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**CANTERRA  
SEEDS**

Seed the Difference.™

**CANTERRA SEEDS  
Q3 REPORT**

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



# Management's Discussion and Analysis Report

REPORT FOR THE NINE MONTHS ENDED JUNE 30, 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 nine months ended June 30, 2023.

CANTERRA SEEDS reports income for the nine months ended June 30, 2023, of \$1,357,326. This compares to the June 30, 2022, results where the Company recorded income of \$931,345 for the corresponding nine-month period, an increase of \$425,981 for the year to date. For the three-month quarter ended June 30, 2023, the Company reports net income of \$611,779. This income is \$146,253 lower than the net income of \$758,032 recorded for the three-month period ended June 30, 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 nine-month period ending June 30, 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 August 17, 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 for, or effects on, the Company.

## 3. RESULTS OF OPERATIONS – NINE MONTHS ENDED JUNE 30

### SALES AND GROSS PROFIT

CANTERRA SEEDS records revenue on the sale of canola and corn 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 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. Deliveries of canola are higher than they were during the previous year, an increase of more than 8%. The Company continues to improve its market share in the canola sector in Western Canada due to topline varieties and improved relationships with its retail customers.

With corn, sales have reduced by 7.5% from 2021/22 to 2022/23. This is a relatively small reduction year to year.

Sales of pedigreed and other seed (wheat, barley, oats, peas, beans, etc.) increased by \$0.37 million or 52%. In 2022, CANTERRA SEEDS released a new tech fee reporting system, but this was delayed until closer to the end of June, which in turn delayed the reporting of spring tech fees during that year. For 2023, the system was available earlier causing more reporting of these revenues in Q3. This was partially offset, however, by sales of registered seed that were recorded in Q3 in 2022 and will be recorded in Q4 in 2023.

Year to year, sales have increased by \$9.68 million or 21.3% from \$45.52 million in 2021/22 to \$55.2 million in 2022/23.

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As sales have increased, the gross profit for the Company has also increased. Gross profit has increased by \$1.17 million or 16.8% from \$6.97 million in 2021/22 to \$8.14 million in 2022/23. The gross profit percentage has reduced from 15.3% in 2021/22 to 14.7% in 2022/23. The gross profit percentage has reduced for both canola and corn from the prior year. For corn, this is due mainly to timing of adjustment calculations from year to year. For canola, the reduction is due to an increase in sales of higher priced seed with additional seed treatments which increases both the sales and cost of sales but does not change the gross profit per bag. While the pedigreed seed gross profit percentage was higher than the previous year it was not substantial enough to offset these reductions.

## OTHER REVENUE

The other revenue has a 43% or a \$154 thousand increase from \$358 thousand to \$512 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 \$0.39 million or 18.1%, from \$2.17 million for the nine months ending June 30, 2022, to \$2.56 million for the nine months ending June 30, 2023. There are several factors that cause this increase including:

- Increased travel and meetings due to the easing of COVID restrictions
- Additional advertising and promotion with the introduction of new canola varieties
- 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 net expenses.

Overall, the loss from the two joint ventures reduced by \$163 thousand, from \$518 thousand for the nine-month period ending June 30, 2022, to \$355 thousand for the nine-month period ending June 30, 2023.

## DEPRECIATION AND AMORTIZATION

There has been a marginal increase in these expenses. The total depreciation and amortization costs have increased from a total to \$427 thousand for the nine months ending June 30, 2022, to \$459 thousand for the nine months ending June 30, 2023. This is due to having more vehicles and cost of living increases.

## SALARIES, WAGES & BENEFITS

Has increased by \$0.46 million from \$2.98 million for the nine-month period ended June 30, 2022, to \$3.44 million for the nine-month period ended June 30, 2023, an increase of 15.5%. 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 \$35 thousand for the nine months ending June 30, 2022, to \$32 thousand for the nine months ending June 30, 2023.

