



2022

CANTERRA SEEDS Q2 REPORT



**CANTERRA
SEEDS**

Seed the Difference.™

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



Management's Discussion and Analysis Report

REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2022

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 March 31, 2022.

CANTERRA SEEDS reports income for the six months ended March 31, 2022, of \$173,311. This compares to the March 31, 2021, results where the Company recorded income of \$480,094 for the corresponding six-month period, a reduction of \$306,783 for the year to date. For the three-month quarter ended March 31, 2022, the Company reports net income of \$1,771,812. This income is \$208,424 lower than the net income of \$1,980,236 recorded for the three-month period ended March 31, 2021.

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, 2022. The financial data in this report and in the financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

All amounts reported both in the MD&A and in the consolidated financial statements are in Canadian currency and the consolidated financial statements were authorized for issue by the Company's Audit Committee and Board of Directors on May 19, 2022.

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, corn, and soybean seed when the product is shipped and delivered to the Company's seed retailers. While these products are ordered and delivered at various times between the months of October to June, the product will not be planted until spring, with seeding occurring mainly in April and May. When deliveries take place and when, therefore, revenue is recorded for canola, corn and soybeans is dependent on many factors, both internal and external to CANTERRA SEEDS. These include the availability of warehouse space, seed treating capacity, trucking for deliveries, timing of quality testing, the environmental conditions in the prairies, and of course, when the customer (both the farmer and retailer) wants the product delivered to their operation.

For canola and corn, CANTERRA SEEDS has increased its deliveries as compared to the 2020/21 fiscal year. Since the Company is basically halfway through its selling season it's hard to read too much into where the sales are at currently. As it stands on March 31st, deliveries of both canola and corn are higher than they were during the previous year. Forecasted orders for these products are showing significant increases in sales and market share for CANTERRA SEEDS through the rest of the season.

Overall, sales increased by \$2.42 million or 9.4% from \$25.86 million in 2020/21 to \$28.28 million in 2021/22.

However, these sales increases are offset by a reduction in the gross profit percentage for both crop types. These reductions have occurred due to a couple of reasons.

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REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2022

Firstly, it is reduced due to the mix of varieties sold year to year with some varieties having a lower margin than others. Secondly, the competitiveness of both the canola and corn markets in Western Canada as well as the intention to significantly improve the Company's market share, has forced some adjustments to programming that have reduced overall margins. Because of this, the gross profit percentage has reduced from 17.3% to 14.8%. This in turn has caused gross profit to reduce by \$0.31 million from \$4.48 million to \$4.17 million.

OTHER REVENUE

The other revenue has a small increase of \$15 thousand from \$138 thousand to \$153 thousand.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$0.19 million or 15.4%, from \$1.27 million in 2020/21 to \$1.46 million in 2021/22. There are three main reasons for this increase. Firstly, the timing of some advertising and promotion expenses changed between years. Secondly, while the COVID-19 effect was still substantial, some loosening in restrictions allowed some additional travel, meetings and some marketing costs. Thirdly, CANTERRA SEEDS had more full-time staff working during the current quarter which has increased salary and travel expenses.

LOSS FROM JOINT VENTURES

This amount relates to CANTERRA SEEDS' 50% joint venture in Meridian Seeds, LLC, along with the 30% joint venture in Limagrain Cereals Research Canada (LCRC). For Meridian Seeds, CANTERRA SEEDS has decided to sell its share of the business to Meridian Ventures, LLC (the other 50% partner) effective on December 31, 2021. Therefore, even though Meridian Seeds, LLC did not earn a profit through the six-month period as their sales are basically situated during the months from April to September, CANTERRA SEEDS did not record its sale of the joint venture's loss after December 31, 2021 as the Company will effectively no longer have any ownership in the business. Therefore, CANTERRA SEEDS' share of the Meridian Seeds equity loss was reduced.

