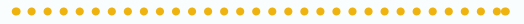


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Seed the Difference.™

CANTERRA SEEDS
Q2 REPORT



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



Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2023

CANTERRA SEEDS 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. The consolidated financial statements of the Company that follow are for the six months ended March 31, 2023.

CANTERRA SEEDS reports income for the six months ended March 31, 2023, of \$745,547. This compares to the March 31, 2022, results where the Company recorded income of \$173,311 for the corresponding six-month period, an increase of \$572,236 for the year to-date. For the three-month quarter ended March 31, 2023, the Company reports net income of \$2,408,852. This income is \$637,040 higher than the net income of \$1,771,812 recorded for the three-month period ended March 31, 2022.

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, 2023. 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 18, 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 – SIX MONTHS ENDED MARCH 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 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 and corn is dependent on many factors, both internal and external to CANTERRA SEEDS. These include the availability of warehouse space, the availability of bare seed, the availability to treat the seed, timing of quality testing, the environmental conditions in the Prairies, the availability of freight, 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 as compared to the 2021/22 fiscal year. As it stands on March 31st, deliveries of canola are significantly higher than they were during the previous year, an increase of 47%. This is due mainly to the fact that overall orders have increased substantially as compared to the prior year. Additional orders also serve to increase the speed of deliveries through the season as it is critical to get all the canola delivered prior to when it is required for spring planting, this ensures that there are minimal logistic issues as seeding occurs.

For corn orders, the opposite has occurred. While deliveries occurred very early in 2021/22, they were significantly delayed for the current year. Therefore, corn sales have reduced substantially year to year with a current decrease of 40%. As CANTERRA SEEDS acts as the exclusive distributor of PRIDE Seeds corn in Western Canada, the product that is sold comes from PRIDE Seeds in Ontario and is dependent on

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2023

when that company can deliver the product. While CANTERRA SEEDS anticipates that overall sales will be comparable to the prior year when the seeding season is concluded, there has been a delay and reduction in corn seed deliveries.

The only other sales recorded in this six-month period are tech fees (royalties) on winter seeded cereal products, sublicense fees determined from the previous spring's plantings and a few other pedigreed seed transactions. Overall, this is very small during the period and has only a small difference from the previous year.

Year to year, sales have increased by \$8.0 million or 28.3%, from \$28.28 million in 2021/22 to \$36.28 million in 2022/23.

As sales have increased, the gross profit for the Company has also increased. Gross profit has increased by \$1.27 million or 30.5% from \$4.17 million in 2021/22 to \$5.45 million in 2022/23. The gross profit has improved by a small amount from 14.8% in 2021/22 to 15.0% in 2022/23. While there was actually a small reduction in the gross margin percentage on canola sales (due mainly to higher input costs), this reduction is more than offset by the fact that more canola as a percentage of total sales was sold during the current year. Canola sales have a higher gross profit percentage than corn as CANTERRA SEEDS acts only as a distributor for the PRIDE Seeds corn product in Western Canada.

OTHER REVENUE

The other revenue has a 59% or a \$90 thousand increase, from \$153 thousand to \$243 thousand. The main reason for this increase is because the interest rates have increased substantially year to year. The Company has been able to take advantage of these improved rates to earn additional interest income during the year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$0.37 million or 25.2%, from \$1.46 million for the six months ending March 31, 2022, to \$1.83 million for the six months ending March 31, 2023. There are several factors that cause this increase including:

- Increased travel and meetings due to the easing of COVID-19 restrictions
- Some corporate consulting work that was undertaken in the current year
- Additional costs due to growth and cost of living

LOSS FROM JOINT VENTURES

This amount relates to CANTERRA SEEDS' 30% joint venture in Limagrain Cereals Research Canada (LCRC). For the first three months of 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 1st to December 31st 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 \$175 thousand, from \$366 thousand for the six-month period ending March 31, 2022, to \$191 thousand for the six-month period ending March 31, 2023.

DEPRECIATION AND AMORTIZATION

There has been a small increase in these expenses. The total depreciation and amortization costs have increased from a total to \$292 thousand for the six months ending March 31, 2022, to \$303 thousand for the six months ending March 31, 2023. This is due to having more vehicles and cost of living increases.

