
2022
ANNUAL
REPORT
CANTERRA
SEEDS

Message from **The President & CEO**

IT IS MY PLEASURE TO HAVE THIS OPPORTUNITY TO ADDRESS YOU, OUR SHAREHOLDERS, OUR BUSINESS PARTNERS AND CUSTOMERS, on the completion of the CANTERRA SEEDS 2022 fiscal year. It has been a very good year for the business, just as it has been a good year for our farmer customers and the entire value chain. This statement is not meant to ignore or overlook the challenges and difficulties of the year. Simply a general statement as to the state of affairs for CANTERRA SEEDS.

CANTERRA SEEDS is a seed distribution company aligned with key partners who provide our seed genetics, agronomic and herbicide resistance traits, seed treatment products, seed production, conditioning and processing services, retail distribution, quality and certification services, logistics support, financial, legal and HR support, marketing and communications and so on. It is a complex business, made manageable by many, like-minded companies and individuals working together to ensure we ultimately have the right seed products in the right place at the right time.

Our Sales and Financial results for the period ending September 30, 2022, is the culmination of many factors – some of which are in our control, while others are not. Regardless, I am very pleased to share with you the results of our efforts in the details contained within the 2022 Annual Report.

In summary, I can tell you our unit sales of canola increased by 34% and our gross margins increased by 38% year over year, which can be explained by our product mix. Market share also increased nicely year over year due to strong performance of our key hybrids in addition to the successful launch of our first LibertyLink® hybrid, CS4000 LL.

PRIDE Seeds branded corn sales were flat year over year in terms of unit sales, gross margins and market share.

Cereal and pulse volumes (MT) and gross margins were lower by approximately 20% this year, which can be attributed to a supply issue as a result of the 2021 drought and record commodity prices. Some of the Certified seed stocks found its way into the commodity stream versus being sold as seed to farmers. Sticker shock certainly played a part of these decisions by the seed growers, who were at risk of owning high priced inventory if the markets collapsed.

Operational expenses came in under budget, but 12% higher than 2021 actuals. This is a result of the business transitioning back after over two years of Covid-19 restrictions plus inflationary factors created by the eastern European war. We started to travel again as an organization, although not nearly to the level we traveled prior to Covid-19. The reason being, we are very much adapting to the new hybrid working model, meaning we are working with a combination of virtual and in-person meetings, versus all or nothing. This seems to be working, but only time will tell if we are on the right track.

To round all this out: our income from continuing operations before taxes improved by 92% versus 2021. This is certainly something to celebrate and something we are very proud of.

One major change in our business in 2022 that deserves mentioning is with respect to our decision to exit the Meridian Seeds business, established more than 20 years ago in partnership with the Meridian Ventures group in the U.S. The world has changed since the JVC was created, and so has our business in terms of the value we were no longer able to gain from our involvement with this business, or what we could bring to the business. We believe it was in the best interest of both entities to part ways this past winter.

Meridian Seeds and CANTERRA SEEDS are still working together where and when it makes sense, but this is now a transactional relationship, which opens the doors for us to work with other seed distributors where that makes sense.

The Limagrain Cereals Research Canada business continues to evolve very nicely. Established in 2015, the breeding efforts and the progress of this research company is promising to launch new and unique wheat and barley varieties bred specifically for the Western Canada region soon. Plant breeding, as you well know, is very much a long-term commitment and an exercise in patience, taking 8-10 years minimum to start to see concrete results. So, when one looks at where we are now, we can appreciate that we are well on track and on target. We are very close, and that's very exciting.

It would also be remiss of me not to mention the partnership Limagrain and Saskatchewan Pulse Growers announced this past summer in Saskatoon. Although CANTERRA SEEDS is not a direct participant in this partnership, CANTERRA SEEDS will have the opportunity to access to both pea and lentil varieties, which will be commercialized by Limagrain Cereal Seeds group as early as 2023 in both Canada and the U.S. This is exciting news for CANTERRA SEEDS and for our seed growers as it further amplifies our field seed portfolio and choices for the farmer.

For the past number of years, CANTERRA SEEDS has continued to make great progress in many areas of the business, including our seed sales, brand building, connecting with our farmer customers, and relationships with our

seed growers and retail partners. We have made significant improvements with our sales systems and processes, creating efficiencies. Along with investments in our staff to ensure we are able to support our farmer customers, retailers and partners in a manner they are expecting of us.

We are very proud of what the CANTERRA SEEDS brand stands for and are equally proud of our Prairie roots, where we have planted our business and continue to grow. Our Rooted in the Prairies Project strategy allows us to give back to the western Canadian communities who have supported our seed growers, our seed retailers and CANTERRA SEEDS. This strategy has been successful because it has been created with a great deal of thought and intention. In addition, the dollars we contribute are amplified through various individual and community initiatives. This has made it the huge success it is – one for everyone to be proud of.

I want to thank the Board of Directors for their continued and ongoing support, engagement, guidance and scrutiny. As a small- to medium-sized business, we (the staff and shareholders) are very fortunate to have such an amazing, committed group of individuals who help guide this business with energy and passion for the benefit of all the shareholders, staff and our customers.

I am excited to see how this company grows in the coming years

David Hansen, Chief Executive Officer

“We are very proud of what the CANTERRA SEEDS brand stands for and are equally proud of our Prairie roots, where we have planted our business and continue to grow.

CANTERRA SEEDS HOLDINGS LTD.

Message from **The Chairman**

ONCE AGAIN, I AM VERY PLEASED TO BE ABLE TO REPORT TO CANTERRA SEEDS SHAREHOLDERS that our 2021-22 fiscal year ending on September 30, 2022, was very positive. The company was able to double its budgeted income before taxes.

The CANTERRA SEEDS Board is a hands-off board from the day-to-day operations – not by chance – but by design. Our job is to ensure we have a CEO in place that understands the business and can manage the company on a day-to-day basis.

We have very robust quarterly reporting in place with an open door for management to draw on the expertise of the Board when needed. The CANTERRA SEEDS Board, along with the CEO and department management team, set direction each year with expectations to meet and exceed budget based on projections for a three- to five-year window.

This year's results are reassuring and bring confidence to the Board, and you as shareholders, that we have the right people and process in place. I encourage you to read the CEO report. It gives a more detailed snapshot of the management process.

I would like to bring your attention to a few of the successes that the team has managed to achieve to ensure the Company stays on course for continued growth and expansion.

Back in 2013, we started the process of engagement with a cereal and pulse breeding company – Limagrain. In July of 2015, we formed a partnership with Limagrain and started a breeding centre in Saskatoon named Limagrain Cereals Research Canada (LCRC). We entered this agreement knowing that it would take time and money to build, but we knew it was key to our future. At the beginning, we gave ourselves a 10-year window before expecting positive results. Today, after seven years, we are seeing the results of a future pipeline of genetics coming from LCRC.