## 4. RESULTS OF OPERATIONS – THREE MONTHS ENDED JUNE 30

### SALES AND GROSS PROFIT

This three-month period is very interesting when it comes to sales for the following reasons:

- First, while most of the deliveries and sales of canola and corn occur in the quarter from January 1st to March 31st there is still a significant amount of product sold during this quarter.
- However, all canola and corn that was delivered and recorded as sales, but is not seeded during the spring, is returned to CANTERRA SEEDS each year. These returns are recorded as sales credit during the quarter from April 1st to June 30th.
- While canola and corn deliveries generally occur between January and June each year the timing of both of these products can vary greatly between the quarters depending on a number of factors, both internal and external to the business.

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REPORT FOR THE NINE MONTHS ENDED JUNE 30, 2023

While most of the pedigreed seed sales are recorded during the quarter from July 1st to September 30th there is still a substantial portion that is recorded during the quarter from April 1st to June 30th.

CANTERRA SEEDS had sales of \$18.92 million during the current quarter, which is an increase of \$1.68 million from the \$17.24 million recorded during the same period in 2022. Due to the fact that deliveries of canola occurred significantly earlier this year there was actually a small reduction in sales during this quarter compared to the previous year. Corn deliveries and sales were the opposite as deliveries were delayed until later in the spring so there was a substantial increase in sales during the current quarter for that product. Finally, as was mentioned earlier, pedigreed seed sales also increased as compared to the same quarter in 2022.

Due to the mix of sales (mainly lower canola along with higher corn sales) the gross profit percentage reduced by 2.0% from 16.2% to 14.2% and the gross profit reduced by \$0.1 million from \$2.8 million for the quarter ended June 30, 2022 to \$2.7 million for the quarter ended June 30, 2023.

## OTHER REVENUE

Other revenue has increased from \$205 thousand to \$270 thousand for the quarter. The biggest reason for this gain is the additional interest/investment income that the Company can earn on its cash balance due to increased interest rates.

## OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$24 thousand or 3.4% from \$702 thousand for the three months ended June 30, 2022, to \$726 thousand for the three months ended June 30, 2023. The biggest increase is with advertising and promotion during the quarter. The main reason for this is that there was

significant early success selling canola in earlier quarters so some focused marketing occurred during the current quarter.

## LOSS FROM JOINT VENTURES

While overall the LCRC joint ventures net operating expenses are lower than the previous year, for the quarter the loss from the LCRC joint venture increased by \$13 thousand, from \$151 thousand for the three-month period ending June 30, 2022, to \$164 thousand for the same three-month period ending June 30, 2023. The reason for this increase was due to timing of when a few expenses recorded between the years.

## DEPRECIATION AND AMORTIZATION

As with the year-to-date results there has been an increase in these expenses. The total depreciation and amortization costs have increased from a total of \$136 thousand for the three months ending June 30, 2022, to \$156 thousand for the quarter ending June 30, 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 over year and the timing of recording certain salary incentive payments. The increase for this quarter is higher than the two quarters comparisons due to timing of recording certain salary-related expenses during the year.

## INTEREST

There is a small reduction in interest expenses. From \$11 thousand for the three months ending June 30, 2022, to \$9 thousand for the three months ending June 30, 2023.

## 5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION

Selected Quarterly Financial Information Consolidated								
(\$000's except per share amounts)	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 Q4	2021/22 Q3	2021/22 Q2	2021/22 Q1	2020/21 Q4
Total Revenue	18,922	36,217	62	1,594	17,242	27,801	476	2,634
Net Income (loss)	611	2,409	(1,663)	33	758	1,772	(1,599)	(169)
Earnings (loss) per Share (diluted)	0.08	0.32	(0.22)	0.01	0.10	0.23	(0.21)	(0.02)

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CANTERRA SEEDS principal business is the distribution and sale of seed for the main field crops grown in Western Canada including canola 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 (Q1) consists mainly of the recording of royalties for fall seeded cereal varieties, along with some adjustments on late reported spring tech fees 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. However, the returns of canola and corn are generally fully reported during this quarter. 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 \$6.42 million for the nine months ended June 30, 2023.

Cash provided by operating activities during the year provided \$10.21 million. The main increases are as follows:

- 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 \$13.09 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 \$2.65 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 \$2.42 million in order to have canola and corn products available for sale for the 2024 crop year.
- Sales have occurred but have not yet been paid. The increase in Accounts Receivable has used \$3.16 million.

