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CANTERRA SEEDS  
**Q1 REPORT**



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23



# MANAGEMENT'S **DISCUSSION** and **ANALYSIS REPORT**





# Management's Discussion and Analysis Report

REPORT FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

CANTERRA SEEDS HOLDINGS LTD. (the Company) is a recognized leader in the seed industry committed to meeting the seed needs of Western Canadian farmers. We produce, market, and sell the very best in canola, corn, cereals & pulses. Headquartered at 201-1475 Chevrier Boulevard in Winnipeg, Manitoba, the Company is committed to delivering high quality seed to its customers throughout Western Canada. The consolidated financial statements of the Company that follow are for the three months ended December 31, 2022.

CANTERRA SEEDS reports a net loss for the three months ended December 31, 2022, of \$1,663,305. This compares to the December 31, 2021, results where the Company recorded a net loss of \$1,598,501 for the same three-month period.

## 1. INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides information which is supplementary to the CANTERRA SEEDS HOLDINGS LTD. results of operations and financial position. The MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes to the financial statements for the three-month period ending December 31, 2022. The financial data in this report and in the financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

All amounts reported both in the MD&A and in the consolidated financial statements are in Canadian currency and the consolidated financial statements were authorized for issue by the Company's Audit Committee and Board of Directors on February 9, 2023.

## 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 – THREE MONTHS ENDED DECEMBER 31

### SALES AND GROSS PROFIT

CANTERRA SEEDS records revenue on the sale of canola, and corn 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 December to June, the product will not be planted until spring, with seeding occurring mainly in April and May. When deliveries take place and when revenue is recorded for canola, and corn is dependent on many factors, both internal and external to CANTERRA SEEDS. These include the availability of warehouse space, seed treating capacity, trucking for deliveries, timing of quality testing and of course, when the customer (both the farmer and retailer) wants the product delivered to their operation. The only product shipped during the first quarter of the 2021/22 fiscal year was a small amount of canola. For the 2022/23 fiscal year there was no canola or corn delivered to customers, and therefore no sales recorded, until early in January of 2023.

Besides the early deliveries of canola, and corn, the only other sales that occur from October 1 to December 31 is the recording of royalties relating to winter seeded cereal crops along with some sub-license fees from the 2022 spring season that were determined later in the year. There has been a small increase in the tech fee royalties recorded in the quarter ending December 31, 2022, as compared to the same period in 2021 due mainly to the inclusion of these sub-license fees in the current year.

In total, CANTERRA SEEDS sales reduced by \$413 thousand from \$475 thousand in 2021 to \$62 thousand in 2022.

# Management's Discussion and Analysis Report

REPORT FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

There is an increase in the gross profit percentage for these sales from 15.3% for the three months ending December 31, 2021, to 88.4% for the same three months ending December 31, 2022. So, although sales reduced by 87% from the prior year the gross profit has reduced by only 24% or \$18 thousand from a total of \$73 thousand for the prior year to \$55 thousand for the current year. The mix of sales, tech fees and sub-license fees compared to more canola sales in the prior year has created the gross profit percentage increase from 2021.

## OTHER REVENUE

The other revenue had a small reduction year to year of \$33 thousand, from \$64 thousand during the prior year to \$31 thousand during the current quarter.

## OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$116 thousand or 13.5%, from \$861 thousand for the three months ending December 31, 2021, to \$977 thousand for the three months ending December 31, 2022. The main reason for the increases is additional travel expenses after the relaxation of COVID-19 restrictions along with the timing and growth of some other operating expenses.

## LOSS FROM JOINT VENTURES

This amount relates to CANTERRA SEEDS' 30% joint venture in Limagrain Cereals Research Canada (LCRC). During the prior year, CANTERRA SEEDS still owned a 50% ownership share of Meridian Seeds, but this investment has now been sold. The quarter from October 1<sup>st</sup> to December 31<sup>st</sup> is a quarter that

generates little revenue for Meridian Seeds. This has caused a reduction in the loss from joint ventures from the prior to the current year. In addition, the LCRC joint venture has been able to reduce its net loss due to additional revenues and lower overall net expenses.

Overall, the loss from the two joint ventures reduced by \$131 thousand, from \$235 thousand for the three-month period ending December 31, 2021, to \$104 thousand for the same three-month period ending December 31, 2022.

## DEPRECIATION AND AMORTIZATION

There has been a small increase in these expenses. The total depreciation and amortization costs have increased from a total to \$148 thousand for the quarter ending December 31, 2021, to \$150 thousand for the quarter ending December 31, 2022.

