

Q1 • 2021 REPORT



Management's Discussion and Analysis Report



Management's Discussion and Analysis Report

REPORT FOR THE THREE MONTHS ENDED DECEMBER 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 three months ended December 31, 2020.

CANTERRA SEEDS reports a net loss for the three months ended December 31, 2020 of \$1,500,142. This compares to the December 31, 2019 results where the Company recorded a net loss of \$1,550,056 for the same three-month period.

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 three-month period ending December 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 February 18, 2021.

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 – THREE 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. During the months of both October to December of 2019 and October to December of 2020, there were no shipments of soybean or canola products that occurred and therefore no sales were recorded for these products. There was a small amount of corn shipped during the first quarter of the 2020/21 fiscal year and there was no corn shipped during this same time period of the 2019/20 fiscal year.

Besides the early deliveries of canola, corn and soybeans, the only other component of sales from October 1 to December 31 is the recording of royalties relating to winter seeded cereal crops. These sales for the three months ended December 31, 2020 are unchanged from the amount recorded for the prior year. The market and environmental conditions are still not overly conducive for winter wheat seeding. Wheat commodity prices are low and in general, producers do not feel that the yield potential justifies seeding winter wheat. In general, they would prefer to closely watch the commodity markets and plant what they feel will be the most profitable alternative in the spring. CANTERRA SEEDS did not introduce any new winter wheat varieties to the market in either 2019 or 2020.

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Due to the fact that some corn sales were recorded during the quarter, CANTERRA SEEDS sales increased from \$29 thousand in 2019 to \$569 thousand in 2020.

This increase in seed sales caused the gross profit to increase by \$31 thousand from a total of \$11 thousand for the three months ended December 31, 2019, to \$42 thousand for the three months ended December 31, 2020. The mix of sales has caused a significant reduction in the gross profit percentage. Tech fees represent only a very small portion of the sales and purchase price of pedigreed seed. However, since this transaction occurs between the Company's growers and its farmer customers, these transactions are not recorded in the CANTERRA SEEDS account. Therefore, the tech fee and the royalty paid through to the breeding partner shows a relatively substantial gross margin % on the Company's books. The gross profit percentage reduced from 38.7% for the three months ended December 31, 2019 to 7.4% for the three months ended December 31, 2020.

OTHER REVENUE

The other revenue reduced by \$15 thousand, from \$77 thousand to \$62 thousand. This reduction is mainly due to the fact that investment income derived from the Company's cash balance is lower. Investment rates have reduced year to year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have decreased by \$196 thousand or 21.5%, from \$911 thousand for the three months ended December 31, 2019 to \$715 thousand for the three months ended December 31, 2020. There are three main reasons for this reduction. Firstly, the timing of some advertising and promotion expenses changed between years. Secondly, the COVID-19 effect has caused some significant reductions in travel, meetings and some marketing costs. Thirdly, CANTERRA SEEDS has introduced the accounting standard of IFRS 16. This standard requires lessees to recognize assets and liabilities for all leases unless the term of these leases is less than 12 months. Prior to this adoption these leases were considered off balance sheet. The effect on this is that the change does not alter the overall income (loss) results of the Company. However, it does change the components of the income statement. In the past, these lease costs were considered rent and now these costs are recorded as amortization and interest relating to the "right of use" assets.

LOSS FROM JOINT VENTURES

This amount relates to CANTERRA SEEDS' 50% joint venture in Meridian Seeds, along with the 30% joint venture in Limagrain Cereals Research Canada (LCRC). For Meridian Seeds, this quarter generates little revenue. As with the pedigreed seed side of the CANTERRA SEEDS business, if Meridian Seeds has any substantial revenue during this quarter 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 quarter.

The LCRC joint venture is operating at full capacity and with increased efficiencies has been able to reduce their overall operating expenses while keeping their projects and staffing fully in place. In addition, LCRC has begun to record a small amount of breeder royalty and other revenue.

Overall, the loss from the two joint ventures reduced by \$41 thousand, from \$342 thousand for the three-month period ending December 31, 2019, to \$301 thousand for the same three-month period ending December 31, 2020.

DEPRECIATION AND AMORTIZATION

As explained earlier, the change in accounting for right of use assets has caused these expenses to increase by \$86 thousand, from \$62 thousand in 2019/20 to \$148 thousand in 2020/21.

