



**Consolidated Financial Statements**  
**For the years ended June 30, 2022 and 2021**  
**Expressed in Canadian Dollars**

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## Independent Auditor's Report

To the Shareholders and the Board of Directors of  
Clean Seed Capital Group Ltd.

### Opinion

We have audited the consolidated financial statements of Clean Seed Capital Group Ltd. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty related to Going Concern

We draw attention to Note 2(d) in the financial statements, which indicates that the Company incurred a net loss of \$2,639,596 during the year ended June 30, 2022 and, as of that date, the Company's current liabilities exceeded its current assets by \$3,786,275. As stated in Note 2(d), these events or conditions, along with other matters as set forth in Note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Leigh Derksen.

**/s/ Deloitte LLP**

Chartered Professional Accountants  
Vancouver, British Columbia  
October 28, 2022

**Clean Seed Capital Group Ltd.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

	Notes	June 30, 2022	June 30, 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	\$ 94,200	\$ 301,598
Receivables	6	59,723	32,324
Prepaid expenses and deposits	7	103,383	148,805
Inventories	8	265,949	180,061
Total current assets		523,255	662,788
<b>Non-current Assets</b>			
Property and equipment	10	799,435	307,852
Intellectual property	9	9,708,097	9,562,759
Interests in Joint Venture	11	4,124,173	2,416,384
Total non-current assets		14,631,705	12,286,995
<b>TOTAL ASSETS</b>		<b>\$ 15,154,960</b>	<b>\$ 12,949,783</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	12, 17c	\$ 1,521,887	\$ 1,146,911
Due to related parties	17c	430,012	39,375
Loans payable	13, 14	2,357,631	1,414,331
Total current liabilities		4,309,530	2,600,617
<b>Non-current Liabilities</b>			
Loans payable	14	1,543,653	1,091,664
<b>TOTAL LIABILITIES</b>		<b>5,853,183</b>	<b>3,692,281</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15	28,397,171	25,728,160
Share-based payment reserve	16b	2,933,950	2,919,090
Deficit		(22,029,344)	(19,389,748)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>9,301,777</b>	<b>9,257,502</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 15,154,960</b>	<b>\$ 12,949,783</b>

Ability to Continue as a Going Concern (Note 2d)  
 Commitments and Contingencies (Note 18)  
 Subsequent Events (Note 23)

Approved on behalf of the Board:

/s/ Graeme Lempriere

Director

/s/ Colin Rush

Director

The accompanying notes are an integral part of these consolidated financial statements.

**Clean Seed Capital Group Ltd.**  
**Consolidated Statements of Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	Years Ended June 30,	
	2022	2021
<b>License and royalty income</b> (Note 17b)	\$ 1,266,000	\$ 7,391
<b>Operating expenses</b>		
Amortization of intellectual property (Note 9)	720,000	723,008
Depreciation of property and equipment (Note 10)	321,785	217,156
Foreign exchange loss	34,116	82,689
Interest (Notes 13 and 17b)	360,492	225,825
Office and miscellaneous	235,733	118,793
Personnel	703,171	704,254
Premises	107,086	59,307
Professional (Note 17b)	516,122	573,471
Research and development Note 17b)	301,840	77,788
Share-based compensation (Notes 16b and 17a)	110,265	322,808
Share of loss from equity accounted investment (Note 11)	370,429	85,127
Travel and trade shows	124,557	88,209
	<b>(3,905,596)</b>	<b>(3,278,435)</b>
<b>Net and comprehensive loss for the year</b>	<b>\$ (2,639,596)</b>	<b>\$ (3,271,044)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>82,875,093</b>	<b>77,063,267</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Clean Seed Capital Group Ltd.**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian Dollars)**

	Share Capital		Share-based Payment Reserve	Deficit	Total
	Number	Amount			
<b>Balance, June 30, 2020</b>	<b>76,525,500</b>	<b>\$ 23,711,454</b>	<b>\$ 3,070,923</b>	<b>\$ (16,118,704)</b>	<b>\$ 10,663,673</b>
Units and shares issued for cash (Note 15)	3,475,000	1,519,500	-	-	1,519,500
Warrants issued with loans payable (Notes 14 and 16b)	-	-	22,565	-	22,565
Share-based compensation (Note 16b)	-	-	322,808	-	322,808
Fair value transferred on exercise of stock options (Notes 15 and 16b)	-	497,206	(497,206)	-	-
Net and comprehensive loss for the year	-	-	-	(3,271,044)	(3,271,044)
<b>Balance, June 30, 2021</b>	<b>80,000,500</b>	<b>25,728,160</b>	<b>2,919,090</b>	<b>(19,389,748)</b>	<b>9,257,502</b>
Units and shares issued (Note 15)	9,185,145	2,623,951	-	-	2,623,951
Share issuance costs (Note 15)	-	(50,345)	-	-	(50,345)
Share-based compensation (Note 16b)	-	-	110,265	-	110,265
Fair value transferred on exercise of stock options (Notes 15 and 16b)	-	95,405	(95,405)	-	-
Net and comprehensive loss for the year	-	-	-	(2,639,596)	(2,639,596)
<b>Balance, June 30, 2022</b>	<b>89,185,645</b>	<b>\$ 28,397,171</b>	<b>\$ 2,933,950</b>	<b>\$ (22,029,344)</b>	<b>\$ 9,301,777</b>

The accompanying notes are an integral part of these consolidated financial statements.

# Clean Seed Capital Group Ltd.

## Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)

	Years Ended June 30,	
	2022	2021
<b>Cash flows used in operating activities</b>		
Net loss for the year	\$ (2,639,596)	\$ (3,271,044)
Adjustments for items not affecting cash		
Amortization of intellectual property	720,000	723,008
Depreciation of property and equipment	321,785	217,156
Foreign exchange loss	15,897	82,688
Write-off of property and equipment included in research and development expenses	-	46,981
Share of loss from equity accounted investment	370,429	85,644
Contributions in kind to the Joint Venture	(740,857)	(170,829)
Interest accretion and expense	356,102	225,367
Share-based compensation	110,265	322,808
Changes in non-cash working capital items		
Receivables	(27,399)	(7,854)
Prepaid expenses and deposits	45,422	(43,235)
Inventories	(85,888)	(180,061)
Accounts payable	232,809	385,463
Due to related parties	71,416	-
	<b>(1,249,615)</b>	<b>(1,583,908)</b>
<b>Cash flows from financing activities</b>		
Proceeds from private placements	2,452,951	1,519,500
Share issuance costs	(50,345)	-
Repayment of loans payable	(576,965)	(640,179)
Advances from shareholders	1,150,500	-
	<b>2,976,141</b>	<b>879,321</b>
<b>Cash flows used in investing activities</b>		
Purchase of property and equipment	(133,463)	(68,554)
Development of intellectual property	(1,802,478)	(2,032,079)
	<b>(1,935,941)</b>	<b>(2,100,633)</b>
<b>Decrease in cash and cash equivalents for the year</b>	<b>(209,415)</b>	<b>(2,805,220)</b>
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>2,017</b>	<b>(91,448)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>301,598</b>	<b>3,198,266</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 94,200</b>	<b>\$ 301,598</b>

### Supplemental Cash Flow Information (Note 22)

The accompanying notes are an integral part of these consolidated financial statements.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 1. CORPORATE INFORMATION

Clean Seed Capital Group Ltd. (the “Company” or “Clean Seed”) was incorporated under the British Columbia *Business Corporations Act* on January 28, 2010. The Company is listed on the TSX Venture Exchange (“TSX-V”), having the symbol CSX.V. On November 23, 2021, the Company began trading on the OTCQB under the symbol CLGPF. The Company’s primary business is the design and development of products from its SMART Seeder technology, which was developed from its portfolio of intellectual property. The Company operates in one segment, the agriculture equipment industry. All of the Company’s assets are in Canada. The Company is a party to a joint venture (the “Joint Venture”) with 1240097 B.C. Unlimited Liability Company (“Norwood”) to commercialize new seeding and hybrid planting equipment for the North American market, including the SMART Seeder MAX™ product line (Note 11).

