

# Q2 • 2020 REPORT



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



# Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 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 six months ended March 31, 2020.

CANTERRA SEEDS reports income for the six months ended March 31, 2020 of \$137,859. This compares to the March 31, 2019 results where the Company recorded a loss of \$513,972 for the same six-month period, an improvement of \$651,831 for the year to date. For the three-month quarter ended March 31, 2020 the Company reports net income of \$1,687,915. This income is \$542,936 higher than the net income of \$1,144,979 recorded for the three-month period ended March 31, 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 six-month period ending March 31, 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 July 2, 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 a number of risks and uncertainties. These include, among other things, the risks and uncertainties associated with seed production, product performance, competition, poor weather, commodity prices, credit and foreign exchange risk. These are not necessarily all 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 – SIX MONTHS ENDED MARCH 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. The emergence of the COVID-19 virus in North America also had an effect on the timing of deliveries. While the transportation system continued to run throughout the spring of 2020, the fear that it may need to shut down made retailers ask for the seed products quicker than they normally would want it in their facility.

For canola the sales for the six months were quite consistent with what was recorded during the 2018/19 fiscal year. However, prior to the 2019/20 crop year CANTERRA SEEDS made a decision to change its "go to market" strategy. In the past, the Company sold a majority of its canola through a few distribution companies who would then sell this through to the retailers. For the 2019/20 fiscal year CANTERRA SEEDS is now distributing its canola product directly to the retailers. This decision was made to ensure the Company had a stronger relationship with both the retail customers as well of course with the grower customers. The elimination of the distribution network was expected to delay the delivery of canola



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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 and as mentioned earlier has kept sales quite similar year to year.

Beginning in the spring of 2016 CANTERRA SEEDS became the semi-exclusive distributor of PRIDE SEEDS branded corn and soybeans in Western Canada. Prior to the 2019/20 crop year CANTERRA SEEDS became the exclusive distributor for PRIDE Seeds in Western Canada. So while the overall market for corn and soybeans didn't change significantly from 2019 to 2020 the Company's market share increased substantially year to year. In addition, the COVID-19 effect worked to have more products delivered earlier for the 2020 crop year than it was for 2019. Therefore, CANTERRA SEEDS was able to more than double its sales of corn and soybeans from the prior year.

There is a small amount of pedigree seed sales that occur during the six month period from October 1<sup>st</sup> to March 31<sup>st</sup> and there was no major change in this between 2019 and 2020.

Overall, sales increased from \$17.24 million in 2019 to \$20.45 million in 2020.

The increase in seed sales caused the gross profit to increase by \$0.48 million. Gross profit has increased from \$3.48 million for the six months ended March 31, 2019, to \$3.96 million for the six months ended March 31, 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 19.4% for the current year.

## OTHER REVENUE

The other revenue increased by \$39 thousand, from \$228 thousand to \$267 thousand. This increase 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 \$0.08 million or 4.7%, from \$1.66 million for the six months ended March 31, 2019 to \$1.58 million for the six months ended March 31, 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.

## 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 six-month period generates little revenue. As with the pedigree seed side of the CANTERRA SEEDS business, if Meridian Seeds has any substantial revenue during this time it generally comes from the recording of royalties for winter seeded cereals. While Meridian Seeds did record some revenue on these royalties, as with Western Canada, winter wheat acreage is not significant in the areas where it has winter wheat products to sell to farmers. Meridian Seeds has been able to reduce its operating expenses which overall has reduced the net loss recorded for this year to date.

The Limagrain Cereals Research Canada joint venture is operating at full capacity and while expenses increase on an annual basis there are no dramatic increases in staffing or projects. As with last year, LCRC is not recording any revenues, so the loss is similar to that recorded in 2019.

Overall, the loss from the two joint ventures reduced by \$135 thousand, from \$790 thousand for the six-month period ending March 31, 2019, to \$655 thousand for the same six-month period ending March 31, 2020.

## DEPRECIATION AND AMORTIZATION

Has not changed year to year.

## SALARIES, WAGES & BENEFITS

Has reduced by \$0.12 million from \$1.81 million for the six-month period ended March 31, 2019, to \$1.69 million for the six-month period ended March 31, 2020, a reduction of 6.7%. The Company has restructured its staffing to better match the current realities of the business.

## INTEREST

No expense occurred in either 2019 or 2020.

## 4. RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31

### SALES AND GROSS PROFIT

The predominant portion of second quarter sales at CANTERRA SEEDS (sales from January 1 to March 31) are canola, corn and soybean sales. The other revenues that are generated by the Company during this quarter relate to early certified seed deliveries.