The LCRC joint venture is operating at full capacity and with increased efficiencies has been able to reduce their overall operating expenses while keeping their projects and staffing fully in place. In addition, LCRC continues to increase its revenues as the number of registered varieties out of this initiative increases.

Overall, the loss from the two joint ventures reduced by \$188 thousand, from \$555 thousand for the six-month period ending March 31, 2021, to \$367 thousand for the same six-month period ending March 31, 2022.

DEPRECIATION AND AMORTIZATION

There has been effectively no change in this expense. For both the 2020/21 and 2021/22 fiscal year the total depreciation and amortization costs total to \$291 thousand.

SALARIES, WAGES & BENEFITS

Has increased by \$0.15 million from \$1.80 million for the six-month period ended March 31, 2021, to \$1.95 million for the six-month period ended March 31, 2022, an increase of 8.3%. This increase is mainly because the Company increased its sales staff by two members from the prior year. CANTERRA SEEDS decided to put more sales focus in Saskatchewan. A new canola/corn position was added in East Central Saskatchewan and after a hiatus of three years, and a new Pedigreed Seed Territory Sales Manager was hired to work with the province's seed growers.

INTEREST

The Company leased their office in Winnipeg for an additional five years. This increased lease liability caused the interest to increase by \$18 thousand from \$7 thousand during the six months ended March 31, 2021, to \$25 thousand during the six months ended March 31, 2022.

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REPORT FOR THE SIX MONTHS ENDED MARCH 31, 2022

4. RESULTS OF OPERATIONS – THREE MONTHS ENDED MARCH 31

SALES AND GROSS PROFIT

During this three-month period CANTERRA SEEDS records a significant portion of its canola and corn sales. There are also some transactions relating to the pedigreed seed part of the business but overall, these are very minor.

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 \$2.51 million or 9.9%, from \$25.29 million in 2020/21 to \$27.80 million in 2021/22.

In addition, the gross profit percentage has reduced from 17.6% to 14.7%, and overall the gross profit has reduced by \$0.34 million from \$4.44 million to \$4.10 million.

OTHER REVENUE

The other revenue has a small increase of \$13 thousand from \$76 thousand to \$89 thousand.

OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

These expenses have increased by \$0.05 million or 9%, from \$0.55 million in 2020/21 to \$0.60 million in 2021/22. The reasons are the same as explained for the full year. Firstly, the timing of some advertising and promotion expenses changed between years. Secondly, while the COVID-19 effect was still substantial some loosening in restrictions allowed some additional travel, meetings and some marketing costs. Thirdly, CANTERRA SEEDS had more full-time staff working during the current quarter which has increased salary and travel expenses.

LOSS FROM JOINT VENTURES

As was mentioned in year-to-date discussion, CANTERRA SEEDS, due to the fact that an agreement has been reached

to see the Company’s share of Meridian Seeds, LLC be sold effective December 31, 2021, the usual 50% share of that company’s Q2 loss was not recorded this quarter. However, this was not the case for the 2020/21 fiscal year.

Also, while the LCRC joint venture is still not at a point of generating positive cash flows and financial returns, it has lowered its net operating expenses by billing out some of its services. In addition, the revenues for the entity are starting to increase.

Overall, the loss from the two joint ventures reduced by \$122 thousand, from \$254 thousand for the three-month period ending March 31, 2021, to \$132 thousand for the same three-month period ending March 31, 2022.

DEPRECIATION AND AMORTIZATION

There has been effectively no change in this expense. For both the 2020/21 and 2021/22 fiscal year the total quarterly depreciation and amortization costs total to \$143 thousand.

SALARIES, WAGES & BENEFITS

Has increased by \$0.04 million from \$0.97 million for the three-month period ended March 31, 2021, to \$1.01 million for the three-month period ended March 31, 2022, an increase of 3.9%. Although, these amounts often fluctuate due to the timing of position vacancies this increase is still mainly because the Company increased its sales staff by two members from the prior year. CANTERRA SEEDS decided to put more sales focus in Saskatchewan.