The address of the Company’s registered office is Suite 2900, 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J5. The address of the Company’s principal place of business is 7541 Conway Avenue, Unit 14, Burnaby, British Columbia, V5E 2P7.

### 2. BASIS OF PREPARATION

#### a) Statement of Compliance

The consolidated financial statements of the Company for the year ended June 30, 2022, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

The consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors of the Company on October 28, 2022.

#### b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that are stated at fair value.

The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar, unless otherwise indicated.

#### c) Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision, and further periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements, and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 4.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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## 2. BASIS OF PREPARATION (continued)

### d) Ability to Continue as a Going Concern

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of its assets and satisfaction of its liabilities in the normal course of business for at least the next twelve months. The Company is in the development stage, advancing its intellectual property to increase its technological capability and developing products from its intellectual property portfolio. The Company is developing its SMART Seeder technologies for commercialization in North America as a party to a Joint Venture and internationally with its Mini-MAX. The Company has never achieved profitable operations from the sale of its planting or seeding products.

The Company's primary asset remains its intellectual property portfolio. The underlying value of the intellectual property is dependent upon the Company's ability to i) generate future profitable business operations based upon that intellectual property, and ii) pay its obligations arising from business operations as they come due. During the 2020 fiscal year, the Company licensed certain components of its SMART Seeder technologies for US\$2,500,000 and received subsequent related payments in excess of US\$1,000,000. This licensing arrangement was the first in which the Company has entered. There have been no new licensing arrangements entered into in fiscal 2021 or 2022. The Company will continue to seek licensing opportunities in the future.

While these consolidated financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations for at least the next twelve months, the following conditions and events indicate the existence of material uncertainties that cast significant doubt on the validity of that assumption:

- as at June 30, 2022, the Company has an accumulated deficit of \$22,029,344;
- the Company has incurred a loss of \$2,639,596 for the year ended June 30, 2022;
- the Company has net cash flows used in operating activities of \$1,109,615 for the year ended June 30, 2022;
- the Company has a history of losses from operations; and
- the Company has a net working capital deficit of \$3,786,275.

The Company's ability to continue as a going concern is dependent upon management's forecasts and / or initiatives being realized through the sale of its products. To satisfy its liabilities in the normal course of operations until that time and to meet the anticipated cash requirements for working capital and capital expenditures as required, the Company will need to secure financing through a combination of licensing of its technologies, the acquisition of profitable operations, future equity issuances, future debt issuances, asset sales or a combination thereof. During 2022, the Company received US\$1,000,000 from AMVAC Chemical Corporation ("AMVAC") (Note 17(b)) in exchange for amending its existing license agreement whereby it agreed all future royalties were paid in full and completed private placements for gross proceeds of \$2,508,750. Subsequent to year-end, the Company received funding through the issuance of promissory notes and convertible debentures (note 23).

The Company is currently evaluating options to raise additional funds through the issuance of shares or debt instruments, in conjunction with assessing business opportunities, in order to secure funding for the ensuing twelve months and beyond. There is no assurance that future financing will be sufficient to sustain operations until such time that the Company can generate sufficiently profitable operations to realize its assets and satisfy its liabilities in the normal course of operations as they come due.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

## 2. BASIS OF PREPARATION (continued)

### d) Ability to Continue as a Going Concern (continued)

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern. Such adjustments could be material. While these consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern for the next twelve months, the conditions and factors described above, cast significant doubt on that assumption and management has concluded there is material uncertainty related thereto.

### e) Subsidiaries

In addition to the Company, the consolidated financial statements include its subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding the majority of the voting rights. Subsidiaries are fully consolidated from the date on which the Company acquires control. They are de-consolidated from the date that control by the Company ceases.

### f) Consolidation Principles

The subsidiaries of the Company are as follows:

Name of Subsidiary	Principal Activity	Fiscal Year-End	Place of Incorporation and Operation	Portion of Ownership Interest and Voting Power Held	
				June 30, 2022	June 30, 2021
Clean Seed Agricultural Technologies Ltd.	Agriculture Equipment	June 30	British Columbia, Canada	100%	100%
Seed Sync Systems Ltd.	Software Development	June 30	British Columbia, Canada	100%	100%

Assets, liabilities, revenues and expenses of the subsidiaries are recognized in accordance with the Company's accounting policies. Intercompany transactions are eliminated at consolidation. In addition to the subsidiaries listed, the Company holds interests in a Joint Venture (Note 11).

### g) COVID-19

Since March 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Since March 2020, measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown in previous years. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Company has experienced supply chain delays as a result of COVID-19 that has impacted its timing receiving components required to produce its SMART Seeder MAX prototype. It is uncertain as to the impact that COVID-19 could cause in the ensuing the year. Future COVID-19 outbreaks could lead to supply chain disruptions which would cause delays to building SMART Seeder MAX units in 2023 and beyond. The duration and impact of the COVID-19 pandemic, as well as the extent and effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Presentation Currency and Functional Currency

The Company's presentation currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of Clean Seed Agricultural Technologies Ltd. and Seed Sync Systems Ltd. is the Canadian dollar.

#### b) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, and other short-term, highly liquid investments with original maturities that are readily convertible to known amounts of cash within three months or less and subject to an insignificant risk of change in value.

#### c) Inventories

Inventory is valued at the lower of cost and net realizable value using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

Raw materials consumed in producing inventory are transferred to work-in-progress along with corresponding production costs incurred. Upon completion of production, work-in-progress is transferred to finished goods until the item is sold. Raw materials consumed in the development of prototypes are transferred to intellectual property when it is determined future economic benefit exists and those prototypes meet the recognition criteria as an intangible asset, otherwise they are charged to operations as development expense.

#### d) Property and Equipment

##### Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land, which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

##### Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

##### Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d) Property and Equipment (continued)

##### Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within the consolidated statement of comprehensive income (loss).