SALARIES, WAGES & BENEFITS

Has increased by \$62 thousand from \$771 thousand for the three-month period ended December 31, 2019 to \$833 thousand for the three-month period ended December 31, 2020, an increase of 8.0%. This increase is mainly due to the fact the Company has been fully staffed for the 2020/21 fiscal period. This was not the case for the 2019/20 fiscal as a few positions were in the process of being filled.

INTEREST

The change in accounting for right of use assets has caused these expenses to increase by \$4 thousand, from \$nil in 2019/20 to \$4 thousand in 2020/21.

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4. SUMMARY OF QUARTERLY FINANCIAL INFORMATION – Restated

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

	2020/21 Q1	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 Q4	2018/19 Q3	2018/19 Q2
Total revenue	569	2,834	8,308	20,419	29	2,249	6,418	17,072
Net income (loss)	(1,500)	240	(1)	1,688	(1,550)	(241)	(609)	1,145
Earnings (loss) per share (diluted)	(0.20)	0.04	(0.00)	0.22	(0.21)	(0.03)	(0.08)	0.15

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. 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.

5. LIQUIDITY AND CAPITAL RESOURCES

The Company’s cash and short-term investment position has increased by \$7.42 million for the three months ended December 31, 2020.

Cash provided by operating activities during the year provided \$7.59 million. The main increase are as follows:

- Deposits made by customers for purchases of CANTERRA SEEDS products for the 2021 crop year. This increase totals to \$19.85 million.
- Payments were received on outstanding Accounts Receivable, adding \$2.97 million.

These were partially offset by some uses of cash as follows:

- The Company increased its inventory and prepaid expenses (mainly prepaid deposits for canola, corn and soybean inventory) by \$7.24 million in order to have canola, corn and soybeans products available for sale for the 2021 crop year.

- CANTERRA SEEDS paid down outstanding Accounts Payable balances by a total of \$6.55 million.
- The loss recorded during the quarter and income tax payments and accruals used an additional \$1.44 million.

For financing activities, the Company paid down \$55 thousand of lease obligations during the quarter.

The cash used for investing activities was \$113 thousand, as the Company had a small amount of purchases of long-term assets and made some inter-company loans during the quarter.

6. OUTSTANDING SHARE DATA

Issued securities as of February 18, 2021 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.

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7. FINANCIAL INSTRUMENTS

A very small portion of the Company's revenues and expenses are denominated in U.S. dollars. The Company is therefore exposed to currency fluctuations on transactions in U.S. dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more U.S. dollars than it would earn when the Canadian exchange rate is weaker compared to the U.S. 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 dollar priced contracts for untreated canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As at December 31, 2020 CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

8. 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 13, 2020 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 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.

9. OUTLOOK

For the 2020/21 fiscal year, canola orders are currently higher than they were at the same time during the 2019/20 fiscal year. In addition, corn, soybean and pedigreed sales are anticipated to be similar to the levels reached in the prior year. The results for both joint ventures of CANTERRA SEEDS are anticipated to improve from the results of 2019/20. Finally, there is not anticipated significant differences in the net operating expenses of the Company from the previous year.

For the long-term, 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 beginning for the 2020/21 fiscal year, LibertyLink®, with various ranges of maturity, that compete with the best in the market.
- Secondly, the Company will continue to distribute products that are of impeccable quality. To this end, CANTERRA SEEDS has implemented a quality control policy that is of the highest standard in the industry. It ensures that the canola seed quality not only meets the standards set by the Canada Seeds Act but exceeds these standards and the competition in the market.

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- 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 2021 and future years.

For the corn and soybean business, beginning in 2020, 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.

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. 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 180 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.



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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. It is also anticipated that a model (including an industry led variety use agreement pilot project) will be used that will enable LCRC to receive royalties on all acreage seeded with its varieties in the coming years.

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 market-leading products, superb 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, CANTERRA SEEDS is being as proactive as possible by limiting expenses in areas where possible. As always, the focus will be to ensure that all expenses are focused to ensure a successful return on investment.

10. ADVANCES TO RELATED AFFILIATES

There is currently an advance of \$37,287 that is owed by Meridian Seeds, LLC and \$25,532 that is owed by Limagrain Cereals Research Canada as at December 31, 2020. These amounts were repaid in January of 2021.

