

Q3 • 2021 REPORT



Management's Discussion and Analysis Report



Management's Discussion and Analysis Report

REPORT FOR THE NINE MONTHS ENDED JUNE 30, 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 nine months ended June 30, 2021.

CANTERRA SEEDS reports income for the nine months ended June 30, 2021, of \$562,760. This compares to the June 30, 2020, results where the Company recorded income of \$137,476 for the corresponding nine-month period, an improvement of \$425,284 for the year to-date. For the three-month quarter ended June 30, 2021, the Company reports net income of \$82,665. This income is \$83,048 higher than the net loss of \$383 recorded for the three-month period ended June 30, 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 nine-month period ending June 30, 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 August 19, 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 several risks and uncertainties. These include,

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

3. RESULTS OF OPERATIONS – NINE MONTHS ENDED JUNE 30

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 sales as compared to the 2019/20 fiscal year by almost 40%. The Company has been able to increase its market share in Western Canada. This has been due to several reasons with the main one being that CANTERRA SEEDS released its first canola variety in the LibertyLink® sector, CS4000LL. 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 sales have worked to boost sales.

CANTERRA SEEDS continues to be the exclusive distributor for PRIDE Seeds in Western Canada. While the Company's market share did not change, the fact that corn acres were reduced in Western Canada caused CANTERRA SEEDS' corn and soybean sales to reduce by around 12%.

CANTERRA SEEDS made the decision to switch the way it accounted for Foundation Stock Seed sales. In the past, these sales went through the Company's books where CANTERRA SEEDS would bill Customer A and would pay Customer B for the

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amount owing on these transactions. Starting for the 2021 year, these transactions will now go through the customers and CANTERRA SEEDS will then be paid a Tech Fee relating to this transaction, the same that occurs with both Registered and Certified Seed sales. Since these tech fees are mainly recorded in Q4, this change, along with a reduction in tech fees due to timing, has caused the pedigreed seed sales to reduce by 60% so far this year. This will be caught up in Q4 when the bulk of the tech fees are reported and recorded.

Overall, sales increased by \$6.53 million or 22.7%, from \$28.75 million in 2019/20 to \$35.28 million in 2020/21.

The increase in seed sales caused the gross profit to increase by \$0.59 million. Gross profit has increased from \$5.68 million for the nine months ended June 30, 2020, to \$6.27 million for the nine months ended June 30, 2021. The gross profit percentage reduced from 19.7% for the 2019/20 fiscal year to 17.8% 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 \$111 thousand, from \$347 thousand to \$236 thousand. This reduction is mainly due to timing of reimbursements from partners for various initiatives year to year. In addition, a reduction in interest rates has 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 \$0.26 million or 12.5%, from \$2.11 million for the nine months ended June 30, 2020, to \$1.85 million for the nine months ended June 30, 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.

For Meridian Seeds, while the period from October 1st to March 31st generates little revenue and margins, the period from April 1st to June 30th contains billing for a few stock seed and certified seed sales for the Company. It still does not contain the main income quarter of July through September where the bulk of the tech fees are reported and recorded. Due to an increase in sales/margins and some support income the loss during this nine-month period has reduced and improved.

The Limagrain Cereals Research Canada (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. 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 \$0.22 million, from \$0.92 million for the nine-month period ending June 30, 2020, to \$0.7 million for the same nine-month period ending June 30, 2021.

DEPRECIATION AND AMORTIZATION

As explained earlier, the change in accounting for right of use assets has caused these expenses to increase by \$252 thousand from \$195 thousand in 2019/20 to \$447 thousand in 2020/21.

SALARIES, WAGES & BENEFITS

Has increased by \$0.15 million from \$2.62 million for the nine-month period ended June 30, 2020, to \$2.77 million for the nine-month period ended June 30, 2021, an increase of 5.5%. 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 \$10 thousand from \$nil in 2019/20 to \$10 thousand in 2020/21.

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4. RESULTS OF OPERATIONS – THREE MONTHS ENDED JUNE 30

SALES AND GROSS PROFIT

During this three-month period CANTERRA SEEDS records the final deliveries of its canola, corn and soybean sales, receives any returns of these crop types and begins to record its revenue and margins for the pedigreed portion of the business. Overall, this quarter is the one that has the most effect from all facets and seed sales of the Company.

For the quarter, sales have increased by \$1.12 million or 13.5%, from \$8.31 million in 2019/20 to \$9.43 million in 2020/21. Both canola and corn/soybean sales increased from 2019/20 to 2020/21 due to timing of these sales and increases in market share. Pedigreed sales reduced during the quarter due to the same reason explained in Section 3. The change in Foundation sales to Tech Fees as well as the timing of recording tech fees caused this quarter to reduce and will be offset when these fees are recorded in Q4.

