

Q2 • 2021 REPORT



Management's Discussion and Analysis Report



Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2021

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, 2021.

CANTERRA SEEDS reports income for the six months ended March 31, 2021 of \$480,094. This compares to the March 31, 2020 results where the Company recorded income of \$137,859 for the same six-month period, an improvement of \$342,235 for the year to-date. For the three-month quarter ended March 31, 2021, the Company reports net income of \$1,980,236. This income is \$292,321 higher than the net income of \$1,687,915 recorded for the three-month period ended March 31, 2020.

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, 2021. 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 May 20, 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 – 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 June, 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.

For canola, CANTERRA SEEDS has increased its deliveries and sales through the first six months as compared to the 2019/20 fiscal year by more than 44%. This increase is due to two main reasons:

- Firstly, the Company has been able to increase its market share in Western Canada. This has been due to several reasons with the main ones being the fact that CANTERRA SEEDS released its first variety into the LibertyLink® canola sector, CS4000 LL. In addition, the Company's decision to distribute directly to the independent retail network as well as the introduction of using Agro.Club Canada to book orders have worked to boost sales.
- Secondly, due to the earlier spring in 2021, deliveries of canola product were sped up throughout the Prairies as it is expected that seeding will occur significantly earlier than in a normal year in Western Canada.

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CANTERRA SEEDS continues to be the exclusive distributor for PRIDE Seeds in Western Canada. While the same "earlier spring" exists for corn as well, in 2019/20, the deliveries occurred significantly earlier than usual due to the fear that the COVID-19 pandemic could possibly shut down trucking from Eastern Canada. Now that it is known that trucks will continue to run these deliveries, they were moved back to more normal expectations for the current year. These sales reduced by 16%.

There is a small amount of pedigreed seed sales that occur during the six-month period from October 1st to March 31st and there was no major change in this between 2019/20 and 2020/21.

Overall, sales increased by \$5.41 million or 26%, from \$20.45 million in 2019/20 to \$25.86 million in 2020/21.

The increase in seed sales caused the gross profit to increase by \$0.52 million. Gross profit has increased from \$3.96 million for the six months ended March 31, 2020, to \$4.48 million for the six months ended March 31, 2021. The gross profit percentage reduced from 19.4% for the 2019/20 fiscal year to 17.3% for the current year. Margins for both corn and canola have reduced, both for product mix as well as competitive reasons.

OTHER REVENUE

The other revenue reduced by \$129 thousand, from \$267 thousand to \$138 thousand. This reduction is mainly due to timing of reimbursements from partners for various initiatives year to year. In addition, a change in prepayment terms with customers reduced the average cash balance during this six-month period. That, along with a reduction in interest rates, caused the investment income earned by the Company to reduce as compared to the prior year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have decreased by \$0.31 million or 19.8%, from \$1.58 million for the six months ended March 31, 2020 to \$1.27 million for the six months ended March 31, 2021. There are two main reasons for this reduction. Firstly, the COVID-19 effect has caused some significant reductions in travel, meetings, and some marketing costs. Secondly, 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 six-month period generates little revenue. As with the pedigreed 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 along with some early delivered and invoiced shipments of stock or certified seed. There is no major difference between the current and past years when it comes to sales or margins during this six-month period. Meridian Seeds has been able to reduce its operating expenses which overall has reduced the net loss recorded for the current year to-date.

The Limagrain Cereals Research Canada 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. As with Meridian Seeds, the loss recorded by LCRC has reduced from the 2019/20 to the 2020/21 fiscal year.

Overall, the loss from the two joint ventures reduced by \$100 thousand, from \$655 thousand for the six-month period ending March 31, 2020, to \$555 thousand for the same six-month period ending March 31, 2021.

DEPRECIATION AND AMORTIZATION

As explained earlier, the change in accounting for right of use assets has caused these expenses to increase by \$165 thousand from \$126 thousand in 2019/20 to \$291 thousand in 2020/21.

SALARIES, WAGES & BENEFITS

Has increased by \$0.11 million from \$1.69 million for the six-month period ended March 31, 2020 to \$1.8 million for the six-month period ended March 31, 2021, an increase of 6.6%. This increase is mainly because 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 \$7 thousand, from \$nil in 2019/20 to \$7 thousand in 2020/21.

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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 of pedigreed products.

The explanation for the quarterly sales increases is identical to those described with the six-month variances. For the quarter, sales have increased by \$4.87 million or 23.8%, from \$20.42 million in 2019/20 to \$25.29 million in 2020/21.

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 \$3.95 million in 2019/20 to \$4.44 million in 2020/21.

Due to the mix of products sold as well as competitive considerations there has been a reduction in the gross profit percentage from 19.3% in 2019/20 to 17.6% in 2020/21.

