

Q3 • 2020 REPORT



Management's Discussion and Analysis Report



Management's Discussion and Analysis Report

REPORT FOR THE NINE MONTHS ENDED JUNE 30, 2020

CANTERRA SEEDS HOLDINGS LTD. (the Company) is a recognized leader in the pedigreed seed industry. Headquartered at 201-1475 Chevrier Boulevard in Winnipeg, Manitoba, the Company is committed to delivering high quality seed to its customers throughout Western Canada. The consolidated financial statements of the Company that follow are for the nine months ended June 30, 2020.

CANTERRA SEEDS reports income for the nine months ended June 30, 2020 of \$137,477. This compares to the June 30, 2019 results where the Company recorded a loss of \$1,123,064 for the same nine-month period, an improvement of \$1,260,541 for the year to date. For the three-month quarter ended June 30, 2020 the Company reports a net loss of \$381. This loss is an improvement of \$608,710 from the net loss of \$609,092 recorded for the three-month period ended June 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

1. INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides information which is supplementary to the CANTERRA SEEDS HOLDINGS LTD. results of operations and financial position. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes to the financial statements for the nine-month period ending June 30, 2020. The financial data in this report and in the financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

All amounts reported both in the MD&A and in the consolidated financial statements are in Canadian currency and the consolidated financial statements were authorized for issue by the Company's Audit Committee and Board of Directors on August 26, 2020.

2. FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may constitute forward-looking statements. These forward-looking statements can generally be identified with statements that include the phrases such as "believe," "expect," "anticipate," "intend," "plan," "likely," "will" or similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are, or may be, forward-looking statements. These forward-looking statements are based on the Company's current expectations and its projections about future events.

However, whether actual results and developments will conform to the Company's expectations and projections is subject to risks and uncertainties. These include, among other things, the risks and uncertainties associated with seed production, product performance, competition, poor weather, commodity prices, credit and foreign exchange risk. These are not necessarily all the important factors that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other known and unpredictable factors could also harm results. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

3. RESULTS OF OPERATIONS – NINE MONTHS ENDED DECEMBER 31

SALES AND GROSS PROFIT

CANTERRA SEEDS records revenue on the sale of canola, corn and soybean seed when the product is shipped and delivered to the Company's seed retailers. While these products are ordered and delivered at various times between the months of October to May, the product will not be planted until spring, with seeding occurring mainly in April and May. When deliveries take place and when, therefore, revenue is recorded for canola, corn and soybeans is dependent on many factors, both internal and external to CANTERRA SEEDS. These include the availability of warehouse space, seed treating capacity, trucking for deliveries, timing of quality testing and of course, when the customer (both the farmer and retailer) wants the product delivered to their operation.

In total, sales for the Company have increased by \$5.1 million or 21.5% from \$23.65 million in 2018/19 to \$28.75 million in 2019/20. For canola, CANTERRA SEEDS had an increase of 13%. Prior to the 2019/20 crop year, CANTERRA SEEDS decided to change its "go to market" strategy. In the past, the Company sold most of its canola through a few distribution companies who would then sell this through to the retails. For the 2019/20 fiscal year CANTERRA SEEDS is now distributing its canola product directly to the retails. This decision was made to ensure the Company has a stronger relationship with both the retail customers as well of course with the grower customers. This strategy has been successful and worked to improve the Company's market share in 2019/20.

For corn and soybean sales, CANTERRA SEEDS has now become the exclusive distributor for PRIDE Seeds in Western Canada. Prior to this, since the Company began

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its partnership with PRIDE Seeds in the spring of 2016, it shared this distribution with another retailer. Therefore, while the overall market for corn and soybeans did not change significantly from 2019 to 2020 the Company's market share almost doubled from year to year.

For the pedigreed seed sales most of the company's revenues take place during the next quarter as this is when the majority of these sales are reported and recorded by its licensed growers. There was a small increase in sales and margin of 13% but this will be better evaluated at the end of September.

The increase in seed sales caused the gross profit to increase by \$0.89 million. Gross profit has increased from \$4.78 million for the nine months ended June 30, 2019, to \$5.67 million for the nine months ended June 30, 2020. Due to the mix of sales the gross profit percentage had a small reduction from 20.2% for the 2018/19 fiscal year to 19.7% for the current year.