INTEREST

The Company leased their office in Winnipeg for an additional five years. This increased lease liability caused the interest to increase by \$9 thousand from \$3 thousand during the three months ended March 31, 2021, to \$12 thousand during the three months ended March 31, 2022.

5. SUMMARY OF QUARTERLY FINANCIAL INFORMATION

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

	2021/22 Q2	2021/22 Q1	2020/21 Q4	2020/21 Q3	2020/21 Q2	2020/21 Q1	2019/20 Q4	2019/20 Q3
Total revenue	27,801	476	2,634	9,428	25,287	569	2,834	8,308
Net income (loss)	1,772	(1,599)	(169)	83	1,980	(1,500)	240	(1)
Earnings (loss) per share (diluted)	0.23	(0.21)	(0.02)	0.01	0.26	(0.20)	0.04	(0.00)

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CANTERRA SEEDS principal business is the distribution and sale of seed for the main field crops grown in Western Canada including canola, corn and soybeans which occurs from October until May. 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 May (Q2 & Q3). The October to December quarter consists mainly of the recording of royalties for fall seeded cereal varieties, along with some early delivered canola, corn, and soybean sales. The financial quarter Q2, from January to March, is made up mainly of canola and corn seed deliveries and sales, along with some early deliveries of pedigreed products. Q3 sales consist of additional canola and corn deliveries but also shows all returns of these crop types from sales made during all three quarters of the Company. In addition, there is the balance of the spring stock seed and registered and certified sales of CANTERRA SEEDS licensed seed as well as any soybean sales that might be made. 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.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and short-term investment position has increased by \$22.88 million for the six months ended March 31, 2022.

Cash provided by operating activities during the year provided \$23.17 million. The main increase are as follows:

- Deposits made by customers for purchases of CANTERRA SEEDS products for the 2022 crop year. This increase totals to \$16.11 million.
- Accounts Payable has increased as there are some significant accruals for TUA fees and royalties as well as billings for product that are not paid until later in 2022. This increased cash by \$16.98 million.
- The income recorded during the quarter after adding back non-cash income tax effects as well as adjustments to income tax accruals added an additional \$0.91 million.

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

- The Company increased its inventory and prepaid expenses (mainly prepaid deposits for canola, corn and soybean inventory) by \$9.38 million in order to have canola, and corn products available for sale for the 2022 and 2023 crop years.

- Sales have occurred but have not yet been paid. The increase in Accounts Receivable has used \$2.28 million.

For financing activities, the Company paid down \$106 thousand of lease obligations during the six-month period.

The cash used for investing activities was \$184 thousand. This is mainly because the Company had purchases of long-term assets during the six-month period.

7. OUTSTANDING SHARE DATA

Issued securities as of May 19, 2022 are as follows:

Issued	Book Value
7,551,147 Class A common shares	\$12,109,827
2,118,000 Class B series 1 shares	\$468,001

There were no share transactions through treasury for the six-month periods ended March 31, 2022, and March 31, 2021. During the six-month period of October 1, 2021, to March 31, 2022 there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury. For the same six-month period ending March 31, 2021, there were no share transactions.

8. FINANCIAL INSTRUMENTS

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

9. COVID-19

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

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

While the restrictions relating to the pandemic have been eased, there are still significant reductions in specific expenses like travel, meetings and some marketing expenses to reduce from "normal" expenditures. The Company has been able to work very well with its customers during this time using other communication methods.

Going forward, the biggest risk and/or opportunity is the uncertainty on how the economic and market demand effects of this virus will affect the commodity markets and seeding intentions in future years. In addition, the ability to receive and deliver products in a timely manner may also be a risk.

10. ASSETS HELD FOR SALE

In September of 2021, CANTERRA SEEDS began negotiations to sell its 50% interest in Meridian Seeds, LLC to the other 50% partner, Meridian Ventures, LLC. An agreement has now been finalized where effective December 31, 2021, CANTERRA SEEDS will no longer have any ownership of this entity.