OTHER REVENUE

The other revenue reduced by \$114 thousand, from \$190 thousand to \$76 thousand. As was described in the Year-to-Date analysis, this reduction is mainly due to timing of reimbursements from partners for various initiatives year to year. In addition, a change in prepayment terms with customers reduced the average cash balance during this six-month period. That, along with a reduction in interest rates, caused the investment income earned by the Company to reduce as compared to the prior year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have decreased by \$117 thousand or 17.5%, from \$671 thousand for the three months ended

March 31, 2020 to \$554 thousand for the three months ended March 31, 2021. The COVID-19 effect has caused some significant reductions in travel, meetings and some marketing costs and the accounting standard of IFRS 16 has moved a portion of expenses from rental and travel to the depreciation and amortization section. These changes are partially offset by some timing issues in expensing some expenditures 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 \$60 thousand lower than in 2019/20, from \$314 thousand in 2019/20 to \$254 thousand in 2020/21. This reduction is due to reduced net overall expenses at both subsidiaries.

DEPRECIATION AND AMORTIZATION

The change in accounting for right of use assets has caused these expenses to increase by \$79 thousand, from \$64 thousand in 2019/20 to \$143 thousand in 2020/21.

SALARIES, WAGES & BENEFITS

Due to an increase in the level of fully filled positions at CANTERRA SEEDS, these costs have increased by \$50 thousand or 5.4% compared to the prior year. The increase is from \$922 thousand for the quarter ended March 31, 2020 to \$972 thousand for the three months ended March 31, 2021.

INTEREST

Due to the IFRS 16 implementation, these implied costs totalled to \$3 thousand for the three months ended March 31, 2021. No such expense occurred for the three months ended March 31, 2020.

5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION – Restated

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

	2020/21 Q2	2020/21 Q1	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 Q4	2018/19 Q3
Total revenue	25,287	569	2,834	8,308	20,419	29	2,249	6,418
Net income (loss)	1,980	(1,500)	240	(1)	1,688	(1,550)	(241)	(609)
Earnings (loss) per share (diluted)	0.26	(0.20)	0.04	(0.00)	0.22	(0.20)	(0.03)	(0.08)

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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.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and short-term investment position has increased by \$12.72 million for the six months ended March 31, 2021.

Cash provided by operating activities during the year provided \$13.04 million. The main cause of the increase in funds relates to the increase in Accounts Payable. Many of these payables are accrued seasonally and then paid after the net sales are determined after the season. Accounts Payable increased by \$8.0 million. Also, deposits made by customers for purchases of CANTERRA SEEDS products for the 2021 crop year (deferred revenues) increased by 5.89 million. The corporate income, after adding back non-cash effects, also added an additional \$1.54 million.

These reductions in cash are offset by increases in Prepaid Expenses and Prepaid Deposits, Accounts Receivable and Inventory that occurred due to the usual business cycle at CANTERRA SEEDS.

During the first six months of the 2020/21 fiscal year, the Company made \$0.12 million in lease payments.

As for investing activities, CANTERRA SEEDS made \$0.2 million of loans to affiliated companies, additions of capital assets (including "right of use" assets), and contributions to its investments.

7. OUTSTANDING SHARE DATA

Issued securities as of May 20, 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. Several share transactions were finalized during the six months ended March 31, 2020 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 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 of March 31, 2021 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 seed their crops as they do every year and CANTERRA SEEDS has been 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 meetings and other industry events and the cancellation of some promotional plans. This has worked to therefore improve

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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.

10. OUTLOOK

For the 2020/21 fiscal year, canola orders are currently significantly 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. Also, there are no significant differences anticipated 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) 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.
- 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. The Company also agreed to a partnership with Agro.Club Canada where customers can order its canola and corn inventory online. Overall, the goal is to make purchasing CANTERRA SEEDS products as simple as possible.

CANTERRA SEEDS is working to increase its market share in the western Canadian canola market. This improvement started in 2020 and should continue in 2021. It is anticipated that this trend will continue.

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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.

Due to market conditions, the acreage seeded to corn and soybeans is anticipated to reduce for the 2021 fiscal year. Despite this, CANTERRA SEEDS is anticipated to reach sales that are comparable to those for the 2019/20 fiscal year. It is anticipated, however, that the acreage seeded to corn and soybeans will increase in Western Canada as varieties that are bred for the soil and climactic conditions of the Prairies continue to emerge.

For the pedigree 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 three wheat varieties (CS Daybreak, CS Accelerate and CS Resolve) and CANTERRA SEEDS has the rights to these varieties. Thirdly, CANTERRA SEEDS has arrangements with breeders throughout

the world to test (using its internal field program) and register products in Western Canada. This has been very successful for the Company and currently it's most successful pedigree product, CS Camden came from one of these partnerships.