OTHER REVENUE

The other revenue reduced by \$43 thousand, from \$391 thousand to \$348 thousand. This reduction is mainly due to timing of reimbursements from partners for various initiatives year to year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have decreased by \$0.4 million or 15.8%, from \$2.5 million for the nine months ended June 30, 2019 to \$2.1 million for the nine months ended June 30, 2020. The Company has reduced expenses in some very specific areas while ensuring it continues to invest in areas that will drive sales both now and into the future. The COVID-19 pandemic has also caused these expenses to reduce as some travel, meetings and advertising initiatives have been curtailed.

LOSS FROM JOINT VENTURES

This amount relates to CANTERRA SEEDS' 50% joint venture in Meridian Seeds, along with the 30% joint venture in LCRC. For Meridian Seeds, this nine-month period generates only a small portion of its annual revenue and margin. As with the pedigreed seed side of the CANTERRA SEEDS business, the revenue that Meridian Seeds earns during this time comes from the recording of royalties for winter seeded cereals and a majority of its stock and wholesale seed sales. Meridian Seeds increased its sales of these products from 2019 to 2020. In addition, Meridian Seeds has been able to reduce its operating expenses. Overall, the net loss recorded for this period is significantly lower year to year. Typically Meridian Seeds records most of its margin during the quarter from July 1st through to September 30th.

The Limagrain Cereals Research Canada joint venture is operating at full capacity and just now is beginning to record revenues from seed sale royalties. In addition, the Company was able to reduce its overall expenses year to year. In total, therefore the loss recorded on CANTERRA SEEDS books has reduced year to year.

Overall therefore, the loss from the two joint ventures reduced by \$0.21 million, from \$1.13 million for the nine-month period ending June 30, 2019, to \$0.92 million for the same nine-month period ending June 30, 2020.

DEPRECIATION AND AMORTIZATION

Has increased by \$20 thousand from \$175 thousand in 2019 to \$195 thousand in 2020. This occurred due to some capital additions that occurred during the year.

SALARIES, WAGES & BENEFITS

Has reduced by \$0.1 million from \$2.7 million for the nine-month period ended June 30, 2019, to \$2.6 million for the nine-month period ended June 30, 2020, a reduction of 3.6%. The Company has restructured its staffing to better match the current realities of the business.

INTEREST

No expense occurred in 2020 and only a small amount (less than \$2 thousand) was recorded in 2019.

4. RESULTS OF OPERATIONS – THREE MONTHS ENDED JUNE 30

SALES AND GROSS PROFIT

During this three-month period CANTERRA SEEDS records the balance of its canola, corn and soybean sales, receives any returns of these crop types and begins to record its revenue and margins for the pedigreed portion of the business.

The elimination of the distribution network was expected to delay the delivery of canola product during the current year as generally the distribution companies want the product delivered to them prior to the point where the retailers want the product shipped to their warehouse locations. The effect of the COVID-19 virus worked to offset this natural delay as retailers wanted to ensure that they received the product in case there were any delays in shipping. Despite this CANTERRA SEEDS increased its sales by \$1.9 million, from \$6.4 million in 2018/19 to \$8.3 million in 2019/20 during the quarter ended June 30th. Canola sales were higher by 63% due to improved "in-season" sales and lower returns. This increase was offset by reduced sales of corn and soybeans as these deliveries occurred earlier in 2020 due mainly to the COVID-19 risks.

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As with the nine-month explanation, there was a 28% increase in sales of pedigreed products from the prior year. Again, this is a small amount of these revenues and this will be better evaluated at the end of September.

This increase in sales then increased the total gross profit of the Company for the quarter. Gross Profit is higher by \$0.4 million from \$1.3 million in 2018/19 to \$1.7 million in 2019/20.

Due to mix of sales there has been a small increase in the gross profit percentage from 20.3% in 2018/19 to 20.6% in 2019/20.