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

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

11. OUTLOOK

The most effective way to analyze the seed sales at CANTERRA SEEDS is to break the business down into their three methods: (1) canola sales where CANTERRA SEEDS acts as the manufacturer and processor and sells the seed in a CANTERRA SEEDS branded bag, (2) the corn and soybean sales where CANTERRA SEEDS sells a PRIDE Seeds branded product to western Canadian retailers and (3) pedigreed seed sales where the products are owned and distributed by CANTERRA SEEDS seed grower shareholders and the Company collects a tech fee (royalty plus margin) for the grower's right to produce and sell these varieties which are under exclusive license from the breeder to CANTERRA SEEDS.

With canola, the Company will continue to focus on the critical success factors:

- The Company will continue to introduce "leading-edge" spring canola hybrids into the western Canadian and U.S. markets. The Company partners with several of the top canola seed and trait developers in Western Canada. This ensures that only those hybrids that meet or exceed the market standard are introduced. CANTERRA SEEDS is selling hybrids that deliver the agronomic traits farmers expect and require such as clubroot and blackleg tolerance, shatter tolerance, Roundup Ready®, TruFlex™ canola, Clearfield® (Non-GMO) and beginning for the 2020/21 fiscal year LibertyLink® canola, with various ranges of maturity, that compete with the best in the market. The latest hybrid to enter CANTERRA SEEDS portfolio is CS3000 TF, a mid-maturing TruFlex™ canola hybrid with excellent yield potential, unique blackleg and second generation clubroot resistance.
- 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 the germination level of the seed reducing below the standard for the industry, or the variety is no longer competitive in the market. The Company proactively manages the lifecycles of the specific hybrids and varieties as well as following its strict seed quality protocol that keeps these risks to a minimum.
- Finally, it is critical that the Company ensures its canola products are accessible to as many farmers as possible. CANTERRA SEEDS has worked diligently to continually improve the corporate brand and canola distribution footprint, ensuring CANTERRA SEEDS canola hybrids are easily accessible at a local retailer. The Company is now distributing its canola product directly with independent retailers across Western Canada. The Company also agreed to a partnership with Agro.Club Canada where customers can order its canola and corn inventory online. Overall, the goal is to make purchasing CANTERRA SEEDS products as simple as possible.

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CANTERRA SEEDS is working to increase its market share in the western Canadian canola market. This improvement started in 2020 and continued in 2021. For 2022, sales orders for CANTERRA SEEDS canola are significantly higher than they were in either of the last two years and there is expected to be a meaningful increase in the overall market share for the Company in this year. CANTERRA SEEDS is working diligently with the critical success factors outlined above to ensure that this upward trend in market share continues into the future.

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

CANTERRA SEEDS anticipates that the acreage in Western Canada seeded to corn will grow over the next few years. With the PRIDE Seeds brand of products, the market share and overall quantity of sales is anticipated to increase for corn, due to the Company's focus of the following critical success factors of the business:

- PRIDE Seeds and AgReliant are committed to a solid pipeline of corn products to support the CANTERRA SEEDS portfolio of highly competitive genetics and traits developed specifically for the western Canadian market.
- CANTERRA SEEDS extensive seed distribution network ensures that these products are available to farmers throughout the Prairie provinces.

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

For corn seeding in 2022, due to market conditions corn, the crop is not expected to increase or even match the acreage seeded to it in Western Canada in 2021. Having said that, it is anticipated that with current orders CANTERRA SEEDS will be able to increase its market share during the year.

