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Q3 REPORT



CANTERRA  
SEEDS

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



# Management's Discussion and Analysis Report

REPORT FOR THE NINE MONTHS ENDED JUNE 30, 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 nine months ended June 30, 2024.

CANTERRA SEEDS reports income for the nine months ended June 30, 2024, of \$1,202,315. This compares to the June 30, 2023, results where the Company recorded income of \$1,357,326 for the corresponding nine-month period, a reduction of \$155,011 for the year to date. For the three-month quarter ended June 30, 2024, the Company reports a net loss of \$1,528,227. This income is \$2,140,006 lower than the net income of \$611,779 recorded for the three-month period ended June 30, 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 nine-month period ending June 30, 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 August 22, 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 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 when the product is shipped and delivered to the Company's seed retailers. While these products are ordered and delivered at various times between the months of October to June, the product will not be planted until spring, with seeding occurring mainly in April and May. When deliveries take place and when, therefore, revenue is recorded for canola 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, there has been a reduction of deliveries and sales as compared to the 2022/23 fiscal year. Due to several market factors, sales of canola were reduced by more than 6% for the current fiscal year.

For corn, 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 Seed corn while the 2024 results do not include any such sales.

On the pedigreed side of the business, CANTERRA SEEDS is right in the middle of invoicing for 2024 sales on June 30th. The timing of this is dependent on many factors but mainly is dependent on receiving the appropriate information for billing from the grower customers. While some parts of the pedigreed were higher than 2022/23 some others were lower, based almost exclusively on timing of these entries. Overall, there was a small reduction in sales for the nine-month period ended June 30, 2024.

Year to year, sales have reduced by \$9.40 million or 17.0% from \$55.20 million in 2022/23 to \$45.80 million in 2023/24.

Even though sales have reduced the gross profit for the Company has increased. Gross profit has increased by \$0.24 million or 3.0% from \$8.14 million in 2022/23 to \$8.38 million in 2023/24. The gross profit percentage has improved from 14.7% in 2022/23 to 18.3% in 2023/24. This is due to two

# Management's Discussion and Analysis Report

REPORT FOR THE NINE MONTHS ENDED JUNE 30, 2024

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.

In the spring of 2023, CANTERRA SEEDS made the decision to purchase the code of the retail marketplace software designed for the Company by Agro.Club. This then reduces the cost of sales for canola for each bag sold as these costs are now internal and increases various operating expenses.

## OTHER REVENUE

Other revenue increased during the nine-month period, from \$0.51 million in 2022/23 to \$0.72 million in 2023/24, an increase of \$0.21 million. This is due to the timing of partnership payments during the current year offset by a reduction in investment income during the current year as early prepayments/deposits were reduced year to year.

## OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$0.23 million or 9.2%, from \$2.56 million for the nine months ended June 30, 2023, to \$2.79 million for the nine months ended June 30, 2024. The biggest increases relating to these expenses year to year were additional funds required for advertising and promotion, IT Costs (mainly due to the absorption of costs for the Agro.Club software) and meetings expenses. These were offset by reductions in corporate travel and other corporate costs of the organization.

## 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 \$60 thousand from \$355 thousand for the nine-month period ending June 30, 2023, to \$415 thousand for the same nine-month period ending June 30, 2024. While the revenues from LCRC have increased year to year the operating expenses grew by a larger amount. LCRC is now taking over all spring wheat varieties for Limagrain North America. This means additional costs in the current and next couple of years offset by higher royalties in the years to come.

## DEPRECIATION AND AMORTIZATION

Due to the purchase of the Agro.Club hard coded software at the beginning of the 2024 fiscal period the depreciation costs increased by \$192 thousand from \$459 thousand for the nine months ended June 30, 2023, to \$651 thousand for the nine months ended June 30, 2024.

## SALARIES, WAGES & BENEFITS

These expenses have increased by \$0.18 million from \$3.44 million for the nine-month period ended June 30, 2023, to \$3.62 million for the nine-month period ended June 30, 2024, an increase of 5.1%. 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 \$32 thousand for the nine months ending June 30, 2023, to \$26 thousand for the nine months ending June 30, 2024.