##### Depreciation

Depreciation is recognized in profit or loss and is provided for over the asset's estimated useful life:

Leasehold improvements	Shorter of useful life or term of the lease
Right-of-use ("ROU") assets	Shorter of useful life or term of the lease
Office furniture and equipment	20% declining basis
Computer equipment	50% declining basis
Computer software	50% declining basis
Shop equipment	30% declining basis
Production molds	12.5% declining basis
Demonstration equipment	25% declining basis

Depreciation methods, estimated useful lives and residual values are reviewed at each year-end and adjusted if appropriate. The effect of any changes in estimate is accounted for on a prospective basis.

#### e) Intellectual Property

Intellectual property consists of patents, patents pending, prototypes, capital assets used in the development of the intellectual property and the costs related to the development of technologies, and related proprietary knowledge. Intellectual property is recorded at cost and amortized on a straight-line basis once it is available for use. Amortization of intellectual property is as follows:

Patents and patents pending	Useful life of the patents pending
Development costs	Useful life of the patents pending

The Company amortizes intellectual property over 17 years, which represents the remaining life on its patents pending relating to the Smart Seeder technology. The components of the portfolio of intellectual property purchased on the acquisition of Clean Seed Agricultural Technologies Ltd. was integrated into the development of the Smart Seeder, and therefore, those components are indistinguishable from the patents pending. Therefore, the value of the intellectual property portfolio is allocated 100% to the patents pending related to the Smart Seeder.

#### f) Interests in Joint Venture

Interests in Joint Venture are accounted for using the equity method. The carrying amount of the interest in Joint Venture is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income (loss) of the Joint Venture, adjusted to ensure consistency with the accounting policies of the Company.

Any unrealized gains and losses on transactions between the Company and the Joint Venture are eliminated to the extent of the Company's interest in the Joint Venture. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g) Impairment of Non-financial Assets

Carrying values of property and equipment are reviewed at each reporting period as to whether indicators of impairment exist. If any indication of impairment exists an estimate of an asset's recoverable amount is calculated. An impairment loss is recognized when the carrying value of an asset or its cash-generating unit exceeds the recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Intellectual property when in use is assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Intellectual property not available for use will be tested annually for impairment similar to the basis above. This requires an estimation of the recoverable amount of the cash-generating unit. Estimating the recoverable amount requires the Company to make an estimate of fair value less cost to sell or value in use, which are subject to estimates and judgment.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there is an indication that there has been a change in the estimates, condition and/or factors used to determine the recoverable amount. The amount of the reversal cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior periods.

#### h) License Revenues

The Company earned license revenues from the grant of licenses to utilize its intellectual property. License revenues are recognized based on the nature of the license granted. The recognition of revenues and timing is based on the performance obligations of the Company for the license; revenue from a license that gives the right to use intellectual property is recognized at a point in time and revenues from a license that gives the right to access intellectual property is recognized over time. In determining whether a license is recognized at a point in time or over time, the Company considers whether it is required to undertake continuing activities that significantly affect the licensed intellectual property. For each contract that includes a separate license performance obligation, the Company considers all the facts and circumstances in determining whether the license revenue is recognized over time or at a point in time.

#### i) Research and Development Costs

All research and development costs are expensed when incurred unless they meet specific criteria directly relating to the development of the intellectual property for deferral and amortization. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project. Amortization begins once the underlying development project is available for use.

#### j) Government Grants

The Company accounts for the benefit of interest-free loans received under its contribution agreements (Note 14) as government grants. Government grants, as included in loans payable, are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied. When the grant relates to an expense item, the grant is recognized as a reduction in expense over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it reduces the carrying amount. The grant is recognized as income over the useful life of a depreciable asset by way of a reduced depreciation charge.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### k) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate. Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

#### l) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases, except for those leases that are short-term or convey the right to control the use of low value assets, are recognized as ROU assets and corresponding liabilities at the date at which a leased asset is available for use. Lease payments are allocated between finance costs, calculated using the effective interest method, and a reduction of the liability. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. ROU assets are measured at cost, less any impairments, including:

- the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- an estimate of costs, if any, to be incurred by the Company in restoring the underlying asset to the condition required by the terms and conditions of the lease.

Liabilities arising from a lease are initially measured as the net present value of the future lease payments, including:

- fixed payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

In recording ROU assets and related liabilities at inception of a lease, lease payments are discounted using the interest rate implicit in the lease. If that implicit rate cannot be determined, an incremental borrowing rate is used, being a rate that the Company would have to pay to borrow the funds required to obtain a similar asset, adjusted for term, security, asset value and the borrower's economic environment. The carrying amount of ROU assets and lease liabilities is remeasured if there is a modification of the lease, a change in the lease term, a change in the in-substance fixed lease payments, a change in the expected amount under a residual value guarantee, or a change in the assessment to exercise a purchase, extension or termination option.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### l) Leases (continued)

Payments for short-term leases and leases of low value assets are expensed on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less that do not contain a purchase option. Low value assets generally comprise computers and office furniture.

#### m) Financial Instruments

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. Financial instruments are recognized at a trade date when the Company commits to purchase or sell the asset.

##### Financial Assets

Financial assets are designated at recognition at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost. All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Company's cash and cash equivalents are classified as FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

A financial asset that is an equity investment may be designated at FVOCI upon an irrevocable election at initial recognition and will recognize changes in other comprehensive income (loss).

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Company has transferred them, and all the risks and rewards of ownership have been substantially transferred.

##### Impairment of Financial Assets

The Company assesses at each reporting date whether a loss allowance for expected credit losses is required to be recorded.

##### Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as amortized cost or FVTPL.

- Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, the liabilities are subsequently measured at the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.
- Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading, unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### m) Financial Instruments (continued)

The following table illustrate the classification and measurement of financial assets and financial liabilities:

	<b>Classification and measurement</b>
<b><u>Financial assets</u></b>	
Cash and cash equivalents	Financial assets at amortized cost
<b><u>Financial liabilities</u></b>	
Accounts payable	Financial liabilities at amortized cost
Due to related parties	Financial liabilities at amortized cost
Loans payable	Financial liabilities at amortized cost

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

#### n) Share Capital

Share capital represents the amount received in exchange for the issuance of shares. Shares issued for consideration other than cash are recorded at their fair value according to quoted market price on the day the shares are issued.

Proceeds from the exercise of share options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company along with the fair value of the option or warrant at the time of its grant.

The proceeds from the issuance of units are allocated between common shares and share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to share purchase warrants.

#### o) Share Issuance Costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as equity. Share issuance costs related to uncompleted share subscriptions are charged to operations.

#### p) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and share purchase warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. When the Company is in a loss position, basic and diluted loss per share will be the same.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### q) Share-based Payments

The Company has a share option plan under which it grants stock options to directors, employees, consultants and service providers. The Company has historically issued compensatory warrants to advisors and consultants approved by the TSX-V related to financings. Both stock options and compensatory warrants are considered equity instruments.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in share-based payment reserve over the vesting period, described as the period during which all the vesting conditions are to be satisfied. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option granted at the grant date. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Where the terms and conditions of options are modified, the increase in fair value of the options, measured as the difference of fair values immediately before and after the modification, is also charged to the share-based payment reserve over the remaining vesting period.