OTHER REVENUE

The other revenue has reduced by \$83 thousand from \$163 thousand in 2018/19 to \$80 thousand in 2019/20. This reduction is mainly due to an accounting adjustment that occurred during this quarter.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have reduced by \$0.32 million or 38%, from \$0.84 million in 2018/19 to \$0.52 million in 2019/20. The Company is taking some specific actions to reduce costs and still more effectively market its products to the market. In addition, the effect of the COVID-19 virus reduced travel, meeting expenses and advertising initiatives during the quarter.

LOSS from JOINT VENTURE

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

In total, the loss from joint ventures is \$73 thousand lower than in 2018/19, from \$340 thousand in 2018/19 to \$267 thousand in 2019/20. The reasons for this are the same as those described in this same section for the year to date variance discussion found above.

DEPRECIATION AND AMORTIZATION

Has increased by \$17 thousand from \$52 thousand in 2019 to \$69 thousand in 2020. This occurred due to some capital additions that occurred during the year.

SALARIES, WAGES & BENEFITS

Has increased by \$23 thousand from \$907 thousand for the quarter ended June 30, 2019, to \$930 thousand for the quarter ended June 30, 2020 and the 2.5% increase is small.

INTEREST

No expense occurred in 2020 and only a small amount (less than \$2 thousand) was recorded in 2019.

5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION - Restated

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

	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 Q4	2018/19 Q3	2018/19 Q2	2018/19 Q1	2017/18 Q4
Total revenue	8,307	20,419	29	2,249	6,418	17,072	164	3,321
Net income (loss)	(1)	1,688	(1,550)	(241)	(609)	1,145	(1,659)	(138)
Earnings (loss) per share (diluted)	(0.00)	0.22	(0.20)	(0.03)	(0.08)	0.15	(0.22)	(0.02)

CANTERRA SEEDS principal business is the distribution and sale of seed for the main field crops grown in Western Canada including canola, corn. Delivery of these sales generally takes place from December until May, as farmers prefer to defer delivery until a date closer to their time of seeding. Most of the deliveries and sales take place in the months of February to April (Q2 & Q3). The October to December quarter consists mainly of the recording of royalties for fall seeded cereal varieties, along with some early delivered canola, corn and soybean sales. The financial quarter Q2, from January to March, is made up mainly of canola, corn and soybean seed

deliveries and sales, along with some early deliveries of pedigreed products. Q3 sales consist of additional canola, corn and soybean sales, along with the balance of the spring stock seed and registered and certified sales of CANTERRA SEEDS licensed seed. All canola, corn and soybean returns are also recorded during this quarter. The quarter consisting of the months July to September (Q4) includes only royalties collected on sales of CANTERRA SEEDS licensed seed along with any adjustments on sales recorded during the previous three quarters.

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6. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and short-term investment position has increased by \$2.38 million for the nine months ended June 30, 2020.

Cash provided by operating activities during the year provided \$3.24 million. The main increase is the reduction of inventory from sales. This generated \$1.98 million of cash. In addition, the corporate income, after adding back non-cash effects, also added an additional \$1.34 million. Finally, there is the usual seasonal increase in Accounts Receivable and Accounts Payable due to billings and accruals relating to corn and canola deliveries. The net effect of this is an increase in cash of \$0.55 million.

The main account that offsets these positive cashflow items into CANTERRA SEEDS is an increase of \$0.55 in Prepaid Expenses and Prepaid Deposits. This mainly relate to purchases of seed that will be produced and sold for the 2021 crop year.

There was \$0.68 million of cash used by financing activities during the quarter. First, the Company were paid for an advance to a related affiliate totaling to \$0.32 million. This was more than offset by an additional capital contribution that was made to LCRC totaling to \$1.0 million.

The cash used for investing activities was \$180 thousand, as the Company had a small amount of purchases of long-term fixed and intangible assets during the year.

7. OUTSTANDING SHARE DATA

Issued securities as of July 2, 2020 are as follows:

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

No new shares were sold out of treasury during the past twelve months. A number of share transactions were finalized during the quarter ended December 31, 2019 but none of these transactions occurred from treasury.