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

### 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.

In the Q2 report we discussed that the deliveries occurred significantly earlier in 2024 than they had in the past. Because of this the sales at the end of Q2 were higher than the previous year by approximately \$6.47 million. Overall, as was described above, sales for the nine months ended June 30, 2024, are now reduced by \$9.4 million. Therefore, due to the timing of deliveries and because returns were larger in 2024 than they were in 2023, the sales for the three-month period ended June 30, 2024, are lower by \$15.87 million or 83.9%, from \$18.92 million in 2022/23 to \$3.05 million in 2023/24. Also, as was discussed in the nine-month results, CANTERRA SEEDS no longer sells corn, so this also added to the reduced sales for the quarter. Finally, as with the year-to-date results, the pedigreed seed sales had a small reduction from the 2022/23 fiscal year due to the timing of notification and billing of product movements.

The reduction in sales has also caused a reduction in gross profit. This reduced by \$2.40 million from \$2.69 million in 2022/23 to \$0.29 million in 2023/24.

Due to some discounts adjustments that occurred during the three-month period in 2024 the gross margin % reduced from 14.2% in 2022/23 to 9.7% in 2023/24.

### OTHER REVENUE

Other revenue has reduced by \$58 thousand from \$270 thousand to \$212 thousand for the quarter. The main reason for this reduction is some reduced investment income as the Company had lower prepayments/deposits during the current fiscal year than it had in 2022/23.

### OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$0.21 million or 28.3%, from \$0.72 million for the three months ended June 30, 2023,

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to \$0.93 million for the three months ended June 30, 2024. The biggest increases relating to these expenses year to year were additional funds required for advertising and promotion (a lot of this is timing of when these expenses were incurred year to year) and other corporate expenses. These were offset by reductions in corporate travel.

## LOSS FROM JOINT VENTURES

Due to the strategic change discussed in the nine-month section the loss has increased by approximately \$44 thousand from \$164 thousand for the three-month period ending June 30, 2023, to \$208 thousand for the same three-month period ending June 30, 2024.

## 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 \$65 thousand from \$156 thousand for the three months ended June 30, 2023, to \$221 thousand for the three months ended June 30, 2024.

## SALARIES, WAGES & BENEFITS

Has increased by \$0.05 million from \$1.13 million for the three-month period ended June 30, 2023, to \$1.18 million for the three-month period ended June 30, 2024, an increase of 4.4%. 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 \$9 thousand for the three months ending June 30, 2023, to \$8 thousand for the three months ending June 30, 2024.

## 5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION - RESTATED

### Selected Quarterly Financial Information Consolidated

(\$'000's except per share amounts)	2023/24 Q3	2023/24 Q2	2023/24 Q1	2022/23 Q4	2022/23 Q3	2022/23 Q2	2022/23 Q1	2021/22 Q4
Total Revenue	3,045	40,408	2,345	1,242	18,922	36,217	62	1,594
Net Income (loss)	(1,529)	4,082	(1,351)	(342)	611	2,409	(1,663)	33
Earnings (loss) per Share (diluted)	(0.20)	0.54	(0.18)	(0.05)	0.08	0.32	(0.22)	0.01

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 fees 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 additional canola sales, along with the balance of the spring stock seed and registered and certified sales of CANTERRA SEEDS licensed seed. The quarter consisting of the months July to September (Q4) generally includes only royalties collected on sales of CANTERRA SEEDS licensed seed along with any adjustments on sales recorded during the previous three quarters.

If there are any write-downs of 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

Overall, CANTERRA SEEDS has used \$3.05 million in cash during the nine-month period ending June 30, 2024.

Cash used for operating activities during the year came to \$2.38 million. The main uses of cash are as follows:

- Sales have occurred but have not yet been paid. The increase in Accounts Receivable was \$7.0 million for the nine-month period.
- The Company increased its overall inventory and prepaid expenses by \$0.27 million during the first nine months of the current fiscal year. Essentially the buildup of inventory has been almost fully offset by lower prepayments for new inventory.
- There has been a tax adjustment that has used \$0.18 million.

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These were partially offset by additions of cash that have been provided as follows:

- The income recorded during the nine-month period after adding back non-cash expenses, the equity loss and adjustments to income tax accruals added an additional \$2.69 million.
- Accounts payable has increased by \$2.39 million during the year which has added cash during the nine-month period.

For financing activities, the Company paid down \$0.18 million of lease obligations during the nine-month period.

The cash used for investing activities was \$0.49 million. CANTERRA SEEDS had purchases of long-term assets during the nine-month period totaling \$0.34 million and repaid an inter-company payable with its affiliated company for \$0.15 million that makes up this balance.