SALARIES, WAGES & BENEFITS

Has increased by \$0.36 million from \$1.95 million for the six-month period ended March 31, 2022, to \$2.31 million for the six-month period ended March 31, 2023, an increase of 18.4%. This increase is due to more full-time staff, salary increases year-to-year and timing of recording certain salary incentive payments.

INTEREST

There is a small reduction in interest expenses. From \$24 thousand for the six months ending March 31, 2022, to \$22 thousand for the six months ending March 31, 2023.

4. RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31

SALES AND GROSS PROFIT

During this three-month period, CANTERRA SEEDS records a significant portion of its canola and corn sales. There are generally also a few small transactions relating to the pedigreed seed part of the business.

Since there are very few deliveries during the first six months of the fiscal year that don't occur between January and March, the explanations for sales and margins are

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2023

effectively the same as those found above. Sales are higher by \$8.42 million or 30.3%, from \$27.80 million in 2021/22 to \$36.22 million in 2022/23.

In addition, the gross profit percentage has increased from 14.7% to 14.9%, and overall the gross profit has increased by \$1.29 million, from \$4.10 million to \$5.39 million.

OTHER REVENUE

Other revenue has increased from \$89 thousand to \$211 thousand for the quarter. The biggest reason for this gain is the additional interest/investment income that the Company is able to earn on its cash balance due to increased interest rates.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased for the same reason as they did for the year-to-date analysis. Increased travel, corporate consulting projects, corporate growth and cost of living have all worked to increase the expenses. For the quarter, these expenses have increased by \$252 thousand or 42%, from \$603 thousand for the three months ended March 31, 2022 to \$855 thousand for the three months ended March 31, 2023.

LOSS FROM JOINT VENTURES

Since the Meridian Seeds, LLC sale transaction occurred effective December 31, 2021, the earnings of Meridian Seeds has no influence to this quarter's comparative results. However, while the LCRC joint venture is still not at a point of generating positive cash flows and financial returns, it has lowered its net operating expenses by billing out some of its

services. In addition, the revenues for the entity are starting to increase.

Overall, the loss from the LCRC joint venture reduced by \$44 thousand, from \$131 thousand for the three-month period ending March 31, 2022, to \$87 thousand for the same three-month period ending March 31, 2023.

DEPRECIATION AND AMORTIZATION

As with the year-to-date results there has been a small increase in these expenses. The total depreciation and amortization costs have increased from a total to \$144 thousand for the three months ending March 31, 2022, to \$153 thousand for the quarter ending March 31, 2023. This is due to having more vehicles and cost of living increases.

SALARIES, WAGES & BENEFITS

Has increased by \$0.31 million, from \$1.01 million for the three-month period ended March 31, 2022, to \$1.32 million for the three-month period ended March 31, 2023, an increase of 31%. This increase is due to more full-time staff, salary increases year after year and the timing of recording certain salary incentive payments. The increase for this quarter is higher than the first quarter comparison due to timing of recording certain salary-related expenses during the year.

INTEREST

There is a small reduction in interest expenses. From \$12 thousand for the three months ending March 31, 2022, to \$11 thousand for the three months ending March 31, 2023.

5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION

Selected Quarterly Financial Information Consolidated								
(\$000's except per share amounts)	2022/23 Q2	2022/23 Q1	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 Q4	2020/21 Q3
Total Revenue	36,217	62	1,594	17,242	27,801	476	2,634	9,428
Net Income (loss)	2,409	(1,663)	33	758	1,772	(1,599)	(169)	83
Earnings (loss) per Share (diluted)	0.32	(0.22)	0.01	0.10	0.23	(0.21)	(0.02)	0.01

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2023

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. 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.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and short-term investment position has increased by \$17.18 million for the six months ended March 31, 2023.

Cash provided by operating activities during the year provided \$18.62 million. The main increases are as follows:

- Deposits made by customers for purchases of CANTERRA SEEDS products for the 2023 crop year. This increase totals \$15.16 million.
- Accounts Payable has increased as there are some significant accruals for TUA fees and royalties as well as billings for products that are not paid until later in 2023. This increased cash by \$12.15 million.
- The income recorded during the quarter after adding back non-cash expenses, the equity loss and adjustments to income tax accruals added an additional \$1.54 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 and corn inventory) by \$5.53 million to have canola and corn products available for sale for the 2023 crop year.
- Sales have occurred but have not yet been paid. The increase in Accounts Receivable has used \$4.70 million.