8. FINANCIAL INSTRUMENTS

A very small portion of the Company's revenues and expenses are denominated in US dollars. The Company is therefore exposed to currency fluctuations on transactions in US dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more US dollars than it would earn when the

Canadian exchange rate is weaker compared to the US dollar it will work to reduce margins of the Company. This risk is managed, where practicable, with foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows along with fixed Canadian \$ priced contracts for untreated canola seed. The Company does not hold or issue derivative contracts for speculative purposes. At June 30, 2020 CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

9. 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 meeting 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 shutdown is not expected to create any significant downside to the Company.

Going forward, the biggest risk and/or opportunity is the uncertainly 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.

10. OUTLOOK

For the long-term, the best 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.

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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 US 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 retailers 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 retailers 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.

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. 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 are being recorded in the 2020 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 2018/19 season. The Company is proud to state that for the second year in a row it has recorded its highest pedigreed seed revenues in 2019/20.

With the affiliated companies results as mentioned earlier, LCRC has started earning royalty revenue during this 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.

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For Meridian Seeds, they focus heavily on their critical success factors which is superior products, strong production and retail partners, along with an experience and well-trained staff. The 2019 calendar year was 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. The 2020 year is forecasted to be a significant improvement from the prior year.

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 the next 12 to 24 months at least. As always, the focus will be to ensure that all expenses are focused to ensure a successful return on investment. Already for the 2020/21 crop year industry events are beginning to be cancelled 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 forecast is 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.

11. ADVANCES TO RELATED AFFILIATES

There are currently no outstanding advances to related affiliates.

12. RESPONSIBILITIES, CONTROL AND POLICIES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

This report and the unaudited interim consolidated financial statements were reviewed by the Company's Audit Committee and approved by the CANTERRA SEEDS Board of Directors on August 26, 2020

Disclosure Controls

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

Interim Consolidated **Financial Statements**



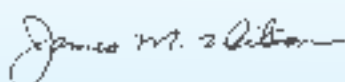
Canterra Seeds Holdings Ltd.

Interim Consolidated Financial Statements

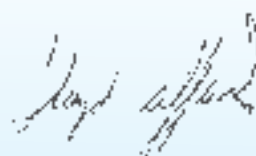
For the nine-month period ended June 30, 2020 and 2019
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

	<i>June 30, 2020 Unaudited</i>	<i>June 30, 2019 Unaudited</i>	<i>September 30, 2019 Audited</i>
	\$	\$	\$
Assets			
Current			
Cash and cash equivalents	5,068,709	2,664,733	2,692,541
Accounts receivable	5,129,469	6,608,342	2,954,837
Income taxes receivable	117,553	218,453	77,893
Inventory (Note 5)	6,352,195	7,739,148	8,331,608
Prepaid expenses and deposits	1,880,992	1,755,518	1,331,593
	18,548,918	18,986,194	15,388,472
Property and equipment	644,283	638,695	609,591
Intangible assets	571,492	647,900	621,003
Deferred tax asset	863,522	416,069	863,271
Investment in joint venture (Note 9)	1,804,061	1,840,156	1,771,647
Advances to related company (Note 6)	-	-	319,495
	22,432,276	22,529,014	19,573,479
Liabilities			
Current			
Accounts payable and accruals	8,974,420	7,696,549	6,253,100
Deferred revenue (Note 7)	-	1,271,502	-
Income Taxes Payable	-	-	-
	8,974,420	8,968,051	6,253,100
Shareholders' Equity			
Share capital (Note 8)	12,577,828	12,577,828	12,577,828
Deficit	861,305	964,412	723,828
Contributed surplus	18,723	18,723	18,723
	13,457,856	13,560,963	13,320,379
Total Liabilities and Equity	22,432,276	22,529,014	19,573,479

APPROVED ON BEHALF OF THE BOARD



James Wilson, Director



Lloyd Affleck, Director

The accompanying notes are an integral part of these financial statements

Canterra Seeds Holdings Ltd.

