



20 24

Q2 REPORT



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



Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2024

CANTERRA SEEDS HOLDINGS LTD. (the Company) is a recognized leader in the pedigreed seed industry. Headquartered at 201-1475 Chevrier Boulevard in Winnipeg, Manitoba, the Company is committed to delivering high quality seed to its customers throughout Western Canada. The consolidated financial statements of the Company that follow are for the six months ended March 31, 2024.

CANTERRA SEEDS reports income for the six months ended March 31, 2024, of \$2,730,542. This compares to the March 31, 2023, results where the Company recorded income of \$745,547 for the corresponding six-month period, an increase of \$1,984,995 for the year to date. For the three-month quarter ended March 31, 2024, the Company reports net income of \$4,081,974. This income is \$1,673,122 higher than the net income of \$2,408,852 recorded for the three-month period ended March 31, 2023.

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, 2024. 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 16, 2024.

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 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 recorded for canola 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.

CANTERRA SEEDS has increased its canola deliveries as compared to the 2022/23 fiscal year. As it stands on March 31st, deliveries of canola are significantly higher than they were during the previous year, an increase of 20%. While orders from retailers and farmers are comparable to the prior year the timing for delivery of these products has been sped up. This has occurred for a few reasons, the most significant of which was the very moderate climatic conditions in the Prairies in the winter of 2024. In addition, the average price per canola unit has increased due to inflationary cost increases, a transition to ordering canola bags with more expensive treating additives on the seed and a change in the programming year to year.

CANTERRA SEEDS ended its relationship as the exclusive distributor of PRIDE Seeds corn in Western Canada at the end of the 2023 crop year. Therefore, the 2023 results include an amount relating to sales of PRIDE Seeds corn while the 2024 results do not include any such sales.

The only other sales recorded in this six-month period are tech fees (royalties) on winter seeded cereal products, possibly sub-license fees determined from the previous

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2024

spring's plantings (depending on timing) 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 \$6.47 million or 17.8% from \$36.28 million in 2022/23 to \$42.75 million in 2023/24.

As sales have increased the gross profit for the Company has also increased. Gross profit has increased by \$2.64 million or 48.6% from \$5.45 million in 2022/23 to \$8.09 million in 2023/24. The gross profit percentage has improved from 15.0% in 2022/23 to 18.9% in 2023/24. This is due to two main reasons. Firstly, canola sales have a higher gross profit percentage than corn as CANTERRA SEEDS acted only as a distributor for the Pride Seeds corn product in Western Canada. As this smaller margin product has been eliminated the overall gross profit percentage has increased. Secondly, due to some programming and pricing changes, along with some effective work on reducing its costs of production, the Company has increased its per unit margins in its canola business.

OTHER REVENUE

Other revenue increased significantly during the six-month period, from \$0.24 million in 2022/23 to \$0.51 million in 2023/24, an increase of \$0.27 million. This is due to the timing of partnership payments during the current year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$0.03 million or 1.7%, from \$1.83 million for the six months ended March 31, 2023, to \$1.86 million for the six months ended March 31, 2024. The main increases in these expenses are due to inflationary increases. These are partially offset by some reductions in specific spending year over year.

LOSS FROM JOINT VENTURES

This amount relates to CANTERRA SEEDS' 30% joint venture in Limagrain Cereals Research Canada (LCRC). The loss has increased by approximately \$16 thousand from \$191 thousand for the six-month period ending March 31, 2023, to \$207 thousand for the same six-month period ending March 31, 2024. The difference is due to the timing of income/expenses in this entity year to year.

DEPRECIATION AND AMORTIZATION

Due to the purchase of the Agro.Club hard coded software (now named CANTERRA SEEDS Hub) at the beginning of the 2024 fiscal period the depreciation costs increased by \$127 thousand from \$303 thousand for the six months ended

March 31, 2023, to \$430 thousand for the six months ended March 31, 2024.