- On the distribution side for pedigreed seed, CANTERRA SEEDS ensures that it partners with the premier seed growers in Western Canada. Currently, the Company has 190 seed growers throughout the Prairies that are growing and selling CANTERRA SEEDS licensed varieties. The Company will continue to add growers where needed and as required, to ensure that farmers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

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

For Meridian Seeds, they focus heavily on their critical success factors which is superior products, strong production, and retail partners, along with an experienced and well-trained staff. The 2019, 2020 and 2021 fiscal years have been a struggle for the company due to many 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.

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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 May 20, 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.
Interim Consolidated Statement of Financial Position
For the six-month period ended March 31, 2021

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

	<i>March 31, 2021</i>	<i>March 31, 2020</i>	<i>September 30, 2020</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	\$	\$	\$
Assets			
Current			
Cash	16,442,210	9,643,914	3,722,549
Accounts receivable	5,871,602	5,579,061	5,189,204
Income taxes receivable	-	129,650	78,730
Inventory (Note 5)	6,301,650	7,706,714	6,146,403
Prepaid expenses and deposits	3,996,545	3,337,094	2,431,323
	32,612,007	26,396,433	17,568,209
Property and equipment	626,372	644,382	683,741
Intangible assets	511,853	596,832	542,682
Right-of-use assets	207,836	-	326,938
Deferred tax asset	812,252	863,914	816,612
Investment in joint venture (Note 9)	1,227,891	2,061,280	1,758,973
Long-term receivables	213,884	-	212,607
Advances to related company (Note 6)	96,554	-	6,838
	36,308,649	30,562,841	21,916,600
Liabilities			
Current			
Accounts payable and accruals	15,892,028	10,385,587	7,892,779
Deferred revenue (Note 7)	5,893,757	6,719,016	-
Income Taxes Payable	138,048	-	-
Current Portion of Lease Obligations	196,073	-	266,762
	22,119,906	17,104,603	8,159,541
Lease Obligations	11,766	-	60,176
	22,131,672	17,104,603	8,219,717
Shareholders' Equity			
Share capital (Note 8)	12,577,828	12,577,828	12,577,828
Deficit	1,580,426	861,687	1,100,332
Contributed surplus	18,723	18,723	18,723
	14,176,977	13,458,238	13,696,883
Total Liabilities and Equity	36,308,649	30,562,841	21,916,600

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.

Interim Consolidated Statement of Comprehensive Income

For the six-month period ended March 31, 2021

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	2021	2020	2021	2020
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	\$	\$	\$	\$
Sales	25,287,413	20,419,152	25,856,010	20,448,429
Cost of sales	20,847,121	16,468,900	21,373,775	16,486,858
Gross profit	4,440,292	3,950,252	4,482,235	3,961,571
Other revenue (Note 4)	76,163	190,228	137,683	267,017
	4,516,455	4,140,480	4,619,918	4,228,588
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	553,469	670,584	1,268,707	1,581,705
Loss from joint venture	253,580	313,560	554,617	655,087
Depreciation and amortization	143,021	63,785	291,342	126,064
Salaries, wages and benefits	972,145	922,335	1,805,469	1,693,494
Interest	2,808	-	6,778	-
	1,925,023	1,970,264	3,926,913	4,056,350
Income from operations before taxes	2,591,432	2,170,216	693,005	172,238
Income tax expense	(611,196)	(482,301)	(212,911)	(34,379)
Income and comprehensive income	1,980,236	1,687,915	480,094	137,859
Income per share				
Basic and fully diluted (Note 10)	0.26	0.22	0.06	0.02

CANTERRA SEEDS Holdings Ltd.

Interim Consolidated Statement of Cash Flows

For the six-month period ended March 31, 2021

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

	2021 <i>Unaudited</i>	2020 <i>Unaudited</i>
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net income	480,094	137,859
Depreciation of plant and equipment	71,596	69,507
Depreciation of intangible assets	58,330	56,557
Depreciation of right-of-use assets	161,416	-
Transfer with joint-ventures – non-cash	(23,535)	54,281
Loss from joint venture	554,617	655,087
Income tax accrual	212,911	34,379
	1,515,429	1,007,670
Changes in working capital accounts		
Accounts receivable	(683,675)	(2,624,224)
Inventory	(155,247)	624,894
Prepaid expenses and deposits	(1,565,222)	(2,005,501)
Accounts payable and accruals	7,999,249	4,132,486
Deferred revenue	5,893,757	6,719,016
Income tax payable	8,227	(86,779)
	13,012,518	7,767,562
Financing activities		
Lease obligation repayments	(119,099)	-
	(119,099)	-
Investing activities		
Purchases of property and equipment	(14,227)	(104,298)
Acquisition of intangible assets	(27,500)	(32,386)
Repayment from (loans to) affiliated companies	(89,716)	319,495
Contributions from (to) long-term equity investments	-	(999,000)
Purchase of right-of-use assets	(42,315)	-
	(173,758)	(816,189)
Increase in cash resources	12,719,661	6,951,373
Cash and investments, beginning of period	3,722,549	2,692,541
Cash and investments, end of period	16,442,210	9,643,914