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	2020	2019	2020	2019
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	\$	\$	\$	\$
Sales	8,307,054	6,418,188	28,755,483	23,654,138
Cost of sales	6,594,840	5,118,108	23,081,698	18,869,734
Gross profit	1,712,214	1,300,080	5,673,785	4,784,404
Other revenue (Note 4)	80,475	162,921	347,492	390,778
	1,792,689	1,463,001	6,021,277	5,175,182
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	523,672	841,133	2,105,377	2,501,163
Loss from joint venture	266,649	340,049	921,736	1,129,877
Depreciation and amortization	69,163	52,172	195,227	174,915
Salaries, wages and benefits	930,321	906,883	2,623,815	2,721,714
Interest	-	1,598	-	1,598
	1,789,805	2,141,835	5,846,155	6,529,267
Income from operations before taxes	2,884	(678,834)	175,122	(1,354,085)
Income tax expense	(3,265)	69,742	(37,645)	231,021
Income and comprehensive income	(381)	(609,092)	137,477	(1,123,064)
Income per share				
Basic and fully diluted (Note 10)	(0.00)	(0.08)	0.02	(0.15)

The accompanying notes are an integral part of these financial statements

Canterra Seeds Holdings Ltd.

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	<i>2020</i> <i>Unaudited</i>	<i>2019</i> <i>Unaudited</i>
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net income (loss)	137,477	(1,123,064)
Depreciation of plant and equipment	109,105	95,041
Depreciation of intangible assets	86,122	79,874
Transfer with joint-ventures – non-cash	44,850	(80,419)
Loss from joint venture	921,736	1,129,877
Income tax recovery accrual	37,645	(231,021)
	1,336,935	(129,712)
Changes in working capital accounts		
Accounts receivable	(2,174,632)	(2,377,134)
Inventory	1,979,413	(178,275)
Prepaid expenses and deposits	(549,399)	527,309
Accounts payable and accruals	(2,721,320)	(4,651,541)
Deferred revenue	-	1,263,502
Income tax payable	(77,556)	(22,951)
	3,236,081	(5,568,802)
Financing activities		
Repayments to related company	319,495	877,412
Contributions to long-term equity investments	(999,000)	-
	(679,505)	877,412
Investing activities		
Purchases of property and equipment	(143,797)	(219,891)
Acquisition of shares in joint venture	(36,611)	(101,125)
	(180,408)	(321,016)
Increase in cash resources	2,376,168	(5,012,406)
Cash and investments, beginning of period	2,692,541	7,677,139
Cash and investments, end of period	5,068,709	2,664,733

The accompanying notes are an integral part of these financial statements

Canterra Seeds Holdings Ltd.

Interim Consolidated Financial Statements

For the nine-month period ended June 30, 2020 and 2019

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

	Share capital	Contributed Surplus	Surplus (deficit)	Total
Balance, September 30, 2018	12,577,828	18,723	2,087,476	14,684,027
Comprehensive income	-		(1,123,064)	(1,123,064)
Balance, June 30, 2019	12,577,828	18,723	964,412	13,560,963
Balance, September 30, 2019	12,577,828	18,723	723,828	13,320,379
Comprehensive income	-	-	137,477	137,477
Balance, June 30, 2020	12,577,828	18,723	861,305	13,457,856

Canterra Seeds Holdings Ltd.

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1. Incorporation and operations

Entity information

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

The interim consolidated financial statements of the Company reflect the operations and financial position of the Company and its wholly owned subsidiaries: Canterra Seeds (2002) Ltd. (a Canadian corporation) and Canterra Seeds (USA) Ltd. (a 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 continuing operations

Statement of compliance

The unaudited condensed consolidated interim financial statements (or "consolidated financial statements") of the Company as at June 30, 2020 have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These condensed financial statements do not include all of the information required for consolidated financial statements and use the accounting policies consistent with the annual audited consolidated financial statements for the year ended September 30, 2019.

These interim condensed consolidated financial statements for the nine-month period ended June 30, 2020 and 2019 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on August 26, 2020.

3. Significant accounting policies

Revenue recognition

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

Key accounting estimates and judgments

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

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

Canterra Seeds Holdings Ltd.