SALARIES, WAGES & BENEFITS

These expenses have increased by \$0.13 million from \$2.31 million for the six-month period ended March 31, 2023, to \$2.44 million for the six-month period ended March 31, 2024, an increase of 5.5%. This increase is due to more full-time staff as well as salary increases year to year.

INTEREST

There is a small reduction in interest expenses. From \$22 thousand for the six months ending March 31, 2023, to \$18 thousand for the three months ending March 31, 2024.

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 in past years, 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 effectively the same as those found above. Sales are higher by \$4.19 million or 11.6%, from \$36.22 million in 2022/23 to \$40.41 million in 2023/24.

In addition, the gross profit percentage has increased from 14.9% to 18.9%, and overall the gross profit has increased by \$2.23 million from \$5.39 million to \$7.62 million.

OTHER REVENUE

Other revenue has reduced from \$211 thousand to \$196 thousand for the quarter. This is only a small reduction year to year.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have reduced by \$171 thousand or 20% from \$855 thousand for the three months ended March 31, 2023, to \$685 thousand for the three months ended March 31, 2024. There were some significant one-time expenses incurred in Q2 of 2023 that weren't replicated in the current year. Also, there were some timing of expenditures that changed year to year.

LOSS FROM JOINT VENTURES

Overall, the loss from the LCRC joint venture increased by \$10 thousand, from \$87 thousand for the three-month period ending March 31, 2023, to \$97 thousand for the same

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2024

three-month period ending March 31, 2024. This is due to timing of income/expenses in the joint venture year to year.

DEPRECIATION AND AMORTIZATION

As with the year-to-date results with the purchase of the Agro.Club hard coded software at the beginning of the 2024 fiscal period, the depreciation costs have increased by \$68 thousand from \$153 thousand for the three months ended March 31, 2023, to \$221 thousand for the three months ended March 31, 2024.

SALARIES, WAGES & BENEFITS

Has increased by \$0.04 million from \$1.32 million for the three-month period ended March 31, 2023, to \$1.36 million for the three-month period ended March 31, 2024; an increase of 3%. This increase is due to more full-time staff, and salary increases year over year.

INTEREST

There is a small reduction in interest expenses. From \$11 thousand for the three months ending March 31, 2023, to \$8 thousand for the three months ending March 31, 2024.

5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION - RESTATED

Selected Quarterly Financial Information Consolidated

(\$'000's except per share amounts)	2023/24 Q2	2023/24 Q1	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 Q4	2021/22 Q3
Total Revenue	40,408	2,345	1,242	18,922	36,217	62	1,594	17,242
Net Income (loss)	4,082	(1,351)	(342)	611	2,409	(1,663)	33	758
Earnings (loss) per Share (diluted)	0.54	(0.18)	(0.05)	0.08	0.32	(0.22)	0.01	0.10

CANTERRA SEEDS' principal business is the distribution and sale of seed for the main field crops grown in Western Canada including canola 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. The financial quarter Q2, from January to March, is made up mainly of canola seed deliveries and sales, along with some early deliveries of pedigreed products. Q3 sales consist of the balance of the canola deliveries but is offset by the returns of product that has been shipped to the retailer but has not yet been seeded. In addition, the balance of the spring stock seed and registered and certified sales of CANTERRA SEEDS licensed seed occurs 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 canola 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 for each canola variety is finalized.

6. LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities during the year provided \$9.2 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 2024. This increased cash by \$11.89 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 \$4.3 million.
- Deposits made by customers for purchases of CANTERRA SEEDS products for the 2024 crop year. This increase totals \$2.89 million.
- The Company reduced its overall inventory and prepaid expenses by \$0.24 million during the first six months of the current fiscal year. So, all sales of inventory have basically been offset by payments for new inventory.

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2024

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

- Sales have occurred but have not yet been paid. The increase in Accounts Receivable was \$9.47 million for the six-month period.
- There has been a tax adjustment that has used \$0.14 million.