July of this year saw another positive move by our partner, Limagrain. An agreement has been reached with the Saskatchewan Pulse Growers (SPG) to take SPG genetics along with Limagrain's vast knowledge and genetics, to breed pulse varieties for the western Canadian farmer. CANTERRA SEEDS will have access to both peas and lentils coming from this program.

At our summer board meeting in Saskatoon, we had a full day of tours, including a tour of the LCRC cereals program and newly formed pulse breeding site, which is well underway already. I can assure you the fast tracking and management by the LCRC team has produced some very exciting and impressive varieties for the near future.

Another area of our business that has proven to be the right move is to bring our logistics in-house. This has given the Company far better control and access to you, our customer, in producing timely delivery and position of inventory. Agro.Club Canada has proved to be another tool and big part of our ability to reach our customers, again contributing to real-time orders of products in the distribution channel.

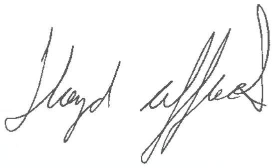
I might also mention that after long patience and continued search, the CANTERRA SEEDS pedigreed seed team has a good variety of malt barley in the portfolio, including AAC Connect, our 2-row malting barley that has been accepted as number one in the malting and brewing industry. AAC Prairie is also another promising new variety that they are working on. This is great news for our barley growing shareholders.

Brand awareness is another area where a lot of attention has been placed and the rewards are showing. CANTERRA SEEDS is being recognized as a trusted supplier of good-performing, high-yielding products in the field. Advertising is catchy and visible to support our products. Logos on our sales team's trucks are very effective and visible. Strong programs like Free Seed Fridays, Ag in Motion and summer field tours, Rooted in Prairies Project, and this year, sponsorship of the Saskatchewan Junior Hockey League, are all proving very effective. Giving back to our customers and their communities is being noticed. This, coupled with a very professional and dedicated sales team, is moving our needle in the right direction.

I may seem biased here but I'm very proud of our whole team at CANTERRA SEEDS, all 36 people who work day to day to make CANTERRA SEEDS happen.

I'd like to thank the Board once again for putting their trust in me as Chairman. CANTERRA SEEDS has a great board of individuals to work with, bringing vast knowledge and expertise to the table.

I wish you each a successful and profitable upcoming 2023 season!!



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 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 for Agriculture in the Classroom - Mantioba.

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

SENIOR
MANAGEMENT

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 35+ years of agriculture industry sales, marketing and senior management experience working with companies such as Pfizer, Cyanamid Crop Protection, First Line Seeds and NK Syngenta Seeds.

Joe is a co-founder of RH Accelerator, a company that invests in early stage innovative companies. He is on the Board of Directors of several scale up technology companies. Prior to RHA, 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.

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 such as Vive Crop Protection and A&L Laboratories, and is the past 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.

Jeff Wildeman

Board Member

Jeff is currently the Managing Director for Ceres Global Ag, a North American-based grain & oilseeds, fertilizer, energy and industrial products supply chain company serving customers globally. He has been with Ceres Global Ag since November 2018, and joined the CANTERRA SEEDS Board of Directors in March 2022.

Prior to Ceres, he spent 17 years at Cargill in sales and commercial leadership roles in the grain, crush and crop input retail business.

Jeff graduated with a Masters degree in Plant Sciences from the University of Saskatchewan.

He currently sits on the Board of Directors for Field to Market Canada and has previously served on the board of the Canadian Association of Agricultural Retailers and Southwest Terminals.

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 19 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 the CEO 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 GENECTIVE, Australian Grain Technologies (AGT), UNISIGMA 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.

2021-2022 **Marketing Update**

Our 2021 – 22 Marketing Strategy was built around the following pillars:

1. Promote New Products and Inventory Reduction
2. Increase Customer Retention & Lift
3. Implement a Data Driven Marketing Strategy
4. Focus on Increasing Awareness and Market Share in Saskatchewan
5. Expand Local Demand Creation Support for Retailers & Seed Growers

This year we streamlined, and built upon, all the most successful tools and tactics from our previous year to reach this year's strategic marketing objectives. We have refined our media mix and tactics based upon successes, and our needs to retain current customers and grow our business in Saskatchewan. To support the continuous integration of marketing and sales, we recognized our Territory Managers as faces of the brand and have positioned them as brand ambassadors. Our brand and our commitment to customer service remain strong in a marketplace where brand loyalty and trust is increasingly hard to find.

NEW PRODUCT LAUNCHES AND INVENTORY REDUCTION

We implemented an earlier start to our campaign this past year and were flexible with the plan as market supply dynamics evolved. Our messaging on positive product performance via peer influencers took centre stage, supported by the launch of Free Seed Fridays to focus customer attention on our brand and the key call-to-action of our CANTERRA SEEDS Rewards Early Order deadlines. CS3000 TF TruFlex™ canola with Roundup Ready® Technology and AAC Donlow durum were introduced to the market and added to our overall sales success.

CUSTOMER RETENTION AND LIFT

Through a series of customer-focused tactics including a loyalty gift page launched on the Agro.Club Canada platform, and strategic and meaningful communication touchpoints via email, text and direct mail, we were able to move the needle on customer retention rate and average bags per customer. CANTERRA SEEDS does an exceptional job at identifying and executing tactics that make our customers feel special and appreciated.

DATA-DRIVEN TACTICS TO UTILIZE FARMER DATA

With the adoption of Agro.Club Canada in 2020, we have greater, real-time data about lapsed and current customers than ever before. This data is foundational for the customer retention strategies we implemented in the 2021-22 year. Having access to robust dashboards and real-time sales progress has allowed us to be strategic about where we focus our time throughout the campaign. It has influenced sales and promotional offers in key geographic regions and key customer segments, along with allowing us to focus better on segmenting our retailer toolkits. The ability to have timely insights into sales progress has allowed us to manage customer experience as it relates to our brand and our promise to deliver.

INCREASE BRAND AWARENESS IN SASKATCHEWAN

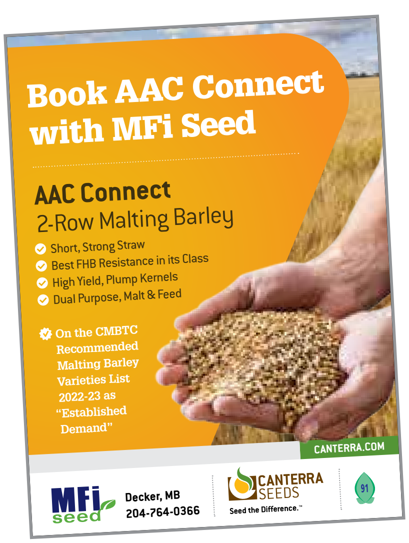
CANTERRA SEEDS' mass media advertising in 2021-22 maintained focus on farmer testimonials, strategically showcasing product lines. This included print and radio advertising to reach key areas in Saskatchewan.

The new level of data collected through the Agro.Club Canada platform gave us opportunities to reach customers and retailers in Saskatchewan (along with the other Prairies provinces) through specialized promotions and other tactics.