This increase in sales then increased the total gross profit of the Company for the quarter. Gross Profit is higher by \$0.07 million, from \$1.72 million in 2019/20 to \$1.79 million in 2020/21.

Due to mix of mix of products sold as well as competitive considerations there has been a reduction in the gross profit percentage from 20.6% in 2019/20 to 18.9% in 2020/21.

OTHER REVENUE

The other revenue increased by \$18 thousand, from \$81 thousand to \$99 thousand. Cash balances were high during this quarter and despite the reduction in interest rates, investment income earned by the Company increased for this quarter as compared to the prior year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$51 thousand or 9.7%, from \$523 thousand for the three months ended June 30, 2020, to \$574 thousand for the three months ended June 30, 2021. This is mainly due to timing differences year to year that have more than offset the fact that due to the change with IFRS 16 some costs are now being accounted for as Depreciation and Amortization.

LOSS FROM JOINT VENTURE

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

In total, the loss from joint ventures is \$115 thousand lower than in 2019/20, from \$266 thousand in 2019/20 to \$151 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 \$87 thousand from \$69 thousand in 2019/20 to \$156 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 \$34 thousand or 3.6% compared to the prior year. The increase is from \$930 thousand for the quarter ended June 30, 2020, to \$964 thousand for the three months ended June 30, 2021.

INTEREST

Due to the IFRS 16 implementation these implied costs totaled to \$3 thousand for the three months ended June 30, 2021. No such expense occurred for the three months ended June 30, 2020.

5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION

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

	2020/21 Q3	2020/21 Q2	2020/21 Q1	2019/20 Q4	2019/20 Q3	2019/20 Q2	2019/20 Q1	2018/19 Q4
Total revenue	9,428	25,287	569	2,834	8,308	20,419	29	2,249
Net income (loss)	83	1,980	(1,500)	240	(1)	1,688	(1,550)	(241)
Earnings (loss) per share (diluted)	0.01	0.26	(0.20)	0.03	(0.00)	0.22	(0.20)	(0.03)

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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 deliveries but also shows all returns of these crop types from sales made during all three quarters of the Company. In addition, there is 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 \$4.98 million for the nine months ended June 30, 2021.

Cash provided by operating activities during the year provided \$6.41 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 \$10.29 million. Also, the corporate income, after adding back non-cash effects, also added an additional \$1.88 million.

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

During the first nine months of the 2020/21 fiscal year, the Company has increased its lease obligations by \$685 thousand with most of this being an extension of the office lease for an additional five years.

In addition, CANTERRA SEEDS made some contributions to its equity investment totaling to \$1.02 million during the year,

has added to its right of use assets from lease obligations by \$0.94 million, has loaned money to its affiliates (\$0.11 million) and purchased some additional property and equipment and intangible assets (\$0.05 million).

7. OUTSTANDING SHARE DATA

Issued securities as of August 19, 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 12 months. Several share transactions were finalized during the nine months ended June 30, 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 June 30, 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 to the public 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.

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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.

10. OUTLOOK

For the 2020/21 fiscal year there will likely be some small adjustments with the sales and margins of canola, corn, and soybeans due to finalization of returns and accrual adjustments. The principal income reported for Q4 is tech fees. 2020 was a record year for tech fees for the Company. While it isn't anticipated that CANTERRA SEEDS will reach 2020 levels at this point, it is expected that 2021 will be the second largest tech fee season for the Company. This means that the mix of growers and varieties sold is the strongest in the 25-year history of CANTERRA SEEDS. As for other revenue, joint venture income/loss and operating expenses, there is not anticipated to be any significant differences from those recorded during the 2019/20 fiscal year. Altogether, the Company is expecting improved profitability from the 2020 fiscal 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 prime 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™ canola with Roundup Ready®, 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.

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CANTERRA SEEDS is working to increase its market share in the western Canadian canola market. This improvement started in 2020, continued for 2021 and is anticipated to continue in 2022 and into the future.

With wheat, canola has been an acreage leader in Western Canada for a number of years. In the last six months announcements have been made for expansions and new builds of canola crushing plants that will increase the capacity by close to 50%. It is certainly expected that canola will continue to be a very significant crop in Western Canada well into the future.

For the corn and soybean business, CANTERRA SEEDS is 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 reduced for the 2021 fiscal year. Despite this, CANTERRA SEEDS was able to reach sales that were only slightly lower than those recorded 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. CANTERRA SEEDS will be well positioned to take advantage of this expanding market.

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 Cereals Research Canada (LCRC). 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 its most successful pedigree product, CS Camden, came from this partnership.

