ANNUAL REPORT 2020

CANTERRA SEEDS

Seed the Difference.™

Proudly A Farmer-Owned Company

Message from **The Chairman**

I HAVE TO BE HONEST TO YOU, OUR CANTERRA SEEDS SHAREHOLDERS, I must say that I have struggled with my thoughts. How could I pen words that will give you confidence in the health of our Company's future when we are living and working in unprecedented times none of us have ever experienced, nor likely imagined in our dreams?

As I continued to formulate my thoughts, I was struck with the sudden realization that we have managed very well, and we are in a strong position. After two years of dwindling profits and a significant loss in operations, we have produced a very positive balance sheet this year.

Let's focus on a few of the elements that have contributed to the positive:

We have a very resilient ag industry in Canada. Our farming community continues to face adversity head-on in the forms of Mother Nature, trade issues and the ongoing pandemic.

Farmers are planting, growing and harvesting crops from our genetics, which they have come to trust and rely on.

Our seed grower shareholders have grown our cereals and pulse business for the second consecutive year to new record levels. This is because of the confidence they have that these genetics will perform in the fields of their farming customers.

We continue to provide top quality genetics in canola, soy and corn that our retail shareholders are proud to sell to their customers. They have proven performance.

CANTERRA SEEDS remains committed to our genetic partners in all our crop types. We have strong relationships with both private and public breeding.

Now I want to shift gears and focus on a very key positive to our business: Our team.

The CANTERRA SEEDS team started the 2019-2020 year in a very normal way. The staff were attending farm shows, retail meetings and conducting our business as usual. By March 13, one of our busiest times of the year, our office had to be closed due to the pandemic. Right when everyone and everything was gearing up, suddenly we were in shutdown mode.

Though this was completely unprecedented for the company and posed significant challenges, everyone rose to the occasion. There is no other word I can think of that can describe our team effort than AMAZEMENT!! They delivered!!

As virtual became the new business as usual, staff at all levels from Management, to Sales, to Production and Distribution had to adapt overnight, and our results confirm that they all did exactly that.

Through the year 2020, the marketing department and our agency have developed a new and very eye-catching logo and design on our sales trucks. As well, we have successfully launched introduction of Agro.Club Canada online ordering, which has brought new marketing opportunities.

Company-wide sales meetings were held online, and field days were held through a combination of small groups and our impressive Virtual Crop Tour so our customers could see field results. Virtual shareholder meetings were successfully completed. As a result, what we would call a pandemic has had very little negative affect on our business.

We know we will continue to face new challenges but the full CANTERRA SEEDS team has proved they are capable and able to handle what they are given and will continue to grow this Company into the future.

On behalf of the CANTERRA SEEDS Board of Directors, we thank you for your continued support.

Lloyd Affleck, Chairman of the Board

Message from **The President & CEO**

THE ANNUAL LETTER TO OUR SHAREHOLDERS IS MY OPPORTUNITY TO TELL YOU ABOUT THE HIGHLIGHTS OF THE LAST 12 MONTHS, ending in September, and to share with you my perspective of what the next year or two looks like for CANTERRA SEEDS.

Every year in this business is different than the year before. No two years are the same and it seems the differences are becoming greater over time. The factors that affect Canadian agriculture are many, but the environment, technological advancements, regulatory hurdles, consumer acceptance and farmer know-how, stand out for me as the five most significant influences, particularly within the seed industry.

Looking back to October 1, 2019, which feels like a decade ago when in actuality is just a little more than a year, illustrates that we certainly felt some of these influences. We had the harvest from hell to contend with in Fall of 2019, when the rains came often and the snow came early, forcing farmers to park their combines before harvest was completed. This was most prevalent in the Central Alberta and Peace River Regions which put a strain on spring seeding. Regardless, the farmers persevered, and we planted the 2020 crop, just like we do every year.

Our canola seed sales for 2020 were up a marginally vs. 2019, and we gained back a small piece of the market. Although this does not seem like a win, it was in terms of reversing a trend of losing sales and market share for the past three years. The sales turnaround can be attributed to both our new "Go to Market" strategy and our Marketing Communications strategy. These were not insignificant changes to our business, but they have proven to be very positive.

The PRIDE Seeds corn business is very much a success story for us as this business segment has grown exponentially since we launched four years ago. The growth we have enjoyed can be attributed to great genetics, our sales team, the solid support we are afforded from the folks at PRIDE Seeds and our very engaged seed retailers and partners. We see this segment continue to be a critically important element to our company.

In 2020, our seed grower shareholders well and truly made this a very special year for CANTERRA SEEDS, as we broke a single-year sales record, on the heels of a record sales year in 2019. This is nothing short of amazing and is well deserving of a shout-out to each and every one of you who contributed to this important milestone.

Expense controls and management are always front and centre and 2020 was no exception as we made adjustments with head count which was not an easy exercise, but it was managed. Additional cost savings were realized from mid-March, when Covid-19 first struck, right through to the end of September as travel was virtually eliminated for the management team and significantly reduced for the sales team. Not all the savings went to the bottom line as we were forced to find new ways to conduct business, in the new virtual world we all found ourselves in.

To summarize, the business had a decent sales year in terms of growth and margins and has provided a noted turn-around of approximately $1.7 million year-over-year, allowing us to post a small profit for 2020.

Limagrain Cereals Research Canada, with operations based in Saskatoon, officially registered its first two wheat varieties – one CPS line and one CWRS. Warburtons have added the CPS variety to their program list, and both of these new varieties are part of the VUA Pilot.

One very important outcome we chose to adopt was the implementation of a new digital platform, Agro.Club, which is designed to enhance the customer experience with CANTERRA SEEDS. This new tool will allow us better visibility of our canola and corn business initially but will also be a factor in our cereals and pulse business in the not-too-distant future. CANTERRA SEEDS is a leader in this regard here in Western Canada, but as you have seen and heard yourself, there will be more suppliers, retailers, manufacturers and developers who will be coming to the market with similar tools.

CANTERRA SEEDS is most fortunate to have a group of individuals, who form one amazing, cohesive team. People are the heart and soul of any business and I could not be prouder than I am today of this group who lead with their heart. Having said that, we said goodbye to five of our valued team members this year: Sheena Pitura (Director of Marketing), Karen Hogaboam (Accounting Manager), Jim Bagshaw (Director of Sales), Shaan Tsai (Canola Product Manager), and Jesse Meyer (Peace River TM).

As a result of these departures, we have added four new members: Lorri Keyowski (Director of Sales), Warren Sultan-Khan (Accounting Coordinator), Courtney Welch (Canola Product Manager), and just recently, Candace Reinbold (Peace River TM).

Looking forward, we continue to build on our seed product portfolio, which is considered as the most robust field crop offerings by any seed company in Western Canada.

New to our portfolio this coming spring will be our first LibertyLink canola hybrid, a new Clearfield canola hybrid, and a new TruFlex canola hybrid. In addition, there are some exciting new CWRS wheat varieties, malt barley varieties and a new canary seed line, to mention a few.

The seed industry has been making progress on a couple of critically important topics which CANTERRA SEEDS fully supports and endorses:

1. Seed Synergy, which was an initiative to amalgamate the five seed industry associations – CSGA, CSTA, CPTA, CSI and CSSAC. Unfortunately, CSGA voted not to join Seeds Canada. However, the remaining four entities have agreed to continue forward as Seeds Canada. The new organization will begin operating on February 1, 2021.

2. VUA Pilot – The seed industry has been working towards a value capture mechanism for more than a decade. The model that is to be tested, is a Variety Use Agreement, facilitated by the CPTA and later by Seeds Canada. This model has been patterned after the Wheat Midge Stewardship model. Although it is not perfect and will require some fine tuning, it will at least allow the industry a means to collect royalties on farm saved seed which in turn will encourage further investment in seed breeding.

CANTERRA SEEDS was founded by farmers for farmers and this holds completely true today. We are a proud Canadian company, invested in you and invested in the future. March 2021 will mark our 25th Anniversary and we have a lot to celebrate.

Best regards,

David Hansen, President and CEO

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 1, 2017, Gerry also took on the role of Chief Administrative Officer of Limagrain Cereals Research Canada (LCRC), a joint venture cereal breeding company owned by Limagrain and CANTERRA SEEDS and located in Saskatoon, Saskatchewan.

Gerry also sits on the Board of Governors for Meridian Seeds, LLC and on the Board of Directors for LCRC.

Curt Baldwin

Director, Canola, Corn and Soybean Business Unit

Curt joined CANTERRA SEEDS in April of 2016 and currently holds the role of Director, Canola, Corn and Soybean Business Unit and is responsible for all activities related to these crop areas.

Primary responsibilities for the canola business include product development, seed production and manufacturing as well as managing distribution and key stakeholder relationships. Curt also leads the strategy with PRIDE Seeds' corn and soybeans.

Curt's work history includes extensive experience in seed and crop protection roles, with jobs at Cargill, Viterra, Syngenta and Agricore United. Most recently, Curt held the position of National Crop Inputs Manager for Cargill, where he supported the growth of the seed, crop protection and fertilizer product lines.

Curt graduated from the University of Manitoba with an Agriculture Diploma and has also obtained his MBA from the University of Manitoba in 2012.