For financing activities, the Company paid down \$283 thousand of lease obligations during the nine-month period.

The cash used for investing activities was \$3.5 million. CANTERRA SEEDS made the decision to purchase the rights to the Agro.Club platform during this time. This used approximately \$2.28 million of funds. In addition, 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 company did sell additional Class B shares out of treasury that added \$41 thousand of equity and funds to the Company. The balance of the usage, \$0.15 million, is for the purchase of long-term assets during the nine-month period and a loan repayment to an affiliated company.

## 7. OUTSTANDING SHARE DATA

Issued securities as of August 17, 2023, are as follows:

Issued	Book Value
7,551,147 Class A common shares	\$12,109,827
2,178,000 Class B series 1 shares	\$509,281

During the nine-month period ended June 30, 2023, there were 42,000 Class B shares purchased for a total net dollar value of \$41,280. No such transactions took place for the same nine-month period ended June 30, 2022. 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. Also, during the nine-month period of October 1, 2022, to June 30, 2023 there were 114,026 Class A shares and 54,000 Class B shares transferred outside of treasury. For the same nine-month period ending June 30, 2022, there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury.

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## 8. FINANCIAL INSTRUMENTS

A very small portion of the Company's revenues and expenses are denominated in U.S. dollars. The Company is therefore exposed to currency fluctuations on transactions in U.S. dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more U.S. dollars than it would earn when the Canadian exchange rate is weaker compared to the U.S. dollar it will work to reduce margins of the Company. This risk is managed, where practicable, with foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows along with fixed Canadian dollar priced contracts for untreated canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As of June 30, 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 restrictions have been eliminated, 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, TruFlex® canola, 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.

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For the 2023 crop year, CANTERRA SEEDS introduced 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 are being field tested by CANTERRA SEEDS in 2023 with the hope 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 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 either a reduction in the seeds germination level, or simply that 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 utilizes the Agro.Club Canada platform 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 2023. CANTERRA SEEDS is working diligently with the critical success factors outlined above to ensure that this upward trend in market share continues into 2024 and beyond.

For the corn business, CANTERRA SEEDS has been a distribution partner for PRIDE Seeds in Western Canada since the 2016 crop year and became the exclusive western Canadian distribution partner for the PRIDE Seeds brand of corn in 2020. This partnership was dissolved 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 in the western Canadian market into the future. CANTERRA SEEDS will have a priority position in accessing products from this venture. LCRC has now been in operation for seven years and is at the point where it's ramping up production of leading-edge varieties both in cereals and pulses. These varieties are anticipated to be registered in February 2024 and will be available for CANTERRA SEEDS to register shortly thereafter. 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 over the last few years, 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 184 seed licensees throughout the Prairies that are growing and selling CANTERRA SEEDS licensed varieties. The Company will continue to add growers where needed



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and as required, to ensure that farmers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

With the affiliated company's results, 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, 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.

Significant portions of Western Canada have suffered from a very persistent drought that has effected growing conditions throughout the Prairies. The effects of this drought on CANTERRA SEEDS' future business is anticipated to be relatively inconsequential. For the production of canola, timely rains along with irrigated fields should give the Company the quality and quantity of product it needs for sale. For pedigreed seed, it seems clear that this drought will affect supply in parts of Western Canada, but this effect is likely to be muted as the demand for certified seed is anticipated to also increase.

For the forecast of the 2023 fiscal year the Company has a significant increase in canola sales from the 2022 fiscal year, along with a small reduction in corn sales from 2022, and a forecasted reduction in sales and margins from the

pedigreed seed business compared to the prior year. Net operating expenses are being kept to a minimum and the Company is expected to continue to be profitable in 2023. For 2024, CANTERRA SEEDS is budgeting increases in both its canola and pedigreed sales from 2023 and is looking to keep its net operating expenses relatively comparable to 2023. Overall, it is anticipated that the Company will increase its sales and income for 2024 and into the future.