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 will continue to improve its earnings as it continues to register new varieties for the western Canadian market. LCRC is also part of the Variety Use Agreement (VUA) pilot project which will enable it to receive royalties on all acreage seeded with its varieties. Thus, improvements in revenue will occur while operating expenses are kept quite stable. Over the next few years, 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

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where possible. As always, the focus will be to ensure that all expenses are focused to ensure a successful return on investment.

In 2021, Western Canada has experienced one of the most severe droughts in recorded history. While some areas have certainly been affected worse than others, overall this has created a season with significantly reduced yields, grain quality and of course profitability. For CANTERRA SEEDS, it is expected that the Company will have no reductions in its canola, corn and soybean inventories and these will be at the normal high qualities. For pedigreed seed, the quantity and quality of seed available for sale throughout the prairies is less certain and will be determined when harvest is completed this fall.

11. ADVANCES TO RELATED AFFILIATES

There are currently no outstanding advances to related affiliates.

12. RESPONSIBILITIES, CONTROL AND POLICIES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the unaudited interim consolidated financial

statements and MD&A. The Board of Directors carries out this responsibility principally through its Audit Committee.

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

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

This report and the unaudited interim consolidated financial statements were reviewed by the Company's Audit Committee and approved by the CANTERRA SEEDS Board of Directors on August 19, 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.

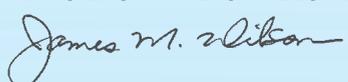
Interim Consolidated Statement of Financial Position

For the nine-month period ended June 30, 2021 and 2020

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

	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>September 30, 2020</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	\$	\$	\$
Assets			
Current			
Cash	8,698,682	5,068,709	3,722,549
Accounts receivable	9,278,681	5,129,469	5,189,204
Income taxes receivable	-	117,553	78,730
Inventory (Note 5)	6,516,526	6,352,195	6,146,403
Prepaid expenses and deposits	3,738,717	1,880,992	2,431,323
	28,232,606	18,548,918	17,568,209
Property and equipment	597,471	644,283	683,741
Intangible assets	482,354	571,492	542,682
Right-of-use assets	1,012,108	-	326,938
Deferred tax asset	812,252	863,522	816,612
Investment in joint venture (Note 9)	2,075,440	1,804,061	1,758,973
Long-term receivables	213,884	-	212,607
Advances to related company (Note 6)	120,480	-	6,838
	33,546,595	22,432,276	21,916,600
Liabilities			
Current			
Accounts payable and accruals	18,183,242	8,974,420	7,892,779
Deferred revenue (Note 7)	-	-	-
Income Taxes Payable	91,602	-	-
Current Portion of Lease Obligations	249,980	-	266,762
	18,524,824	8,974,420	8,159,541
Lease Obligations	762,128	-	60,176
	19,286,952	8,974,420	8,219,717
Shareholders' Equity			
Share capital (Note 8)	12,577,828	12,577,828	12,577,828
Deficit	1,663,092	861,305	1,100,332
Contributed surplus	18,723	18,723	18,723
	14,259,643	13,457,856	13,696,883
Total Liabilities and Equity	33,546,595	22,432,276	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 nine-month period ended June 30, 2021 and 2020

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

	Three months ended		Nine months ended	
	2021	2020	2021	2020
	Unaudited	Unaudited	Unaudited	Unaudited
	\$	\$	\$	\$
Sales	9,427,657	8,307,054	35,283,667	28,755,483
Cost of sales	7,641,417	6,594,840	29,015,192	23,081,698
Gross profit	1,786,240	1,712,214	6,268,475	5,673,785
Other revenue (Note 4)	98,558	80,475	236,241	347,492
	1,884,798	1,792,689	6,504,716	6,021,277
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	574,483	523,672	1,843,190	2,105,377
Loss from joint venture	151,451	266,649	706,068	921,736
Depreciation and amortization	155,664	69,163	447,006	195,227
Salaries, wages and benefits	963,660	930,321	2,769,129	2,623,815
Interest	3,319	-	10,097	-
	1,848,577	1,789,805	5,775,490	5,846,155
Income from operations before taxes	36,221	2,884	729,226	175,122
Income tax expense	46,445	(3,265)	(166,466)	(37,645)
Income and comprehensive income	82,666	(381)	562,760	137,477
Income per share				
Basic and fully diluted (Note 10)	0.01	(0.00)	0.07	0.02

CANTERRA SEEDS Holdings Ltd.