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

- CANTERRA SEEDS will continue to access leading edge varieties by focusing on the following. Firstly, CANTERRA SEEDS has been very successful at acquiring high-performing varieties from public breeding entities

like Agriculture and Agri-Food Canada, the Crop Development Centre and the University of Alberta. Secondly, the Company is a 30% partner with Limagrain, one of the world's largest and most innovative field seed companies, in the cereals breeding venture named LCRC. This entity has registered wheat varieties including CS Daybreak and CS Accelerate which CANTERRA SEEDS has the rights to. Thirdly, CANTERRA SEEDS has arrangements with breeders throughout the world to test (using its internal field program) and register products in Western Canada. This has been very successful for the Company and currently its most successful pedigree product, CS Camden came from one of these partnerships.

- On the distribution side for pedigreed seed, CANTERRA SEEDS ensures that it partners with the premier seed growers in Western Canada. Currently, the Company has 190 seed growers throughout the Prairies that are growing and selling CANTERRA SEEDS licensed varieties. The Company will continue to add growers where needed and as required, to ensure that farmers throughout the region will have access to the highest quality CANTERRA SEEDS product available.

With the affiliated companies results as mentioned earlier, LCRC will continue to improve its earnings as it continues to register new varieties for the western Canadian market. LCRC is also part of the Variety Use Agreement (VUA) pilot project which will enable it to receive royalties on all acreage seeded with its varieties. These improvements in revenue will occur while operating expenses are kept quite stable. Over the next few years, it is anticipated that this loss on investment will reduce and will become income as LCRC continues to expand its market share.

For Meridian Seeds, as was mentioned earlier, CANTERRA SEEDS has agreed to sell its ownership portion of this business effective on December 31, 2021. The effect that this divestiture will have on CANTERRA SEEDS' future financials is dependent on the results that business has. Meridian Seeds, LLC success is currently quite dependent on a couple of key markets (chickpeas and pulses). The results of the Company have therefore related to the supply/demand in these crop types.

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For net operating expenses, CANTERRA SEEDS is being as proactive as possible by limiting expenses in areas where possible. As always, the focus will be to ensure that all expenses will guarantee a successful return on investment. With the easing of restrictions from the COVID-19 virus it is expected that things will return to somewhat normal with more trade shows, meetings and travel. However, it is also anticipated that there will be a "different" business model in the seed industry which will likely bring less face-to-face meetings and less travel and therefore lower operating expenses.

As with all industries, CANTERRA SEEDS is faced with significant challenges from the high inflation rates that are expected to drive up costs along with having to work through the considerable challenges that are currently being experienced throughout the world for logistical scheduling. The Company is extremely proactive to ensure that it effectively manages all delivery requirements, booking the shipments well in advance to ensure that this does not become a significant problem. On the inflation issue, CANTERRA SEEDS 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.

12. ADVANCES TO RELATED AFFILIATES

There is currently an advance of \$20,161 that is owed by Meridian Seeds, LLC and \$13,293 that is owed by Limagrain Cereals Research Canada as at March 31, 2022. These amounts were repaid in April of 2022.

13. RESPONSIBILITIES, CONTROL AND POLICIES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements, the MD&A and all other information in this interim report are the responsibility of Management and have been reviewed and approved by the Board of Directors.

Management, in accordance with International Financial Reporting Standards, has prepared the consolidated financial statements. The MD&A has been prepared in accordance with the requirements of securities regulators. The financial statements and MD&A include items that are based on best estimates and judgments of the expected effects of current events and transactions. Management has determined such items on a reasonable basis in order 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 19, 2022.

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.

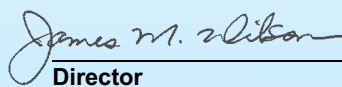
Consolidated Statement of Financial Position