For financing activities, the Company paid down \$179 thousand of lease obligations during the six-month period.

The cash used for investing activities was \$1.26 million. CANTERRA SEEDS made an equity contribution to LCRC during the recent quarter. This used a little over \$1 million of the Company's cash. The balance of the usage is for the purchase of long-term assets during the six-month period and a loan to an affiliated company.

7. OUTSTANDING SHARE DATA

Issued securities as of May 18, 2023, are as follows:

Issued	Book Value
7,551,147 Class A common shares	\$12,109,827
2,136,000 Class B series 1 shares	\$468,001

There were no share transactions through treasury for the six-month periods ended March 31, 2023, and March 31, 2022. However, in May of 2023 the Company finalized the sale of 18,000 Class B shares out of treasury for a total value of \$18,000. CANTERRA SEEDS was able to issue shares from treasury by utilizing a share purchase exemption for Class B shares that was granted by the Manitoba Financial Services Agency – Securities Division. During the six-month period of October 1, 2022 to March 31, 2023, there were 107,142 Class A shares and 54,000 Class B shares transferred outside of treasury. For the same six-month period ending March 31, 2022, there were 107,151 Class A shares and 150,000 Class B shares transferred outside of 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.

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2023

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, 2023, 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 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-19 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.

In the future, there is not anticipated to be any significant risks or changes related to COVID-19 and CANTERRA SEEDS' operations.

10. 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 and cash 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.

11. 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) 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, Clearfield® (Non-GMO) production system for canola and 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. Several new varieties will be field tested by CANTERRA SEEDS in 2023 with the hopes that these will be licensed for the 2024 crop year.
- 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

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2023

the standards set by the Canada Seeds Act but exceeds these standards and the competition in the market.

- Thirdly, there is always the risk of inventory obsolescence with all seed products. This could be due to a drop or decreased germination level, or the variety is no longer competitive in the market. The Company proactively manages the lifecycles of the specific hybrids and varieties as well as following its strict seed quality protocol that keeps these risks to a minimum.
- Finally, it is critical that the Company ensures its canola products are accessible to as many 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 and is forecast to continue to increase significantly once again in 2023. 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 has been a distribution partner for Western Canada since the 2016 crop year and became the exclusive western Canadian distribution partner for the PRIDE Seeds brand of corn in 2020. A decision has been made to discontinue this partnership effective June 30, 2023. With this, the Company has also decided that it will no longer participate in the corn seed business in Western Canada in the future.

While the Company has enjoyed the opportunity to expand its portfolio of seed products for the western Canadian farmer, the financial effect of this decision is anticipated to be negligible as reduced expenses from exiting this partnership should balance off against the margin that was earned on corn sales.

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 to 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 182 seed licensees 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.

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2023

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, 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.

The Company is approaching the end of its sale season. The forecast is that there will be a significant increase in canola sales from the 2022 fiscal year, corn sales that are relatively flat from 2022, along with a reduction in sales and margins 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 is expecting to continue to grow sales and margins into the future.

12. ADVANCES TO RELATED AFFILIATES

There is currently no advance from or to the Company's related company, LCRC as at March 31, 2023.

13. 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 May 18, 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

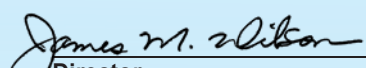


CANTERRA SEEDS Holdings Ltd.
Consolidated Statement of Financial Position
For the six-month period ended March 31, 2023 and 2022

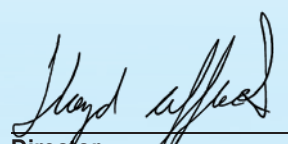
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