## 7. OUTSTANDING SHARE DATA

Issued securities as of August 22, 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 December 31, 2022, 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. On July 3, 2024, there was a very significant sale of CANTERRA SEEDS Class A shares. In November 2008 Riverland Ag purchased 1,286,187 Class A shares. These shares were later transferred to Ceres Global Ag Corp as Riverland changed its operating name. In July, Ceres Global Ag sold these shares, which are approximately a 17% ownership of the Company, to United Farmers of Alberta Cooperative Limited (UFA). UFA, one of the largest retailers in Western Canada, is CANTERRA SEEDS' largest canola customer and has been a key partner since CANTERRA SEEDS started selling canola. With this purchase, the President and CEO of UFA, Mr. Scott Bolton has joined the

CANTERRA SEEDS Board of Directors replacing the departing Jeff Wildeman of Ceres Global Ag Corp.

During the 2022/23 fiscal year there were 114,026 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 \$ priced contracts for untreated canola seed. The Company does not hold or issue derivative contracts for speculative purposes. As of June 30, 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 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 2023 crop year CANTERRA SEEDS introduced CS3100 TF, a TruFlex® canola hybrid with excellent yield potential, unique blackleg, first and second generation clubroot resistance.

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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 are being 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 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 a platform, formerly known as Agro.Club Canada, where customers can order its 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. There was a small reduction in canola sales at CANTERRA SEEDS in 2024, but the Company has determined the causes of this reduction and is in the process of implementing tactics that will allow the increase in market share to continue. In addition, CANTERRA SEEDS works diligently with the critical success factors outlined above to ensure that the Company regains its momentum for the 2025 crop year.

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 relatively small 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 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. By joining the extensive breeding network for worldwide pulse products and breeding expertise from Limagrain with the strongest current program in Western Canada, 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 185 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.

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The Company is getting close to the conclusion of the 2024 reporting for cereal and special crop billings. Right now, it looks like the 2024 results will be quite comparable to 2023 results for these crop types. The market conditions of 2024 with lower commodity prices and drought-like conditions in some areas of the prairies generally tended 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 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 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.

## 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. 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 June 30, 2024 have now been repaid.

## 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 August 22, 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.**

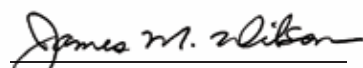
## Consolidated Statement of Financial Position

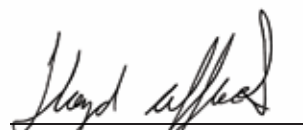
*For the nine-month period ended June 30, 2024 and 2023*

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

	<i>June 30, 2024</i>	<i>June 30, 2023</i>	<i>September 30, 2023</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	\$	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	2,543,100	8,481,240	5,595,996
Accounts receivable	11,596,643	11,186,336	4,475,870
Inventory (Note 5)	16,881,409	8,170,777	8,821,372
Prepaid expenses and deposits	4,465,606	11,058,357	12,255,193
	<b>35,486,758</b>	<b>38,896,710</b>	<b>31,148,431</b>
Property and equipment	270,191	292,933	273,325
Intangible assets	2,711,657	2,942,193	2,862,977
Right-of-use assets	621,361	671,526	775,774
Deferred tax asset	55,710	171,818	55,710
Investment in joint venture (Note 8)	951,834	1,498,268	1,366,669
Long-term receivables	-	421,879	103,897
Advance to related companies (Note 6)	8,333	-	-
	<b>40,105,844</b>	<b>44,895,327</b>	<b>36,586,783</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accruals	21,854,247	27,321,495	19,466,890
Income Taxes Payable	307,465	449,337	86,175
Advances from Related Companies	-	-	136,057
Current Portion of Lease Obligations	346,293	325,925	386,107
	<b>22,508,005</b>	<b>28,096,757</b>	<b>20,075,229</b>
Lease Obligations	272,656	345,097	388,686
	<b>22,780,661</b>	<b>28,441,854</b>	<b>20,463,915</b>
<b>Shareholders' Equity</b>			
Share capital (Note 7)	12,631,108	12,619,108	12,631,108
Deficit	4,675,352	3,815,642	3,473,037
Contributed surplus	18,723	18,723	18,723
	<b>17,325,183</b>	<b>16,453,473</b>	<b>16,122,868</b>
<b>Total Liabilities and Equity</b>	<b>40,105,844</b>	<b>44,895,327</b>	<b>36,586,783</b>

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 nine-month period ended June 30, 2024 and 2023*