Brent Derkatch

Director, Pedigreed Seed Business Unit

Brent joined CANTERRA SEEDS in 2001, initially as Production Manager. Today, as Director, Pedigreed Seed Business Unit, Brent is responsible for all activities related to CANTERRA SEEDS, broad seed portfolio of cereals, pulses and special crops. His primary focus is on demand creation through various variety-specific market development efforts with grain handlers and end-users across Canada and abroad. Brent has also undertaken overseeing the CANTERRA SEEDS marketing department.

Brent has been an active volunteer in the seed industry for many years and is a past president of both the Canadian Seed Trade Association and Canadian Plant Technology Agency. He currently sits on the Board of Directors for Meridian Seeds.

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

SENIOR MANAGEMENT

Andrew Draeger

General Manager, Meridian Seeds

Andy joined Meridian Seeds in 2014 as a District Sales manager and moved to the position of General Manager that fall. As General Manager he is responsible for setting the direction for the company, budgeting, managing staff and ensuring the business maintains profitability while reaching designated goals. Andy also represents Meridian Seeds on the CANTERRA SEEDS Senior Management Team.

Andy grew up in the small town of Wyndmere, ND. In that time, he was very involved in Future Farmers of America and still continues to be a lifetime supporter by coaching Ag Sales and judging for Crop and Weed Science competitions. After high school, he attended North Dakota State University. In the past, he has also worked for Seeds 2000 in the sunflower breeding nurseries and Pioneer Hybrid.

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

Lorri Keyowski

Director of Sales

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

Before joining CANTERRA SEEDS, Lorri held numerous roles in the seed industry. She worked as the Western Sales Manager with FMC Agricultural Solutions Canada from 2017 through 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 to 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**

Darren Blair

Board Member

Darren joined the CANTERRA SEEDS Board of Directors in 2015. He owns Blair's Fertilizer Ltd., an independent ag retail with business partner and cousin, Kevin, along with their spouses. They run seven full-service locations in Saskatchewan and one rail distribution terminal. Divisions of the business include Professional Agronomy, Animal Nutrition, Livestock Genetics, Logistics, Real Estate to go along with their core business fertilizer, chemical and seed. Darren comes from a multi-generational family grain and cattle farm background and graduated from the University of Saskatchewan with a Bachelor of Science degree. He currently holds the position of COO and works out of the Lanigan, SK location, which is their corporate head office. He is responsible for the overall operation of all of their locations, is a member of their executive and leadership team and is also the Lanigan location manager. Darren is a past Director for the Independent Dealers Association, a past Councillor for the Village of Drake, and presently sits as a member of the Executive Committee for the Pound Maker AgVentures Board of Directors.

Joe Dales

Board Member

Joe joined the CANTERRA SEEDS Board of Directors in 2003. He has over 30+ years of agriculture industry sales, marketing and senior management experience working with companies such as Pfizer, Cyanamid Crop Protection, First Line Seeds and NK Syngenta Seeds. Joe was a co-founder of Farms.com Ltd. and AgCareers.com, where he provided governance and guided the long-term strategic plans for 20 years. In March 2019, Joe moved to a non-executive Board role at Farms.com and founded RH Accelerator Inc., an agri food investment company. Joe is on the Board of Directors of Vive Crop Protection Inc. and A&L Canada Laboratories Inc. He is an active entrepreneur and thought leader on innovation in the agriculture and food industry with a vast global network. Joe has gained extensive corporate governance experience with several companies and is the Chair of the Board of Governors for the Western Fair Association in London, ON, where he lives. Joe has an Honours Bachelor of Science in Chemistry from Western University and a Masters in Business Administration from Wilfrid Laurier University.

Robert Day

Board Member

Robert is the President and CEO of Ceres Global Ag Corp, and he joined the CANTERRA SEEDS Board of Directors in 2018. Ceres Global is a North American-based grain & oilseeds, fertilizer, energy and industrial products supply chain company serving customers globally. Robert has been with Ceres since February 2015. Prior to that, he spent three years at ED&F Man, based in Miami and Singapore, and 19 years with Cargill, Inc. working in Asia, Latin America and the U.S. Robert has an MBA from St. Thomas University in Minneapolis, MN and a B.A. in International Relations from the University of Minnesota.

Shaun Haney

Board Member

Shaun joined the CANTERRA SEEDS Board of Directors in March 2009. Founder of RealAgriculture, Shaun Haney manages one of the leading industry ag media companies for Canadian farmers and ranchers. RealAgriculture.com provides the latest in ag-policy, agronomics, current events and farm show features. Shaun is also the host of RealAg Radio which is broadcast across North America on Rural Radio Channel 147 on SiriusXM daily at 4:30 PM Eastern.

BOARD OF **DIRECTORS**

Tatiana Henry

Board Member

Tatiana is the currently the CEO of the Limagrain Cereals Seeds business unit, and joined the CANTERRA SEEDS board of directors in 2017. She graduated with a Master's degree in Life Science from AgroParisTech (France) and has a Business degree from INSEAD and SKEMA. Tatiana has been working with Limagrain for 17 years. After five years as the Eastern Europe Area Manager for HM.CLAUSE (vegetable seeds), she joined Limagrain Field Seeds to establish, develop and manage subsidiaries in the fast-growing Ukraine and Russia markets. Tatiana is also a board member of Limagrain Cereals Research Canada (LCRC).

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 of the Saskatchewan Canola Growers.

François Rollin

Board Member

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

Thomas Jolliffe

Board Member

Thomas joined the board in 2015 at the conclusion of Limagrain's purchase of a minority stake in CANTERRA SEEDS. He has been with Limagrain since 2010 and is currently Head of Research – Cereals and Pulses and is based in the U.K. Thomas is a senior executive in the seeds industry with 40 years experience that includes directing global research and plant breeding programs, intellectual property management (plant breeders rights, patenting and licensing), commercial strategy, merger and acquisition, marketing, sales and general management. He is on the Board of Directors for Limagrain Cereals Research Canada (LCRC), and is a specialist in the international development of cereal seeds markets, and in wheat and barley genetics. He is a director (and former chairman) of the British Society of Plant Breeders; a former non-executive director of a public sector institute; and, a former chairman of pension fund trustees. Thomas is trained in commercial strategy and negotiation, with a diploma in company direction and a PhD in biometrics.

2020-2021 **Marketing Update**

In 2020, CANTERRA SEEDS continued to refine and develop the new brand direction crafted in 2019. In late 2019 and early 2020, we undertook additional market research to discover some of the successes of our new marketing direction, and where we had to rethink concepts that had not resonated as effectively with our audience.

We also took feedback from all levels of our team, asking them to share their thoughts, along with retail and shareholder comments, on specific tactics that helped to drive sales and visibility of our product line.

A Focus on Farmer Testimonials

Our market research process led us to put a greater focus on farmer testimonials on our 2020 ad campaign. All the feedback we received told us that the most trusted voice among farmers, is that of a farmer. Testimonials were only one piece of our ad campaign last year. This year, for our newest ad campaign, we were proud to put testimonials front and centre for our canola and corn hybrids from farmers who know our products. Despite the COVID-19 pandemic, we received farmer testimonials on key products in all three Prairie provinces.

A Focus on Farmer Ownership and Canadian Roots

CANTERRA SEEDS is proud to be a Canadian company with farmer ownership, and we know that this status matters to farmers as well. In 2020, we had great reception of our decision to begin proudly stating our ownership position. We developed a maple leaf badge that features prominently in our marketing material, including on our eye-catching new truck wraps. The trucks for our sales team now essentially serve as mobile advertisements for CANTERRA SEEDS, increasing our visibility in communities across Western Canada. We also applied this badge to our re-designed canola seed bags, which prominently feature new branding elements.

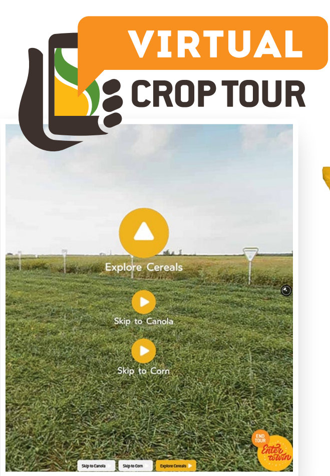
A Virtual Crop Tour

In October 2020, we invited farmers and retailers to take our online Virtual Crop Tour. The tour is hosted at **virtualcroptour.ca** and provides a look at the performance of seven crop types across Western Canada. The Virtual Crop Tour features two ways to view content depending on a user's internet speed. We produced the "High Tech" 360° Immersive Virtual Crop Tour, and the "Low Tech" Just the Facts Crop Tour. Our entire sales team created in-field, informational videos highlighting key attributes of our varieties and their applicability to that local region. CANTERRA SEEDS product managers, other staff and the Canola Council of Canada produced broader, agronomic content to give general information not tied to any specific variety.

A New Way to Order Seed

In 2020, CANTERRA SEEDS partnered with Agro.Club Canada, a new digital startup, to provide online ordering solutions for our canola and PRIDE Seeds corn hybrids. Farmers and retailers can now order these seed products at any time, from anywhere, online. We see this as another way we are delivering on our founding principle to deliver choice and innovation to Western Canadian farmers. Agro.Club Canada has opened the doors to numerous new digital marketing opportunities including our Black Friday sale, which drove large sales numbers on key hybrids.