And, with the addition of a new sales Territory Manager covering the east central region of the province, investment in local marketing support dollars were added to gain ground in Saskatchewan.

EXPAND & STREAMLINE MARKETING SUPPORT FOR RETAILERS & SEED GROWERS

We have made great strides over the past two years implementing our internally coined "Retailer Toolkit" strategy, providing retailers in each sales territory with customized marketing tactics to drive demand with customers in their local area. This localized strategy is something that we can deliver on that our larger competitors simply cannot. We are small and nimble enough to personalize these tactics per retailer and help improve their relationship with their CANTERRA SEEDS Territory Manager and the company overall. We saw this program grow this year and it has paid dividends in our overall success.



LOYALTY REWARDS

Management's Discussion and Analysis Report

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

REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2022

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, 2022, as compared to the year ended September 30, 2021. 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 22, 2022 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.

RESULTS OF OPERATIONS

Highlights of the 2022 fiscal operating results:

- Sales, gross profit and net income have all increased from the 2020/21 fiscal year.
- Sales totalled $47.11 million for the year ending September 30, 2022, which is an increase of $9.19 million from the $37.92 million recorded for the year ending September 30, 2021.
- Gross profit is at $9.24 million, compared to $7.61 million in 2020/21, an increase of $1.63 million.
- The gross profit percentage has reduced from 20.1% in 2020/21 to 19.6% for 2021/22.
- Total corporate operating expenses, net of other revenue, increased by $0.95 million or 15.5% from the 2020/21 to the 2021/22 fiscal year.
- In total, the loss from joint ventures reduced by $0.18 million from $0.91 million in 2020/21 to $0.73 million in 2020/21. The CANTERRA SEEDS ownership in Meridian Seeds, LLC was sold off 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).
- With the separation of the results from the discontinued operations, explained above, the Income from continuing operations before income taxes has increased by $0.77 million from $0.83 million in 2021 to $1.60 million in 2022. The tax adjustments relating to the discontinued operations have been included in those results on the Statement of Net Income.
- 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 U.S. tax accrual. Overall, the provision for income taxes increased by $0.32 million from the expense of $0.17 million in 2020/21 to $0.49 million in 2021/22.
- Net income from continuing operations then has increased by $0.45 million from $0.66 million in 2021 to $1.11 million in 2022.
- After reducing the Loss from discontinued operations from the last amount, the Company recorded net income for the current year of $0.96 million. By comparison, in 2020/21, the Company recorded net income in the amount of $0.39 million. Overall, net income has increased by $0.57 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, 2022, is $0.13 per share, compared to a net income per share of $0.05 in the prior year.
- Cash and short-term investments reduced by $2.25 million from September 30, 2021, to September 30, 2022.
- Accounts receivable has increased by $3.23 million, from $4.8 million on September 30, 2021, to a balance of $8.03 million as of September 30, 2022.
- Inventory has increased by $1.58 million from $5.41 million on September 30, 2021, to $6.99 million on September 30, 2022.
- A receivable for income taxes in the amount of $0.04 million was added for the current year.
- Prepaid expenses have increased by $5.66 million from $4.16 million on September 30, 2021, to a total of $9.82 million on September 30, 2022.
- During the 2021 fiscal year, a decision was made to divest the Company's ownership in Meridian Seeds, LLC. This occurred effective December 31, 2021 and the balance shown as Assets shown for sale has reduced from $0.53 million to zero. During the 2022 fiscal year, this asset has been transformed into an additional loss recorded for the first three months of the fiscal year, October to December of 2021, cash payments and accounts receivable.
- Property and equipment, along with intangible assets, have reduced by $0.01 million from $1.02 million on September 30, 2021, to a total of $1.01 million as at September 30, 2022.
- With CANTERRA SEEDS adopting IFRS 16 it now capitalizes its leased assets on its 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. Over the year, due to the difference between payments and new leases, this commitment has reduced by $0.04 million from a balance of $0.96 million on September 30, 2021, to $0.92 million on September 30, 2022. 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 a deferred income tax asset totaling to $0.17 million on September 30, 2022. This is a reduction of $0.47 million from the balance of $0.64 million as of September 30, 2021.
- 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 addition, however, the sale of CANTERRA SEEDS portion of the Meridian Seeds business created some additional receivable balances, both short and long-term. This caused an increase to the Long-term receivables account of $0.21 million from $0.21 million as of September 30, 2021 to $0.42 million at September 30, 2022.
- During the year there was a loss recorded on the investment in Limagrain Cereals Research Canada (LCRC) of $0.58 million for the year. The investment in joint ventures balance therefore reduced by this same amount.
- Advances to/from related companies has moved from a $0.03 million receivable balance on September 30, 2021, to a $0.11 payable balance on September 30, 2022.
- Accounts payable has increased by $5.81 million from $8.42 million on September 30, 2021, to $14.23 million as of September 30, 2022.
- In 2021, there was a small deposit made for the 2022 sales year totaling to $0.03 million. There were no such deposits or balance on September 30, 2022.
- The total assets of the Company have increased year to year and are currently at a total of $30.32 million on September 30, 2022. This is an increase of $6.82 million from the $23.5 million balance on September 30, 2021.

OUTSTANDING SHARE DATA

Issued securities as of December 22, 2022:

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 2022 fiscal year there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury. During the 2021 fiscal year there were no trades between shareholders.

SELECTED FINANCIAL INFORMATION

QUARTERLY FINANCIALS

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

	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 Q4	2020/21 Q3	2020/21 Q2	2020/21 Q1
Total Revenue	1,594	17,242	27,801	476	2,634	9,428	25,287	569
Income and comprehensive income	33	758	1,772	(1,599)	(169)	83	1,980	(1,500)
Earnings per share (basic and diluted)	$ 0.01	$ 0.10	$ 0.23	$ (0.21)	$ (0.02)	$ 0.01	$ 0.26	$ (0.20)

CANTERRA SEEDS sells agriculture seed of several different crop types. Sales orders for canola and corn 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 and corn sales. The financial quarter Q2, from January to March, is made up almost solely of canola and corn deliveries and sales. Q3 sales consist of additional canola and sales, sales of pedigreed stock seed and sales of registered and certified CANTERRA SEEDS-licensed pedigreed seed. For canola and corn, the Company records the sales when the product is shipped to the retailer. The way the market works is that product can be shipped out to the retail but it is either never sold to a farmer or a farmer is not able to seed it. These products are returned to CANTERRA SEEDS and the Company records them as returns (negative sales) at that time. Most of these returns are accounted for during Q3. 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)