For financing activities, the Company paid down \$187 thousand of lease obligations during the six-month period.

The cash used for investing activities was \$0.32 million. CANTERRA SEEDS had purchases of long-term assets during the six-month period and a loan to its affiliated company making up this balance.

7. OUTSTANDING SHARE DATA

Issued securities as of May 16, 2024, are as follows:

Issued	Book Value
7,551,147 Class A common shares	\$12,109,827
2,172,000 Class B series 1 shares	\$521,281

CANTERRA SEEDS HOLDINGS LTD. is a reporting issuer. Shares of the Company can be traded privately between two parties, with or without using the assistance of a broker, or can be sold "over the counter" at a licensed security trader. There have been no sales out of treasury so far for the 2023/24 fiscal year but in the last 12 months CANTERRA SEEDS sold an additional 54,000 Class B shares out of treasury. For the previous twelve-month period ending March 31, 2023, the Company sold no Class B shares. The Company did not sell any Class A common shares out of treasury over the last twenty-four months.

Besides the share transactions from treasury, there are share transactions that are trades between outgoing and new shareholders. During the last twelve months there were 114,026 Class A shares and 54,000 Class B shares transferred outside of the treasury. During the 2022/23 fiscal year there were 107,142 Class A shares and 54,000 Class B shares transferred outside of treasury.

8. FINANCIAL INSTRUMENTS

A relatively small portion of the Company's revenues and expenses are denominated in US dollars. The Company is therefore exposed to currency fluctuations on transactions in US dollars. Currency fluctuations may impact on the profitability of the Company, specifically for CANTERRA SEEDS who buys more US dollars than it would earn when the Canadian exchange rate is weaker compared to the US dollar

it will work to reduce margins of the Company. This risk is managed, where practicable, with foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash outflows along with fixed Canadian dollar priced contracts for untreated canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As of March 31, 2024, CANTERRA SEEDS has no outstanding foreign currency forward contracts in place.

9. OUTLOOK

The most effective way to analyze the seed sales at CANTERRA SEEDS is to break the business down into their two methods: (1) canola sales where CANTERRA SEEDS acts as the manufacturer and processor and sells the seed in a CANTERRA SEEDS branded bag, and (2) 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 US 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 2023 crop year, CANTERRA SEEDS introduced CS3100 TF, a TruFlex® canola hybrid with excellent yield potential, unique blackleg, first and second generation clubroot resistance. In addition, it is CANTERRA SEEDS first variety to have our PodProtect™ shatter resistance trait. There are also two new Clearfield® (Non-GMO) varieties, CS2700 CL and CS2800 CL. For the 2024 crop year, CANTERRA SEEDS has introduced CS3200 TF, a TruFlex® canola hybrid. In addition, several new varieties will be field tested by CANTERRA in 2024 with the hope that these will be licensed for the 2025 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

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2024

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 germination levels no longer meeting the required specifications or because 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 owns CANTERRA SEEDS Hub, a platform formerly known as Agro.Club Canada, where customers can order their canola 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 has worked diligently with the critical success factors outlined above to ensure that this upward trend in market share continues into 2024 and beyond. The Company is currently still selling canola seed into the market and at present it appears that orders will end up very comparable to the final results for 2023.

CANTERRA SEEDS was a distribution partner for PRIDE Seeds corn and soybeans varieties for Western Canada since the 2016 crop year and was the exclusive western Canadian distribution partner since 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 and soybean 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 pedigree seed business, the Company will continue to focus on the critical success factors of the business.