## SALARIES, WAGES & BENEFITS

Has increased by \$47 thousand from \$945 thousand for the three-month period ended December 31, 2021, to \$992 thousand for the three-month period ended December 31, 2022, an increase of 4.9%. This increase is due to more full-time staff as well as salary increases year to year.

## INTEREST

There is a small reduction in interest expenses. From \$13 thousand for the three months ending December 31, 2021, to \$11 thousand for the three months ending December 31, 2022.

## 4. SUMMARY OF QUARTERLY FINANCIAL INFORMATION – RESTATED

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

	2022/23 Q1	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 Q4	2020/21 Q3	2020/21 Q2
Total Revenue	62	1,594	17,242	27,801	476	2,634	9,428	25,287
Net Income (loss)	(1,663)	33	758	1,772	(1,599)	(169)	83	1,980
Earnings (loss) per Share (diluted)	(0.22)	0.01	0.10	0.23	(0.21)	(0.02)	0.01	0.26

# Management's Discussion and Analysis Report

REPORT FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

CANTERRA SEEDS principal business is the distribution and sale of seed for the main field crops grown in Western Canada including canola and corn which occurs from December until June. 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 adjustments on late reported spring tech feels and some early deliveries of canola and corn. The financial quarter Q2, from January to March, is made up mainly of canola, and corn seed deliveries and sales, along with some early deliveries of pedigreed products. Q3 sales consist of additional canola, and corn sales, along with the balance of the spring stock seed and registered and certified sales of CANTERRA SEEDS licensed seed. All returns of canola and corn from deliveries recorded as sales earlier in the year would also be recorded in Q3. 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.

If there are any write-downs of inventory this generally occurs in Q4, the months of July through to September. This is when the stock is tested for germination and hybridity and a sales plan is finalized for the following year.

## 5. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and short-term investment position has increased by \$1.63 million for the three months ending December 31, 2022.

Cash provided by operating activities during the year provided \$1.91 million. The main increases are as follows:

- Deposits made by customers for purchases of CANTERRA SEEDS products for the 2023 crop year. This increases totals to \$14.93 million.
- Payments were received on outstanding Accounts Receivable adding \$7.17 million.

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

- The Company increased its inventory and prepaid expenses (mainly prepaid deposits for canola, corn and soybean inventory) by \$10.23 million in order to have canola, and corn products available for sale for the 2023 and 2024 crop years.

- CANTERRA SEEDS paid down outstanding Accounts Payable balances by a total of \$8.06 million.
- The loss recorded during the quarter and income tax payments and accruals used an additional \$1.88 million.

For financing activities, the Company paid down \$75 thousand of lease obligations during the quarter.

The cash used for investing activities was \$196 thousand. The main amount here was a loan to an affiliated company that wasn't paid back until January of 2023. This caused a cash outflow of \$147 thousand. In addition, the Company had purchases of long-term assets totaling to \$49 thousand during the quarter.

## 6. OUTSTANDING SHARE DATA

Issued securities as of February 9, 2023, 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 24 months.

However, there were share transactions that take place between outgoing and new shareholders. During the 2022 fiscal year there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury. For the 2023 fiscal year there has so far been 68,258 Class A shares and 12,000 Class B shares transferred outside of treasury.

## 7. FINANCIAL INSTRUMENTS

A very small portion of the Company's revenues and expenses are denominated in US dollars. The Company is therefore exposed to currency fluctuations on transactions in US dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more US dollars than it would earn when the Canadian exchange rate is weaker compared to the US dollar it will work to reduce margins of the Company. This risk is managed, where practicable, with foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows along with fixed Canadian \$ priced contracts for untreated canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As of December 31, 2022, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

# Management's Discussion and Analysis Report

REPORT FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

## 8. COVID-19

The effect and risk to CANTERRA SEEDS of this virus to its sales has been limited. Farmers continue to seed their crops as they do every year and CANTERRA SEEDS was able to manage its way through any delays caused by the pandemic to ensure product was manufactured and shipped in a timely manner. Certainly, as the COVID restrictions continue to ease, the effect and risk becomes even more negligible.

While the Company has reopened the office to staff and partners, a significant number of staff continue to work from their home offices for portions of the week. The Company and its information systems work very well from remote access so overall the effect has been relatively minimal for operations.

The Company expenses that were diminished during the worst days of the pandemic, like travel, meetings and some promotional expenses, have returned basically to normal at this time.