($000s except per share amounts)					2021/22	2020/21	2019/20
	Q1	Q2	Q3	**Q4**	**Year**	Year	Year
Sales	476	27,801	17,242	**1,594**	**47,113**	37,918	31,590
Gross profit	73	4,100	2,796	**2,274**	**9,243**	7,615	7,301
Gross profit percentage	15.3%	14.7%	16.2%	**142.7%**	**19.6%**	20.1%	23.1%
Other revenue	63	89	206	**577**	**935**	982	789
Operating, general and administrative	861	603	702	**781**	**2,947**	2,394	2,347
Loss from joint ventures	158	132	151	**135**	**576**	641	775
Depreciation and amortization	148	144	135	**160**	**587**	597	543
Salaries, wages and benefits	945	1,010	1,024	**1,442**	**4,421**	4,108	3,731
Interest	13	11	11	**12**	**47**	25	19
Income (loss) from continuing operations before taxes	(1,989)	2,289	979	**321**	**1,600**	832	675
Income tax recovery (expense)	467	(517)	(221)	**(215)**	**486**	(169)	(120)
Net income from continuing operations	(1,522)	1,772	758	**106**	**1,114**	663	555
Loss from discontinued operations (net of tax)	77	--	--	**73**	**150**	269	178
Income and comprehensive income	(1,599)	1,772	758	**33**	**964**	394	377
Total assets	35,643	57,572	42,271	**30,318**	**30,318**	23,501	21,917
Long-term liabilities	666	604	557	**592**	**592**	687	60
Earnings per share-basic and diluted	$(0.21)	$ 0.23	$0.10	**$ 0.01**	**$0.13**	$ 0.05	$ 0.05

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 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 $9.19 million or 24.2%, from $37.92 million in 2020/21 to $47.11 million in 2021/22. 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 34.4% for the year and have now increased by 87.2% over the last two years. The main reasons for this major jump in sales have not changed too much from the explanation of last year's increase.

Firstly, the Company started selling its first LibertyLink® hybrid, CS4000 LL in 2021, these sales increased in 2022 as normally occurs with a "new" product. LibertyLink® canola hybrids dominate the western Canadian market (over 60%), so this introduction has increased the accessibility to the market. Secondly, the Company formed a partnership with Agro.Club Canada to facilitate farmer orders; this has created a more focused and determined canola sales and marketing strategy. 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.

With corn products, there was a small increase in sales from the prior year (2.5%) but all in all the sales were relatively flat year to year.

For pedigreed seed, CANTERRA SEEDS had its two best years of sales and margins in its history in 2020 and 2021. This was led by great products and probably more importantly led by the strongest retail producer group that the Company has ever enjoyed. In 2022, sales of pedigreed products were reduced by 22%. The main reasons for this reduction were as follows. First, agronomic conditions (mainly dry and arid land) led to a reduction in the stock of pedigreed seed available for sale. Second, the very high commodity price for pedigreed products led to some of the available seed being sold into the market as grain. And third, some of the key products that CANTERRA SEEDS is selling in the market, while still very popular, have reduced in market share, particularly when it comes to Certified seed sales.

The increase in sales caused gross profit to also increase. It is higher by $1.63 million, from $7.61 million in 2020/21 to $9.24 million in 2021/22. So, overall sales increased by 24.2% and gross margins increased by 21.4%. The gross profit as a percentage of sales reduced, from 20.1% for the year ended September 30, 2021, to 19.6% for the year ended September 30, 2022. Not a significant difference this year; the smaller increase in margin was mainly due to the mix of sales, more lower margin canola sold and less of the higher margin pedigreed seed sold.

OTHER REVENUE

Other revenues total to $0.94 million in 2021/22 which is a $0.04 million reduction from the $0.98 million recorded in 2020/21. Generally, as sales increase, partnership contributions to offset operating expenses also increases and this has occurred. Also, increased sales and increased interest rates caused additional investment income during the year. These increases were more than offset by and adjustment that occurred relating to the 2021 SRED claim that was recorded during the 2022 fiscal year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by $0.55 million or 23.1%, from $2.39 million in 2020/21 to $2.95 million in 2021/22. There are three main reasons for this increase. Firstly, advertising and promotion expenses have increased as the sales have increased. Secondly, while the COVID-19 effect was still substantial for portions of the current year, the loosening in restrictions allowed some additional travel, meetings, and some marketing costs. Thirdly, CANTERRA SEEDS had more full-time staff working during the year which also increased travel expenses.

LOSS FROM JOINT VENTURES

This amount relates to CANTERRA SEEDS' 30% joint venture in Limagrain Cereals Research Canada (LCRC). The LCRC joint venture is operating at full capacity and with increased efficiencies has been able to reduce their overall operating expenses while keeping their projects and staffing fully in place. In addition, LCRC continues to increase its revenues as the number of registered varieties out of this initiative increases.

Overall, the loss from the joint venture reduced by $0.06 million, from $0.64 million for the year ending September 30, 2021, to $0.58 million for the same year ending September 30, 2022.

DEPRECIATION AND AMORTIZATION

There has been a small reduction in this expense. For the 2020/21 fiscal year these expenses were $0.6 million and for the current year these expenses have reduced to $0.59 million. This is due to no significant capital additions over the last year.

SALARIES, WAGES AND BENEFITS

Has increased by $0.31 million from $4.11 million for the year ended September 30, 2022, to $4.42 million for the year ended September 30, 2022, an increase of 7.6%. This increase is mainly because the Company increased its sales staff by two members from the prior year. CANTERRA SEEDS decided to put more sales focus in Saskatchewan. A new canola/corn position was added in East Central Saskatchewan and after a hiatus of three years, a new Pedigreed Seed Territory Sales Manager was hired to work with the province's seed growers. In addition, regular salary increments occurred during the year.

INTEREST

The Company leased their office in Winnipeg for an additional five years. This increased lease liability caused the interest to increase by $22 thousand from $25 thousand during the year ended September 30, 2022, to $47 thousand during the year ended September 30, 2022.

INCOME TAX EXPENSE

Mainly due to increased income the taxes for the Company increased by $0.32 million from $0.17 million for the year ended September 30, 2021 to $0.49 million for the year ended September 30, 2022.

LOSS FROM DISCONTINUED OPERATIONS (NET OF TAX)

At the end of the 2021 fiscal year, CANTERRA SEEDS made a decision to sell its 50% ownership share of Meridian Seeds, LLC to its partner Meridian Ventures, LLC. This transaction was finalized on December 31, 2021 creating the discontinued operations. The loss recorded for this has reduced from $0.27 million in 2021 to $0.15 million in 2022, a reduction of $0.12 million. The loss was lower due to a shorter period of equity pickup in 2022 but due to a deferred tax asset relating to Meridian Seeds, LLC that was eliminated the current years loss was increased (see Note 14).

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 2021/22, 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.

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 is recorded during the year.

The loss (income) from the joint venture by quarter is currently quite flat throughout the year. Limagrain Cereals Research Canada has a few revenues that are recorded during the year but they are still in their startup phase and overall the expenses by quarter are very consistent.

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

Salaries, wages and benefits are also quite constant throughout the year. However, there are some bonuses calculated at year-end that end up increasing the Q4 expenses as compared to the other three quarters.

Interest expense again is quite consistent during all four quarters.

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

As was mentioned earlier in the MD&A, CANTERRA SEEDS sold its 50% ownership portion of Meridian Seeds, LLC effective on December 31, 2021.