11. 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 February 18, 2021.

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.

Consolidated Statement of Financial Position

For the three-month period ended December 31, 2020 and 2019
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

	December 31, 2020 Unaudited	December 31, 2019 Unaudited	September 30, 2020 Audited
	\$	\$	\$
Assets			
Current			
Cash	11,142,301	3,855,929	3,722,549
Accounts receivable	2,222,291	1,792,822	5,189,204
Income taxes receivable	473,470	595,836	78,730
Inventory (Note 5)	8,791,437	10,933,650	6,146,403
Prepaid expenses and deposits	7,030,355	7,883,118	2,431,323
	29,659,854	25,061,355	17,568,209
Property and equipment	645,002	660,173	683,741
Intangible assets	521,184	593,825	542,682
Right-of-use assets	272,350	-	326,938
Deferred tax asset	812,252	863,072	816,612
Investment in joint venture (Note 9)	1,481,471	1,376,775	1,758,973
Long-term receivables	212,607	-	212,607
Advances to related company (Note 6)	62,819	41,703	6,838
	33,667,539	28,596,903	21,916,600
Liabilities			
Current			
Accounts payable and accruals	1,343,824	1,735,705	7,892,779
Deferred revenue (Note 7)	19,854,624	15,090,875	-
Current portion of lease obligations	196,073	-	266,762
	21,394,521	16,826,580	8,159,541
Lease obligations	76,277	-	60,176
	21,470,798	16,826,580	8,219,717
Shareholders' Equity			
Share capital (Note 8)	12,577,828	12,577,828	12,577,828
Retained Earnings (Deficit)	(399,810)	(826,228)	1,100,332
Contributed surplus	18,723	18,723	18,723
	12,196,741	11,770,323	13,696,883
Total Liabilities and Equity	33,667,539	28,596,903	21,916,600

APPROVED ON BEHALF OF THE BOARD

James M. Wilson
James Wilson, Director

Lloyd Affleck
Lloyd Affleck, Director

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Comprehensive Income

For the three-month period ended December 31, 2020 and 2019

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

	Three months ended	
	2020	2019
	Unaudited	Unaudited
	\$	\$
Sales	568,597	29,277
Cost of sales	526,654	17,958
Gross profit	41,943	11,319
Other revenue (Note 4)	61,520	76,789
	103,463	88,108
Operating, general and administrative	715,238	911,121
Loss from joint venture	301,037	341,527
Depreciation	148,321	62,279
Salaries, wages and benefits	833,324	771,159
Interest	3,970	-
	2,001,890	2,086,086
Loss from operations before taxes	(1,898,427)	(1,997,978)
Income tax recovery	398,285	447,922
Loss and comprehensive loss	(1,500,142)	(1,550,056)
Loss per share		
Basic and fully diluted (Note 10)	(0.20)	(0.21)

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Cash Flows

For the three-month period ended December 31, 2020 and 2019
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

	2020	2019
	Unaudited	Unaudited
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net loss	(1,500,142)	(1,550,056)
Depreciation of plant and equipment	35,673	34,352
Depreciation of intangible assets	28,998	27,927
Depreciation of right-of-use assets	83,650	-
Loss from joint venture	301,037	341,527
Income tax recovery accrual	(398,285)	(447,922)
	(1,449,069)	(1,594,172)
Changes in working capital accounts		
Accounts receivable	2,966,913	1,162,016
Inventory	(2,645,034)	(2,602,041)
Prepaid expenses and deposits	(4,599,032)	(6,473,632)
Accounts payable and accruals	(6,548,955)	(4,517,395)
Deferred revenue	19,854,624	15,090,875
Income tax payable	7,905	(147,716)
	7,587,352	917,935
Financing activities		
Lease obligation repayments	(54,588)	-
	(54,588)	-
Investing activities		
Disposals (purchases) of property and equipment	3,066	(84,933)
Acquisition of intangible assets	(7,500)	(750)
Repayment from (loans to) affiliated companies	(55,981)	277,792
Contributions from (to) long-term equity investments	(23,535)	53,344
Disposal (purchase) of right-of-use assets	(29,062)	-
	(113,012)	245,453
Increase in cash resources	7,419,752	1,163,388
Cash and investments, beginning of period	3,722,549	2,692,541
Cash and investments, end of period	11,142,301	3,855,929