Interim Consolidated Financial Statements

For the nine-month period ended June 30, 2020 and 2019
THESE FINANCIAL STATEMENTS ARE NOT AUDITED AND WERE NOT REVIEWED BY AN AUDITOR

4. Other revenue

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>June 30, 2020</i>	<i>June 30, 2019</i>	<i>June 30, 2020</i>	<i>June 30, 2019</i>
	\$	\$	\$	\$
Interest and investment income	16,117	48,552	72,786	122,001
Other	46,296	96,307	220,519	214,590
Scientific research & development tax refundable	18,062	18,062	54,187	54,187
	80,475	162,921	347,492	390,778

5. Inventory

	<i>June 30, 2020</i>	<i>June 30, 2019</i>	<i>September 30, 2019</i>
	\$	\$	\$
Finished goods	2,677,341	2,313,337	2,672,688
Raw materials	3,674,854	5,425,811	5,658,920
	6,352,195	7,739,148	8,331,608

The cost of inventories recognized as an expense and included in cost of sales in 2020 amounted to \$7,187,257 (2019 –\$6,097,024).

6. Advances to related company

	<i>June 30, 2020</i>	<i>March 31, 2019</i>	<i>March 31, 2019</i>
	\$	\$	\$
Meridian Seeds LLC	-	-	319,495
Limagrain Cereals Research Canada	-	-	-
	-	-	319,495

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

7. Deferred revenue

Deferred revenue is comprised of deposits received from customers for which the related product has not been shipped as at June 30, 2020 or June 30, 2019.

Canterra Seeds Holdings Ltd.

Interim Consolidated Financial Statements

For the nine-month period ended June 30, 2020 and 2019

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8. Share capital

Authorized Unlimited number of Class A voting common shares.

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

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

	<i>June 30, 2020</i>	<i>June 30, 2019</i>	<i>September 30, 2019</i>
Issued	\$	\$	\$
Common shares			
7,551,147 Class A common shares (2018 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2018 – 2,118,000)	468,001	468,001	468,001
	12,577,828	12,577,828	12,577,828

There were no share transactions through treasury for the nine-month periods ended June 30, 2020 and June 30, 2019. However, there were share transactions with shares already released from treasury. 119,239 Class A shares and 132,000 Class B shares were transferred during the nine-month period ended June 30, 2020. For the same nine-month period ending June 30, 2019 there were 110,631 Class A shares and 138,000 Class B shares transferred.

9. Interest in joint ventures

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

The following amounts represent the results and financial position of Meridian Seeds LLC for the nine months ended June 30, 2020 and 2019. The amounts below are in US\$.

	<i>2020</i>	<i>2019</i>
	\$	\$
Current Assets	1,519,401	1,451,918
Long-term Assets	221,511	284,868
Current Liabilities	823,448	427,248
Revenues	2,101,412	1,505,973
Expenses	2,632,214	2,279,208
Net Loss	(530,802)	(773,235)
Cash provided by (used in) operating activities	(131,456)	(736,594)
Cash provided by (used in) investing and financing activities	(209,109)	(697,108)

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

	<i>2020</i>	<i>2019</i>
	\$	\$
Investment in CANTERRA SEEDS USA LTD.	555,059	803,455

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

Canterra Seeds Holdings Ltd.

Interim Consolidated Financial Statements

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The following amount represent the results and financial position of Limagrain Cereals Research Canada for the nine months ended June 30, 2020 and 2019. The amounts below are in Canadian \$.

	2020	2019
	\$	\$
Current Assets	2,493,238	1,616,258
Long-term Assets	1,784,183	1,755,877
Current Liabilities	364,085	167,853
Revenues	41,000	-
Expenses	2,022,389	2,163,522
Net Loss	(1,981,389)	(2,163,522)
Cash provided by (used in) operating activities	(1,697,050)	(1,851,322)
Cash provided by (used in) investing and financing activities	3,207,086	(145,399)

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

	2020	2019
	\$	\$
Investment in Limagrain Cereals Research Canada	1,249,002	1,036,701

10. Earnings per share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the six-month period ended June 30, 2020 of 7,551,147 (2019 – 7,551,147).

11. Commitments

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

Not later than one year	\$ 289,048
Later than one year not later than five years	36,496

Director and officer indemnification

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

12. Capital management

A wholly owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As of June 30, 2020 the Company is not in default of these capital requirements and is in good standing in its dealings with its bank.

13. Related party transactions

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

14. Supplemental cash flow information

Interest paid for the nine-month period ended June 30, 2020 totaled to \$Nil (2019 - \$1,598). For the three-month period ended June 30, 2020 interest paid totaled to \$nil (2019 - \$1,598).



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