Going forward, there is not anticipated to be any significant risks or changes related to COVID-19 and CANTERRA SEEDS operations.

## 9. ASSETS HELD FOR SALE

In September of 2021, CANTERRA SEEDS began negotiations to sell its 50% interest in Meridian Seeds, LLC to the other 50% partner, Meridian Ventures, LLC. Since that time this transaction has been completed and CANTERRA SEEDS no longer owns a share of Meridian Seeds, LLC.

A payment plan for this transaction is in place, the first payment has been made and additional payments plus interest will be received over the next two years.

The main reason for this divestiture was that CANTERRA SEEDS wanted to focus even more of its time in expanding its presence in the western Canadian seed industry.

Meridian Seeds, LLC is expected to continue to grow and flourish as an entity and will be a key distribution partner for CANTERRA SEEDS varieties in the future. To that end, a sublicense agreement that defines the protocol and process with both current and future varieties has also been signed with Meridian Seeds, LLC.

## 10. OUTLOOK

The most effective way to analyze the seed sales at CANTERRA SEEDS is to break the business down into their

three methods: (1) canola sales where CANTERRA SEEDS acts as the manufacturer and processor and sells the seed in a CANTERRA SEEDS branded bag, (2) the corn 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® Technology, Clearfield® (Non-GMO) production system for canola and now LibertyLink® canola, with various ranges of maturity, that compete with the best in the market. For the 2022 crop year CANTERRA SEEDS introduced CS3000 TF, a mid-maturing TruFlex™ canola hybrid with excellent yield potential, unique blackleg and second generation clubroot resistance to its portfolio. For the 2023 crop year CANTERRA SEEDS is introducing three new canola varieties CS3100 TF, a TruFlex™ canola hybrid and two new Clearfield® (Non-GMO) varieties, CS2700 CL and CS2800 CL.
- 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



# Management's Discussion and Analysis Report

REPORT FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

protocol that keeps these risks to a minimum.

- Finally, it is critical that the Company ensures its canola products are accessible to as many farmers as possible. CANTERRA SEEDS has worked diligently to continually improve the corporate brand and canola distribution footprint, ensuring 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 continues to partner 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 has continued to grow through 2022. CANTERRA SEEDS is working diligently with the critical success factors outlined above to ensure that this upward trend in market share continues.

For the corn business, CANTERRA SEEDS is the exclusive western Canadian distribution partner for the PRIDE Seeds brand of corn. PRIDE Seeds is part of AgReliant, one of the top breeders and retailers of corn products in North America.

CANTERRA SEEDS anticipates that the acreage in Western Canada seeded to corn will grow over the next few years. With the PRIDE Seeds brand of products, the market share and overall quantity of sales is anticipated to increase for corn, 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.

While CANTERRA SEEDS does have the ability to market PRIDE Seeds brand soybeans, this market is extremely competitive and is not expected to be a key focus for the Company over the next few years.

For the pedigreed seed business, the Company will focus on the critical success factors of the business as follows:

- CANTERRA SEEDS will continue to access leading edge varieties by focusing on the following. Firstly, CANTERRA SEEDS has been very successful at acquiring high-performing varieties from public breeding entities like Agriculture and Agri-Food Canada, the Crop Development Centre, and the University of Alberta. Secondly, the Company is a 30% partner with Limagrain, one of the world's largest and most innovative field seed companies, in the cereals breeding venture named LCRC. This entity has registered wheat varieties including CS Daybreak and CS Accelerate which CANTERRA SEEDS has the rights to. In addition, Limagrain has entered a joint venture with the pulse crop development board, Saskatchewan Pulse Growers. The objective of this joint venture is to bring the very best germplasm of peas and lentils the western Canadian market into the future. CANTERRA SEEDS will have a priority position in accessing products from this venture. 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 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 180 seed growers throughout the Prairies that are growing and selling CANTERRA SEEDS licensed varieties. The Company will continue to add growers where needed and as required, to ensure that farmers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

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. These 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 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 will guarantee a successful return on investment. With the easing of restrictions from the COVID-19 virus,

# Management's Discussion and Analysis Report

REPORT FOR THE THREE MONTHS ENDED DECEMBER 31, 2022

things have returned to somewhat normal with more trade shows, meetings, and travel. However, it is also anticipated that there will be a "different" business model in the seed industry which will likely bring less face-to-face meetings and less travel and therefore lower operating expenses.

As with all industries, CANTERRA SEEDS is faced with significant challenges from the high inflation rates that are driving up costs. The Company makes sure that it spends very wisely ensuring a substantial return on its investment. In addition, it tries to ensure that any added costs are made up for with increased earnings.