We look forward to our next round of market research and team feedback to continue building upon the progress we made this year. We believe the groundwork for next year's marketing plan has been well-laid, but will continue to make adjustments where necessary and advantageous.



Management's Discussion and Analysis Report

Management's Discussion and Analysis Report

REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020, as compared to the year ended September 30, 2019. 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 17, 2020 and should be read in conjunction with the accompanying audited consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial information has been reviewed by the Company's audit committee and approved by the Board of Directors. All amounts reported are in Canadian currency.

THE BUSINESS

CANTERRA SEEDS is a recognized leader in the agriculture seed industry. Headquartered in Winnipeg, Manitoba, CANTERRA SEEDS is committed to developing, acquiring, producing, marketing, and selling market-leading seed varieties to its customers throughout Western Canada and the Great Northern Plains and Pacific Northwest of the United States.

RESULTS OF OPERATIONS

Highlights of the 2020 fiscal operating results:

- Sales, gross profit and operating income all improved significantly from the 2018/19 fiscal year.
- Sales totalled $31.59 million for the year ending September 30, 2020 which is an increase of $5.69 million from the year ending September 30, 2019.
- Gross profit is at $7.3 million, compared to $5.78 million in 2018/19, a reduction of $1.52 million.
- The gross profit percentage improved slightly to 23.1% from 22.3%.
- Total corporate operating expenses, net of other revenue reduced by $0.59 million or 9.2% from the 2018/19 to the 2019/20 fiscal year.
- The loss from joint venture reduced from $1.23 million in 2018/19 to $1.03 million in 2019/20.
- Overall, therefore, the Company's income from operations before income taxes improved by $2.33 million from a loss of $1.89 million in 2018/19 to an income of $0.42 million in 2019/20.
- Due to the operating loss recorded in 2018/19, the provision for income taxes was positive in 2018/19, totalling to $0.52 million as the losses had been carried back and offset by income earned in prior years and set up as a deferred tax for future years. For the 2019/20 fiscal year |with an operating profit, a tax expense totalling to $0.05 million has been recorded.
- The Company recorded net income for the current year of $0.38 million. By comparison, in 2018/19 a net loss in the amount of $1.36 million was recorded. Overall net income has increased by $1.74 million.
- Besides the increase in equity from the net income, there were no other changes to equity on the balance sheet. While new shareholders were added, they purchased shares from existing shareholders, and no new shares were sold out of the treasury.
- Net income per share for the year ended September 30, 2020, is $0.05 per share, compared to a net loss of $0.18 per share in 2018/19.
- Cash and short-term investments increased by $1.03 million from September 30, 2019, to September 30, 2020.
- Accounts receivable has increased by $2.24 million, from $2.95 million on September 30, 2019, to a balance of $5.19 million as of September 30, 2020.
- Inventory has reduced by $2.18 million from $8.33 million as at September 30, 2019, to $6.15 million at September 30, 2020.
- Prepaid expenses have increased by $1.1 million from $1.33 million as at September 30, 2019 to a total of $2.43 million as at September 30, 2020.
- Property and equipment, along with intangible assets, have reduced by $4,000. In both years the balance is $1.23 million.
- With the adoption of IFRS 16, CANTERRA SEEDS now capitalizes its leased assets onto the balance sheet. The premise is that this more properly characterizes the commitment the Company has to these assets and works to more properly compare companies that lease rather than purchase a portion of their assets. This added $0.33 million to the balance sheet as at September 30, 2020 with no such asset recorded at September 30, 2019.

- The Company has income tax assets (both deferred and current receivable) totalling to $0.89 million at September 30, 2020. This is a reduction of $0.05 million from the net asset position of $0.94 million at September 30, 2019.
- An Accounts Receivable balance was deemed long-term during the year due to an agreement to extend an outstanding amount owing in exchange for a substantial return when paid. This balance is for $0.21 million as at September 30, 2020 with no amount comparatively with the 2018/19 fiscal year.
- Earlier in the summary, the $1.03 million loss on investments was highlighted. There was a net cash and non-cash investment of $1.02 million so overall the investment in joint ventures reduced by $0.01 million from a balance of $1.77 million at September 30, 2019, to $1.76 million at September 30, 2020.
- Advances from related companies reduced by $0.31 million from a balance of $0.32 million at September 30, 2019 to $0.01 million at September 30, 2020.
- Accounts payable has increased by $1.64 million from $6.25 million as at September 30, 2019, to $7.89 million as at September 30, 2020.
- The total assets of the Company have increased year-to-year and are currently at a total of $21.92 million on September 30, 2020. This is an increase of $2.35 million from the $19.57 million balance on September 30, 2019.

OUTSTANDING SHARE DATA

Issued securities as of December 17, 2020:

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 2019/20 and 2018/19 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 2020 fiscal year, there were trades between shareholders totalling to 104,367 Class A shares and 132,000 Class B preferred shares. There were no such share transactions that took place during the 12 months ended September 30, 2019.

SELECTED FINANCIAL INFORMATION

QUARTERLY FINANCIALS

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

	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 Q4	2018/19 Q3	2018/19 Q2	2018/19 Q1
Total revenue	2,834	8,308	20,419	29	2,249	6,418	17,072	164
Income and comprehensive income	240	(1)	1,688	(1,550)	(241)	(609)	1,145	(1,659)
Earnings per share (basic and diluted)	$ 0.04	$ (0.00)	$ 0.22	$ (0.21)	$ (0.03)	$ (0.08)	$ 0.15	$ (0.22)

CANTERRA SEEDS sells agriculture seed of a number of different crop types. Sales orders for canola, corn and soybeans occur from October until June. Delivery of these sales generally takes place from December until June, as most retailers prefer to defer delivery until a date closer to their time of seeding. Most of the deliveries and sales take place in the months of March to May (Q2 & Q3). The October to December quarter consists mainly of the recording of royalties for fall seeded cereal varieties, along with some early delivered canola, corn and soybean sales. The financial quarter Q2, from January to March, is made up almost solely of canola, corn and soybean deliveries and sales. Q3 sales consist of additional canola, corn and soybean sales, sales of pedigreed stock seed and sales of registered and certified CANTERRA SEEDS licensed pedigreed seed. The quarter consisting of the months July to September (Q4) includes royalties collected on sales of CANTERRA SEEDS licensed seed, along with any adjustments on sales recorded during the previous three quarters.

YEARLY COMPARATIVES

($000s except per share amounts)

	Q1	Q2	Q3	Q4	2019/20 Year	2018/19 Year	2017/18 Year
Sales	29	20,419	8,308	2,834	31,590	25,903	31,279
Gross profit	11	3,950	1,712	1,628	7,301	5,779	7,339
Gross profit percentage	38.7%	19.3%	20.6%	57.4%	23.1%	22.3%	23.5%
Other revenue	77	190	80	442	789	689	775
Operating, general and administrative	911	671	524	241	2,347	3,204	3,485
Loss (income) from joint venture	342	313	267	104	1,026	1,226	294
Depreciation and amortization	62	64	69	348	543	236	305
Salaries, wages and benefits	771	922	930	1,108	3,731	3,688	3,803
Interest	-	--	--	19	19	2	1
Income (loss) from operations before taxes	(1,998)	2,170	2	250	424	(1,888)	226
Income tax recovery (expense)	448	(482)	(3)	(10)	(47)	524	(50)
Income and comprehensive income	(1,550)	1,688	(1)	240	377	(1,364)	176
Total assets	28,597	30,563	22,432	21,917	21,917	19,573	27,076
Long-term liabilities	--	--	--	60	60	--	--
Earnings per share-basic and diluted	$ (0.21)	$ 0.22	$ (0.00)	$ 0.04	$ 0.05	$ (0.18)	$ 0.02

SALES AND GROSS PROFIT

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

For canola sales, the inventory is produced, treated and bagged by the Company in a CANTERRA SEEDS bag. When this product is sold, the entire amount of the sale is recorded on the books of the Company.

For corn and soybean sales, the Company acts as the sole 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 $5.69 million or 22.0%, from $25.9 million in 2018/19 to $31.59 million in 2019/20. 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 17% for the year. Canola sales increased because the Company adopted a new "go to market" strategy where it no longer distributes through a third party and instead distributes directly. This enabled the Company to improve its market share as it was able to better match the retail and farmers needs in the market.

For soybeans, the western Canadian market was quite small and very competitive. CANTERRA SEEDS was not able to make many sales during the year and had a 49% reduction from the 2018/19 fiscal year. While this is significant, the overall dollar amount of this reduction was quite small.

With corn products, while the acreage seeded to that crop appears to have reduced by 15% using the latest Stats Canada figures, CANTERRA SEEDS was able to increase its market share significantly and increase its sales by 77%. For the 2019/20 season, CANTERRA SEEDS became the sole distributor of the PRIDE Seeds brand. In the past, it shared distribution with a second company since it began to distribute this corn in 2016.

For pedigreed seed, for the second consecutive year, CANTERRA SEEDS had the best year of sales and margins in its history. The Company increased its sales by more than 16% from 2018/19 and continues to have some of the market leading varieties of wheat, oats, and barley and peas seeded in Western Canada.

