021, 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, 2021, the Company has $761,888 in a money market savings account. 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 $7,619.

MARKET RISK

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

CREDIT RISK

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

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

	2021	2020
	$	$
31-60 days	2,135,925	80,169
61-90 days	2,546	2,879,311
More than 90 days	66,495	13,528
	2,204,966	2,973,008

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

	2021	2020
	$	$
Balance, beginning of year	–	32,994
Amount charged to bad debt expense	–	–
Amount applied against accounts receivable	–	(32,994)
Balance, end of year	–	–

FOREIGN CURRENCY RISK

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

	2021	2020
	$CAD	$CAD
Cash	458,503	230,019
Accounts receivable	–	2,893
Accounts payable	1,026	9,348

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, 2021.

A 1% increase/decrease in United States dollar foreign exchange rates would result in a corresponding decrease/increase in net income of approximately $4,575.

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, long-term receivables, 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	8,445,791	8,445,791	–	–
Total	8,445,791	8,445,791	–	–

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 12 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 $3,000,000 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, 2021, the subsidiary Company must have an effective Tangible Net Worth not less than $9,000,000. As of September 30, 2021, this requirement was met. As at September 30, 2021, 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.

20. RELATED PARTY TRANSACTIONS

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

	2021	2020
	$	$
Revenue	15,686,919	12,972,509
Cost of sales	10,402,384	8,850,479

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, 2021, accounts receivable includes $468,203 (2020 – $2,152,751) owed from shareholders.

Accounts payable and accrued liabilities include $12,272 (2020 – $253,329) payable to shareholders.

During the year, employee future benefits recorded as an expense amounted to $104,910 (2020 - $102,525).

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:

	2021	2020
	$	$
Salary and short-term benefits	1,101,145	1,072,958
Post-employment benefits	76,725	65,602
	1,177,870	1,138,560

During the year, payments for Board and Shareholder meetings totaled $2,017 (2020 - $445).

21. INCOME TAXES

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

	2021	2020
	$	$
Current tax expense	301	827
Current tax expense	301	827
Deferred tax expense relating to origination and reversal of temporary differences	168,441	119,721
Deferred tax expense	168,441	119,721
Income tax expense	168,742	120,548

Income tax expense (recovery) differs from the amount computed by applying the combined expected Canadian Federal and Provincial tax rate of 27% (27% in 2020) to income before income taxes. The reasons for the difference are as follows:

	2021	2020
	$	$
Computed income tax expense	224,534	182,339
Income tax rate differentials of foreign investees	3,398	7,125
Permanent differences	24,521	30,576
Recognition of previously unrecognized tax losses	–	(73,015)
Other items	(702)	(99,539)
Recognized in discontinued operations *(note 14)*	(83,009)	73,062
Actual tax expense	168,742	120,548

21. INCOME TAXES *(CONTINUED)*

The Company's deferred tax assets are as follows:

	2021	2020
	$	$
Property and equipment	(99,284)	(109,109)
Intangible assets	25,786	36,313
Unused tax losses	103,506	329,334
ITC carryforwards	508,621	470,168
Other items	100,570	89,906
	639,199	816,612

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

	2021	2020
	$	$
Property and equipment	(9,824)	20,829
Intangible assets	10,527	32,017
Unused tax losses	225,828	65,122
ITC carryforwards	(38,453)	(47,711)
Other items	(10,665)	49,464
	177,413	119,721

22. CONTINGENCIES

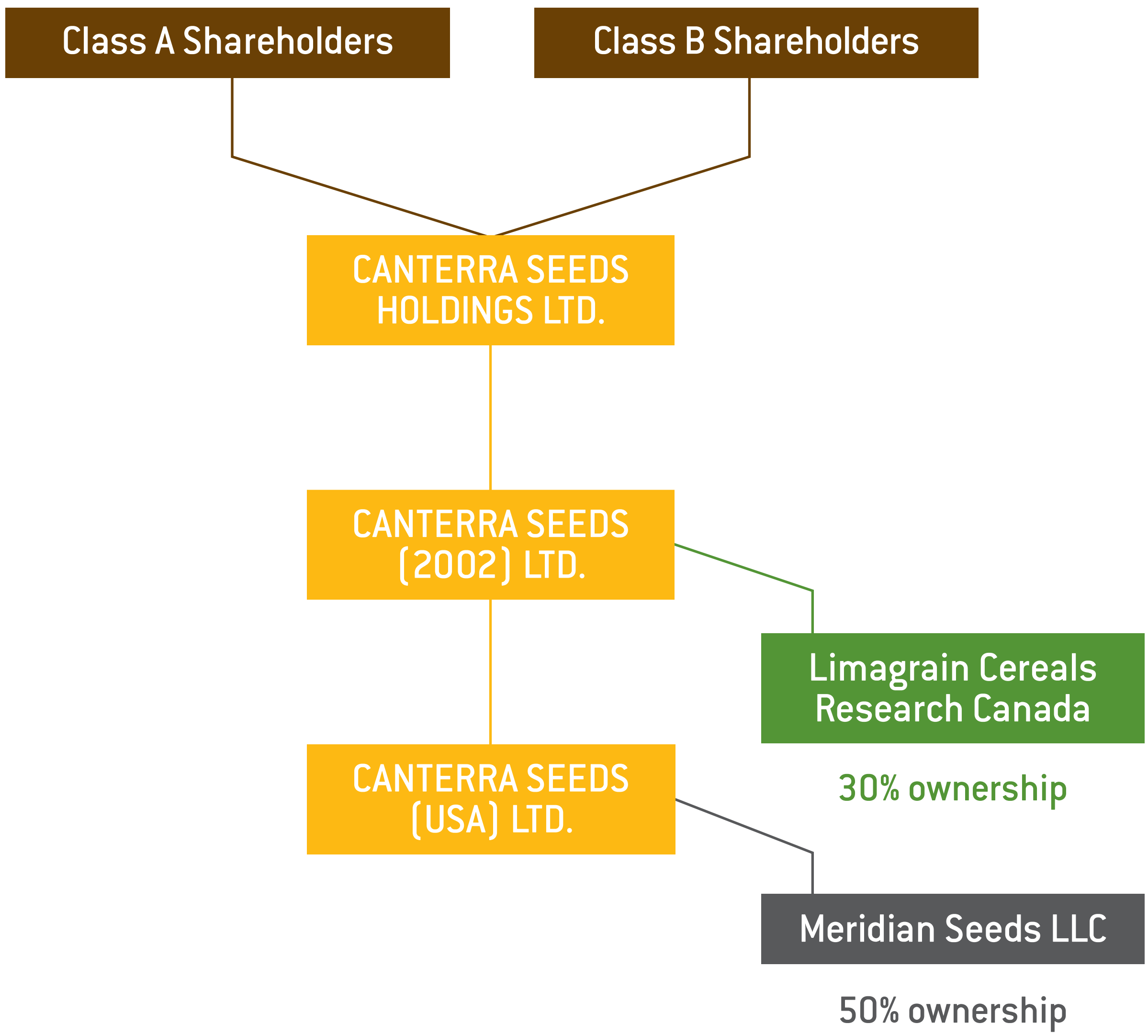
The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

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.

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.



CANTERRA SEEDS

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