The Company therefore only recorded a return on this entity in Q1.

The assets are highest at the end of Q2 and Q3 as this is when canola inventory, accounts receivable and cash are quite high. Q1 is also higher due to the accumulation of inventory for sale early in the next year. For Q4 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 stays relative consistent throughout the year.

Overall, the Company recorded a per-share income of $0.13 for 2021/22. This is a significant increase from the income of $0.05 per-share recorded for 2020/21. For the 2021/22 year, most of the sales for canola and corn were focused both in Q2 and Q3. The other thing that occurred is that in Q3 the returns, as a percentage of deliveries, was kept quite low. Overall, this enabled a strong return in Q3. Finally, in Q4, besides the normal pedigreed tech fees there were some significant adjustments to margins, particularly with canola during this time that improved the results and created a 1 cent per share return during that quarter. For Q1, there were few sales during the quarter and with additional operating expenses, mainly marketing costs, this period recorded a loss of 21 cents per share.

LIQUIDITY AND CAPITAL RESOURCES

CANTERRA SEEDS cash position has reduced by $2.38 million from September 30, 2021 to September 30, 2022. When you also include the short-term investments as this is basically cash, the overall cash position has reduced by $2.25 million year to year. Overall, this may seem counter intuitive as the Company has had a very successful operating result during the year. However, the reality is that the growth of the Company, particularly with canola sales, tends to cause a lower dollar level during the fall months for the Company. That is because as the Company grows, increases its product portfolio into LibertyLink® varieties, etc. this causes an increase in inventory, accounts receivable and most importantly prepaid expenses for future inventory purchases. So, while the cash balances will tend to improve year to year at the end of December, March and June, they will tend to be lower at the end of September.

More specifically, overall, the Company used cash from operating activities of the Company in the amount of $1.9 million. CANTERRA SEEDS had net income for the year of $0.96 million. There were, however, some significant non-cash expenses so after these were added back there was a cash income totaling to $2.81 million.

Also, accounts payable and accrued liabilities have increased by $5.81 million from the prior year, due mainly to the increase in sales year to year, increasing royalty and trait fee accruals to canola partners.

These cash additions were more than offset, however, by a significant increase to prepaid expenses and deposit. These increased by $5.66 million from the previous year as sales are anticipated to continue to increase and product needs to be produced to be in place for these 2023 orders.

Due to an increase in sales the amounts that are receivable at the end of September have also increased by $3.12 million over the year.

In addition, the move into LibertyLink® canola has also caused the inventory to increase. This is higher by $1.58 million from the prior year.

Finally, there was a small deposit of $0.03 million that occurred in 2021. No such deposit occurred for the current year end.

During the year, CANTERRA SEEDS used an amount totalling to $0.48 million for financing and investing activities. In more detail, the Company advanced $0.13 million to its subsidiaries during the year. Also, the Company made net lease obligation payments totaling to $0.38 million during the year. Finally, CANTERRA SEEDS made capital and intangible asset purchases of $0.24 million. These were partially offset by a net difference in the advances to and from its related companies totaling to $0.14 million as well as the first payment received on the investment in Meridian Seeds of $0.14 million.

RISKS AND UNCERTAINTIES

COVID-19 RISK

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

While the Company has reopened the office to staff and partners, a significant number of staff continue to work from their home offices for portions of the week. The Company and its information systems work very well from remote access so overall the effect has been relatively minimal for operations.

The Company is seeing specific expenses like travel, meetings and some marketing expenses begin to increase even higher than what would be considered "normal" expenditures. There is some catch-up relationship building with partners and customers that has occurred. However, the Company has been able to work very well with its customers during this time using other communication methods.

Going forward, there are no significant, anticipated risks or changes related to COVID-19 and CANTERRA SEEDS operations.

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, when required 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.

ASSETS HELD FOR SALE

In September of 2021, CANTERRA SEEDS began negotiations to sell its 50% interest in Meridian Seeds, LLC to the other 50% partner, Meridian Ventures, LLC. Since that time this transaction has been completed and CANTERRA SEEDS no longer owns a share of Meridian Seeds, LLC.

A payment plan for this transaction is in place and cash plus interest will be received over the next two years.

The main reason for this divestiture was that CANTERRA SEEDS wanted to focus even more of its time in expanding its presence in the western Canadian seed industry.

Meridian Seeds, LLC is expected to continue to grow and flourish as an entity and will be a key distribution partner for CANTERRA SEEDS varieties in the future. To that end, a sublicense agreement that defines the protocol and process with both current and future varieties has also been signed with Meridian Seeds, LLC.

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 now LibertyLink® canola, with various ranges of maturity, that compete with the best in the market. For the 2022 crop year CANTERRA SEEDS introduced CS3000 TF, a mid-maturing TruFlexTM canola hybrid with excellent yield potential, unique blackleg and second-generation clubroot resistance to its portfolio. For the 2023 crop year, CANTERRA SEEDS is introducing three new canola varieties: CS3100 TF, a TruFlexTM canola hybrid and two new Clearfield® (non-GMO) varieties, CS2700 CL and CS2800 CL.
- 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.
- 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 continues to partner 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 has continued to grow through 2022. CANTERRA SEEDS is working diligently with the critical success factors outlined above to ensure that this upward trend in market share continues.

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

CANTERRA SEEDS anticipates that the acreage in Western Canada seeded to corn 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, 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.

While CANTERRA SEEDS does have the ability to market PRIDE Seeds brand soybeans, this market is extremely competitive and is not expected to be a key focus for the Company over the next few years.

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 the cereals breeding venture named Limagrain Cereals Research Canada (LCRC). This entity has registered 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.
- During the 2022 fiscal year Limagrain announced a partnership on pulses, peas and lentils, with Saskatchewan Pulse Growers. As a preferred distributor of these products this will create significant increases to the portfolio and to CANTERRA SEEDS pedigreed sales over the next few years.
- 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. While LCRC is not the partner on pulses with SPG it will be completing the breeding for this partnership. Due to economies of scale this will work to reduce the overall operating expenses of LCRC into the future.

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. With the easing of restrictions from the COVID-19 virus, things have returned 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.

As with all industries, CANTERRA SEEDS is faced with significant challenges from the high inflation rates that are driving up costs along with having to work through the considerable challenges that are currently being experienced throughout the world for logistical scheduling. The Company is extremely proactive to ensure that it effectively manages all delivery requirements, booking the shipments well in advance to ensure that this does not become a significant problem. On the inflation issue, CANTERRA SEEDS makes sure that it spends very wisely ensuring a substantial return on its investment. In addition, it tries to ensure that any added costs are made up for with increased earnings.

Overall, the 2021/22 financial results were an improvement in overall sales, margins, equity pickup and of course net income. Overall, a very successful year and a continuation of a trend that has been moving the Company forward since 2020. At present, CANTERRA SEEDS has a record number of retail canola orders from its customers for the 2023 planting season. On the corn side of the business the Company is forecasting a year similar to 2021. And there is an expectation of a margin increase with the pedigreed seed business from 2022. Operating expenses will be kept to a minimum and overall, the Company is expected to continue to be profitable in 2023 and into the future.