Interim Consolidated Statement of Cash Flows

For the nine-month period ended June 30, 2021 and 2020

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

	<i>2021</i>	<i>2020</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net income	562,760	137,477
Depreciation of plant and equipment	108,911	109,105
Depreciation of intangible assets	87,828	86,122
Depreciation of right-of-use assets	250,267	-
Transfer with joint-ventures – non-cash	(23,535)	44,850
Loss from joint ventures	706,068	921,736
Income tax accrual	166,466	37,645
	1,858,765	1,336,935
Changes in working capital accounts		
Accounts receivable	(4,090,754)	(2,174,632)
Inventory	(370,123)	1,979,413
Prepaid expenses and deposits	(1,307,394)	(549,399)
Accounts payable and accruals	10,290,463	2,721,320
Deferred revenue	-	-
Income tax payable	8,226	(77,556)
	6,389,183	3,236,081
Financing activities		
Increase in lease obligations	685,170	-
	685,170	-
Investing activities		
Purchases of property and equipment	(22,641)	(143,797)
Acquisition of intangible assets	(27,500)	(36,611)
Repayment from (loans to) affiliated companies	(113,642)	319,495
Contributions from (to) long-term equity investments	(999,000)	(999,000)
Purchase of right-of-use assets	(935,437)	-
	(2,098,220)	(859,913)
Increase in cash resources	4,976,133	2,376,168
Cash and investments, beginning of period	3,722,549	2,692,541
Cash and investments, end of period	8,698,682	5,068,709

CANTERRA SEEDS Holdings Ltd.

Interim Consolidated Statement of Changes in Equity

For the nine-month period ended June 30, 2021 and 2020

THESE FINANCIAL STATEMENTS WERE NOT AUDITED 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	-	-	137,477	137,477
Balance, June 30, 2020	12,577,828	18,723	861,305	13,457,856
Balance, September 30, 2020	12,577,828	18,723	1,100,332	13,696,883
Comprehensive income	-	-	562,760	562,760
Balance, June 30, 2021	12,577,828	18,723	1,663,092	14,259,643

CANTERRA SEEDS Holdings Ltd.

Notes to the Interim Consolidated Financial Statements

For the nine-month period ended June 30, 2021 and 2020

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 investments Meridian Seeds LLC (a U.S. company) and Limagrain Cereals Research Canada [LCRC] (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 June 30, 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 nine-month period ended June 30, 2021, and 2020 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on August 19, 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 nine-month period ended June 30, 2021 and 2020

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

4. Other revenue

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>June 30, 2021</i>	<i>June 30, 2020</i>
	\$	\$	\$	\$
Interest and investment income	27,755	16,117	38,204	72,786
Other	52,740	46,296	143,849	220,519
Scientific research & development tax refundable	18,063	18,062	54,188	54,187
	98,558	80,475	236,241	347,492

5. Inventory

	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>September 30, 2020</i>
	\$	\$	\$
Finished goods	3,002,619	2,677,341	2,066,193
Raw materials	3,513,907	3,674,854	4,080,210
	6,516,526	6,352,195	6,146,403

The cost of inventories recognized as an expense and included in cost of sales in 2021 amounted to \$9,897,900 (2020 – \$7,187,257).

6. Advances to related company

	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>September 30, 2020</i>
	\$	\$	\$
Meridian Seeds LLC	109,554	-	6,838
Limagrain Cereals Research Canada	10,926	-	-
	120,480	-	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 on June 30, 2021, or June 30, 2020.

CANTERRA SEEDS Holdings Ltd.

Notes to the Interim Consolidated Financial Statements

For the nine-month period ended June 30, 2021 and 2020
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.

	<i>June 30, 2021</i>	<i>June 30, 2020</i>	<i>September 30, 2020</i>
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 nine-month periods ended June 30, 2021, and June 30, 2020. There was also no share transaction that occurred with shares outside of treasury during this nine-month period in the 2020/21 year. For the same nine-month period ending June 30, 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 June 30, 2021, and 2020. The amounts below are in U.S. dollars.

	<i>2021</i>	<i>2020</i>
	\$	\$
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	(770,275)	(112,048)
Cash provided by (used in) investing and financing activities	404,109	(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 dollars.

	<i>2021</i>	<i>2020</i>
	\$	\$
Investment in CANTERRA SEEDS USA LTD.	506,619	555,059

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 nine-month period ended June 30, 2021 and 2020
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 nine months ended June 30, 2021, and 2020. The amounts below are in in Canadian dollars.

	2021	2020
	\$	\$
Current Assets	3,640,240	2,493,238
Long-term Assets	1,738,522	1,784,183
Current Liabilities	404,139	364,085
Revenues	67,970	41,000
Expenses	1,744,656	2,022,389
Net Loss	(1,676,686)	(1,981,389)
Cash provided by (used in) operating activities	(1,204,771)	(1,697,050)
Cash provided by (used in) investing and financing activities	2,955,721	3,207,086

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

	2021	2020
	\$	\$
Investment in Limagrain Cereals Research Canada	1,568,821	1,249,002

10. Earnings per share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the nine-month period ended June 30, 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 June 30, 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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