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Changes in Equity

For the three-month period ended December 31, 2020 and 2019

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

	Share capital	Contributed Surplus	Surplus (deficit)	Total
Balance, September 30, 2019	12,577,828	18,723	723,828	13,320,379
Comprehensive income	-	-	(1,550,056)	(1,550,056)
Balance, December 31, 2019	12,577,828	18,723	(826,228)	11,770,323

Balance, September 30, 2020	12,577,828	18,723	1,100,332	13,696,883
Comprehensive income	-	-	(1,500,142)	(1,500,142)
Balance, December 31, 2020	12,577,828	18,723	(399,810)	12,196,741

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Cash Flows

For the three-month period ended December 31, 2020 and 2019

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

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 U.S. company), and its joint venture investment Meridian Seeds LLC (a U.S. company), which is 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 December 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, 2020.

These interim condensed consolidated financial statements for the three-month period ended December 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 February 18, 2021.

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. Intangible assets consist of variety licenses and are depreciated over the life of the agreement. 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.

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Cash Flows

For the three-month period ended December 31, 2020 and 2019

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

4. Other revenue

	<i>Three Months Ended</i>	
	<i>December 31, 2020</i>	<i>December 31, 2019</i>
	\$	\$
Interest and investment income	(1,254)	15,374
Other	44,711	43,352
Scientific research and experimental development tax refundable	18,063	18,063
	61,520	76,789

5. Inventory

	<i>December 31, 2020</i>	<i>December 31, 2019</i>	<i>September 30, 2020</i>
	\$	\$	\$
Finished goods	2,079,625	2,807,627	2,066,193
Raw materials	6,711,812	8,126,023	4,080,210
	8,791,437	10,933,650	6,146,403

The cost of inventories recognized as an expense and included in cost of sales in 2020 amounted to \$Nil (2019 – \$Nil).

6. Advances to related company

	<i>December 31, 2020</i>	<i>December 31, 2019</i>	<i>September 30, 2020</i>
	\$	\$	\$
Meridian Seeds LLC	37,287	-	6,838
Limagrain Cereals Research Canada	25,532	41,703	-
	62,819	41,703	6,838

Advances to related company are unsecured, non-interest bearing and have no fixed terms of repayment. Meridian Seeds, LLC, a U.S. 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 at December 31, 2020 or December 31, 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.

		December 31, 2020	December 31, 2019	September 30, 2020
Issued		\$	\$	\$
Common shares				
7,551,147	Class A common shares (2019 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000	Class B series 1 shares (2019 – 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 three-month periods ended December 31, 2020 and December 31, 2019. There was also no share transaction that occurred with shares outside of treasury during this three-month period in 2020. For the same three-month period ending December 31, 2019 there were 119,239 Class A shares and 132,000 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 three months ended December 31, 2020 and 2019. The amounts below are in U.S. dollars.

	2020	2019
	\$	\$
Current Assets	726,943	1,217,172
Long-term Assets	269,477	245,884
Current Liabilities	172,949	281,438
Revenues	6,008	16,279
Expenses	219,898	282,926
Net Loss	(213,890)	(266,647)
Cash provided by (used in) operating activities	(336,186)	(56,938)
Cash provided by (used in) investing and financing activities	135,240	(252,032)

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 dollars.

	2020	2019
	\$	\$
Investment in CANTERRA SEEDS USA LTD.	579,763	722,700

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.

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The following amount represent the results and financial position of Limagrain Cereals Research Canada for the three months ended December 31, 2020 and 2019. The amounts below are in in Canadian dollars.

	2018	2017
	\$	\$
Current Assets	1,215,719	3,709,192
Long-term Assets	1,962,151	1,976,105
Current Liabilities	423,564	426,432
Revenues	(125)	-
Expenses	566,867	635,859
Net Loss	(566,994)	(635,859)
Cash provided by (used in) operating activities	(456,584)	(3,760,609)
Cash provided by (used in) investing and financing activities	(179,728)	3,210,280

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

	2020	2019
	\$	\$
Investment in Limagrain Cereals Research Canada	901,708	654,075

10. Earnings per share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the three-month period ended December 31, 2020 of 7,551,147 [2019 – 7,551,147].

11. Commitments

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.

12. Capital management

A wholly owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As at December 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.



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