At present, CANTERRA SEEDS has a record number of retail canola orders from its customers for the 2023 planting season. The biggest limiting factor for canola sales is expected to be availability of inventory of some of the key hybrids, however, sales are anticipated to be significantly higher than in 2022. The Company is also forecasting that the quantity of corn sold is expected to stay steady from that sold in 2022. Finally, CANTERRA SEEDS anticipates a margin increase with the pedigreed seed business from 2022. Operating expenses will be kept to a minimum and overall, the Company is expected to continue to be profitable in 2023 and into the future.

## 11. ADVANCES TO RELATED AFFILIATES

There is currently an advance of \$36,011 that is owed by Limagrains Cereals Research Canada as of December 31, 2022. These amounts were repaid in January of 2023.

## 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 to ensure that the financial statements and MD&A are presented fairly in all material respects.

The Board of Directors is responsible for ensuring that

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

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

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

This report and the unaudited interim consolidated financial statements were reviewed by the Company's Audit Committee and approved by the CANTERRA SEEDS Board of Directors on February 9, 2023.

### Disclosure Controls

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



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS





**CANTERRA SEEDS Holdings Ltd.**
**Consolidated Statement of Financial Position**
*For the three-month period ended December 31, 2022 and 2021*

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	\$	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash	<b>3,696,326</b>	11,922,948	2,061,712
Accounts receivable	<b>859,102</b>	1,088,897	8,027,620
Income taxes receivable	<b>522,768</b>	467,145	37,402
Inventory (Note 5)	<b>15,051,734</b>	10,431,644	6,987,096
Prepaid expenses and deposits	<b>12,011,848</b>	6,850,772	9,822,411
	<b>32,141,778</b>	30,761,406	26,936,241
Assets held for sale	-	423,018	-
	<b>32,141,778</b>	31,184,424	26,936,241
<b>Property and equipment</b>	<b>500,226</b>	579,936	519,572
<b>Intangible assets</b>	<b>474,777</b>	443,359	492,759
<b>Right-of-use assets</b>	<b>858,103</b>	959,957	922,011
<b>Deferred tax asset</b>	<b>171,818</b>	634,076	171,818
<b>Investment in joint venture (Note 9)</b>	<b>747,397</b>	1,299,489	851,369
<b>Long-term receivables</b>	<b>422,048</b>	213,884	424,553
<b>Advances to related company (Note 6)</b>	<b>36,011</b>	327,489	-
	<b>35,352,158</b>	35,642,614	30,318,323
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accruals	<b>6,169,267</b>	6,052,548	14,230,473
Deferred revenue (Note 7)	<b>14,933,213</b>	16,138,073	-
Advances from related company (Note 6)	-	-	110,942
Current Portion of Lease Obligations	<b>325,925</b>	293,779	329,835
	<b>21,428,405</b>	22,484,400	14,671,250
Lease Obligations	<b>532,191</b>	666,238	592,206
	<b>21,960,596</b>	23,150,638	15,263,456
<b>Shareholders' Equity</b>			
Share capital (Note 8)	<b>12,577,828</b>	12,577,828	12,577,828
Deficit	<b>795,011</b>	(104,575)	2,458,316
Contributed surplus	<b>18,723</b>	18,723	18,723
	<b>13,391,562</b>	12,491,976	15,054,867
<b>Total Liabilities and Equity</b>	<b>35,352,158</b>	35,642,614	30,318,323

APPROVED ON BEHALF OF THE BOARD


  
 Director


  
 Director

The accompanying notes are an integral part of these financial statements

**CANTERRA SEEDS Holdings Ltd.**

## Consolidated Statements of Comprehensive Income

*For the three-month period ended December 31, 2022 and 2021*

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

	<i>Three months ended</i>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	\$	\$
<b>Sales</b>	<b>62,374</b>	475,623
<b>Cost of sales</b>	<b>7,262</b>	402,761
<b>Gross profit</b>	<b>55,112</b>	72,862
<b>Other revenue (Note 4)</b>	<b>31,156</b>	63,635
	<b>86,268</b>	136,497
<b>Operating, general and administrative</b>	<b>977,513</b>	861,435
<b>Loss from joint venture</b>	<b>103,972</b>	234,924
<b>Depreciation</b>	<b>150,446</b>	147,932
<b>Salaries, wages and benefits</b>	<b>991,577</b>	944,948
<b>Interest</b>	<b>11,431</b>	12,903
	<b>2,234,939</b>	2,202,142
<b>Loss from operations before taxes</b>	<b>(2,148,671)</b>	(2,065,645)
<b>Income tax recovery</b>	<b>485,366</b>	467,144
<b>Loss and comprehensive loss</b>	<b>(1,663,305)</b>	(1,598,501)
<b>Loss per share</b>		
Basic and fully diluted (Note 10)	<b>(0.22)</b>	(0.21)