CANTERRA SEEDS Holdings Ltd.

Interim Consolidated Statement of Changes in Equity

For the six-month period ended March 31, 2021

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

Balance, September 30, 2019	12,577,828	18,723	723,828	13,320,379
Comprehensive income	-	-	137,859	137,859
Balance, March 31, 2020	12,577,828	18,723	861,687	13,458,238

Balance, September 30, 2020	12,577,828	18,723	1,100,332	13,696,883
Comprehensive income	-	-	480,094	480,094
Balance, March 31, 2021	12,577,828	18,723	1,580,426	14,176,977

Notes to the Interim Consolidated Financial Statements

For the six-month period ended March 31, 2021

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 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 of March 31, 2021 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 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 six-month period ended March 31, 2021 and 2020 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on May 20, 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.

Notes to the Interim Consolidated Financial Statements

For the six-month period ended March 31, 2021

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

4. Other revenue

	Three Months Ended		Six Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	\$	\$	\$	\$
Interest and investment income	11,703	41,295	10,449	56,669
Other	46,398	130,871	91,109	174,223
Scientific research & development tax refundable	18,062	18,062	36,125	36,125
	76,163	190,228	137,683	267,017

5. Inventory

	March 31, 2021	March 31, 2020	September 30, 2020
	\$	\$	\$
Finished goods	2,473,480	2,383,647	2,066,193
Raw materials	3,828,170	5,323,067	4,080,210
	6,301,650	7,706,714	6,146,403

The cost of inventories recognized as an expense and included in cost of sales in 2021 amounted to \$7,110,077 (2020 – \$4,874,065).

6. Advances to related company

	March 31, 2020	March 31, 2019	September 30, 2020
	\$	\$	\$
Meridian Seeds LLC	78,288	-	6,838
Limagrain Cereals Research Canada	18,266	-	-
	96,554	-	6,838

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 on March 31, 2021 or March 31, 2020.

CANTERRA SEEDS Holdings Ltd.

Notes to the Interim Consolidated Financial Statements

For the six-month period ended March 31, 2021
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

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.

	March 31, 2021	March 31, 2020	September 30, 2020
Issued	\$	\$	\$
Common shares			
7,551,147 Class A common shares (2020 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2020 – 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 six-month periods ended March 31, 2021 and March 31, 2020. There was also no share transaction that occurred with shares outside of treasury during this six-month period in the 2020/21 year. For the same six-month period ending March 31, 2020 there were 119,239 Class A shares and 132,000 Class B shares transferred.

9. Investment 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, 2021 and 2020. The amounts below are in US\$.

	2021	2020
	\$	\$
Current Assets	1,213,485	1,584,988
Long-term Assets	254,966	236,754
Current Liabilities	826,997	834,759
Revenues	1,031,173	994,663
Expenses	1,420,602	1,455,985
Net Loss	(389,429)	(461,322)
Cash provided by (used in) operating activities	(374,692)	(112,048)
Cash provided by (used in) investing and financing activities	152,466	(231,941)

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 \$.

	2021	2020
	\$	\$
Investment in CANTERRA SEEDS USA LTD.	469,001	590,391

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.

Notes to the Interim Consolidated Financial Statements

For the six-month period ended March 31, 2021
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

The following amount represent the results and financial position of Limagrain Cereals Research Canada for the six months ended March 31, 2021 and 2020. The amounts below are in in Canadian \$.

	2021	2020
	\$	\$
Current Assets	795,193	3,121,257
Long-term Assets	1,858,376	1,881,940
Current Liabilities	375,324	350,237
Revenues	(125)	-
Expenses	1,042,930	1,241,765
Net Loss	(1,043,055)	(1,241,765)
Cash provided by (used in) operating activities	(760,539)	(1,028,331)
Cash provided by (used in) investing and financing activities	(283,896)	3,207,086

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

	2021	2020
	\$	\$
Investment in Limagrain Cereals Research Canada	758,890	1,470,889

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 March 31, 2021 of 7,551,147 (2020 – 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 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, 2021 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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