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The explanation for the quarterly sales increases are identical to those described with the six-month variances. For the quarter, sales have increased by \$3.35 million or 19.6% from \$17.07 million in 2018/19, to \$20.42 million in 2019/20.

This increase in sales then increased the total gross profit of the Company for the quarter. Gross Profit is higher by \$0.49 million from \$3.46 million in 2018/19 to \$3.95 million in 2019/20.

Due to mix of sales there has been a small reduction in the gross profit percentage from 20.3% in 2018/19 to 19.3% in 2019/20.

**OTHER REVENUE**

The other revenue has increased by \$80 thousand, from \$110 thousand to \$190 thousand. This increase is mainly due to timing of reimbursements from partners for various initiatives year to year.

**OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES**

These expenses have reduced by \$29 thousand or 4.2%, from \$700 thousand in 2018/19 to \$671 thousand in 2019/20. As with the six-month explanation, the Company is taking some specific actions to reduce costs and still more effectively market its products to the market.

**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 \$89 thousand lower than in 2018/19, from \$403 thousand in 2018/19 to \$314 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**

Very similar year to year – increased by \$3 thousand or 5.2% from 2018/19.

**SALARIES, WAGES & BENEFITS**

Has reduced by \$12 thousand from \$934 thousand for the quarter ended March 31, 2019, to \$922 thousand for the quarter ended March 31, 2020. As above, the Company has restructured its staffing to better match the current realities of the various seed markets which has caused a small decrease in overall spending.

**INTEREST**

No expenses for either period.

## 5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION - Restated

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

	2019/20 Q2	2019/20 Q1	2018/19 Q4	2018/19 Q3	2018/19 Q2	2018/19 Q1	2017/18 Q4	2017/18 Q3
Total revenue	20,419	29	2,249	6,418	17,072	164	3,321	4,283
Net income (loss)	1,688	(1,550)	(241)	(609)	1,145	(1,659)	(138)	(519)
Earnings (loss) per share (diluted)	0.22	(0.20)	(0.03)	(0.08)	0.15	(0.22)	(0.02)	(0.07)

CANTERRA SEEDS principal business is the distribution and sale of seed for the main field crops grown in Western Canada including canola, corn and soybeans which occurs from October until May. 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, soybean and seed returns are also recorded during this quarter. The quarter consisting of the months July to September (Q4) generally includes only royalties collected on sales of CANTERRA SEEDS licensed seed along with any adjustments on sales recorded during the previous three quarters.

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## 6. LIQUIDITY AND CAPITAL RESOURCES

The Company’s cash and short-term investment position has increased by \$6.95 million for the six months ended March 31, 2020.

Cash provided by operating activities during the year provided \$7.77 million. The main increase is deposits made by customers for purchases of CANTERRA SEEDS products for the 2020 crop year. This increases totals to \$6.72 million. In addition, both outstanding Accounts Receivable and Accounts Payable both increased with the overall effect adding \$1.51 million of cash. The corporate income, after adding back non-cash effects, also added an additional \$1.01 million. Inventory has reduced by \$0.62 million which again has added to cash.

The main account that offsets these positive cashflow items into CANTERRA SEEDS is a \$2 million increase in Prepaid Expenses and Prepaid Deposits, which 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 \$137 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. As at March 31, 2020 CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

## 9. COVID-19

The effect and risk to CANTERRA SEEDS of this variety has been more or less negligible for the year to date. As mentioned earlier in the report, the biggest effect so far has been a more rapid delivery of products to ensure that the product is available at the retailers so it could be delivered to the farmer customers.

The Company closed its head office on Friday, March 13<sup>th</sup> and it continues to be closed today. The Company and its information systems work very well from remote access so overall the effect has been relatively minimal for operations.

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.

## 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.

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 Canada and US markets. The Company partners with several of the top

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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.
- 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 has experienced higher than usual returns of its canola product over the last two fiscal years. This was one of the reasons that the Company made a decision to change its strategy to market to direct. Overall, canola sales are anticipated to net out to a significant increase from the 2019 results.

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 and this will continue into the future.

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.

Due to the earlier than anticipated deliveries of corn this spring further sales of Corn and Soybeans will be somewhat limited over the balance of the fiscal year.

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 CWRS and CPS wheat varieties and CANTERRA SEEDS has the rights to these varieties.
- 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. While the current year is not expected to surpass last year's levels it is anticipated that the 2019/20 results will be the second highest year in the history of the Company.



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With the affiliated companies results it is anticipated that for LCRC they will begin to start earning royalty revenue during the current 2019/20 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 experience and well-trained staff. The 2019 calendar year was definitely 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 the next 12 to 24 months at least. As always, the focus will be to ensure that all expenses are focused to provide a successful return on investment.