The accompanying notes are an integral part of these financial statements



**CANTERRA SEEDS Holdings Ltd.**

## Consolidated Statements of Cash Flows

*For the three-month period ended December 31, 2022 and 2021*

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

	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	\$	\$
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net loss	(1,663,305)	(1,598,501)
Depreciation of plant and equipment	29,153	31,022
Depreciation of intangible assets	28,482	29,498
Depreciation of right-of-use assets	92,811	87,412
Interest Expense	11,431	12,903
Loss from joint venture	103,972	234,924
Income tax recovery accrual	(485,366)	(467,144)
	<b>(1,882,822)</b>	<b>(1,669,886)</b>
<b>Changes in working capital accounts</b>		
Accounts receivable	7,171,023	3,710,259
Inventory	(8,064,638)	(5,019,601)
Prepaid expenses and deposits	(2,189,437)	(2,688,592)
Accounts payable and accruals	(8,061,206)	(2,366,893)
Deferred revenue	14,933,213	16,106,812
Income tax payable	-	5,122
	<b>1,906,133</b>	<b>8,077,221</b>
<b>Financing activities</b>		
Lease obligation repayments	(75,356)	(12,744)
	<b>(75,356)</b>	<b>(12,744)</b>
<b>Investing activities</b>		
Acquisition of property and equipment	(9,808)	(39,632)
Acquisition of intangible assets	(10,500)	(20,000)
Loans to affiliated companies	(146,953)	(300,735)
Contributions to long-term equity investments	-	(1,914)
Acquisition of right-of-use assets	(28,902)	(87,511)
	<b>(196,163)</b>	<b>(449,792)</b>
<b>Increase in cash resources</b>	<b>1,634,614</b>	<b>7,614,685</b>
<b>Cash and investments, beginning of period</b>	<b>2,061,712</b>	<b>4,308,263</b>
<b>Cash and investments, end of period</b>	<b>3,696,326</b>	<b>11,922,948</b>

The accompanying notes are an integral part of these financial statements

**CANTERRA SEEDS Holdings Ltd.**

## Consolidated Statements of Changes in Equity

*For the three-month period ended December 31, 2022 and 2021*

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

	Share capital	Contributed Surplus	Surplus (deficit)	Total
<b>Balance, September 30, 2021</b>	12,577,828	18,723	1,493,926	<b>14,090,477</b>
Comprehensive loss	-		(1,598,501)	(1,598,501)
<b>Balance, December 31, 2021</b>	12,577,828	18,723	(104,575)	<b>12,491,976</b>
<b>Balance, September 30, 2022</b>	12,577,828	18,723	2,458,316	<b>15,054,867</b>
Comprehensive loss	-	-	(1,663,305)	(1,663,305)
<b>Balance, December 31, 2022</b>	<b>12,577,828</b>	<b>18,723</b>	<b>795,011</b>	<b>13,391,562</b>

The accompanying notes are an integral part of these financial statements

**CANTERRA SEEDS Holdings Ltd.**

## **Notes to the Consolidated Financial Statements**

*For the three-month period ended December 31, 2022 and 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 produces, markets, and sells 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 cereals 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 investment Meridian Seeds LLC (a US company), which is accounted for using the equity method.

### **2. Basis of presentation and continuing operations**

#### **Statement of Compliance**

The unaudited condensed consolidated interim financial statements (or "consolidated financial statements") of the Company as of December 31, 2022, 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 ending September 30, 2022.

These interim condensed consolidated financial statements for the three-month period ending December 31, 2022 and 2021 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on February 9, 2023.