For the six-month period ended March 31, 2022 and 2021

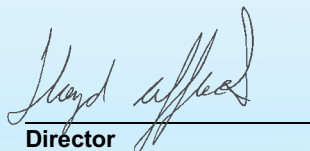
THESE FINANCIAL STATEMENTS ARE UNAUDITED AND WERE NOT REVIEWED BY AN AUDITOR

	March 31 2022 Unaudited	March 31 2021 Unaudited	September 30 2021 Audited
	\$	\$	\$
Assets			
Current			
Cash	27,191,167	16,442,210	4,308,263
Accounts receivable	7,083,499	5,871,602	4,799,156
Inventory (Note 5)	13,497,690	6,301,650	5,412,043
Prepaid expenses and deposits	5,459,262	3,996,545	4,162,180
	53,231,618	32,612,007	18,681,642
Assets held for sale	420,912	-	528,021
	53,652,530	32,612,007	19,209,663
Property and equipment	555,478	626,372	571,326
Intangible assets	435,587	511,853	452,857
Right-of-use assets	878,769	207,836	959,858
Deferred tax asset	634,233	812,252	639,199
Investment in joint venture (Note 9)	1,168,082	1,227,891	1,427,496
Long-term receivables	213,884	213,884	213,884
Advances to related company (Note 6)	33,454	96,554	26,754
	57,572,017	36,308,649	23,501,037
Liabilities			
Current			
Accounts payable and accruals	25,398,831	15,892,028	8,419,441
Deferred revenue (Note 7)	16,981,452	5,893,757	31,261
Income Taxes Payable	49,116	138,048	-
Current Portion of Lease Obligations	275,237	196,073	272,879
	42,704,636	22,119,906	8,723,581
Lease Obligations	603,593	11,766	686,979
	43,308,229	22,131,672	9,410,560
Shareholders' Equity			
Share capital (Note 8)	12,577,828	12,577,828	12,577,828
Deficit	1,667,237	1,580,426	1,493,926
Contributed surplus	18,723	18,723	18,723
	14,263,788	14,176,977	14,090,477
Total Liabilities and Equity	57,572,017	36,308,649	23,501,037

APPROVED ON BEHALF OF THE BOARD



Director



Director

The accompanying notes are an integral part of these financial statements

CANTERRA SEEDS Holdings Ltd.

Consolidated Statements of Comprehensive Income

For the six-month period ended March 31, 2022 and 2021

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	2022	2021	2022	2021
	Unaudited	<i>Unaudited</i>	Unaudited	<i>Unaudited</i>
	\$	\$	\$	\$
Sales	27,800,805	25,287,413	28,276,428	25,856,010
Cost of sales	23,700,848	20,847,121	24,103,609	21,373,775
Gross profit	4,099,957	4,440,292	4,172,819	4,482,235
Other revenue (Note 4)	89,127	76,163	152,762	137,683
	4,189,084	4,516,455	4,325,581	4,619,918
Selling, general and administrative expenses and loss from joint venture				
Operating, general and administrative	603,057	553,469	1,464,493	1,268,707
Loss from joint venture	131,653	253,580	366,576	554,617
Depreciation and amortization	143,676	143,021	291,607	291,342
Salaries, wages and benefits	1,009,661	972,145	1,954,610	1,805,469
Interest	11,632	2,808	24,535	6,778
	1,899,679	1,925,023	4,101,821	3,926,913
Income from operations before taxes	2,289,405	2,591,432	223,760	693,005
Income tax expense	(517,593)	(611,196)	(50,449)	(212,911)
Income and comprehensive income	1,771,812	1,980,236	173,311	480,094
Income per share				
Basic and fully diluted (Note 10)	0.23	0.26	0.02	0.06