Where equity instruments are granted or issued to non-employees, the Company measures the value of the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital along with any consideration paid. Costs incurred related to the issuance of shares are recorded as a reduction of share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of the vesting and recognizes the amount that otherwise would have been recognized for the services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The Company has no cash-settled share-based payment transactions.

#### r) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss), except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss of the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### r) Income Taxes (continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable income or loss.

Recognition of deferred tax assets of unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

#### s) Recently Adopted Accounting Pronouncements

IFRS 9 *Financial Instruments*, International Accounting Standard (“IAS”) 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*

The amendments, collectively named *Interest Rate Benchmark Reform – Phase 2*, are effective for the Company’s June 30, 2022 fiscal year. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as “risk-free rates” or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. Adopting these amendments had no impact on the Company’s consolidated financial statements.

#### t) Future Accounting Pronouncements

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Amendments to IAS 37 are effective for the Company’s June 30, 2023 fiscal year. The amendments clarify that the “costs of fulfilling a contract” when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other costs that relate directly to fulfilling the contract. The amendments apply to contracts existing at the date when the amendments are first applied. Management is currently assessing the impact of the amendments to IAS 37.

IAS 1 *Presentation of Financial Statements*

Amendments to IAS 1 are effective for the Company’s June 30, 2024 fiscal year. The amendments clarify the presentation of liabilities in the consolidated statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer or accelerate settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendments also introduce a definition of “settlement” to make clear that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty. Management is currently assessing the impact of the amendments to IAS 1.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### t) Future Accounting Pronouncements (continued)

##### IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IAS 8 are effective for the Company's June 30, 2024 fiscal year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. Management is currently assessing the impact of the amendments to IAS 8.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below.

#### **Capitalization of Development Costs in Intellectual Property**

The Company capitalizes development costs to intellectual property when they meet the definition of an intangible asset under IFRS. In determining whether development costs should be capitalized the Company needed to establish i) whether completion of the intangible asset is technically feasible, ii) whether the intangible asset would generate probable future economic benefits, and iii) whether there were adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. Development costs related to the SMART Seeder technology are expensed as incurred when they do not meet the criteria outlined above. During the current year, the Company has capitalized development costs, as intellectual property, related to the SMART Seeder technology when those costs were considered improvements and met the criteria for capitalization as an intangible asset.

#### **Impairment of Intellectual Property**

The Company reviews intellectual property at each reporting period to determine whether there is an indication of impairment. An asset may be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the asset or fair value less cost to sell. In determining indicators of impairment of intangible assets, the Company considers external sources of information, such as prevailing economic and market conditions, including the Company's market value in comparison to its net book value. The Company also considers internal sources of information, such as the historical and expected financial performance of the intangible assets. If an indication of impairment exists, the asset's recoverable amount is estimated. If the carrying amount exceeds the recoverable amount (on a discounted basis), the asset value is written down to the recoverable amount. The Company has reviewed the recoverable amount of the intellectual property and assessed that its recoverable amount exceeds its carrying amount.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

#### Share-based Compensation

The Company incurs share-based compensation expense from the grant of incentive options, the issuance of compensatory warrants and the modification of outstanding incentive options. These transactions provide the holder the option to acquire common shares of the Company at a set price and are considered equity-settled transactions under IFRS.

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted or modified. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of options granted or modified and warrants issued as compensation for services. This estimate requires determining the most appropriate inputs for the Black-Scholes option pricing model, including the expected life of the share option, volatility and dividend yield.

The Company uses its historical share price data to estimate expected future share price volatility. The expected life of the share option is based on the full term of the instrument, as there is not reliable evidence to suggest a more appropriate term. The risk-free interest rate is based on a Canadian treasury instrument whose term is consistent with the expected term of the stock options. The Company has not paid and does not anticipate paying cash dividends on its shares of common stock in the foreseeable future; therefore, the expected dividend yield is assumed to be zero.

When the terms and conditions of options are modified, the increase in fair value of the options is measured as the difference of fair values immediately before and after the modification using the Black-Scholes option pricing with appropriate inputs for before and after modification.

See Note 16b for the assumptions applied to the grant and modification of incentive options.

#### Loans Payable

During the 2017 and 2019 fiscal years, the Company entered into three repayable contribution agreements (the "Loans") with different ministries of the Government of Canada. Each Loan is unsecured, bears 0% interest and allowed for multiple drawdowns throughout the Loan's eligible contribution period.

As each Loan bears no interest, the interest rate of each Loan is below the market rate for a commercial loan with similar terms. The initial fair value of these Loans was determined by using a discounted cash flow analysis. To determine the discounted cash flow, the Company had to determine the discount rate to apply to record the Loans at fair value at initial recognition. The discount rate selected at initial recognition has a significant impact on the amount recorded for the initial fair value of the Loans. In determining the appropriate discount rate, the Company considered the interest rates of similar long-term debt arrangements with similar terms. These Loans were issued by the Government of Canada to support innovation and economic development and requires repayments starting one year after the end of each project. One Loan has a five-year repayment term and the other Loan has a nine-year repayment term. Accordingly, finding financing arrangements with non-government arm's length parties under similar terms required judgment. Management determined there was no observable market for the Company to obtain long-term, unsecured borrowing of this nature and management was required to use significant judgment in determining the appropriate discount rate to apply in the fair value calculation of these financial instruments.

Management used an average discount rate of 17% based on its analysis of:

- (i) other companies receiving similar loans at early commercialization stages;
- (ii) the cost of borrowing for debt instruments of comparable term for companies with a comparable investment grade to the Company; and
- (iii) the Company's risk factors.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

#### Loans Payable (continued)

Management determined that interest rates incurred by companies with a comparable investment grade and discount rates applied by venture stage companies in comparable circumstances were within a range of 8% to 30% for unsecured term loans. Management considered discount rates in the range of 12% to 22% in ultimately determining that the average discount rate of 17% was most appropriate.

Using a discount rate of 17%, the difference between the calculated fair value and the face value liability of the financial instruments reduces the original eligible expenditures proportionately recorded and will be accreted as interest over the life of the instruments. The difference between the legal liability and calculated fair values are as follows:

	June 30, 2022	June 30, 2021
Legal liability	\$ 1,861,368	\$ 2,102,214
Benefit on Loans payable	(498,294)	(700,535)
Carrying values (Notes 14(b), (c) and (d))	\$ 1,363,074	\$ 1,401,679

#### Weighted Average Incremental Borrowing Rate for Leases

Management was required to use significant judgment in determining the appropriate discount rate to apply in the fair value calculation. Management used a discount rate of 9.82% based on its analysis of:

- (i) other companies receiving similar loans at early commercialization stages;
- (ii) the cost of borrowing for debt instruments of comparable term for companies with a comparable investment grade to the Company; and
- (iii) the Company's risk factors.