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

	Three months ended		Nine months ended	
	2024	2023	2024	2023
	Unaudited	Unaudited	Unaudited	Unaudited
	\$	\$	\$	\$
<b>Sales</b>	<b>3,045,436</b>	<b>18,922,223</b>	<b>45,798,497</b>	<b>55,201,075</b>
<b>Cost of sales</b>	<b>2,751,522</b>	<b>16,226,059</b>	<b>37,415,056</b>	<b>47,059,826</b>
<b>Gross profit</b>	<b>293,914</b>	<b>2,696,164</b>	<b>8,383,441</b>	<b>8,141,249</b>
<b>Other revenue (Note 4)</b>	<b>212,264</b>	<b>269,934</b>	<b>724,000</b>	<b>512,429</b>
	<b>506,178</b>	<b>2,966,098</b>	<b>9,107,441</b>	<b>8,653,678</b>
<b>Selling, general and administrative expenses and loss from joint venture</b>				
Operating, general and administrative	930,647	725,555	2,794,978	2,558,438
Loss from joint venture	207,521	163,839	414,835	355,101
Depreciation and amortization	220,924	155,607	651,148	458,816
Salaries, wages and benefits	1,177,818	1,128,347	3,618,470	3,442,147
Interest	7,835	9,258	25,476	31,668
	<b>2,544,745</b>	<b>2,182,606</b>	<b>7,504,907</b>	<b>6,846,170</b>
<b>Income from operations before taxes</b>	<b>(2,038,567)</b>	<b>783,492</b>	<b>1,602,534</b>	<b>1,807,508</b>
<b>Income tax expense</b>	<b>510,340</b>	<b>(171,713)</b>	<b>(400,219)</b>	<b>(450,182)</b>
<b>Income and comprehensive income</b>	<b>(1,528,227)</b>	<b>611,779</b>	<b>1,202,315</b>	<b>1,357,326</b>
<b>Income per share</b>				
Basic and fully diluted (Note 8)	<b>(0.20)</b>	<b>0.08</b>	<b>0.16</b>	<b>0.18</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, 2024 and 2023*

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

	2024 <i>Unaudited</i>	2023 <i>Unaudited</i>
	\$	\$
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Net income	1,202,315	1,357,326
Depreciation of plant and equipment	104,029	94,464
Depreciation of intangible assets	246,078	84,964
Depreciation of right-of-use assets	301,041	279,388
Interest	25,476	31,668
Loss from joint venture	414,835	355,101
Income tax accrual	400,219	450,182
	<b>2,693,993</b>	<b>2,653,093</b>
Changes in working capital accounts		
Accounts receivable	(7,016,876)	(3,156,042)
Inventory	(8,060,037)	(1,183,681)
Prepaid expenses and deposits	7,789,587	(1,235,946)
Accounts payable and accruals	2,387,357	13,091,022
Income tax payable	(178,929)	36,557
	<b>(2,384,905)</b>	<b>10,205,003</b>
<b>Financing activities</b>		
Lease obligation repayments	(181,320)	(282,686)
	<b>(181,320)</b>	<b>(282,686)</b>
<b>Investing activities</b>		
Purchases of property and equipment	(100,895)	(114,566)
Purchases of intangible assets	(94,758)	(2,287,658)
Purchases of right-of-use assets	(146,628)	(28,903)
Repayment/loans from (repayments/loans to) affiliated companies	(144,390)	(110,942)
Contributions to long-term equity investments	-	(1,002,000)
Sales of assets held for resale	-	-
Sale of shares from treasury	-	41,280
	<b>(486,671)</b>	<b>(3,502,789)</b>
Increase (reduction) in cash resources	<b>(3,052,896)</b>	<b>6,419,528</b>
Cash and cash equivalents, beginning of period	<b>5,595,996</b>	<b>2,061,712</b>
Cash and cash equivalents, end of period	<b>2,543,100</b>	<b>8,481,240</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, 2024 and 2023*

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

	Share capital	Contributed Surplus	Surplus (deficit)	Total
<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>	12,619,108	18,723	3,815,642	<b>16,453,473</b>
<b>Balance, September 30, 2023</b>	12,631,108	18,723	3,473,037	<b>16,122,868</b>
Comprehensive income	-	-	1,202,315	1,202,315
<b>Balance, June 30, 2024</b>	<b>12,631,108</b>	<b>18,723</b>	<b>4,675,352</b>	<b>17,325,183</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, 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, corn, and cereals sales cycles.