	March 31, 2023	March 31, 2022	September 30, 2022
	Unaudited	Unaudited	Audited
	\$	\$	\$
Assets			
Current			
Cash	19,244,529	27,191,167	2,061,712
Accounts receivable	12,731,894	7,083,499	8,027,620
Income taxes receivable	-	-	37,402
Inventory (Note 5)	12,705,328	13,497,690	6,987,096
Prepaid expenses and deposits	9,638,626	5,459,262	9,822,411
	54,320,377	53,231,618	26,936,241
Assets held for sale	-	420,912	-
	54,320,377	53,652,530	26,936,241
Property and equipment	564,392	555,478	519,572
Intangible assets	446,521	435,587	492,759
Right-of-use assets	765,329	878,769	922,011
Deferred tax asset	171,818	634,233	171,818
Investment in joint venture (Note 9)	1,662,107	1,168,082	851,369
Long-term receivables	421,879	213,884	424,553
Advances to related company (Note 6)	-	33,454	-
	58,352,423	57,572,017	30,318,323
Liabilities			
Current			
Accounts payable and accruals	26,388,477	25,398,831	14,230,473
Deferred revenue (Note 7)	15,156,566	16,981,452	-
Income Taxes Payable	241,068	49,116	-
Advances from Related Companies	-	-	110,942
Current Portion of Lease Obligations	325,925	275,237	329,835
	42,112,036	42,704,636	14,671,250
Lease Obligations	439,973	603,593	592,206
	42,552,009	43,308,229	15,263,456
Shareholders' Equity			
Share capital (Note 8)	12,577,828	12,577,828	12,577,828
Deficit	3,203,863	1,667,237	2,458,316
Contributed surplus	18,723	18,723	18,723
	15,800,414	14,263,788	15,054,867
Total Liabilities and Equity	58,352,423	57,572,017	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 six-month period ended March 31, 2023 and 2022

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	\$	\$	\$	\$
Sales	36,216,478	27,800,805	36,278,852	28,276,428
Cost of sales	30,826,505	23,700,848	30,833,767	24,103,609
Gross profit	5,389,973	4,099,957	5,445,085	4,172,819
Other revenue (Note 4)	211,339	89,127	242,495	152,762
	5,601,312	4,189,084	5,687,580	4,325,581
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	855,370	603,057	1,832,883	1,464,493
Loss from joint venture	87,290	131,653	191,262	366,576
Depreciation and amortization	152,763	143,676	303,209	291,607
Salaries, wages and benefits	1,322,223	1,009,661	2,313,800	1,954,610
Interest	10,979	11,632	22,410	24,535
	2,428,625	1,899,679	4,663,564	4,101,821
Income from operations before taxes	3,172,687	2,289,405	1,024,016	223,760
Income tax expense	(763,835)	(517,593)	(278,469)	(50,449)
Income and comprehensive income	2,408,852	1,771,812	745,547	173,311
Income per share				
Basic and fully diluted (Note 10)	0.32	0.23	0.10	0.02

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Cash Flows

For the six-month period ended March 31, 2023 and 2022

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

	2023 <i>Unaudited</i>	2022 <i>Unaudited</i>
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net income	745,547	173,311
Depreciation of plant and equipment	60,887	65,737
Depreciation of intangible assets	56,737	57,270
Depreciation of right-of-use assets	185,585	168,600
Interest	22,410	24,535
Transfer with joint-ventures – non-cash	-	(54)
Loss from joint venture	191,262	366,576
Income tax accrual	278,469	50,449
	1,540,897	906,424
Changes in working capital accounts		
Accounts receivable	(4,701,600)	(2,284,343)
Inventory	(5,718,232)	(8,085,647)
Prepaid expenses and deposits	183,785	(1,297,082)
Accounts payable and accruals	12,158,004	16,979,390
Deferred revenue	15,156,566	16,950,191
Income tax payable	1	3,634
	18,619,421	23,172,567
Financing activities		
Lease obligation repayments	(178,553)	(105,563)
	(178,553)	(105,563)
Investing activities		
Purchases of property and equipment	(105,707)	(49,890)
Acquisition of intangible assets	(10,499)	(40,000)
Repayment from (loans to) affiliated companies	(110,942)	(6,700)
Contributions to long-term equity investments	(1,002,000)	-
Purchase of right-of-use assets	(28,903)	(87,510)
	(1,258,051)	(184,100)
Increase in cash resources	17,182,817	22,882,904
Cash and investments, beginning of period	2,061,712	4,308,263
Cash and investments, end of period	19,244,529	27,191,167

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Changes in Equity

For the six-month period ended March 31, 2023 and 2022

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

	Share capital	Contributed Surplus	Surplus (deficit)	Total
Balance, September 30, 2021	12,577,828	18,723	1,493,926	14,090,477
Comprehensive income	-	-	173,311	173,311
Balance, March 31, 2022	12,577,828	18,723	1,667,237	14,263,788
Balance, September 30, 2022	12,577,828	18,723	2,458,316	15,054,867
Comprehensive income	-	-	745,547	745,547
Balance, March 31, 2023	12,577,828	18,723	3,203,863	15,800,414

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.