### 5. CASH AND CASH EQUIVALENTS

	June 30, 2022	June 30, 2021
Cash	\$ 44,657	\$ 250,763
Redeemable guaranteed investment certificates	49,543	50,835
	\$ 94,200	\$ 301,598

### 6. RECEIVABLES

	June 30, 2022	June 30, 2021
Goods and Services Tax ("GST")	\$ 58,178	\$ 26,157
Other receivables	1,545	6,167
	\$ 59,723	\$ 32,324

## Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 7. PREPAID EXPENSES AND DEPOSITS

	June 30, 2022		June 30, 2021
Legal retainer for patent applications	\$ 32,848	\$	28,383
Prepaid insurance	6,650		34,370
Security deposits	27,834		51,198
Other prepaid expenses	36,051		34,854
	\$ 103,383	\$	148,805

### 8. INVENTORIES

The Company's inventory consists of raw materials inventory. Raw materials are utilized in three manners:

- Those consumed in the development of prototypes, which meet the criteria as an intangible asset, are capitalized to intellectual property.
- Those consumed in development activities that do not meet the criteria as an intangible asset are recorded as development expense.
- Those consumed in production of SMART Seeder MAX units are transferred to work-in-progress and then finished goods upon completion of production.

	June 30, 2022		June 30, 2021
Raw materials	\$ 265,949	\$	180,061

### 9. INTELLECTUAL PROPERTY

Intellectual property consists of the underlying SMART Seeder technology that encompasses the Company's portfolio of patents, patents pending, patent applications for which there are no conflicting claims and the development costs incurred to translate those patents into products. Costs capitalized to intellectual property include amounts related to acquisition, legal, patent, personnel, materials, components and development facilities.

The intellectual property has a finite life based on the remaining useful life of the patents and patents pending for the underlying technology of the intellectual property. When the Company sold its predecessor SMART Seeders in May 2016, it made a judgment that it had completed development of certain of its intellectual property and began amortizing the intellectual property over the remaining life of the patents and patents pending, which was approximately 17 years from that date.

## Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 9. INTELLECTUAL PROPERTY (continued)

The Company's initial set of patents related to its SMART Seeder technology have advanced to the national phase and it has been issued patent, or is patent pending, in all of the countries submitted. The initial set of claims will be in effect until 2033. In October 2017, the Company received notification from the World Intellectual Property Organization (WIPO) that additional SMART Seeder technology innovation claims from its February 2017 application were assessed as innovative and free from conflicting claims or prior art. The Company has since entered the national phase of the application process by submitting patent applications to the Patent Cooperation Treaty member countries in which it wishes to obtain patent protection. If successful in obtaining the patents, it will provide patent protection for the SMART Seeder technology until 2036.

	Cost	Accumulated Amortization	Impairment	Net Book Value
<b>Balance, June 30, 2020</b>	<b>\$ 12,083,423</b>	<b>\$ (2,511,403)</b>	<b>\$ -</b>	<b>\$ 9,572,020</b>
Additions	2,182,547	-	-	2,182,547
Contribution to Joint Venture (Note 11)	(1,468,800)	-	-	(1,468,800)
Amortization	-	(723,008)	-	(723,008)
<b>Balance, June 30, 2021</b>	<b>12,797,170</b>	<b>(3,234,411)</b>	<b>-</b>	<b>9,562,759</b>
Additions	2,198,098	-	-	2,198,098
Contribution to Joint Venture (Note 11)	(1,332,760)	-	-	(1,332,760)
Amortization	-	(720,000)	-	(720,000)
<b>Balance, June 30, 2022</b>	<b>\$ 13,662,508</b>	<b>\$ (3,954,411)</b>	<b>\$ -</b>	<b>\$ 9,708,097</b>

See Notes 4 and 14 for discussion regarding the impact of the benefit on loans payable that reduced the cost of certain intellectual property amounts.

# Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

## 10. PROPERTY AND EQUIPMENT

	ROU Asset	Shop Equipment	Computer Equipment	Computer Software	Production Molds	Other	Total
<b>Cost</b>							
<b>Balance, June 30, 2020</b>	\$ 587,515	\$ 78,292	\$ 90,975	\$ 66,332	\$ 41,728	\$ 38,886	\$ 903,728
Additions for the year	-	-	27,671	15,211	42,477	-	85,359
Write-off included in research and development expense	-	-	-	-	(58,720)	-	(58,720)
<b>Balance, June 30, 2021</b>	<b>587,515</b>	<b>78,292</b>	<b>118,646</b>	<b>81,543</b>	<b>25,485</b>	<b>38,886</b>	<b>930,367</b>
Additions for the year	685,886	3,146	18,633	-	40,994	64,709	813,368
<b>Balance, June 30, 2022</b>	<b>\$ 1,273,401</b>	<b>\$ 81,438</b>	<b>\$ 137,279</b>	<b>\$ 81,543</b>	<b>\$ 66,479</b>	<b>\$ 103,595</b>	<b>\$ 1,743,735</b>
<b>Accumulated Depreciation</b>							
<b>Balance, June 30, 2020</b>	\$ 173,277	\$ 66,542	\$ 68,131	\$ 58,522	\$ 11,739	\$ 38,886	\$ 417,098
Depreciation for the year	184,116	3,525	18,340	7,709	3,467	-	217,156
Write-off included in research and development expense	-	-	-	-	(11,739)	-	(11,739)
<b>Balance, June 30, 2021</b>	<b>357,393</b>	<b>70,067</b>	<b>86,471</b>	<b>66,231</b>	<b>3,467</b>	<b>38,886</b>	<b>622,515</b>
Depreciation for the year	283,683	2,940	20,745	7,656	5,563	1,198	321,785
<b>Balance, June 30, 2022</b>	<b>\$ 641,076</b>	<b>\$ 73,007</b>	<b>\$ 107,216</b>	<b>\$ 73,887</b>	<b>\$ 9,030</b>	<b>\$ 40,084</b>	<b>\$ 944,300</b>
<b>Carrying Amounts</b>							
<b>At June 30, 2021</b>	\$ 230,122	\$ 8,225	\$ 32,175	\$ 15,312	\$ 22,018	\$ -	\$ 307,852
<b>At June 30, 2022</b>	\$ 632,325	\$ 8,431	\$ 30,063	\$ 7,656	\$ 57,449	\$ 63,511	\$ 799,435

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 11. INTERESTS IN JOINT VENTURE

On February 10, 2020, the Company entered into a Joint Venture with Norwood. The parties formed the Joint Venture to develop, manufacture and distribute seeding and hybrid planting equipment for the North American market, including the SMART Seeder MAX and SMART Seeder MAX-S.

Related to the Joint Venture, two entities were formed:

- Clean Seed Agriculture Limited Partnership (formerly Newstand Agriculture Limited Partnership) (“LP”); and
- 10055342 Manitoba Ltd.

Under the Joint Venture:

- Clean Seed has licensed its SMART Seeder technologies to the Joint Venture and has undertaken development work to prepare its technologies for production.
- Norwood has licensed its front folding frame rights, cart, hydraulics and other related technologies, and has undertaken development work to prepare its technologies for production.
- Each party will contribute their respective components for prototype and production units to the Joint Venture at cost.
- Each party will hold a 50% interest in the ownership of each of the Joint Venture entities and each will have one board seat within each entity.
- Each party will be limited partners of LP while 10055342 Manitoba Ltd. will act as its general partner.