Overall, it is forecast that there will be a significant improvement in overall sales, margins, equity pickup and of course net income from the results recorded in 2019. This is expected to continue to improve due to the focus on these critical success factors into the future.

## 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 July 2, 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.

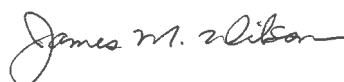
## Interim Consolidated Financial Statements

For the six-month period ended March 31, 2020 and 2019

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

	March 31, 2020 Unaudited	March 31, 2019 Unaudited	September 30, 2019 Audited
	\$	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	9,643,914	9,632,004	2,692,541
Accounts receivable	5,579,061	4,363,662	2,954,837
Income taxes receivable	129,650	476,214	77,893
Inventory (Note 5)	7,706,714	6,376,719	8,331,608
Prepaid expenses and deposits	3,337,094	4,480,785	1,331,593
	26,396,433	25,329,384	15,388,472
<b>Property and equipment</b>	644,382	592,746	609,591
<b>Intangible assets</b>	596,832	624,957	621,003
<b>Deferred tax asset</b>	863,914	416,057	863,271
<b>Investment in joint venture (Note 9)</b>	2,061,280	1,839,311	1,771,647
<b>Advances to related company (Note 6)</b>	-	-	319,495
	30,562,841	28,802,455	19,573,479
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accruals	10,385,587	10,206,442	6,253,100
Deferred revenue (Note 7)	6,719,016	4,425,958	-
Income Taxes Payable	-	-	-
	17,104,603	14,632,400	6,253,100
<b>Shareholders' Equity</b>			
<b>Share capital (Note 8)</b>	12,577,828	12,577,828	12,577,828
<b>Deficit</b>	861,687	1,573,504	723,828
<b>Contributed surplus</b>	18,723	18,723	18,723
	13,458,238	14,170,055	13,320,379
<b>Total Liabilities and Equity</b>	30,562,841	28,802,455	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 UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

	Three months ended		Six months ended	
	2020	2019	2020	2019
	Unaudited	Unaudited	Unaudited	Unaudited
	\$	\$	\$	\$
<b>Sales</b>	<b>20,419,152</b>	17,071,835	<b>20,448,429</b>	17,235,950
<b>Cost of sales</b>	<b>16,468,900</b>	13,612,076	<b>16,486,858</b>	13,751,626
<b>Gross profit</b>	<b>3,950,252</b>	3,459,759	<b>3,961,571</b>	3,484,324
<b>Other revenue (Note 4)</b>	<b>190,228</b>	110,327	<b>267,017</b>	227,857
	<b>4,140,480</b>	3,570,086	<b>4,228,588</b>	3,712,181
<b>Selling, general and administrative expenses and loss from joint venture</b>				
Operating, general and administrative	670,584	699,809	1,581,705	1,660,030
Loss from joint venture	313,560	402,968	655,087	789,828
Depreciation and amortization	63,785	60,629	126,064	122,743
Salaries, wages and benefits	922,335	934,112	1,693,494	1,814,831
Interest	-	-	-	-
	<b>1,970,264</b>	2,097,508	<b>4,056,350</b>	4,387,432
<b>Income from operations before taxes</b>	<b>2,170,216</b>	1,472,578	<b>172,238</b>	(675,251)
<b>Income tax expense</b>	<b>(482,301)</b>	(327,599)	<b>(34,379)</b>	161,279
<b>Income and comprehensive income</b>	<b>1,687,915</b>	1,144,979	<b>137,859</b>	(513,972)
<b>Income per share</b>				
Basic and fully diluted (Note 10)	<b>0.22</b>	0.15	<b>0.02</b>	(0.07)



Canterra Seeds Holdings Ltd.

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

	<i>2020</i> <i>Unaudited</i>	<i>2019</i> <i>Unaudited</i>
	\$	\$
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net income (loss)	137,859	(513,972)
Depreciation of plant and equipment	69,507	69,926
Depreciation of intangible assets	56,557	52,817
Transfer with joint-ventures – non-cash	54,281	260,475
Loss from joint venture	655,087	789,828
Income tax recovery accrual	34,379	(161,279)
	1,007,670	497,795
<b>Changes in working capital accounts</b>		
Accounts receivable	(2,624,224)	(132,454)
Inventory	624,894	1,184,154
Prepaid expenses and deposits	(2,005,501)	(2,197,958)
Accounts payable and accruals	4,132,486	(2,141,648)
Deferred revenue	6,719,016	4,417,958
Income tax payable	(86,779)	(350,442)
	7,767,562	1,277,405
<b>Financing activities</b>		
Repayments to related company	319,495	877,412
Contributions to long-term equity investments	(999,000)	-
	(679,505)	877,412
<b>Investing activities</b>		
Purchases of property and equipment	(104,298)	(148,827)
Acquisition of shares in joint venture	(32,386)	(51,125)
	(136,684)	(199,952)
<b>Increase in cash resources</b>	6,951,373	1,954,865
<b>Cash and investments, beginning of period</b>	2,692,541	7,677,139
<b>Cash and investments, end of period</b>	9,643,914	9,632,004



Canterra Seeds Holdings Ltd.