Notes to the Consolidated Financial Statements

For the six-month period ended March 31, 2023 and 2022

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, 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 U.S. company), and its joint venture investment Meridian Seeds, LLC (a U.S. company), which is accounted for using the equity method. The Company's share of Meridian Seeds, LLC was sold in 2022. While the comparative numbers show the equity method investment in that company as at March 31, 2022 this entity is no longer being consolidated.

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, 2023, 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, 2022.

These interim condensed consolidated financial statements for the six-month period ended March 31, 2023, and 2022 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on May 18, 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 receivables 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.

CANTERRA SEEDS Holdings Ltd.

Notes to the Consolidated Financial Statements

For the six-month period ended March 31, 2023 and 2022

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

4. Other revenue

	Three Months Ended		Six Months Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	\$	\$	\$	\$
Interest and investment income	182,957	50,642	191,028	52,924
Other	19,382	29,485	33,467	81,838
Scientific research & development tax refundable	9,000	9,000	18,000	18,000
	211,339	89,127	242,495	152,762

5. Inventory

	March 31, 2023	March 31, 2022	September 30, 2022
	\$	\$	\$
Finished goods	4,756,322	5,332,788	3,835,791
Raw materials	7,949,006	8,164,902	3,151,305
	12,705,328	13,497,690	6,987,096

The cost of inventories recognized as an expense and included in cost of sales in 2023 amounted to \$12,642,094 (2022 – \$8,421,785).

6. Advances to related company

	March 31, 2023	March 31, 2022	September 30, 2022
	\$	\$	\$
Meridian Seeds LLC	-	20,161	-
Limagrain Cereals Research Canada	-	13,293	(110,942)
	-	33,454	(110,942)

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 was a 50% joint venture interest until it was sold in 2022 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 six-month period ended March 31, 2023 and 2022

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 March 31, 2023, or March 31, 2022.

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>March 31, 2023</i>	<i>March 31, 2022</i>	<i>September 30, 2022</i>
Issued			
	\$	\$	\$
Common shares			
7,551,147 Class A common shares (2022 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,118,000 Class B series 1 shares (2022 – 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, 2023, and March 31, 2022. During the six-month period of October 1, 2022, to March 31, 2023 there were 107,142 Class A shares and 54,000 Class B shares transferred outside of treasury. For the same six-month period ending March 31, 2022, there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury.

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 three years bearing interest at prime plus 2%. Repayments of \$135,430 were received in 2022. 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 six months ended March 31, 2022. The amounts below are in U.S. dollars.

	<i>2023</i>	<i>2022</i>
	\$	\$
Current Assets	-	843,744
Long-term Assets	-	201,702
Current Liabilities	-	597,929
Revenues	-	335,494
Expenses	-	716,931
Net Loss	-	(381,437)
Cash provided by (used in) operating activities	-	(27,156)

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

CANTERRA SEEDS Holdings Ltd.

Notes to the Consolidated Financial Statements

For the six-month period ended March 31, 2023 and 2022

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

	2023	2022
	\$	\$
Investment in CANTERRA SEEDS USA LTD.	-	420,912

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 six months ended March 31, 2023, and 2022. The amounts below are in in Canadian \$.

	2023	2022
	\$	\$
Current Assets	3,983,610	2,452,012
Long-term Assets	1,682,930	1,425,959
Current Liabilities	387,014	218,139
Revenues	43,288	23,663
Expenses	660,662	870,762
Net Loss	(617,374)	(847,099)
Cash provided by (used in) operating activities	(554,930)	(616,856)
Cash provided by (used in) investing and financing activities	(3,265,013)	(112,809)

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

	2023	2022
	\$	\$
Investment in Limagrain Cereals Research Canada	1,662,107	1,168,082

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, 2023, of 7,551,147 (2021 – 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, 2023, 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 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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