## 12. ADVANCES TO RELATED AFFILIATES

There is currently no advance from or to the Company's related company, LCRC, as of June 30, 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

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the duty to review the appropriateness of the accounting policies and significant estimates and judgments underlying the unaudited interim consolidated financial statements as presented by management. The Audit Committee also reviews and makes recommendations to the Board of Directors with respect to the fees of the external auditors. The Audit Committee reports its findings to the Board of Directors for its considerations when it approves the consolidated financial statements and MD&A for issuance to shareholders.

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

This report and the unaudited interim consolidated financial statements were reviewed by the Company's Audit Committee and approved by the CANTERRA SEEDS Board of Directors on August 17, 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

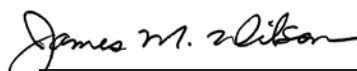


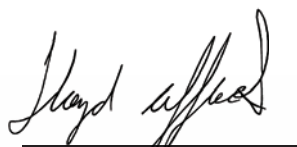
**CANTERRA SEEDS Holdings Ltd.**
**Consolidated Statement of Financial Position**
*For the nine-month period ended June 30, 2023 and 2022*

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

	<i>June 30, 2023</i>	<i>June 30, 2022</i>	<i>September 30, 2022</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	\$	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	8,481,240	15,262,391	2,061,712
Accounts receivable	11,186,336	8,923,530	8,027,620
Income taxes receivable	-	-	37,402
Inventory (Note 5)	8,170,777	7,395,783	6,987,096
Prepaid expenses and deposits	11,058,357	6,766,001	9,822,411
	<b>38,896,710</b>	<b>38,347,705</b>	<b>26,936,241</b>
<b>Property and equipment</b>	<b>2,816,831</b>	<b>528,093</b>	<b>519,572</b>
<b>Intangible assets</b>	<b>418,295</b>	<b>522,079</b>	<b>492,759</b>
<b>Right-of-use assets</b>	<b>671,526</b>	<b>809,651</b>	<b>922,011</b>
<b>Deferred tax asset</b>	<b>171,818</b>	<b>634,233</b>	<b>171,818</b>
<b>Investment in joint venture (Note 7)</b>	<b>1,498,268</b>	<b>1,016,922</b>	<b>851,369</b>
<b>Long-term receivables</b>	<b>421,879</b>	<b>412,292</b>	<b>424,553</b>
	<b>44,895,327</b>	<b>42,270,975</b>	<b>30,318,323</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accruals	27,321,495	26,170,517	14,230,473
Income Taxes Payable	449,337	268,955	-
Advances from Related Companies	-	-	110,942
Current Portion of Lease Obligations	325,925	253,103	329,835
	<b>28,096,757</b>	<b>26,692,575</b>	<b>14,671,250</b>
Lease Obligations	345,097	556,578	592,206
	<b>28,441,854</b>	<b>27,249,153</b>	<b>15,263,456</b>
<b>Shareholders' Equity</b>			
Share capital (Note 6)	12,619,108	12,577,828	12,577,828
Deficit	3,815,642	2,425,271	2,458,316
Contributed surplus	18,723	18,723	18,723
	<b>16,453,473</b>	<b>15,021,822</b>	<b>15,054,867</b>
<b>Total Liabilities and Equity</b>	<b>44,895,327</b>	<b>42,270,975</b>	<b>30,318,323</b>

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 nine-month period ended June 30, 2023 and 2022*