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, 2022 and 2021

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

	2022	2021
	Unaudited	<i>Unaudited</i>
	\$	\$
Cash provided by (used for) the following activities		
Operating activities		
Net income	173,311	480,094
Depreciation of plant and equipment	65,737	71,596
Depreciation of intangible assets	57,270	58,330
Depreciation of right-of-use assets	168,600	161,416
Interest	24,535	6,778
Transfer with joint-ventures – non-cash	(54)	(23,535)
Loss from joint venture	366,576	554,617
Income tax accrual	50,449	212,911
	906,424	1,522,207
Changes in working capital accounts		
Accounts receivable	(2,284,343)	(683,675)
Inventory	(8,085,647)	(155,247)
Prepaid expenses and deposits	(1,297,082)	(1,565,222)
Accounts payable and accruals	16,979,390	7,999,249
Deferred revenue	16,950,191	5,893,757
Income tax payable	3,634	8,227
	23,172,567	13,019,296
Financing activities		
Lease obligation repayments	(105,563)	(125,877)
	(105,563)	(125,877)
Investing activities		
Purchases of property and equipment	(49,890)	(14,227)
Acquisition of intangible assets	(40,000)	(27,500)
Loans to affiliated companies	(6,700)	(89,716)
Purchase of right-of-use assets	(87,510)	(42,315)
	(184,100)	(173,758)
Increase in cash resources	22,882,904	12,719,661
Cash and investments, beginning of period	4,308,263	3,722,549
Cash and investments, end of period	27,191,167	16,442,210

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, 2022 and 2021

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

	Share Capital	Contributed Surplus	Surplus (deficit)	Total
Balance, September 30, 2020	12,577,828	18,723	1,100,332	13,696,883
Comprehensive income	-	-	480,094	480,094
Balance, March 31, 2021	12,577,828	18,723	1,580,426	14,176,977
Balance, September 30, 2021	12,577,828	18,723	1,493,926	14,090,477
Comprehensive income	-	-	173,311	173,311
Balance, March 31, 2022	12,577,828	18,723	1,667,237	14,263,788

The accompanying notes are an integral part of these financial statements

CAN TERRA SEEDS Holdings Ltd.

Notes to Consolidated Financial Statements

For the six-month period ended March 31, 2022 and 2021

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

1. Incorporation and operations**Entity information**

CAN TERRA 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, and distributes 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 soybeans sales cycles.

The interim consolidated financial statements of the Company reflect the operations and financial position of the Company and its wholly owned subsidiaries: CAN TERRA SEEDS (2002) Ltd. (a Canadian corporation) and CAN TERRA SEEDS (USA) Ltd. (a U.S. company), and its joint venture investment Meridian Seeds LLC (a U.S. company), which is accounted for using the equity method.

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, 2022, have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). These condensed financial statements do not include all the information required for consolidated financial statements and use the accounting policies consistent with the annual audited consolidated financial statements for the year ended September 30, 2021.

These interim condensed consolidated financial statements for the six-month period ended March 31, 2022, and 2021 were recommended for approval by the Audit Committee and were approved and authorized for issue by the Board of Directors on May 19, 2022.

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 grower. Scientific Research and Experimental Development credits are recognized when the related expenses have been incurred. Deferred revenue is taken into income in the period in which it is earned. Contract services and program payments are recognized when earned.

Key accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivables are stated after evaluation as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property and equipment. Scientific Research and Experimental Development tax credit claims are based on methodologies and assumptions applied by management in previous successful claims. Intangible assets consist of variety licenses and are depreciated over the life of the agreement. Management has evaluated using judgement long-term equity investments and determined if there is joint control and joint operations in place. Management has estimated that, while the terms of advances to related companies are not defined, the fair value approximates the carrying value due to the anticipated repayment dates of the advances. Management has estimated the Company's incremental borrowing rate for leases where the implicit rate cannot be determined.

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 Consolidated Financial Statements

For the six-month period ended March 31, 2022 and 2021

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

4. Other revenue

	Three Months Ended		Six Months Ended	
	March 31 2022	March 31 2021	March 31 2022	March 31 2021
	\$	\$	\$	\$
Interest and investment income	50,642	11,703	52,924	10,449
Other	29,485	46,398	81,838	91,109
Scientific research & development tax refundable	9,000	18,062	18,000	36,125
	89,127	76,163	152,762	137,683

5. Inventory

	March 31 2022	March 31 2021	September 30 2021
	\$	\$	\$
Finished goods	5,332,788	2,473,480	2,589,883
Raw materials	8,164,902	3,828,170	2,822,160
	13,497,690	6,301,650	5,412,043

The cost of inventories recognized as an expense and included in cost of sales in 2021 amounted to \$8,421,785 (2021 – \$7,110,077).