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 Limagrain Cereals Research Canada (LCRC). This entity has registered several wheat varieties, including CS Daybreak and CS Accelerate, which CANTERRA SEEDS has the rights to. At the PGDC meetings held in February 2024, LCRC registered an additional 7 new wheat varieties, 4 of which were selected for commercialization by CANTERRA SEEDS. 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 has a priority position to access products from this venture and will be introducing new pea and lentil varieties for the 2025 crop year. LCRC is now in its ninth year of operation and is at the point where it's ramping up production of leading-edge varieties both in cereals and pulses. CANTERRA SEEDS has first right to any cereal varieties that are registered from this entity and has a priority position on any peas and lentils that are registered by the Limagrain/SPG joint venture. It is expected that this will bring a significant competitive advantage for CANTERRA SEEDS in the very near future. 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 one of its most successful pedigree products, 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 and as required, to ensure that farmers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

It is anticipated that 2024 will be a lower year for cereal sales and margins. The current combination of lower commodity prices and drought-like conditions in some areas of the Prairies generally tend to reduce the amount of certified seed purchased by farmers as they often prefer to reduce their overall input costs to better manage the economic

Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2024

risks with their crops. With the current and coming portfolio, however, it is expected that CANTERRA SEEDS will increase pedigreed seed sales substantially in future years.

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) 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 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.

As with all industries, while inflation rates are now reducing, CANTERRA SEEDS is faced with significant challenges from increasing 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.

10. ADVANCES TO/FROM RELATED AFFILIATES

Advances to/from affiliates are unsecured, non-interest bearing and have no fixed terms of repayment. The advances are made to/from Limagrain Cereals Research Canada (LCRC). Generally, the advances occurred because CANTERRA SEEDS is the administrative arm for LCRC and there are charges/payment that occur within CANTERRA SEEDS that are then charged/paid through to LCRC. In addition, since LCRC is one of CANTERRA SEEDS breeding partners, royalties are owed on tech fee reports during the year. The amounts owing at both March 31, 2023 and March 31, 2024, were repaid within the first three months of the reporting dates.

11. 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 16, 2024.

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, 2024 and 2023


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

	March 31, 2024	March 31, 2023	September 30, 2023
	Unaudited	Unaudited	Audited
	\$	\$	\$
Assets			
Current			
Cash	14,794,927	19,244,529	5,595,996
Accounts receivable	13,943,848	12,731,894	4,475,870
Inventory (Note 5)	18,003,983	12,705,328	8,821,372
Prepaid expenses and deposits	2,832,641	9,638,626	12,255,193
	49,575,399	54,320,377	31,148,431
Property and equipment	283,240	564,392	273,325
Intangible assets	2,788,185	446,521	2,862,977
Right-of-use assets	606,885	765,329	775,774
Deferred tax asset	55,710	171,818	55,710
Investment in joint venture (Note 9)	1,159,355	1,662,107	1,366,669
Long-term receivables	101,638	421,879	103,897
	54,570,412	58,352,423	36,586,783
Liabilities			
Current			
Accounts payable and accruals	31,355,718	26,388,477	19,466,890
Deferred revenue (Note 7)	2,889,616	15,156,566	-
Income taxes payable	858,246	241,068	86,175
Advances from related companies (Note 6)	8,471	-	136,057
Current portion of lease obligations	336,290	325,925	386,107
	35,448,341	42,112,036	20,075,229
Lease Obligations	268,661	439,973	388,686
	35,717,002	42,552,009	20,463,915
Shareholders' Equity			
Share capital (Note 8)	12,631,108	12,577,828	12,631,108
Retained earnings	6,203,579	3,203,863	3,473,037
Contributed surplus	18,723	18,723	18,723
	18,853,410	15,800,414	16,122,868
Total Liabilities and Equity	54,570,412	58,352,423	36,586,783

APPROVED ON BEHALF OF THE BOARD



 Director



 Director

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.
Interim Consolidated Statement of Comprehensive Income
For the six-month period ended March 31, 2024 and 2023