The Company does not have any other joint venture interests. Below are the Joint Venture interests as at June 30, 2022 and 2021. The country of incorporation or registration is also their principal place of operation, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Entity	Principal Activity	Fiscal Year-End	Place of Formation and Operation	Portion of Ownership Interest and Voting Power Held		Measurement Method
				June 30, 2022	June 30, 2021	
10055342 Manitoba Ltd.	General Partner of LP	June 30	Manitoba, Canada	50%	50%	Equity Method
LP	Produce and Distribute Agriculture Equipment	June 30	Manitoba, Canada	50%	50%	Equity Method

#### a) Commitments and Contingent Liabilities in Respect of Joint Ventures

The directors and owners of 10055342 Manitoba Ltd. will jointly approve the operating programs and budgets of the entities on an annual basis. The Company has operational commitments for the 2023 fiscal year related to contributions to retrofit units for testing and demonstration and inventory for future production units. The Company has no financial commitments or contingent liabilities related to its Joint Venture interests.

# Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements  
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## 11. INTERESTS IN JOINT VENTURE (continued)

### b) Summary of Activity

	<b>Net Book Value</b>
<b>Balance, June 30, 2020</b>	<b>\$ 861,884</b>
Contributions	1,639,627
Portion of Joint Venture earnings	(85,127)
<b>Balance, June 30, 2021</b>	<b>2,416,384</b>
Contributions	2,078,218
Portion of Joint Venture earnings	(370,429)
<b>Balance, June 30, 2022</b>	<b>\$ 4,124,173</b>

Contributions consist of intellectual property, personnel and other expenses incurred by Clean Seed on behalf of the Joint Venture.

### c) Summarized Financial Information for Joint Venture

The following tables provide summarized financial information for the Company's Joint Venture. The information disclosed reflects the amounts presented in the financial statements of the relevant Joint Venture and not the Company's share of those amounts. There are no modifications or adjustments required due to differences in accounting policy.

#### (i) Statements of Financial Position

<b>Summarized Statements of Financial Position</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Total current assets	\$ -	\$ -
Intellectual property	5,569,264	4,142,976
Total non-current assets	5,569,264	4,142,976
Total current liabilities	-	-
Total non-current liabilities	-	-
<b>Net assets</b>	<b>\$ 5,569,264</b>	<b>\$ 4,142,976</b>
<b>Reconciliation to carrying amounts</b>		
Opening net assets of Joint Venture	\$ 4,142,976	\$ 2,028,297
Contributions made by parties	2,167,145	2,284,933
Net loss	(740,857)	(170,254)
Closing net assets	5,569,264	4,142,976
Company ownership and interest	50%	50%
Carrying amount	\$ 4,124,173	\$ 2,416,384

Pursuant to the Joint Venture agreement with the Company, contributions made prior to the commercialization phase do not have an impact on the relative ownership percentages of the Joint Venture. Contributions made into the Joint Venture are recorded based on the costs incurred by each party and related to intellectual property development in designing and manufacturing the SMART Seeder MAX-S prototype. Once the Joint Venture reaches the commercialization phase, the parties are to make equal contributions to the approved operating programs and budgets. Accordingly, as at June 30, 2022, the Company's interest in the Joint Venture is equal to the cost of its contributions made to the Joint Venture.

# Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

## 11. INTERESTS IN JOINT VENTURE (continued)

### c) Summarized Financial Information for Joint Venture (continued)

#### (ii) Statements of Comprehensive Loss

	June 30, 2022	June 30, 2021
<b>Summarized Statements of Comprehensive Loss</b>		
Revenues	\$ -	\$ -
Operating expenses	740,857	170,254
Net loss and comprehensive loss	\$ (740,857)	\$ (170,254)

## 12. ACCOUNTS PAYABLE

	June 30, 2022	June 30, 2021
Trade payable	\$ 1,320,023	\$ 1,045,705
Personnel payable	201,864	101,206
	\$ 1,521,887	\$ 1,146,911

## 13. FINANCE LEASE OBLIGATION

The Company leases certain premises and computer software.

On January 1, 2022, the Company took possession of new build lease premises in Saskatoon, Saskatchewan, with an aggregate of approximately 16,000 square feet across two buildings. The lease term is for five years and two months. Starting March 1, 2022, aggregate lease payments of \$14,630 per month plus operating costs are due under the lease. The monthly lease fee is fixed over the life of the lease.

## Clean Seed Capital Group Ltd.

### Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

#### 13. FINANCE LEASE OBLIGATION (continued)

The Company leases certain shop equipment, computer equipment, computer software and premises. The lease obligations represent the present value of minimum lease payments payable. The Company's lease obligation consists of:

	June 30, 2022	June 30, 2021
Premises lease payable in monthly instalments of \$6,982 including interest at the incremental borrowing rate of 9.82% per annum	\$ 391,020	\$ -
Premises lease payable in monthly instalments of \$7,648 including interest at the incremental borrowing rate of 9.82% per annum	428,260	-
Premises lease with a related party payable in monthly instalments of \$15,000 including interest at the incremental borrowing rate of 16.33% per annum (Note 17b)	45,000	225,000
Premises lease payable in monthly instalments of \$4,533 including interest at the incremental borrowing rate of 16.33% per annum	13,600	71,750
Computer software lease payable in monthly instalments of \$431 including implicit interest at 9.05% per annum	-	1,389
	<b>877,880</b>	298,139
Less: Interest	<b>(160,603)</b>	(30,589)
<b>Total Lease Obligation</b>	<b>\$ 717,277</b>	<b>\$ 267,550</b>
Minimum repayments over the next five fiscal years are as follows:		
2023		\$ 234,160
2024		175,560
2025		175,560
2026		175,560
2027		117,040
		<b>\$ 877,880</b>

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 14. LOANS PAYABLE

The loans payable are as follows:

	Notes	June 30, 2022	June 30, 2021
Notes payable	14a	\$ 1,820,934	\$ 836,765
Lease obligations	13	717,276	267,550
AgrilInnovation repayable contribution	14b	847,486	825,249
2017 Western Innovation Initiative repayable contribution	14c	197,548	228,707
2019 Western Innovation Initiative repayable contribution	14d	318,040	347,724
Shareholder advances	14e	-	-
<b>Total loans payable</b>		<b>3,901,284</b>	<b>2,505,995</b>
Less: Current portion of loans payable		(2,357,631)	(1,414,331)
<b>Non-current Loans Payable</b>		<b>\$ 1,543,653</b>	<b>\$ 1,091,664</b>

#### a) Notes Payable

The notes payable activity is as follows:

	Principal	Accrued Interest	Notes Payable
<b>Balance, June 30, 2020</b>	\$ 924,000	\$ 58,863	\$ 982,863
Interest accrued	-	135,767	135,767
Allocation to warrant extensions	(22,565)	-	(22,565)
Repayments	(150,000)	(109,300)	(259,300)
<b>Balance, June 30, 2021</b>	<b>751,435</b>	<b>85,330</b>	<b>836,765</b>
Shareholder advances restructured into promissory notes (Note 14e)	1,150,500	-	1,150,500
Interest accrued	-	165,569	165,569
Repayments	(240,000)	(91,900)	(331,900)
<b>Balance, June 30, 2022</b>	<b>\$ 1,661,935</b>	<b>\$ 158,999</b>	<b>\$ 1,820,934</b>