6. Advances to related company

	March 31 2022	March 31 2021	September 30 2021
	\$	\$	\$
Meridian Seeds LLC	20,161	78,288	31,301
Limagrain Cereals Research Canada	13,293	18,266	(4,547)
	33,454	96,554	26,754

Advances to related company are unsecured, non-interest bearing and have no fixed terms of repayment. Meridian Seeds, LLC, a U.S. Limited Liability Corporation is a 50% joint venture interest and Limagrain Cereals Research Canada, a Canadian partnership, is a 30% joint venture interest. The 50% joint venture interest in Meridian Seeds, LLC is in the process of being sold. This transaction should be completed over the next few weeks.

7. Deferred revenue

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

CANTERRA SEEDS Holdings Ltd.

Notes to Consolidated Financial Statements

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

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

There were no share transactions through treasury for the six-month periods ended March 31, 2022, and March 31, 2021. During the six-month period of October 1, 2021, to March 31, 2022 there were 107,151 Class A shares and 150,000 Class B shares transferred outside of treasury. For the same six-month period ending March 31, 2021, there were no share transactions.

9. Interest in joint ventures

The Company, through a wholly owned subsidiary, has an investment in a joint venture, Meridian Seeds LLC, in which it shares 50% control. Investments in this company which are subject to joint control are accounted for using the equity method.

The following amounts represent the results and financial position of Meridian Seeds LLC for the six months ended March 31, 2022, and 2021. The amounts below are in U.S. dollars.

	2022	2021
	\$	\$
Current Assets	843,744	1,213,485
Long-term Assets	201,702	254,966
Current Liabilities	597,929	826,997
Revenues	335,494	1,031,173
Expenses	716,931	1,420,602
Net Loss	(381,437)	(389,429)
Cash provided by (used in) operating activities	(27,156)	(374,692)
Cash provided by (used in) investing and financing activities	(54,844)	152,466

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

	2022	2021
	\$	\$
Investment in CANTERRA SEEDS USA LTD.	420,912	469,001

The Company is in the process of finalizing the sale of its share in Meridian Seeds, LLC. As such this investment has been set up as an asset held for sale on the statement of financial position.

CANTERRA SEEDS Holdings Ltd.

Notes to Consolidated Financial Statements

For the six-month period ended March 31, 2022 and 2021

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

The Company also owns a 30% investment in Limagrain Cereals Research Canada, a cereal breeding and development partnership located in Saskatoon, Saskatchewan. Investments in this company, which are subject to joint control, are accounted for using the equity method.

The following amount represent the results and financial position of Limagrain Cereals Research Canada for the six months ended March 31, 2022, and 2021. The amounts below are in in Canadian dollars.

	2022	2021
	\$	\$
Current Assets	2,452,012	795,338
Long-term Assets	1,425,959	1,858,376
Current Liabilities	218,139	376,677
Revenues	23,663	(125)
Expenses	870,762	1,042,930
Net Loss	(847,099)	(1,043,055)
Cash provided by (used in) operating activities	(616,856)	(760,539)
Cash provided by (used in) investing and financing activities	(112,809)	(283,896)

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

	2022	2021
	\$	\$
Investment in Limagrain Cereals Research Canada	1,168,082	758,890

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, 2022, of 7,551,147 (2021 – 7,551,147).

11. Commitments

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

Director and officer indemnification

The Company indemnifies its directors and officers against all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

12. Capital management

A wholly owned subsidiary of the Company has externally imposed capital requirements as governed through its bank credit facilities. As of March 31, 2022, the Company is not in default of these capital requirements and is in good standing in its dealings with its bank.

13. Related party transactions

Certain shareholders have entered transactions with the Company for the purchase and sale of seed and seed products. These transactions were in the normal course of business and were recorded at their exchange amount.



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