The interim consolidated financial statements of the Company reflect the operations and financial position of the Company and its wholly owned subsidiaries: CANTERRA SEEDS (2002) Ltd. (a Canadian corporation) and CANTERRA SEEDS (USA) Ltd. (a US company) 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 June 30, 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 nine-month period ended June 30, 2024, and 2023 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on August 22, 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 variety licenses and are depreciated over the life of the agreement. Management has evaluated using judgement long-term equity investments and determined if there is joint control and joint operations in place. Management has estimated that, while the terms of advances to related companies are not defined, the fair value approximates the carrying value due to the anticipated repayment dates of the advances. Management has estimated the Company's incremental borrowing rate for leases where the implicit rate cannot be determined.

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

**CANTERRA SEEDS Holdings Ltd.**

## Notes to the Consolidated Financial Statements

*For the nine-month period ended June 30, 2024 and 2023*

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

### 4. Other Revenue

	Three Months Ended		Nine Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Interest and investment income	136,238	239,516	307,311	430,544
Contract services and program payments & other	58,666	32,293	383,124	79,164
Gain (loss) on foreign exchange	8,360	(10,875)	6,565	(24,279)
Scientific research & development tax refundable	9,000	9,000	27,000	27,000
	<b>212,264</b>	269,934	<b>724,000</b>	512,429

### 5. Inventory

	June 30, 2024	June 30, 2023	September 30, 2023
	\$	\$	\$
Finished goods	6,808,409	4,838,269	6,554,838
Raw materials	10,073,000	3,332,508	2,266,534
	<b>16,881,409</b>	8,170,777	8,821,372

The cost of inventories recognized as an expense and included in cost of sales in 2024 amounted to \$15,804,865, (2023 – \$18,983,666).

### 6. Advances to (from) Related Company

	June 30, 2024	June 30, 2023	September 30, 2023
	\$	\$	\$
Limagrain Cereals Research Canada	8,333	-	(136,057)

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

**CANTERRA SEEDS Holdings Ltd.**

## Notes to the Consolidated Financial Statements

*For the nine-month period ended June 30, 2024 and 2023*
**THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR**

### 7. 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.

		June 30, 2024	June 30, 2023	September 30, 2023
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>521,281</b>	509,281	521,281
		<b>12,631,108</b>	12,619,108	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 12,000 Class B shares out of treasury. For the previous twelve-month period ending June 30, 2023 the Company sold 42,000 Class B shares out of treasury. 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 nine-month period of October 1, 2023 to June 30, 2024 there was one Class A share transaction that occurred. United Farmers of Alberta Cooperative Limited (UFA) purchased the 1,286,187 Class A shares owned by Ceres Global Ag Corp. This gives approximately a 17% ownership of the Company to United Farmers of Alberta Cooperative Limited (UFA). During the 2022/23 fiscal year there were 114,026 Class A shares and 54,000 Class B shares transferred outside of treasury during that same nine-month period.

### 8. 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 nine months ending June 30, 2024, and 2023. The amounts below are in Canadian \$.



**CANTERRA SEEDS Holdings Ltd.**

## Notes to the Consolidated Financial Statements

*For the nine-month period ended June 30, 2024 and 2023*
**THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR**

	2024	2023
	\$	\$
Current Assets	<b>2,660,353</b>	4,054,637
Long-term Assets	<b>2,419,876</b>	1,590,772
Current Liabilities	<b>1,113,436</b>	504,541
Revenues	<b>333,070</b>	146,720
Expenses	<b>1,715,854</b>	1,310,226
Net Loss	<b>(1,382,784)</b>	(1,163,506)
Cash provided by (used in) operating activities	<b>(587,020)</b>	(1,356,086)
Cash provided by (used in) investing and financing activities	<b>(442,244)</b>	3,224,793

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

	2024	2023
	\$	\$
Investment in Limagrain Cereals Research Canada	<b>951,834</b>	1,498,268

### 9. Earnings per share

The basic income per share has been calculated based upon the weighted average number of shares outstanding during the nine-month period ended June 30, 2024, of 7,551,147 (2023 – 7,551,147).

### 10. 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.

### 11. 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, 2024, the Company is not in default of these capital requirements and is in good standing in its dealings with its bank.

### 12. 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.

### 13. Comparative Figures

Certain comparative figures have been reclassified to conform with current year presentation.



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