The increase in sales caused gross profit to also increase. It is higher by $1.52 million, from $5.78 million in 2018/19 to $7.3 million in 2018/19. There was a small increase in gross profit as a percentage of sales, from 22.3% for the year ended September 30, 2019, to 23.1% for the year ended September 30, 2020.

OTHER REVENUE

Other revenues total to $0.79 million in 2019/20 which is a $0.1 million increase from the $0.69 million recorded in 2018/19. Generally, as sales increases, partnership contributions to offset operating expenses also increases. The increased sales caused the increase in Other Revenue.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

Operating, general and administrative expenses have reduced by $0.85 million or 26.7% from $3.2 million for the year ended September 30, 2019, to $2.35 million for the year ended September 30, 2020.

This reduction is due to a number of reasons as follows:

- CANTERRA SEEDS made some specific plans to reduce operating expenses from the 2018/19 business plan. In particular, this meant less travel, less meetings and reductions in marketing costs.
- The main effect of the COVID-19 virus was to reduce expenses. Fortunately, the Company works in an industry where the virus did little to change demand for its products. Farmers will seed a crop each year. In particular, the Company had significantly lower travel, meeting and marketing costs related to this effect.
- During the year, we introduced a new accounting standard known as IFRS 16. The general result of this accounting change is that expenses that used to hit the income statement as lease expenses for the office, office equipment and vehicles are now being capitalized. The reason for this accounting change is to ensure that the financial statements of companies that either lease or own their fixed assets show results that are as similar as possible. The net result of this change therefore is that rental expenses, which were coded in Operating, General and Administrative Expenses, have reduced and this expense has been transferred to Depreciation and Amortization and Interest expenses.

LOSS (INCOME) FROM JOINT VENTURE

CANTERRA SEEDS has a 50% ownership in a joint venture called Meridian Seeds LLC and also owns a 30% ownership share of a joint venture named Limagrain Cereals Research Canada (LCRC). In total, CANTERRA SEEDS recorded a loss totalling $1.03 million in 2019/20 compared to a loss of $1.23 million for the 2018/19 fiscal period, a reduction of $0.2 million.

LCRC is still in the early stages as an entity. As a breeding company it takes a number of years to start distributing enough varieties to become profitable. In 2020, the Company began to sell its first licensed varieties in Western Canada. However, these revenues do not yet match the costs of the program. As such, the Company recorded a significant loss on operations during the 2019/20 fiscal period. The loss was lower than in 2018/19 and that caused CANTERRA SEEDS to incur a loss that was $0.07 million lower than recorded during the prior year.

For the Meridian Seeds entity, due to continuing poor market conditions in the crop types that Meridian Seeds focuses on, the entity recorded losses for the 2019/20 fiscal year. The Company was able to reduce its operating expenses year-to-year and overall the equity loss recorded for the year of $0.25 million is an improvement of $0.13 million from the 2018/19 fiscal year where the market conditions were similar.

DEPRECIATION AND AMORTIZATION

The depreciation and amortization expenses have increased by $0.31 million. The main reason for this increase is the introduction of the new accounting standards with IFRS16 where leased equipment is now being capitalized on the balance sheet and the asset is being amortized over the length of the lease.

SALARIES, WAGES AND BENEFITS

Salaries, wages and benefit expenses have increased by 1%, or $0.04 million, from $3.69 million for the year ended September 30, 2019, to $3.73 million for the year ended September 30, 2020.

Overall, no major changes year-to-year in these costs of the Company.

INTEREST

These expenses increased by $17 thousand, from $2 thousand in 2018/19 to $19 thousand in 2019/20. As with the depreciation and amortization expenses, the introduction of IFRS 16 basically capitalizes assets that are being leased. So what was rental expenses now becomes either amortization expense or interest expense as the capital lease is considered a loan on the Company's books. This increase is due to this change.

INCOME TAX EXPENSE

This has changed because for the 2019/20 year there is income before tax, and therefore a tax payable, and for the 2018/19 year there was a loss before tax. That loss was carried back against years where tax was paid and has created a reimbursement of taxes paid in earlier years while also being set up as an asset to reduce future years taxes. Therefore an expense offset of $524 thousand in 2018/19 has been replaced with a cost to the Company totaling to $47 thousand in 2019/20.

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 2018/19, the Q4 results were much higher than the other quarters. This is when billings for work done by the Company with its partners was ultimately realized and recorded, and when the final SRED adjustment was recorded.

Operating, general and administrative expenses changed fairly significantly throughout the year. Firstly, the main difference is the timing of when significant marketing expenditures are recorded during the year. In general, the majority of these expenditures occur in Q1 and Q2. In addition, the Q4 results are lower as this is when the lease expenses were removed from the operating general and administrative expenses and adjusted to depreciation, amortization and interest expenses.

The loss (income) from the joint venture by quarter is mainly determined by when sales are recorded in the accounts. With Meridian Seeds, sales occur either in Q3 (April 1 to June 30) with seed sales, or in Q4 (July 1 to September 30) with the receipt and recording of "tech fee" or royalty fee revenue. Few sales are recorded in the Q1 and Q2 quarters. With Limagrain Cereals Research Canada, there are few revenues being recorded at present and the expenses were split quite evenly throughout the year.

Depreciation and amortization are generally consistent in the four quarters. However, in Q4 the lease expenses were adjusted into depreciation and amortization causing a significantly higher expense for that quarter.

Salaries, wages and benefits are also quite constant throughout the year. Some incentive-based payments are accrued for year-end, making the Q4 results higher.

Overall, the Company recorded a per-share income of $0.05 for 2019/20, which is an improvement of $0.23 from the loss of $0.18 per-share recorded for 2018/19. For the 2019/20 year, most of the sales for canola, corn and soybeans were focused in Q2 from January 1, 2020, to March 31, 2020. This has created a quarterly result where the Company made $0.22 per share during this time period. Additional sales in Q3 and record pedigreed tech fees recorded in Q4 made the results close to break-even for those quarters. There were few sales in Q1 and with additional operating expenses, mainly marketing costs, the Q1 period recorded a loss of $0.21 cents per share.

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

The assets are highest at the end of Q1 and Q2 as this is when canola inventory is accumulated and then sold. Therefore, the Company either has higher inventory or accounts receivable balances.

LIQUIDITY AND CAPITAL RESOURCES

CANTERRA SEEDS, cash position has reduced by $1.85 million from September 30, 2019 to September 30, 2020.

In total, the Company added cash from operating activities of the Company in the amount of $2.29 million. CANTERRA SEEDS had net income for the year of $0.38 million. There were, however, a number of significant non-cash expenses so after these were added back there was a cash income totaling to $2.01 million.

Also, inventory was reduced due to sales over the year—a reduction by $2.19 million.

Accounts payable and accrued liabilities have increased by $1.64 million from the prior year, due mainly to the timing of payments year to year.

The reduction in inventory was directly offset by an increase in prepaid expenses, particularly prepaid deposits for new canola inventory. This used $1.1 million in cash.

In addition, accounts receivable increased by $2.45 million which has also used cash.

Finally, there was an adjustment in future income tax accruals that used $1 thousand for the year.

During the year, CANTERRA SEEDS used an amount totalling to $4.14 million for financing and investing activities. In 2019/20, the Company used cash for the purchase of short-term investments. This totalled to $2.88 million of cash. In addition, the Company made an additional $1.01 million of investment into its subsidiaries during the year that used cash. Finally, the Company made lease obligation payments totalling to $0.31 million during the year. This is offset by a $0.31 million repayment of inter-company amounts owing. In addition, CANTERRA SEEDS had capital purchases, both tangible and intangible, that used an additional $0.25 million during the year.

The Company receives much of its cash inflows during the fall and spring when sales and payments for agriculture seed come in. A significant portion of cash outflows, both for operating expenses and inventory purchases, occur throughout the year. To appropriately manage cash during the year, CANTERRA SEEDS works toward matching the timing of cash outflows to the Company's cash inflows. Over 60% of the cash inflows of CANTERRA SEEDS are dependent on sales of canola. Therefore, the Company is dependent on these sales in order to maintain its liquidity, both in the short-term and the long-term. With strong new varieties of canola, corn and soybeans, along with the Company's long-term relationships with many canola breeding partners, liquidity is anticipated to continue to improve over time.

Being involved in the corn and soybean market does serve to increase the need to manage cash flow. Substantial prepayments from CANTERRA SEEDS to its partner PRIDE Seeds are not generally matched with equal prepayments from the eventual customer. As this part of the business grows it will continue to create cash flow strain on the business between the period that prepayment occurs to PRIDE Seeds, generally in the late fall, to when this product is paid for by the customer.

The Company continues to have a solid liquidity position. CANTERRA SEEDS is debt free and continues to have a strong asset base that can be used to access additional debt financing. The Company has only accessed its credit line on very specific occasions over the last five years and will continue to only access this line, if by doing so, more profitability will be added to the Company. Due to its low capital base, CANTERRA SEEDS continues to have very strong debt/equity and current ratios.