REPORTING ISSUER

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

FORWARD LOOKING INFORMATION

Certain statements in this MD&A may constitute forward-looking statements. These forward-looking statements can generally be identified 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/from affiliates are unsecured, non-interest bearing and have no fixed terms of repayment. The advances are made to Limagrain Cereals Research Canada. Generally, the advances occurred because CANTERRA

SEEDS is the administrative arm for LCRC and there are charges that are borne by CANTERRA SEEDS and then charged through to LCRC. The reason this switched to an Advances to instead of an Advances from in 2022 is due to royalties that are owing from sales of LCRC-licensed varieties that were recorded during the 2022 fiscal year. The amounts owing at both September 30, 2021, and September 30, 2022, were repaid in the first three 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 four directors, including the Vice-Chairman as Committee Chair. Outside legal counsel is used as a reference as required. This committee has also been tasked with the task of evaluating the effectiveness of the Board of Directors and its committees while also determining the appropriate makeup of the Board of Directors. Therefore, the Governance Committee is also responsible for overseeing the entire process of nominations to be voted for approval at the Company's AGM.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the shareholders of CANTERRA SEEDS HOLDINGS LTD.:

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

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

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

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

December 22, 2022

David Hansen
Chief Executive Officer

Gerry Cantin
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of CANTERRA SEEDS Holdings Ltd.:

Opinion

We have audited the consolidated financial statements of CANTERRA SEEDS Holdings Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and September 30, 2021, and the consolidated statements of net income and other 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, 2022 and September 30, 2021, 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 Matthew S. Pilloud.

Winnipeg, Manitoba

MNP LLP

Chartered Professional Accountants
December 22, 2022

CANTERRA SEEDS HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30

	2022	2021
	$	$
ASSETS		
Current assets		
Cash	1,166,327	3,546,375
Investments *(note 4)*	895,385	761,888
Accounts receivable	8,027,620	4,799,156
Inventory *(note 5)*	6,987,096	5,412,043
Income taxes receivable	37,402	-
Prepaid expenses and deposits	9,822,411	4,162,180
	26,936,241	18,681,642
Assets held for sale *(note 14)*	-	528,021
	26,936,241	19,209,663
Property and equipment *(note 6)*	519,572	571,326
Intangible assets *(note 7)*	492,759	452,857
Right-of-use assets *(note 8)*	922,011	959,858
Deferred tax asset *(note 20)*	171,818	639,199
Long-term equity investments *(note 14)*	851,369	1,427,496
Long-term receivables	424,553	213,884
Advances to related companies *(note 10)*	-	26,754
	30,318,323	23,501,037
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	14,230,473	8,419,441
Contract liabilities	-	31,261
Current portion of lease obligations *(note 9)*	329,835	272,879
Advances from related companies *(note 10)*	110,942	-
	14,671,250	8,723,581
Lease obligations *(note 9)*	592,206	686,979
	15,263,456	9,410,560
Shareholders' equity		
Share capital *(note 13)*	12,577,828	12,577,828
Retained earnings	2,458,316	1,493,926
Contributed surplus	18,723	18,723
	15,054,867	14,090,477
	30,318,323	23,501,037

See accompanying notes to the consolidated financial statements.

Lloyd Affleck
Chairman of the Board

Jim Wilson
Vice-Chairman

CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

Years ended September 30

	2022	2021
	$	$
Sales	47,112,752	37,918,292
Cost of sales *(note 5)*	37,869,966	30,303,593
Gross profit	9,242,786	7,614,699
Other revenue *(note 15)*	935,318	982,033
Profit before other expense items	10,178,104	8,596,732
Operating, general and administrative	2,946,610	2,393,565
Loss from long-term equity investments *(note 14)*	576,127	640,803
Depreciation	587,271	597,060
Salaries, wages, and benefits	4,421,077	4,108,250
Interest	46,638	25,444
	8,577,723	7,765,122
Income from continuing operations before income taxes	1,600,381	831,610
Provision for income taxes ***(note 20)*****:**		
Current	91,395	301
Deferred	394,838	168,441
	486,233	168,742
Net income from continuing operations	1,114,148	662,868
Loss from discontinued operations (net of tax) ***(note 14)***	149,758	269,274
Net income and comprehensive income	964,390	393,594
Earnings per share from continuing operations		
Basic and fully diluted *(note 16)*	0.15	0.09
Loss per share from discontinued operations		
Basic and fully diluted *(note 16)*	(0.02)	(0.04)
Earnings per share		
Basic and fully diluted *(note 16)*	0.13	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, 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
Comprehensive income	–	–	964,390	964,390
Balance, September 30, 2022	12,577,828	18,723	2,458,316	15,054,867

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended September 30

	2022	2021
	$	$
Cash provided by (used for) the following activities:		
Operating activities:		
Net income	**964,390**	393,594
Depreciation of property and equipment	**138,064**	148,829
Depreciation of intangible assets	**112,598**	117,325
Depreciation of right of use assets	**336,609**	330,906
Interest expense	**46,638**	25,444
Loss from long-term equity investments	**678,813**	774,263
Provision for income taxes	**559,403**	251,751
Income taxes received	**-**	4,392
Fair value adjustment on assets held for sale	**(26,098)**	52,805
	2,810,417	2,099,309
Changes in working capital accounts		
Accounts receivable	**(3,123,130)**	388,771
Inventory	**(1,575,053)**	734,360
Income tax receivable	**(129,424)**	-
Prepaid expenses and deposits	**(5,660,231)**	(1,730,857)
Accounts payable and accrued liabilities	**5,811,032**	526,662
Contract liabilities	**(31,261)**	31,261
	(1,897,650)	2,049,506
Financing Activities		
Lease obligation repayments	**(383,217)**	(356,350)
Investing activities		
Advances to (from) related companies	**137,696**	(19,916)
Contributions to long - term equity investments	**-**	(1,023,612)
Dispositions of long - term equity investments	**135,430**	-
Purchase of property and equipment	**(86,310)**	(36,414)
Purchase of intangible assets	**(152,500)**	(27,500)
Sale (purchase) of investments	**(133,497)**	2,597,993
	(99,181)	1,490,551
Increase (decrease) in cash	**(2,380,048)**	3,183,707
Cash, beginning of year	**3,546,375**	362,668
Cash, end of year	**1,166,327**	3,546,375

See accompanying notes to the consolidated financial statements.

1. INCORPORATION AND OPERATIONS

ENTITY INFORMATION

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

The consolidated financial statements of the Company reflect the operations and financial position of the Company and its wholly owned subsidiaries: CANTERRA SEEDS (2002) Ltd. (a Canadian corporation) and CANTERRA SEEDS (USA) Ltd. (a U.S. company), and its long investments; Limagrain Cereals Research Canada (a Canadian partnership) and Meridian Seeds LLC (a U.S. company) until December 31, 2021 when the Company exited the 50% 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 ("IASB").