- (i) On August 1, 2019, the Company restructured accounts payable of \$990,000 by issuing a promissory note that matured on July 31, 2020, bore an annual rate of interest of 12% payable monthly and was unsecured. In connection with issuing this note, the Company agreed to issue 1,980,000 warrants for a term of six months, exercisable at \$0.50 per share. During the 2021 fiscal year, the Company and the creditor, through a series of extensions, agreed to extend the maturity date of the promissory note and the expiry date of the warrants to July 31, 2021. The maturity date of the promissory note was further extended by a series of amendments to March 31, 2023. The Company repaid principal of \$100,000 during 2022. The balance as at June 30, 2022 is \$747,000 (June 30, 2021: \$751,435).
- (ii) On March 29, 2022, the Company restructured a shareholder advance of \$140,000 into a promissory note with a maturity date of September 29, 2022 and which bore an annual rate of interest of 8%. The promissory note was extinguished through the issuance of units in May 2022 (Note 15b(iii)).

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 14. LOANS PAYABLE (continued)

#### a) Notes Payable (continued)

(iii) On March 18, 2022, the Company restructured two shareholder loans aggregating \$1,010,500 into promissory notes. The promissory notes mature on March 31, 2023, bear an annual rate of interest of 8% and are secured by a general security interest in the assets of the Company. As a result of restructuring the shareholder loans, the Company incurred loan processing fees of \$40,000 payable at maturity. Included in these promissory notes is \$510,500 due to a company controlled by an insider of the Company. This promissory note balance as at June 30, 2022 is \$537,137 (Notes 17(b) and 23(b)).

#### b) AgrilInnovation Repayable Contribution

The AgrilInnovation repayable contribution activity is as follows:

	<b>Contribution Payable</b>
<b>Balance, June 30, 2020</b>	<b>\$ 858,040</b>
Interest accretion	66,401
Repayments	(99,192)
<b>Balance, June 30, 2021</b>	<b>825,249</b>
Interest accretion	121,429
Repayments	(99,192)
<b>Balance, June 30, 2022</b>	<b>\$ 847,486</b>

On July 18, 2016, the Company entered into a repayable contribution agreement (the "AgrilInnovation Agreement") with Her Majesty the Queen in Right of Canada, as represented by the Minister of Agriculture and Agri-Food. Under the terms of the AgrilInnovation Agreement, the Company can borrow up to \$1,825,000 as a 50% reimbursement for spending incurred on pre-approved eligible expenditures. The eligible costs are related to commercializing the Company's CX-6 SMART Seeder and consist of personnel, production and inventory expenditures. The Company could submit claims for reimbursement on eligible amounts it incurs under the AgrilInnovation Agreement on or before March 31, 2017 and had until September 30, 2017 to submit its final claim.

The Company will be obligated to repay all contributions received totaling \$1,599,461 in equal monthly payments of \$14,809 over nine years commencing March 31, 2019. Amounts received bear a 0% interest rate and are unsecured. Any repayments that are not made in time will incur interest of prime plus 3% from the period starting the day after the payment was due until such time as the amount is paid. The repayable contribution was scheduled to be repaid February 29, 2028.

Effective December 31, 2020, the AgrilInnovation Agreement was amended to allow for the deferral of repayments totaling \$148,098. As a result of the deferral, the monthly principal repayments were increased to \$16,532 so that the maturity date remains February 29, 2028.

The Company has accounted for the arrangement as a loan, discounting the future payments using an effective interest rate of 17%. See Note 4 for discussion in determining the discount rate.

As at June 30, 2022, the Company has deferred payments due under the loan for six months, totaling \$99,192. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole.

# Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

## 14. LOANS PAYABLE (continued)

### c) 2017 Western Innovation Initiative Repayable Contribution

The 2017 Western Innovation Initiative repayable contribution activity is as follows:

		<b>Contribution Payable</b>
<b>Balance, June 30, 2020</b>	<b>\$</b>	<b>262,508</b>
Interest accretion		8,699
Repayments		(42,500)
<b>Balance, June 30, 2021</b>		<b>228,707</b>
Interest accretion		32,589
Repayments		(63,748)
<b>Balance, June 30, 2022</b>	<b>\$</b>	<b>197,548</b>

The Company entered into a repayable contribution agreement (the “2017 WINN Agreement”) with Her Majesty the Queen in Right of Canada as represented by Western Economic Diversification Canada. Under the terms of the 2017 WINN Agreement, the Company can borrow up to \$425,000 as a 50% reimbursement for spending incurred on eligible expenditures. The eligible costs are related to preparations of the CX-6 SMART Seeder for production and activities to market and sell the CX-6 SMART Seeder. The Company could submit claims for contribution for amounts it incurred on or before March 31, 2018.

The Company will be obligated to repay all contributions received totaling \$425,000 in equal monthly payments over five years commencing April 1, 2019. Amounts received bear a 0% interest rate and are unsecured. Any repayments that are not made in accordance with the 2017 WINN Agreement will incur interest of prime plus 3% from the period starting the day after the payment was due until the amount is paid. Based on the amount received by the Company under the 2017 WINN Agreement, the monthly repayment is \$7,083 (June 30, 2021: \$7,083).

Effective December 31, 2020, the 2017 WINN Agreement was amended to allow for the deferral of repayments totaling \$63,747. As a result of the deferral, the maturity date of the loan was deferred from March 1, 2024 to December 1, 2024.

The Company has accounted for the arrangement as a loan, discounting the future payments using an effective interest rate of 17%. See Note 4 for discussion in determining the discount rate.

As at June 30, 2022, the Company has deferred payments due under the loan for three months, totaling \$21,250. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole.

# Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

## 14. LOANS PAYABLE (continued)

### d) 2019 Western Innovation Initiative Repayable Contribution

The 2019 Western Innovation Initiative repayable contribution activity is as follows:

		<b>Contribution Payable</b>
<b>Balance, June 30, 2020</b>	<b>\$</b>	<b>321,958</b>
Interest accretion		51,597
Repayments		(25,831)
<b>Balance, June 30, 2021</b>		<b>347,724</b>
Interest accretion		48,227
Repayments		(77,911)
<b>Balance, June 30, 2022</b>	<b>\$</b>	<b>318,040</b>

On October 9, 2018, the Company entered into a second repayable contribution agreement (the “2019 WINN Agreement”) with Her Majesty the Queen in Right of Canada as represented by Western Economic Diversification Canada. Under the terms of the 2019 WINN Agreement, the Company can borrow up to \$508,000 as a 50% reimbursement for spending incurred on eligible expenditures. The eligible costs are related to preparations of the SMART technology for the US planter market. The Company could submit claims for contribution for amounts it incurred on or before March 31, 2020.

The Company will be obligated to repay all contributions received totaling \$508,000 in equal monthly payments over five years commencing April 1, 2021. Amounts received bear a 0% interest rate and are unsecured. Any repayments that are not made in accordance with the 2019 WINN Agreement will incur interest of prime plus 3% from the period starting the day after the payment was due until the amount is paid.