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

	<i>Three months ended</i>		<i>Nine 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>
	\$	\$	\$	\$
<b>Sales</b>	<b>18,922,223</b>	<b>17,242,568</b>	<b>55,201,075</b>	<b>45,518,996</b>
<b>Cost of sales</b>	<b>16,226,059</b>	<b>14,446,599</b>	<b>47,059,826</b>	<b>38,550,208</b>
<b>Gross profit</b>	<b>2,696,164</b>	<b>2,795,969</b>	<b>8,141,249</b>	<b>6,968,788</b>
<b>Other revenue (Note 4)</b>	<b>269,934</b>	<b>205,090</b>	<b>512,429</b>	<b>357,852</b>
	<b>2,966,098</b>	<b>3,001,059</b>	<b>8,653,678</b>	<b>7,326,640</b>
<b>Selling, general and administrative expenses and loss from joint venture</b>				
Operating, general and administrative	725,555	701,544	2,558,438	2,166,037
Loss from joint venture	163,839	151,161	355,101	517,737
Depreciation and amortization	155,607	135,556	458,816	427,163
Salaries, wages and benefits	1,128,347	1,024,234	3,442,147	2,978,844
Interest	9,258	10,692	31,668	35,227
	<b>2,182,606</b>	<b>2,023,187</b>	<b>6,846,170</b>	<b>6,125,008</b>
<b>Income from operations before taxes</b>	<b>783,492</b>	<b>977,872</b>	<b>1,807,508</b>	<b>1,201,632</b>
<b>Income tax expense</b>	<b>(171,713)</b>	<b>(219,840)</b>	<b>(450,182)</b>	<b>(270,287)</b>
<b>Income and comprehensive income</b>	<b>611,779</b>	<b>758,032</b>	<b>1,357,326</b>	<b>931,345</b>
<b>Income per share</b>				
Basic and fully diluted (Note 8)	<b>0.08</b>	<b>0.10</b>	<b>0.18</b>	<b>0.12</b>

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.

## Consolidated Statements of Cash Flows

*For the nine-month period ended June 30, 2023 and 2022*

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

	<b>2023</b>	<b>2022</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	\$	\$
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net income	1,357,326	931,345
Depreciation of plant and equipment	94,464	98,751
Depreciation of intangible assets	84,964	83,278
Depreciation of right-of-use assets	279,388	245,134
Interest	31,668	35,227
Transfer with joint-ventures – non-cash	-	(107,163)
Loss from joint venture	355,101	517,737
Income tax accrual	450,182	270,286
	<b>2,653,093</b>	<b>2,074,595</b>
<b>Changes in working capital accounts</b>		
Accounts receivable	(3,156,042)	(4,124,374)
Inventory	(1,183,681)	(1,983,740)
Prepaid expenses and deposits	(1,235,946)	(2,603,821)
Accounts payable and accruals	13,091,022	17,751,076
Deferred revenue	-	(31,261)
Income tax payable	36,557	3,635
	<b>10,205,003</b>	<b>11,086,110</b>
<b>Financing activities</b>		
Lease obligation repayments	(282,686)	(185,404)
	<b>(282,686)</b>	<b>(185,404)</b>
<b>Investing activities</b>		
Purchases of property and equipment	(2,391,724)	(55,518)
Purchases of intangible assets	(10,500)	(152,500)
Purchases of right-of-use assets	(28,903)	(94,927)
Repayment from (loans to) affiliated companies	(110,942)	26,754
Contributions to long-term equity investments	(1,002,000)	-
Sales of assets held for resale	-	528,021
Sale of shares from treasury	41,280	-
Increase in long-term receivables	-	(198,408)
	<b>(3,502,789)</b>	<b>53,422</b>
<b>Increase in cash resources</b>	<b>6,419,528</b>	<b>10,954,128</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,061,712</b>	<b>4,308,263</b>
<b>Cash and cash equivalents, end of period</b>	<b>8,481,240</b>	<b>15,262,391</b>

The accompanying notes are an integral part of these financial statements

**CANTERRA SEEDS Holdings Ltd.**

## Consolidated Statements of Changes in Equity

*For the nine-month period ended June 30, 2023 and 2022*

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 income	-	-	931,345	931,345
<b>Balance, June 30, 2022</b>	12,577,828	18,723	2,425,271	<b>15,021,822</b>
<b>Balance, September 30, 2022</b>	12,577,828	18,723	2,458,316	<b>15,054,867</b>
Comprehensive income	41,280	-	1,357,326	1,398,606
<b>Balance, June 30, 2023</b>	<b>12,619,108</b>	<b>18,723</b>	<b>3,815,642</b>	<b>16,453,473</b>

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.