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	Share capital	Contributed Surplus	Surplus (deficit)	Total
<b>Balance, September 30, 2018</b>	12,577,828	18,723	2,087,476	<b>14,684,027</b>
Comprehensive income	-		(513,972)	(513,972)
<b>Balance, March 31, 2019</b>	12,577,828	18,723	1,573,504	<b>14,170,055</b>
<b>Balance, September 30, 2019</b>	12,577,828	18,723	723,828	<b>13,320,379</b>
Comprehensive income	-	-	137,859	137,859
<b>Balance, March 31, 2020</b>	<b>12,577,828</b>	<b>18,723</b>	<b>861,687</b>	<b>13,458,238</b>

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 March 31, 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 six-month period ended March 31, 2020 and 2019 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on July 2, 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

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

## 4. Other revenue

	Three Months Ended		Six Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	\$	\$	\$	\$
Interest and investment income	41,295	51,612	56,669	73,449
Other	130,871	40,653	174,223	118,283
Scientific research & development tax refundable	18,062	18,062	36,125	36,125
	190,228	110,327	267,017	227,857

## 5. Inventory

	March 31, 2020	March 31, 2019	September 30, 2019
	\$	\$	\$
Finished goods	2,383,647	2,719,127	2,672,688
Raw materials	5,323,067	3,657,592	5,658,920
	7,706,714	6,376,719	8,331,608

The cost of inventories recognized as an expense and included in cost of sales in 2020 amounted to \$4,874,065 (2019 – \$4,549,193).

## 6. Advances to related company

	March 31, 2020	March 31, 2019	September 30, 2019
	\$	\$	\$
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 March 31, 2020 or March 31, 2019.



Canterra Seeds Holdings Ltd.

## Interim Consolidated Financial Statements

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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.

		<b>March 31, 2020</b>	<b>March 31, 2019</b>	<b>September 30, 2019</b>
Issued		<b>\$</b>	<b>\$</b>	<b>\$</b>
Common shares				
7,551,147	Class A common shares (2018 – 7,551,147)	<b>12,109,827</b>	12,109,827	12,109,827
2,118,000	Class B series 1 shares (2018 – 2,118,000)	<b>468,001</b>	468,001	468,001
		<b>12,577,828</b>	12,577,828	12,577,828

There were no share transactions through treasury for the six-month periods ended March 31, 2020 and December 31, 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 six-month period ended March 31, 2020. For the same three-month period ending March 31, 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 six months ended March 31, 2020 and 2019. The amounts below are in US\$.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Current Assets	<b>1,786,488</b>	1,584,948
Long-term Assets	<b>236,754</b>	270,531
Current Liabilities	<b>834,759</b>	623,047
Revenues	<b>996,113</b>	308,881
Expenses	<b>1,457,435</b>	957,682
Net Loss	<b>(461,322)</b>	(648,801)
Cash provided by (used in) operating activities	<b>(112,048)</b>	(487,667)
Cash provided by (used in) investing and financing activities	<b>(231,950)</b>	(690,713)

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 \$.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Investment in CANTERRA SEEDS USA LTD.	<b>590,391</b>	493,152

The Company also owns a 30% investment in Limagrains 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.

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The following amount represent the results and financial position of Limagrain Cereals Research Canada for the six months ended March 31, 2020 and 2019. The amounts below are in Canadian \$.

	2020	2019
	\$	\$
Current Assets	3,121,257	2,502,901
Long-term Assets	1,81,940	1,799,971
Current Liabilities	350,237	67,063
Revenues	-	-
Expenses	1,241,765	1,131,996
Net Loss	(1,241,765)	(1,131,996)
Cash provided by (used in) operating activities	(1,028,331)	(929,147)
Cash provided by (used in) investing and financing activities	3,207,086	(132,809)

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

	2020	2019
	\$	\$
Investment in Limagrain Cereals Research Canada	1,470,889	1,346,159

**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 March 31, 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	\$ 313,799
Later than one year not later than five years	105,788

**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 March 31 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 three-month period ended March 31, 2020 totaled to \$Nil (2019 - \$Nil).



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