### **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 seed 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 Consolidated Financial Statements

*For the three-month period ended December 31, 2022 and 2021*

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

### 4. Other revenue

	<i>Three Months Ended</i>	
	<i>December 31, 2021</i>	<i>December 31, 2021</i>
	\$	\$
Interest and investment income	<b>8,071</b>	2,282
Other	<b>14,085</b>	52,353
Scientific research and experimental development tax refundable	<b>9,000</b>	9,000
	<b>31,156</b>	63,635

### 5. Inventory

	<i>December 31, 2022</i>	<i>December 31, 2021</i>	<i>September 30, 2022</i>
	\$	\$	\$
Finished goods	<b>5,773,172</b>	1,425,197	3,835,791
Raw materials	<b>9,278,562</b>	9,006,447	3,151,305
	<b>15,051,734</b>	10,431,644	6,987,096

The cost of inventories recognized as an expense and included in cost of sales in 2022 amounted to \$Nil.  
(2021 – \$197,839).

### 6. Advances to related company

	<i>December 31, 2022</i>	<i>December 31, 2021</i>	<i>September 30, 2022</i>
	\$	\$	\$
Meridian Seeds LLC	-	308,642	-
Limagrain Cereals Research Canada	<b>36,011</b>	18,847	(110,942)
	<b>36,011</b>	327,489	(110,942)

Advances to related company are unsecured, non-interest bearing and have no fixed terms of repayment. Meridian Seeds, LLC, a US Limited Liability Corporation was a 50% joint venture interest, but this investment was sold effective December 31, 2021, and Limagrain Cereals Research Canada a Canadian partnership is a 30% joint venture interest.

**CANTERRA SEEDS Holdings Ltd.**

## Notes to the Consolidated Financial Statements

*For the three-month period ended December 31, 2022 and 2021*
**THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR**

### 7. Deferred revenue

Deferred revenue is comprised of deposits received from customers for which the related product has not been shipped on December 31, 2022, or December 31, 2021.

### 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>December 31, 2022</i>	<i>December 31, 2021</i>	<i>September 30, 2022</i>
Issued	\$	\$	\$
Common shares			
7,551,147 Class A common shares (2021 – 7,551,147)	<b>12,109,827</b>	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2021 – 2,118,000)	<b>468,001</b>	468,001	468,001
	<b>12,577,828</b>	12,577,828	12,577,828

There were no share transactions through treasury for the three-month periods ending December 31, 2022 and December 31, 2021. There was also no share transaction that occurred with shares outside of treasury during either the three-month period in 2022 or the same three-month period in 2021. However, during the 2021/22 fiscal year there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury. For the 2022/23 fiscal year there have been 68,258 Class A shares and 12,000 Class B shares transferred outside of treasury so far.

### 9. Interest in joint ventures

The Company had an investment in a joint venture, Meridian Seeds LLC, in which it shared 50% control. Investments in this company, which were subject to joint control, were accounted for using the equity method. On December 31, 2021, the Company exited the 50% partnership in Meridian Seeds LLC for its book value of \$451,433 settled by a promissory note due from the other venturer, repayable over 3 years bearing interest at prime plus 2%. Repayments of \$135,430 were received during the year. The remaining balance of \$316,003 is included in long and short-term receivables.

The following amounts represent the results and financial position of Meridian Seeds LLC for the three months ended December 31, 2021. The amounts below are in US\$.

	<i>2022</i>	<i>2021</i>
	\$	\$
Current Assets	-	1,075,550
Long-term Assets	-	161,115
Current Liabilities	-	636,520
Revenues	-	253,316
Expenses	-	423,580
Net Loss	-	(170,264)
Cash provided by (used in) operating activities	-	(77,870)
Cash provided by (used in) investing and financing activities	-	186,283

**CANTERRA SEEDS Holdings Ltd.**

## Notes to the Consolidated Financial Statements

*For the three-month period ended December 31, 2022 and 2021*
**THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR**

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Investment in CANTERRA SEEDS USA LTD. – shown as Asset Held for Sale	-	423,018

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.

The following amount represent the results and financial position of Limagrain Cereals Research Canada for the three months ending December 31, 2022, and 2021. The amounts below are in in Canadian \$.

	<b>2022</b>	<b>2021</b>
	\$	\$
Current Assets	<b>1,212,132</b>	2,861,949
Long-term Assets	<b>1,792,480</b>	1,536,145
Current Liabilities	<b>764,677</b>	317,854
Revenues	<b>23,592</b>	20,670
Expenses	<b>349,999</b>	447,362
Net Loss	<b>(326,407)</b>	(426,692)
Cash provided by (used in) operating activities	<b>58,576</b>	(211,157)
Cash provided by (used in) investing and financing activities	<b>(36,263)</b>	(63,253)

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Investment in Limagrain Cereals Research Canada	<b>747,397</b>	1,299,489

### 10. Earnings per share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the three-month period ended December 31, 2022, of 7,551,147 (2021 – 7,551,147).





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