FINANCIAL INSTRUMENTS

A portion of the Company's revenues and expenditures are denominated in U.S. dollars. While the acquisition of U.S. dollars is not currently a significant requirement of the Company, it is exposed to currency fluctuations on transactions denominated in U.S. dollars. Currency fluctuations may impact the profitability of the Company. This risk is managed, where practicable, through the use of foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows. The Company does not hold or issue derivative contracts for speculative purposes. As at September 30, 2020, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

Financial instruments include cash, investments, accounts receivable, advances to related parties, bank indebtedness, accounts payable and accruals and long-term debt. For all instruments other than the advances to related parties, the carrying values approximate fair value due to the short-term nature of the financial instruments.

The fair value of the advances to related parties is not determinable due to the underlying terms and conditions of the instruments.

COVID-19

The effect and risk to CANTERRA SEEDS of this virus to its sales has been limited. Farmers seeded 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.

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

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

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

RISKS AND UNCERTAINTIES

INVENTORY OBSOLESCENCE RISK

In order to sell seed in the marketplace, seed inventory must meet stringent quality assurance standards that are determined and set by the Canada Seeds Act. In addition, regardless of this quality point, a product must be one that is demanded by the western Canadian market. CANTERRA SEEDS works diligently to efficiently manage the lifecycle of its products and consistently introduce new improved varieties into the market to limit its inventory provisions to manageable levels.

PRODUCTION RISK

The availability of high-quality pedigreed seed for sale is dependent upon crop yields as well as the impact of weather and other factors on the quality of seed harvested. Reduced yields and quality can negatively impact the availability of seed. Prior to sale, each bag of canola seed passes stringent tests for hybridity, germination and herbicide tolerance. CANTERRA SEEDS partially mitigates the risk of this exposure through the diversification of crop varieties, careful strategic planning in choosing the producer of the seed, and through geographic variation of production.

COMPETITION

The pedigreed seed business is a very competitive marketplace. Certain competitors may have greater financial resources than CANTERRA SEEDS. In addition, certain competitors may have access to a wider range of pedigreed seed varieties through in-house breeding programs or relationships with external plant breeders. It is also very important for CANTERRA SEEDS to continue to market excellent new and improved varieties to ensure that the Company stays competitive.

INDUSTRY CYCLICALITY

The demand for pedigreed seed is dependent upon many factors. These include the global seed supply, the relative price of the commodity as compared to its alternatives, the climatic conditions, as well as many economic factors. Reductions in farm incomes and the relative commodity price, as well as high global inventory supplies, can all negatively impact the demand for pedigreed seed.

FOREIGN EXCHANGE RISK

CANTERRA SEEDS contracts a small portion of its hybrid canola seed production to producers in U.S. dollars. To the extent that the Canadian dollar weakens significantly as compared to the U.S. dollar, these purchases will negatively impact returns. To mitigate the effects of foreign exchange risk, management has implemented a hedging strategy of purchasing forward contracts against U.S. dollar future contract commitments, to the extent practicable. As the timing of harvest, harvested yield and quality data all impact the amount and timing of U.S. dollar payments, all foreign exchange risk cannot be hedged. To the extent that the Company is not able to hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on CANTERRA SEEDS' results of operation, business, prospects and financial condition.

OUTLOOK

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

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

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

- Secondly, the Company will continue to distribute products that are of impeccable quality. To this end, CANTERRA SEEDS has implemented a quality control policy that is of the highest standard in the industry. It ensures that the canola seed quality not only meets the standards set by the Canada Seeds Act but exceeds these standards and the competition in the market.

- Thirdly, there is always the risk of inventory obsolescence with all seed products. This could be due to a drop or decreased germination level, or the variety is no longer competitive in the market. The Company proactively manages the lifecycles of the specific hybrids and varieties as well as following its strict seed quality protocol that keeps these risks to a minimum. CANTERRA SEEDS continues to create partnerships with both canola breeders and other entities to ensure that it strengthens its portfolio and its value proposition to both retails and farmers.

- Finally, it is critical that the Company ensures its canola products are accessible to as many growers as possible. CANTERRA SEEDS has worked diligently to continually improve the corporate brand and canola distribution footprint, ensuring their 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.

CANTERRA SEEDS is working to increase its market share in the western Canadian canola market and has started this improvement in 2020. It is anticipated that this improvement will continue in future years.

For the corn and soybean business, as mentioned earlier in the report, CANTERRA SEEDS is now the exclusive western Canadian distribution partner for the PRIDE Seeds brand of corn and soybeans. PRIDE Seeds is part of AgReliant, one of the top breeders and retailers of corn and soybean products in North America. This has meant a significant increase in sales and margins for these crop types for the 2019/20 fiscal period.

In addition, CANTERRA SEEDS anticipates that with the PRIDE Seeds brand of products, the market share and overall quantity of sales will continue to increase for corn and soybeans due to the Company's focus of the following critical success factors of the business:

- PRIDE Seeds and AgReliant are committed to 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.

It is also anticipated that the acreage seeded to corn and soybeans will continue to increase in Western Canada as varieties that are bred for the soil and climactic conditions of the Prairies continue to emerge.

For the pedigreed seed business, the Company will focus on the critical success factors of the business as follows:

- CANTERRA SEEDS will continue to access leading edge varieties by focusing on the following. Firstly, CANTERRA SEEDS has been very successful at acquiring high-performing varieties from public breeding entities like Agriculture and Agri-Food Canada, the Crop Development Centre and the University of Alberta. Secondly, the Company is a 30% partner with Limagrain, one of the world's largest and most innovative field seed companies, in a cereal breeding venture named Limagrain Cereal Research Canada (LCRC). This entity registered its first two wheat varieties (CS DAYBREAK and CS ACCELERATE) and CANTERRA SEEDS has the rights to these varieties and revenues from these entities were being recorded in the 2020 fiscal year. A third variety, CS RESOLVE has also now been registered and will begin to have sales in the 2021 fiscal year.
- 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 186 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.

CANTERRA SEEDS recorded its highest pedigreed seed revenues during the 2019/20 season, which is the second year in a row that the Company recorded its highest pedigreed seed revenues.

With the affiliated companies results as mentioned earlier, LCRC earned its first royalty revenues during the past fiscal year and this will build over time. It is also anticipated that a model will be used that will enable LCRC to receive royalties on all acreage seeded with its varieties in the coming years. This will occur while operating expenses are kept quite stable. Over the next few years, therefore, it is anticipated that this loss on investment will reduce and will become income as LCRC continues to expand its market share.

For Meridian Seeds, they focus heavily on their critical success factors which is superior products, strong production and retail partners, along with an experienced and well-trained staff. Both the 2019 and 2020 fiscal years were a struggle for the Company due to a number of factors including, political, environmental and other market forces. However, Meridian Seeds has great products, top-notch staff and excellent markets, and is in a great position to reverse this trend and create additional investment income for CANTERRA SEEDS over the next few years.

For net operating expenses, as was mentioned earlier in the analysis, CANTERRA SEEDS is being as proactive as possible by reducing expenses in areas where possible. The current market conditions in the seed industry have reduced overall profitability and this is anticipated to continue for at least the next 12 to 24 months. As always, all expenses are focused to ensure a successful return on investment. Already for the 2020/21 crop year, travel and industry events have been curtailed due to the COVID-19 virus. It is anticipated that this will create a further reduction of operating expenses compared to a more "normal" year.

Overall, the 2019/20 financial results were a significant improvement in overall sales, margins, equity pickup and of course net income from the results recorded in 2019. Going forward, the Company expects these trends to continue.

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 tradeable with few restrictions within the Company's shareholder group and, with Board of Directors' approval, outside the shareholder group.

FORWARD LOOKING INFORMATION

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

ADDITIONAL INFORMATION

Any additional information relating to CANTERRA SEEDS is available on the SEDAR website at www.sedar.com.

ADVANCES FROM RELATED AFFILIATES

Advances to affiliates are unsecured, non-interest bearing and have no fixed terms of repayment. The advances are made to Limagrain Cereals Research Canada and Meridian Seeds, LLC. The advances occurred due to the fact that CANTERRA SEEDS is the administrative arm for both LCRC and Meridian Seeds LLC and there are charges that are borne by CANTERRA SEEDS and then charged through to LCRC. The amounts owing at both September 30, 2019 and September 30, 2020 were repaid in the first two months of the following fiscal year.

CORPORATE GOVERNANCE

CANTERRA SEEDS has developed a corporate infrastructure to support the expanding business to reach its strategic goals. The staffing of the Company, as well as the composition of the Board of Directors, has been designed in a way that will enable full support for anticipated future growth.

The consolidated financial statements and MD&A of CANTERRA SEEDS HOLDINGS LTD., and all other information in this annual report are the responsibility of management and have been reviewed and approved by its Board of Directors.

Management has prepared the consolidated financial statements in accordance with IFRS accounting standards. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order to ensure that the financial statements and MD&A are presented fairly in all material respects.

The Board of Directors is responsible to all shareholders for overall strategic direction, the fiduciary responsibilities and corporate policy decisions. The Board of Directors has ten members, all of which are non-management. One of the Directors is not a seed grower shareholder but has significant business experience and influence in the agriculture and seed industry. Three Directors represent the interest of Vilmorin USA Corp. (Limagrain) and another Director represents the interest of Ceres Global Ag Corp. One Director is an independent seed retailer and represents the interests of these retailers on the Board. The final four Directors, including the Chairman of the Board, are seed growers or past seed growers with significant experience in the seed industry. Besides the Chairman of the Board, each seed grower represents different geographical regions of the Prairies.