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

	Three months ended		Six months ended	
	2024	2023	2024	2023
	Unaudited	Unaudited	Unaudited	Unaudited
	\$	\$	\$	\$
Sales	40,408,024	36,216,478	42,753,061	36,278,852
Cost of sales	32,788,095	30,826,505	34,663,534	30,833,767
Gross profit	7,619,929	5,389,973	8,089,527	5,445,085
Other revenue (Note 4)	196,971	211,339	511,736	242,495
	7,816,900	5,601,312	8,601,263	5,687,580
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	684,672	855,370	1,864,331	1,832,883
Loss from joint venture	97,016	87,290	207,314	191,262
Depreciation and amortization	221,004	152,763	430,224	303,209
Salaries, wages and benefits	1,362,298	1,322,223	2,440,652	2,313,800
Interest	8,393	10,979	17,641	22,410
	2,373,383	2,428,625	4,960,162	4,663,564
Income from operations before taxes	5,443,517	3,172,687	3,641,101	1,024,016
Income tax expense	(1,361,543)	(763,835)	(910,559)	(278,469)
Income and comprehensive income	4,081,974	2,408,852	2,730,542	745,547
Income per share				
Basic and fully diluted (Note 10)	0.54	0.32	0.36	0.10

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, 2024 and 2023

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

	2024	2023
	Unaudited	Unaudited
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net income	2,730,542	745,547
Depreciation of plant and equipment	66,595	60,887
Depreciation of intangible assets	163,398	56,737
Depreciation of right-of-use assets	200,231	185,585
Interest	17,641	22,410
Loss from joint venture	207,314	191,262
Income tax accrual	910,559	278,469
	4,296,280	1,540,897
Changes in working capital accounts		
Accounts receivable	(9,465,719)	(4,701,600)
Inventory	(9,182,611)	(5,718,232)
Prepaid expenses and deposits	9,422,552	183,785
Accounts payable and accruals	11,888,828	12,149,769
Deferred revenue	2,889,616	15,156,566
Income tax payable/receivable adjustments	(138,487)	47,456
	9,710,459	18,658,641
Financing activities		
Lease obligation repayments	(187,484)	(226,009)
	(187,484)	(226,009)
Investing activities		
Purchases of property and equipment	(76,511)	(105,707)
Acquisition of intangible assets	(88,606)	(10,499)
Repayment from (loans to) affiliated companies	(127,586)	(102,706)
Contributions to long-term equity investments	-	(1,002,000)
Purchase of right-of-use assets	(31,341)	(28,903)
	(324,044)	(1,249,815)
Increase in cash resources	9,198,931	17,182,817
Cash and investments, beginning of period	5,595,996	2,061,712
Cash and investments, end of period	14,794,927	19,244,529

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, 2024 and 2023

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

	Share capital	Contributed Surplus	Surplus (deficit)	Total
Balance, September 30, 2022	12,577,828	18,723	2,458,316	15,054,867
Comprehensive income-2022/23	-	-	745,547	745,547
Balance, March 31, 2023	12,577,828	18,723	3,203,863	15,800,414
Balance, September 30, 2023	12,631,108	18,723	3,473,037	16,122,868
Comprehensive income-2023/24	-	-	2,730,542	2,730,542
Balance, March 31, 2024	12,631,108	18,723	6,203,579	18,853,410

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, 2024 and 2023

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 and cereals sales cycles.

The interim consolidated financial statements of the Company reflect the operations and financial position of the Company and its wholly owned subsidiaries: CANTERRA SEEDS (2002) Ltd. (a Canadian corporation) and CANTERRA SEEDS (USA) Ltd. (a US company) which are both fully consolidated, and its long-term investment; 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 March 31, 2024, 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, 2023.

These interim condensed consolidated financial statements for the six-month period ended March 31, 2024, and 2023 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on May 16, 2024.

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 licenses for varieties and are depreciated over the life of the agreement. Management has evaluated using judgement long-term equity investments and determined if there is joint control and joint operations in place. Management has estimated that, while the terms of advances to related companies are not defined, the fair value approximates the carrying value due to the anticipated repayment dates of the advances. Management has estimated the Company’s incremental borrowing rate for leases where the implicit rate cannot be determined.