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 22, 2022.

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.

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 sales 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 when the seed is shipped from the facility. In accordance with IFRS 15, the Company follows a policy of recognizing sales revenue 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.

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

FOREIGN CURRENCY TRANSLATION

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

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

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

LONG-TERM EQUITY INVESTMENTS

Long-term equity investments comprise the Company's long-term equity investments subject to significant influence and the Company's long-term equity investments in joint ventures.

PER SHARE INFORMATION

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

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

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

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

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

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

Management has estimated that, while the terms of advances to/from 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 specific identification approach to measuring expected credit losses ("ECL"). As at September 30, 2022, and 2021, 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
Advances from related companies	Amortized cost

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

LEASES

The 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 2.45% (2021 – 0.75%) per annum.

5. INVENTORY

	2022	2021
	$	$
Finished goods	**3,835,791**	2,589,883
Raw materials	**3,151,305**	2,822,160
	6,987,096	5,412,043

The cost of inventories recognized as an expense and included in cost of sales amounted to $14,123,185 (2021 - $9,971,157). Included in cost of sales in the year is an inventory write-down of $44,548 (2021 – $903,340) reflecting the net realizable value of the certain varieties.

6. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Website, furniture and fixtures	R&D plot equipment	Leasehold improvements	Total
COST	$	$	$	$	$	$
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
Additions	15,698	65,192	-	-	5,420	86,310
Balance, September 30, 2022	**199,974**	**595,790**	**228,506**	**438,322**	**229,966**	**1,692,558**
ACCUMULATED DEPRECIATION						
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
Depreciation	15,179	60,228	16,598	25,237	20,822	138,064
Balance, September 30, 2022	**154,329**	**354,876**	**155,772**	**356,120**	**151,889**	**1,172,986**
Net book value						
At September 30, 2021	45,126	235,950	89,332	107,439	93,479	571,326
At September 30, 2022	**45,645**	**240,914**	**72,734**	**82,202**	**78,077**	**519,572**

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 10 years (2021 – 10 years).

	Licence fees
COST	**$**
Balance, September 30, 2020	**2,194,999**
Additions	27,500
Balance, September 30, 2021	**2,222,499**
Additions	152,500
Balance, September 30, 2022	**2,374,999**
ACCUMULATED DEPRECIATION	
Balance, September 30, 2020	**1,652,317**
Depreciation	117,325
Balance, September 30, 2020	**1,769,642**
Depreciation	112,598
Balance, September 30, 2021	**1,882,240**
Net book value	
At September 30, 2021	**452,857**
At September 30, 2022	**492,759**

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
Additions	-	-	322,152	322,152
Disposal	-	-	(30,806)	(30,806)
Balance, September 30, 2022	**1,096,547**	**25,204**	**741,395**	**1,863,146**
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
Depreciation	137,857	4,220	194,532	336,609
Disposal	-	-	(7,416)	(7,416)
Balance, September 30, 2022	**463,301**	**6,920**	**470,914**	**941,135**
Net book value				
At September 30, 2021	771,103	22,504	166,251	959,858
At September 30, 2022	**633,246**	**18,284**	**270,481**	**922,011**

9. LEASE OBLIGATIONS

LEASE LIABILITIES

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

	2022	2021
Maturity analysis – contractual undiscounted cash flows		
Less than one year	366,491	329,187
One to five years	625,425	1,081,114
Total undiscounted lease liabilities at September 30	991,916	1,410,301
Lease liabilities included in the statement of financial position at September 30	922,041	959,858
Current	329,835	272,879
Non-current	592,206	686,979

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, 2021 to September 30, 2022:

Lease liabilities

Balance at October 1, 2021	Cash flows	Change in leases	Imputed interest	Balance at September 30, 2022
959,858	(383,217)	298,762	46,638	922,041

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

10. ADVANCES TO (FROM) RELATED COMPANIES

	2022	2021
Meridian Seeds, LLC	-	$ 31,301
Limagrain Cereals Research Canada	(110,942)	(4,547)
	(110,942)	$ 26,754

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

11. GOVERNMENT ASSISTANCE

During the year, the Company filed Canadian federal and provincial income tax returns for the 2021 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 2022 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 $127,252 (2021 - $185,803). 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, 2022, the Company was in compliance with the covenants specified in the agreement. As at September 30, 2022, the Company had not drawn against the revolving demand facility (2021 – $nil).

13. SHARE CAPITAL

	2022	2021
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 (2021 – 7,551,147)	$12,109,827	$12,109,827
2,118,000 class B shares (2021 – 2,118,000)	468,001	468,001
	$12,577,828	$12,577,828

14. LONG-TERM EQUITY INVESTMENTS

The Company had an investment in a joint venture, Meridian Seeds LLC, in which it shared 50% control. Investments in this company, which were subject to joint control, were accounted for using the equity method. On December 31, 2021, the Company exited the 50% partnership in Meridian Seeds LLC for its book value of $451,433 settled by a promissory note due from the other venturer, repayable over 3 years bearing interest at prime plus 2%. Repayments of $135,430 were received during the year. The remaining balance of $316,003 is included in long-term receivables.

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

	2022	2021
	$CAD	$CAD
Current assets	-	1,151,762
Long-term assets	-	276,886
Current liabilities	-	340,907
Non-current liabilities	-	31,572
Revenues	319,670	3,689,933
Expenses	525,042	4,063,305
Net loss	(205,372)	(373,372)
Cash used in operating activities	60,603	(259,935)
Cash provided by investing and financing activities	254,302	274,179

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

	2022	2021
Investment in joint venture	-	528,021

In the prior year, the Company had committed to a plan to dispose of its interest in Meridian Seeds LLC and as a result had 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:

	2022	2021
	$CAD	$CAD
Equity loss on investment in joint venture	102,686	133,460
Provision for (recovery of) of income taxes: *(note 20)*		
Current	(232)	74,037
Deferred	73,402	8,972
Fair value adjustment	(26,098)	52,805
	149,758	269,274

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:

	2022	2021
	$	$
Current assets	1,673,505	3,376,758
Long-term assets	1,840,126	1,583,456
Current liabilities	401,419	376,069
Non-current liabilities	525,704	81,761
Revenues	591,018	425,608
Expenses	2,511,441	2,561,618
Net loss	(1,920,423)	(2,136,010)
Cash used in operating activities	(1,041,325)	(1,800,910)
Cash provided by investing and financing activities	1,262,582	1,652,405

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

	2022	2021
Investment in partnership	851,369	1,427,496

15. OTHER REVENUE

	2021	2020
	$	$
Interest	144,111	45,890
Contract services and program payments	621,715	663,885
Scientific research and development tax credits (note 11)	116,201	260,649
Gain on foreign exchange	53,291	11,609
	935,318	982,033

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, 2022 of 7,551,147 (2021 – 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 meet its obligations as they come due.