Commencing in 2004, in conjunction with the change to reporting issuer status, the Board of Directors appointed an Audit Committee. The entire Audit Committee, including the committee Chairman, is currently comprised of five non-management Directors. This committee is responsible for overseeing the overall accounting and financial reporting systems of the Company. The Audit Committee recommends the appointment of the proposed external auditors to the shareholders at the Annual General Meeting (AGM). The Audit Committee meets with the external auditor and/or Chief Financial Officer (CFO) on a regular basis as part of its review of the annual audits as well as the quarterly unaudited financial statements, prior to submission to the Board for approval. The external auditors report to the Audit Committee.

In March of 2010, the Board appointed a Governance Committee that is responsible for making recommendations to the Board of Directors regarding the appropriate corporate governance policy and procedures for the CANTERRA SEEDS Board of Directors. This committee is active and consists of five 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 17, 2020

David Hansen
Chief Executive Officer

Gerry Cantin
Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canterra Seeds Holdings Ltd.:

Opinion

We have audited the consolidated financial statements of Canterra Seeds Holdings Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and September 30, 2019, and the consolidated statements of comprehensive income (loss), 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, 2020 and September 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

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

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

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

Winnipeg, Manitoba
December 17, 2020

MNP LLP

Chartered Professional Accountants

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CONSOLIDATED FINANCIAL STATEMENTS

AUDITED BY MNP LLP

CANTERRA SEEDS HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30

	September 30, 2020	September 30, 2019
ASSETS		
Current assets		
Cash	362,668	2,211,257
Investments *(note 5)*	3,359,881	481,284
Accounts receivable	5,189,204	2,954,837
Inventory *(note 6)*	6,146,403	8,331,608
Income tax receivable	78,730	77,893
Prepaid expenses and deposits	2,431,323	1,331,593
	17,568,209	15,388,472
Property and equipment *(note 7)*	683,741	609,591
Intangible assets *(note 8)*	542,682	621,003
Right-of-use assets *(note 9)*	326,938	-
Deferred tax asset *(note 21)*	816,612	863,271
Long-term equity investments *(note 15)*	1,758,973	1,771,647
Long-term receivables	212,607	-
Advances to related companies *(note 11)*	6,838	319,495
	21,916,600	19,573,479
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	7,892,779	6,253,100
Current portion of lease obligations *(note 10)*	266,762	-
	8,159,541	6,253,100
Lease obligations *(note 10)*	60,176	-
	8,219,717	6,253,100
Shareholders' equity		
Share capital *(note 14)*	12,577,828	12,577,828
Retained earnings	1,100,332	723,828
Contributed surplus	18,723	18,723
	13,696,883	13,320,379
	21,916,600	19,573,479

See accompanying notes to the consolidated financial statements.

Lloyd Affleck
Chairman of the Board

Jim Wilson
Vice-Chairman

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended September 30

	2020	2019
Sales	31,590,275	$25,902,820
Cost of sales *(note 6)*	24,289,308	20,123,349
Gross profit	7,300,967	5,779,471
Other revenue *(note 16)*	789,509	689,109
Profit before other expense items	8,090,476	6,468,580
Operating, general and administrative	2,347,194	3,203,926
Loss from long-term equity investments *(note 15)*	1,025,874	1,226,386
Depreciation	542,940	236,165
Salaries, wages, and benefits	3,731,380	3,687,962
Interest	19,098	1,597
	7,666,486	8,356,036
Income (loss) from operations before income taxes	423,990	(1,887,456)
(Provision for) recovery of income taxes *(note 20)*:		
Current	(827)	77,173
Deferred	(46,659)	446,635
	(47,486)	523,808
Net income (loss) and comprehensive income (loss)	376,504	(1,363,648)
Earnings (loss) per share		
Basic and fully diluted *(note 17)*	0.05	(0.18)

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, 2018	$12,577,828	$18,723	$2,087,476	$14,684,027
Comprehensive loss	--	-	(1,363,648)	$(1,363,648)
Balance, September 30, 2018	$12,577,828	$18,723	$723,828	$13,320,379
Comprehensive income	--	--	$376,504	$376,504
Balance, September 30, 2020	$12,577,828	$18,723	$1,100,332	$13,696,883

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended September 30

	2020	2019
Cash provided by (used for) the following activities:		
Operating activities:		
Net income (loss)	376,504	$ (1,363,648)
Depreciation of property and equipment	140,895	128,394
Depreciation of intangible assets	114,141	107,771
Depreciation of right of use assets	287,904	-
Interest expense	19,098	-
Loss from long-term equity investments	1,025,874	1,226,386
Deferred income taxes	46,659	(446,635)
	2,011,075	(347,732)
Changes in working capital accounts		
Accounts receivable	(2,446,974)	1,276,371
Income taxes receivable/payable	(837)	(113,979)
Inventory	2,185,205	(770,735)
Prepaid expenses and deposits	(1,099,730)	951,234
Accounts payable and accrued liabilities	1,639,679	(6,094,990)
Deferred revenue	-	(8,000)
	2,288,418	(5,107,831)
Financing Activities		
Lease obligation repayments	(307,002)	-
Investing activities		
Advances to related companies	312,657	557,917
Contributions to long- term equity investments	(1,013,200)	(108,419)
Purchase of property and equipment	(215,045)	(224,140)
Purchase of intangible assets	(35,820)	(102,125)
(Purchase) sale of investments	(2,878,597)	6,107,558
	(3,830,005)	6,230,791
Increase (decrease) in cash	(1,848,589)	1,122,960
Cash, beginning of year	2,211,257	1,088,297
Cash, end of year	362,668	2,211,257

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended September 30, 2020 and 2019

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 US company), and its joint venture investments Meridian Seeds LLC (a US company) and Limagrain Cereals Research Canada (a Canadian partnership), which are accounted for using the equity method.

2. BASIS OF PRESENTATION AND GOING CONCERN

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("ISAB").

The financial statements of the Company were recommended for approval by the Audit Committee and were approved and authorized by the Board of Directors on December 17, 2020.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company, Canterra Seeds Holdings Ltd. The functional currencies of the subsidiaries are as follows: Canterra Seeds (2002) Ltd. and Limagrain Cereals Research Canada in Canadian dollars, Canterra Seeds (USA) Ltd. and Meridian Seeds LLC in US dollars.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Where property or equipment is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation arises. Otherwise corporate acquisitions are accounted for as business combinations.

JOINT VENTURES

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity through a jointly controlled entity. Joint control exists when strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the equity method and are recognized initially at cost. The Company recognizes its share of the post-acquisition income and expenses and equity movement in the venture. If the cumulative losses exceed the carrying amount of the equity investment, they are first applied to any additional advances that are receivable from the joint venture to the extent of the total amount receivable. Additional losses are recognized only to the extent that there exists a legal or constructive obligation.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in direct operations and administration expenses in the statement of comprehensive income. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is determined to be an asset or liability will be recognized in accordance with IFRS 9 - Financial Instruments, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

INVENTORY

Inventory is comprised of finished goods consisting of treated and bagged seed, as well as raw materials consisting of bare untreated seed, and is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis. The Company has no work-in-progress.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

PROPERTY AND EQUIPMENT

Property and equipment are initially recorded at cost net of any related investment tax credits. Depreciation is provided using the below methods at rates intended to depreciate the cost of assets over their estimated useful lives.

Asset	Method	Rate
Computer hardware	declining balance	30%
Computer software	declining balance	20%
Website, furniture and fixtures	declining balance	20-30%
R&D plot equipment	declining balance	20-30%
Leasehold improvements	straight line	term of lease

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the results in the period which the asset is derecognized.

Repair and maintenance costs are recognized in the period as incurred.

LONG-LIVED ASSETS

Long-lived assets consist of property and equipment, and intangible assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies. Long-lived assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company conducts an internal review each reporting period of long-lived asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).Non-financial assets, other than goodwill, that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

INTANGIBLE ASSETS

Intangible assets are initially recognized at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Intangible assets, other than goodwill and indefinite life intangible assets, are amortized on a straight-line basis over the shorter of their estimated periods of benefit or contractual lives. The estimated useful lives and depreciation methods are reviewed annually, with any changes in estimate accounted for prospectively.

REVENUE RECOGNITION

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

Deposits on contracts are recorded in prepaid expenses and deposits. Volume related royalty revenue is recognized in the period in which the sale is reported by the grower. Contract services and program payments are recognized when earned.

DEFERRED REVENUE

Deferred revenue is comprised of deposits received from customers for which the related product has either not been shipped or the contractual commitments have not been met as at period end.

DEFERRED INCOME TAXES

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

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

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

GOVERNMENT ASSISTANCE

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

FOREIGN CURRENCY TRANSLATION

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

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

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

LONG-TERM EQUITY INVESTMENTS

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

PER SHARE INFORMATION

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

KEY ACCOUNTING ESTIMATES AND JUDGMENTS

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

The uncertainties around the outbreak of the COVID-19 pandemic required the use of judgments and estimates which resulted in no material impact for the year ended September 30, 2020. The future impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the reported amounts of assets, liabilities, revenue and expenses in the consolidated financial statements.