## Notes to the Consolidated Financial Statements

For the nine-month period ended June 30, 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 (USA) Ltd. (a US company), CANTERRA SEEDS (2002) Ltd. (a Canadian corporation) along with its joint venture, Limagrain Cereals Research Canada (a Canadian partnership) 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 June 30, 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 nine-month period ended June 30, 2023, and 2022 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on August 17, 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, equipment, and other fixed assets. 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 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 nine-month period ended June 30, 2023 and 2022*

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

**4. Other revenue**

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>June 30, 2023</i>	<i>June 30, 2022</i>	<i>June 30, 2023</i>	<i>June 30, 2022</i>
	\$	\$	\$	\$
Interest and investment income	<b>239,516</b>	78,196	<b>430,544</b>	131,120
Contract services and program payments	-	132,118	-	132,118
Other	<b>21,418</b>	(14,224)	<b>54,885</b>	67,614
Scientific research & development tax refundable	<b>9,000</b>	9,000	<b>27,000</b>	27,000
	<b>269,934</b>	205,090	<b>512,429</b>	357,852

**5. Inventory**

	<i>June 30, 2023</i>	<i>June 30, 2022</i>	<i>September 30, 2022</i>
	\$	\$	\$
Finished goods	<b>4,838,269</b>	5,104,488	3,835,791
Raw materials	<b>3,332,508</b>	2,291,295	3,151,305
	<b>8,170,777</b>	7,395,783	6,987,096

The cost of inventories recognized as an expense and included in cost of sales in 2023 amounted to \$18,983,666 (2022 – \$14,965,442).

**CANTERRA SEEDS Holdings Ltd.**

## Notes to the Consolidated Financial Statements

*For the nine-month period ended June 30, 2023 and 2022*

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

### 6. Share capital

#### Authorized

Unlimited number of Class A voting common shares.

Unlimited number of Class B shares, non-voting, non-participating, redeemable at the option of the Company if the shareholder fails to fully pay for shares, fails to exercise share purchase options, or if the shareholder causes the corporation to have its rights under any license agreement terminated.

Unlimited number of Class C shares without nominal or par value, non-voting, and non-redeemable.

	<i>June 30, 2023</i>	<i>June 30, 2022</i>	<i>September 30, 2022</i>
Issued			
	\$	\$	\$
Common shares			
7,551,147 Class A common shares (2022 – 7,551,147)	<b>12,109,827</b>	12,109,827	12,109,827
2,160,000 Class B series 1 shares (2022 – 2,118,000)	<b>509,281</b>	468,001	468,001
	<b>12,619,108</b>	12,577,828	12,577,828

There were 42,000 Class B shares sold out of treasury during the nine-month period ending June 30, 2023. There were no transactions sold out of treasury during the same nine-month period ending June 30, 2022. Also, during the nine-month period of October 1, 2022, to June 30, 2023 there were 114,026 Class A shares and 54,000 Class B shares transferred outside of treasury. For the same nine-month period ending June 30, 2022, there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury.

### 7. 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 Company 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 nine months ended June 30, 2023, and 2022. The amounts below are in in Canadian \$.

	<i>2023</i>	<i>2022</i>
	\$	\$
Current Assets	<b>3,501,708</b>	2,136,016
Long-term Assets	<b>1,590,772</b>	1,969,229
Current Liabilities	<b>349,642</b>	275,663
Revenues	<b>146,720</b>	316,479
Expenses	<b>1,310,226</b>	1,685,060
Net Loss	<b>(1,163,506)</b>	(1,368,581)
Cash provided by (used in) operating activities	<b>(1,356,086)</b>	(1,047,955)
Cash provided by (used in) investing and financing activities	<b>3,224,793</b>	(73,073)

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

	<i>2023</i>	<i>2022</i>
	\$	\$
Investment in Limagrain Cereals Research Canada	<b>1,498,268</b>	1,016,922

**CANTERRA SEEDS Holdings Ltd.****Notes to the Consolidated Financial Statements***For the nine-month period ended June 30, 2023 and 2022*THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

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**8. 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 June 30, 2023, of 7,551,147 (2021 – 7,551,147).

**9. 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.

**10. Capital management**

A wholly owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As of June 30, 2023, the Company is not in default of these capital requirements and is in good standing in its dealings with its bank.

**11. 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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