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, 2022, 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, 2022, the Company has $895,385 in a money market savings account. A 1% increase in the market price of underlying securities would have resulted in an increase in the value of this asset of approximately $8,954.

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: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:

	2022	**2021**
	$	$
31-60 days	**2,560,467**	2,135,925
61-90 days	**188**	2,546
More than 90 days	**2,226**	66,495
	2,562,881	2,204,966

Allowance for doubtful accounts at September 30, 2022 is $nil (2021 - $nil)

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:

	2022	**2021**
	$CAD	$CAD
Cash	**969,390**	458,503
Accounts payable	**452,670**	1,026

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.

A 1% increase in United States dollar foreign exchange rates would result in a corresponding increase in net income of approximately $5,167.

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, accounts payable and accrued liabilities and advances from related companies. 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	14,230,473	14,230,473	–	–
Advances from related companies	110,942	110,942		
Total	14,341,415	14,341,415	–	–

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, 2022, the subsidiary Company must have an effective Tangible Net Worth not less than $9,000,000. As of September 30, 2022, this requirement was met. As at September 30, 2022, 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.

Subsequent to year-end the Company amended its credit facility agreement with the Canadian Imperial Bank of Commerce to provide additional liquidity of up to $4,000,000 from June 15 to December 31 and $250,000 outside those dates. All other terms and conditions remain unchanged.

19. RELATED PARTY TRANSACTIONS

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

	2022	2021
	$	$
Revenue	**19,443,802**	15,686,919
Cost of sales	**13,631,318**	10,402,384

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, 2022, accounts receivable includes $1,963,732 (2021 – $468,203) owed from shareholders.

Accounts payable and accrued liabilities include $96,822 (2021– $12,272) payable to shareholders.

During the year, employee future benefits recorded as an expense amounted to $114,934 (2021 - $104,910).

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:

	2022	2021
	$	$
Salary and short-term benefits	**1,137,959**	1,101,145
Post-employment benefits	**81,037**	76,725
	1,218,996	1,177,870

During the year payments for Board and Shareholder meetings totalled $32,944 (2021 - $2,017).

20. INCOME TAXES

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

	2022	2021
	$	$
Current tax expense	**91,395**	301
Current tax expense	**91,395**	301
Deferred tax expense relating to origination and reversal of temporary differences	**394,838**	168,441
Deferred tax expense	**394,838**	168,441
Income tax expense	**486,233**	168,742

Income tax expense (recovery) differs from the amount computed by applying the combined expected Canadian Federal and Provincial tax rate of 27% (27% in 2021) to income before income taxes. The reasons for the difference are as follows:

	2022	2021
	$	$
Computed income tax expense	**411,530**	174,243
Income tax rate differentials of foreign investees	-	3,398
Permanent differences	**46,538**	24,521
Other items	**101,335**	49,589
Recognized in discontinued operations *(note 14)*	(73,170)	(83,009)
Actual tax expense	**486,233**	168,742

The Company's deferred tax assets are as follows:

	2022	2021
	$	$
Property and equipment	**(101,335)**	(99,284)
Intangible assets	**(21,946)**	25,786
Unused tax losses	-	103,506
ITC carryforwards	**166,642**	508,621
Other items	**128,457**	100,570
	171,818	639,199

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

	2022	2021
	$	$
Property and equipment	**2,052**	(9,824)
Intangible assets	**47,732**	10,527
Unused tax losses	**30,104**	216,856
ITC carryforwards	**341,979**	(38,453)
Other items	**(27,029)**	(10,665)
	394,838	168,441

21. CONTINGENCIES

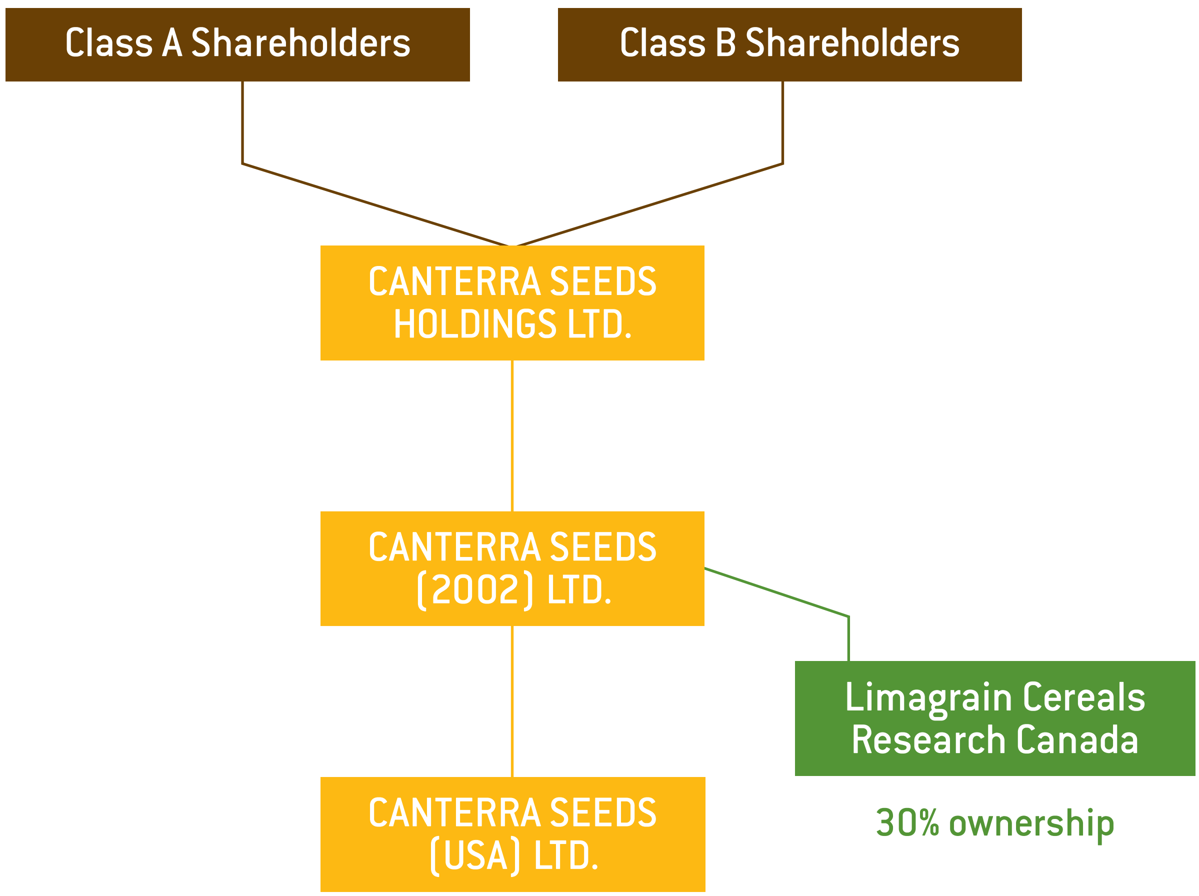
The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

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.



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