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

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

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

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

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

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

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

Management has estimated that, while the terms of advances to related companies are not defined, the fair value approximates the carrying value due to the anticipated repayment dates of the advances.

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

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

CASH

Cash in the consolidated statement of financial position consists of cash on deposit in financial institutions and on hand.

FINANCIAL INSTRUMENTS

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

The measurement amount at initial recognition of a financial asset or financial liability that is not classified as fair value through profit or loss ("FVTPL") is adjusted by transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of a financial asset or financial liability that is measured at FVTPL is recognized immediately in profit or loss. Trade receivables that do not have a significant financing component are measured at their transaction price.

Financial Assets

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

A summary of the three classifications is as follows:

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

The Company's financial assets are, as follows:

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

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

Impairment of Financial Assets

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

The Company applies the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance on all trade receivables. To measure the ECL, trade receivables have been grouped based on shared risk characteristics and the days past due. As at September 30, 2020 and 2019, ECL were not significant.

FINANCIAL LIABILITIES

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

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

The Company's financial liabilities are as follows:

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

LEASES

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

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

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

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

The lease liability is presented in note 10: 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 9: 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.

4. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted the following new accounting standards effective October 1, 2019:

Leases IFRS 16

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described in Significant accounting policies – Leases.

The Company has applied the standard effective October 1, 2019 using the expedited modified retrospective (cumulative catch up) approach and therefore comparative periods have not been restated and continue to be reported under IAS 17 and IFRIC 4.

IMPACT OF THE NEW DEFINITION OF A LEASE

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before October 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all material lease contracts entered into or modified on or after October 1, 2019 (whether it is a lessor or a lessee in the lease contract).

IMPACT OF THE LESSEE ACCOUNTING

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- recognizes right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments;

- recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of income; and

- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

4. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS *(CONTINUED)*

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for short-term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), and to recognize a lease expense on a straight-line basis as permitted by IFRS 16; this expense is presented within operating expenses in the statement of income.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

FINANCIAL IMPACT OF INITIAL APPLICATION OF IFRS 16

On transition to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. The weighted-average rate applied is 5%. In accordance with the expedited modified retrospective approach, the Company has opted to measure the right-of-use assets for all leases at amounts equivalent to the corresponding lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

	October 1, 2019
Discounted using the incremental borrowing rate at October 1, 2019	**5%**
Operating lease commitments at September 30, 2019	764,903
Lease liabilities recognized at October 1, 2019	614,842

5. INVESTMENTS

The Company has investments comprised of a deposit in a money market savings account which has a maturity within one year bearing an interest rate of 0.75% (2019 – 1.8%) per annum.

	2020	2019
	$	$
Fair value	**3,359,881**	481,284

6. INVENTORY

	2020	2019
	$	$
Finished goods	**2,066,193**	2,672,688
Raw materials	**4,080,210**	5,658,920
	6,146, 403	8,331,608

The cost of inventories recognized as an expense and included in cost of sales amounted to $6,911,108 (2019 - $5,675,248).

7. PROPERTY AND EQUIPMENT

	Computer hardware	Computer software	Website, furniture and fixtures	R&D plot equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, September 30, 2018	163,373	258,020	151,721	390,698	166,837	1,130,649
Additions	7,041	153,510	19,071	5,344	39,174	224,140
Balance, September 30, 2019	170,414	411,530	170,792	396,042	206,011	1,354,789
Additions	4,847	100,084	57,714	42,280	10,120	215,045
Balance, September 30, 2020	**175,261**	**511,614**	**228,506**	**438,322**	**216,131**	**1,569,834**
Depreciation						
Balance, September 30, 2018	72,454	158,439	76,304	233,156	76,451	616,804
Depreciation	29,494	29,487	18,187	34,508	16,718	128,394
Balance, September 30, 2019	101,948	187,926	94,491	267,664	93,169	745,198
Depreciation	20,600	48,389	24,025	29,664	18,217	140,895
Balance, September 30, 2020	**122,548**	**236,315**	**118,516**	**297,328**	**111,386**	**886,093**
Net book value						
At September 30, 2019	**68,466**	**223,604**	**76,301**	**128,378**	**112,842**	**609,591**
At September 30, 2020	**52,713**	**275,299**	**109,990**	**140,994**	**104,745**	**683,741**

8. INTANGIBLE ASSETS

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

	Licence fees
Cost	**$**
Balance, September 30, 2018	2,057,054
Additions	102,125
Balance, September 30, 2019	**2,159,179**
Additions	35,820
Balance, September 30, 2020	**2,194,999**
Depreciation	
Balance, September 30, 2018	1,430,405
Depreciation	107,771
Balance, September 30, 2019	**1,538,176**
Depreciation	114,141
Balance, September 30, 2020	**1,652,317**
Net book value	
At September 30, 2019	621,003
At September 30, 2020	**542,682**

9. RIGHT-OF-USE ASSETS

	Building	Vehicle	Office Equipment	Total
Cost	**$**	**$**	**$**	**$**
Balance, September 30, 2019	-	-	-	-
Additions	297,911	13,264	303,667	614,842
Balance, September 30, 2020	**297,911**	**13,264**	**303,667**	**614,842**
Depreciation				
Balance, September 30, 2019	-	-	-	-
Depreciation	166,412	5,108	116,384	287,904
Balance, September 30, 2020	**166,412**	**5,108**	**116,384**	**287,904**
Net book value				
At September 30, 2019	-	-	-	-
At September 30, 2020	**131,499**	**8,156**	**187,283**	**326,938**

10. LEASE OBLIGATIONS

LEASE LIABILITIES

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

	2020	2019
Maturity analysis – contractual undiscounted cash flows		
Less than one year	277,277	-
One to five years	338,547	-
Total undiscounted lease liabilities at September 30, 2020	615,824	-
Lease liabilities included in the statement of financial position at September 30	326,938	
Current	266,762	-
Non-current	60,176	-

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

The following table details the reconciliation of the lease liability balance from adoption at October 1, 2019 to September 30, 2020:

Lease liabilities

Balance at October 1, 2019	Cash flows	Changes in lease	Imputed interest	Balance at September 30, 2020
-	(307,002)	614,842	19,098	326,938

11. ADVANCES TO RELATED COMPANIES

	2020	2019
Meridian Seeds, LLC	$6,838	$319,495

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

12. GOVERNMENT ASSISTANCE

During the year, the Company filed Canadian federal and provincial income tax returns for the 2019 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 2020 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 $61,801 (2019 - $70,085). In the normal course of SR&ED expense claims the Company is subject to reviews by federal and provincial government authorities.

13. 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, 2020, the Company was in compliance with the covenants specified in the agreement. As at September 30, 2020, the Company had not drawn against the revolving demand facility (2019 – $nil).

14. SHARE CAPITAL

	2020	2019
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 (2019 – 7,551,147)	$12,109,827	$12,109,827
2,118,000 class B shares (2019 – 2,118,000)	468,001	468,001
	$12,577,828	$12,577,828

15. LONG-TERM EQUITY INVESTMENTS

The Company has an investment in a joint venture, Meridian Seeds LLC, in which it shares 50% control. Investments in this company, which are subject to joint control, are accounted for using the equity method. The following amounts represent the results and financial position of Meridian Seeds LLC:

	2020	2019
	$CAD	$CAD
Current assets	**1,623,586**	1,974,159
Long-term assets	**393,778**	307,468
Current liabilities	**441,204**	70,037
Revenues	**3,621,100**	2,902,195
Expenses	**4,123,779**	3,744,187
Net loss	**(502,679)**	(841,992)
Cash used in operating activities	**(342,407)**	(653,994)
Cash provided by (used in) investing and financing activities	**196,470**	471,402

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

	2020	2019
Investment in joint venture	**$689,674**	$926,813

The Company has an investment in a cereal breeding and development partnership, Limagrain Cereals Research Canada, located in Saskatoon, SK. The partnership is intended to bring significant added value to western Canadian agriculture by developing new varieties of cereals, with a specific focus on wheat, using the most advanced technologies currently available. Investments in this company, which represent significant influence, are accounted for using the equity method.

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

	2020	2019
	$	$
Current assets	**1,985,973**	926,707
Long-term assets	**1,695,938**	2,066,603
Current liabilities	**149,456**	149,249
Revenues	**174,363**	39,916
Expenses	**2,756,146**	2,842,995
Net loss	**(2,581,783)**	(2,803,079)
Cash used in operating activities	**(2,368,461)**	(2,769,888)
Cash provided by investing and financing activities	**1,604,764**	2,593,682

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

	2020	2019
Investment in partnership	**$1,069,299**	$844,834

16. OTHER REVENUE

	2020	2019
	$	$
Interest	**85,548**	129,339
Contract services and program payments	**535,777**	247,111
Other	**106,383**	242,574
Scientific research and development tax credits *(Note 12)*	**61,801**	70,085
	789,509	689,109

17. 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, 2020 of 7,551,147 (2019 – 7,551,147). Diluted earnings (loss) per share equals basic earnings (loss) per share as there are no dilutive instruments.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

RISK MANAGEMENT

In the normal course of business, the Company is exposed to financial risk that arises from its indebtedness, including fluctuations in interest rates. Management's involvement in operations helps identify risks and variations from expectations.