These judgements, estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Cash Flows

For the six-month period ended March 31, 2024 and 2023

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

4. Other Revenue

	Three Months Ended		Six Months Ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Interest and investment income	139,144	182,957	171,073	191,028
Other	13,262	31,335	324,458	46,871
Gain (loss) on foreign exchange	35,565	(11,953)	(1,795)	(13,404)
Scientific research & development tax refundable	9,000	9,000	18,000	18,000
	196,971	211,339	511,736	242,495

5. Inventory

	March 31, 2024	March 31, 2023	September 30, 2023
	\$	\$	\$
Finished goods	6,434,803	4,756,322	6,554,838
Raw materials	11,569,180	7,949,006	2,266,534
	18,003,983	12,705,328	8,821,372

The cost of inventories recognized as an expense and included in cost of sales in 2024 amounted to \$14,635,659. (2023 – \$12,642,094).

6. Advances to (from) Related Company

	March 31, 2024	March 31, 2023	September 30, 2023
	\$	\$	\$
Limagrain Cereals Research Canada	(8,471)	-	(136,057)

The Advances to (from) the related company is unsecured, non-interest bearing, and has no fixed terms of repayment. The Company has a 30% investment in Limagrain Cereals Research Canada and all of these items were paid within 60 days of the report date.

CANTERRA SEEDS Holdings Ltd.

Notes to the Consolidated Financial Statements

For the six-month period ended March 31, 2024 and 2023

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, 2024, or March 31, 2023.

8. Share Capital

Authorized

Unlimited number of Class A voting common shares.

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

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

	March 31, 2024	March 31, 2023	September 30, 2023
Issued			
	\$	\$	\$
Common shares			
7,551,147 Class A common shares (2022 – 7,551,147)	12,109,827	12,109,827	12,109,827
2,172,000 Class B series 1 shares (2022 – 2,118,000)	521,281	468,001	521,281
	12,631,108	12,577,828	12,631,108

CANTERRA SEEDS HOLDINGS LTD. is a reporting issuer. Shares of the Company can be traded privately between two parties, with or without using the assistance of a broker, or can be sold "over the counter" at a licensed security trader. There have been no sales out of treasury so far for the 2023/24 fiscal year but in the last 12 months CANTERRA SEEDS sold an additional 54,000 Class B shares out of treasury. For the previous twelve-month period ending March 31, 2023 the Company sold no Class B shares. The Company did not sell any Class A common shares out of the treasury over the last twenty-four months.

Besides the share transactions from treasury, there are share transactions that are trades between outgoing and new shareholders. During the six-month period of October 1, 2022 to March 31, 2024 there were no Class or Class B shares transferred outside of the treasury. During the 2022/23 fiscal year there were 107,142 Class A shares and 54,000 Class B shares transferred outside of treasury during that same six-month period.

9. Investment in Joint Ventures

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 six months ending March 31, 2024, and 2023. The amounts below are in in Canadian dollars.

CANTERRA SEEDS Holdings Ltd.

Notes to the Consolidated Financial Statements

For the six-month period ended March 31, 2024 and 2023
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

	2024	2023
	\$	\$
Current Assets	2,395,835	3,983,610
Long-term Assets	2,559,429	1,682,930
Current Liabilities	1,342,136	387,014
Revenues	66,261	43,288
Expenses	757,309	660,662
Net Loss	(691,048)	(617,374)
Cash provided by (used in) operating activities	(201,841)	(554,930)
Cash provided by (used in) investing and financing activities	(271,593)	(3,265,013)

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

	2024	2023
	\$	\$
Investment in Limagrain Cereals Research Canada	1,159,355	1,662,107

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, 2024, of 7,551,147 (2022 – 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, 2024, the Company is not in default on these capital requirements and is in good standing in its dealings with its bank.

13. Related Party Transactions

Certain shareholders have had 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.



201-1475 Chevrier Boulevard | Winnipeg, Manitoba R3T 1Y7
CANTERRA.COM