As a part of the overall operation of the Company, management takes steps to avoid undue concentrations of risk. The Company manages the risks, as follows:

LIQUIDITY RISK

Liquidity risk arises from the possibility of the Company having insufficient financial resources to fund its growth and refinance its debt as it matures.

The economic uncertainty which currently exists throughout the global marketplace has resulted in a more conservative and restrictive lending market. Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial obligations.

INTEREST RATE RISK

The Company may be exposed to interest rate risk as bank indebtedness charges interest at variable rates; however, the Company had not drawn against the credit facility as at September 30, 2020, 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).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(CONTINUED)*

At September 30, 2020, the Company has $3,359,881 in a money market savings account. A 1% variation in the market price of underlying securities would have resulted in an increase or decrease in the value of this asset of approximately $33,599.

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:

	2020	2019
	$	$
31-60 days	80,169	279,823
61-90 days	2,879,311	130,355
More than 90 days	13,528	615,138
	2,973,008	1,025,316

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

	2020	2019
	$	$
Balance, beginning of year	32,994	-
Amount charged to bad debt expense	-	32,994
Amount applied against accounts receivable	(32,994)	-
Balance, end of year	-	32,994

FOREIGN CURRENCY RISK

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

	2020	2019
	$CAD	$CAD
Cash	230,019	57,009
Accounts receivable	2,893	-
Accounts payable	9,348	149,861

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. No foreign currency forward contracts exist at September 30, 2020.

A 1% increase/decrease in United States dollar foreign exchange rates would result in a corresponding decrease/increase in net income of approximately $2,207.

OTHER PRICE RISK

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The Company manages these risks by limiting inventory levels and actively monitoring the market and adjusting its pricing strategies accordingly. The Company also manages its exposure to changes in market prices by diversifying their holdings within investments.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include cash, investments, accounts receivable, advances to related companies and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate fair value due to the short term nature of the financial instruments or they are carried at fair value.

Fair value hierarchy

The financial assets and liabilities recorded at fair value on the statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- Level 1: *Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date* – Investments are presented at fair value based on a level 1 classification.
- Level 2: *Quoted prices in markets that are not active or model inputs that are observable either directly as prices or indirectly for substantially the full term of the asset or liability. In determining the inputs for calculating fair values, the company looks to readily observable market inputs.* – The Company has no financial instruments classified as level 2.
- Level 3: Values are based on prices or valuation techniques that contain u*nobservable 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	7,892,779	7,892,779	-	-
Total	7,892,779	7,892,779	-	-

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(CONTINUED)*

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 13 to assist with any temporary working capital shortfalls.

19. 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, 2020, the subsidiary Company must have an effective Tangible Net Worth not less than $9,000,000. As of September 30, 2020, this requirement was met. As at September 30, 2020, there was a $nil balance outstanding on the line of credit. The Company has not drawn upon an available line of credit facilities since October 2017.

20. RELATED PARTY TRANSACTIONS

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

	2020	2019
	$	$
Revenue	12,972,509	7,707,827
Expenses	8,850,479	4,608,772

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, 2020, accounts receivable includes $2,152,751 (2019 – $305,817) owed from shareholders.

Accounts payable and accrued liabilities include $253,329 (2019 – $128,603) payable to shareholders.

During the year, employee future benefits recorded as an expense amounted to $102,525 (2019- $106,024).

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:

	2020	2019
	$	$
Salary and short-term benefits	1,072,958	1,307,047
Post-employment benefits	65,602	78,117
	1,138,560	1,385,164

During the year payments for Board and Shareholder meetings totaled $445 (2019 - $27,779).

21. INCOME TAXES

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

	2020	2019
	$	$
Current tax expense (recovery)	827	(77,173)
Current tax expense (recovery)	827	(77,173)
Deferred tax expense (recovery) relating to origination and reversal of temporary differences	46,659	(446,635)
Deferred tax expense (recovery)	46,659	(446,635)
Income tax expense (recovery)	47,486	(523,808)

Income tax expense (recovery) differs from the amount computed by applying the combined expected Canadian Federal and Provincial tax rate of 27% (27% in 2019) to income before income taxes. The reasons for the difference are as follows:

	2020	2019
	$	$
Computed income tax expense (recovery)	114,477	(509,613)
Income tax rate differentials of foreign investees	7,125	32,382
Permanent differences	30,576	(27,441)
Recognition of previously unrecognized tax losses	(73,015)	-
Other items	(31,677)	(19,136)
Actual tax expense (recovery)	47,486	(523,808)

The Company's deferred tax assets are as follows:

	2020	2019
	$	$
Property and equipment	(109,109)	(88,280)
Intangible assets	36,313	68,330
Unused tax losses	329,334	394,456
ITC carryforwards	470,168	422,457
Other items	89,906	66,308
	816,612	863,271

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

	2020	2019
	$	$
Property and equipment	20,829	43,772
Intangible assets	32,017	6,947
Unused tax losses	65,122	(394,456)
ITC carryforwards	(47,711)	(92,961)
Other items	(23,598)	(9,937)
	46,659	(446,635)

22. CONTINGENCIES

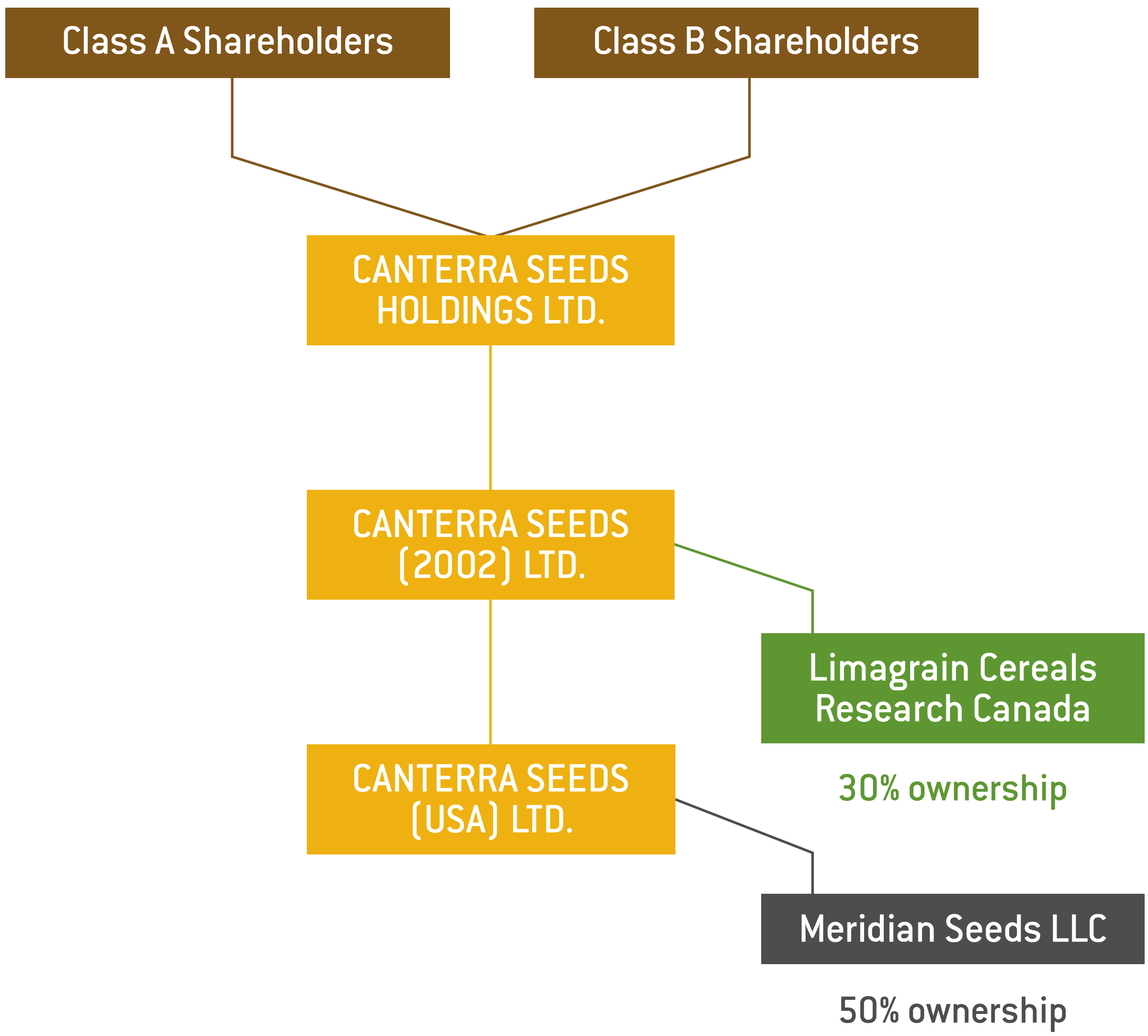
The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

Director and officer indemnification

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

Companies Held By
CANTERRA SEEDS HOLDINGS Ltd.

CANTERRA SEEDS HOLDINGS LTD. was established in 2002. CANTERRA SEEDS (2002) LTD. is the operating seed company. Meridian Seeds LLC is a U.S. seed joint venture in which CANTERRA SEEDS (USA) LTD. is a member.



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