Based on the amount received by the Company under the 2019 WINN Agreement to date, the monthly repayment will be \$8,610 (June 30, 2021: \$8,610).

The Company has accounted for the arrangement as a loan, discounting the future payments using an effective interest rate of 17%. See Note 4 for discussion in determining the discount rate.

As at June 30, 2022, the Company has deferred payments due under the loan for three months, totaling \$25,412. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 14. LOANS PAYABLE (continued)

#### e) Shareholder Advances

Shareholder advance activity is as follows:

	Principal	Accrued Interest	Shareholder Advance Payable
<b>Balance, June 30, 2020 and 2021</b>	\$ -	\$ -	\$ -
Advances	1,151,612	-	1,151,612
Converted into promissory notes	(1,150,000)	-	(1,150,000)
Repayments	(1,612)	-	(1,612)
<b>Balance, June 30, 2022</b>	\$ -	\$ -	\$ -

The Company received advances from four shareholders totaling \$1,151,612. The advances did not bear interest, were unsecured and did not have specified terms of repayment (Note 17c).

### 15. SHARE CAPITAL

#### a) Authorized

An unlimited number of common shares without par value.

#### b) Issued

During the year ended June 30, 2022, the following share capital transactions occurred:

- (i) The Company received proceeds of \$115,200 from the exercise of 293,000 stock options. Upon exercise, the fair value of the options totaling \$95,405 was transferred from share-based payment reserve to share capital.
- (ii) On November 19, 2021, the Company closed a non-brokered private placement financing of 2,857,145 units of the Company at \$0.35 per unit for total gross proceeds of \$1,000,000. Each unit is comprised of one common share of the Company and one warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.50 for twelve months from the date of issue. The Company incurred \$24,979 of share issuance costs.
- (iii) On May 6, 2022, the Company issued 6,035,000 units of the Company at a price of \$0.25 per unit, for gross proceeds of \$1,508,750. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company for a period of twelve months from the closing date of the offering at \$0.35 per share. The Company incurred \$25,366 of share issuance costs.

During the year ended June 30, 2021, the following share capital transactions occurred:

- (i) The Company received proceeds of \$1,519,500 from the exercise of 2,740,000 warrants and 735,000 stock options. Upon exercise, the fair value of the options and warrants, totaling \$497,206, was transferred from share-based payment reserve to share capital.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 16. EQUITY AND RESERVES

#### a) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's consolidated statements of financial position include "Share-based Payment Reserve" and "Accumulated Deficit".

- *Share-based Payment Reserve* is used to recognize the fair value of derivative equity instruments granted or issued by the Company on its own stock.
- *Deficit* is used to record the Company's change in deficit from net income or loss and comprehensive income or loss from period to period.

#### b) Share-based Payment Reserve

The share-based payment reserve consists of the following amounts:

	Incentive Options	Warrants	Broker Warrants	Share-based Payment Reserve
<b>Balance, June 30, 2020</b>	<b>\$ 2,137,526</b>	<b>\$ 837,700</b>	<b>\$ 95,697</b>	<b>\$ 3,070,923</b>
Options granted under stock option plan	243,276	-	-	243,276
Options granted in prior period with vesting conditions	79,532	-	-	79,532
Options exercised	(279,606)	-	-	(279,606)
Warrants extended in connection with promissory note extension	-	22,565	-	22,565
Warrants exercised	-	(217,600)	-	(217,600)
<b>Balance, June 30, 2021</b>	<b>2,180,728</b>	<b>642,665</b>	<b>95,697</b>	<b>2,919,090</b>
Options granted under stock option plan	47,311	-	-	47,311
Options granted in prior period with vesting conditions	62,954	-	-	62,954
Options exercised	(95,405)	-	-	(95,405)
<b>Balance, June 30, 2022</b>	<b>\$ 2,195,588</b>	<b>\$ 642,665</b>	<b>\$ 95,697</b>	<b>\$ 2,933,950</b>

The Company uses the Black-Scholes option pricing model to determine the fair value of incentive options granted and compensatory broker warrants issued. This model requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options and warrants.

The Company uses the residual value method to allocate value to warrants issued as part of a unit.

# Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements  
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## 16. EQUITY AND RESERVES (continued)

### b) Share-based Payment Reserve (continued)

#### (i) Incentive Share Options

The Company has a share option plan under which directors, officers, consultants and employees of the Company and its subsidiaries are eligible to receive stock options. The aggregate number of shares to be issued upon the exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company. Options granted must not exceed ten years and typically vest on the day of grant or at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at the time of grant, but shall not be less than the price permitted by the policies of the TSX-V.

The following table summarizes incentive share option activity for the years ended June 30, 2022 and 2021:

	Number of Options	Weighted Average Exercise Price	Share-based Payment Reserve
<b>Balance, June 30, 2020</b>	<b>4,923,100</b>	<b>\$ 0.21</b>	<b>\$ 2,137,526</b>
Granted	1,429,000	\$ 0.42	336,480
Exercised	(735,000)	\$ 0.20	(279,606)
Cancelled	(450,000)	\$ 0.32	-
Forfeited	(75,000)	\$ 0.30	(13,672)
<b>Balance, June 30, 2021</b>	<b>5,092,100</b>	<b>\$ 0.26</b>	<b>2,180,728</b>
Granted	552,000	\$ 0.52	110,265
Exercised	(293,000)	\$ 0.39	(95,405)
Cancelled	(425,000)	\$ 0.52	-
<b>Balance, June 30, 2022</b>	<b>4,926,100</b>	<b>\$ 0.26</b>	<b>\$ 2,195,588</b>

#### *Options Granted During the Year*

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted at the grant date using the following assumptions:

	June 30, 2022	June 30, 2021
Risk-free interest rate	0.37%	0.30%
Expected life of options (years)	2.98	4.00
Annualized volatility	74%	72%
Dividend rate	0.00%	0.00%

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 16. EQUITY AND RESERVES (continued)

#### b) Share-based Payment Reserve (continued)

##### (i) Incentive Share Options (continued)

Options outstanding at June 30, 2022 and 2021 were as follows:

Expiry Date	June 30, 2022		June 30, 2021	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
September 28, 2021	-	\$ -	140,000	\$ 0.24
February 9, 2023		\$	25,000	\$ 0.60
December 31, 2023	4,226,100	\$ 0.23	4,227,100	\$ 0.23
February 28, 2025	200,000	\$ 0.50	200,000	\$ 0.50
January 31, 2026	500,000	\$ 0.40	500,000	\$ 0.40
	<b>4,926,100</b>	<b>\$ 0.26</b>	5,092,100	\$ 0.26
Weighted Average Remaining Contractual Life (years)		<b>1.76</b>		2.69
Weighted Average Fair Value of Options Granted		<b>\$ 0.22</b>		\$ 0.23
Weighted Average Share Price During Period		<b>\$ 0.37</b>		\$ 0.44

At June 30, 2022, 633,333 (June 30, 2021: 1,041,666) of the incentive stock options had not vested. All other incentive stock options are fully vested.

# Clean Seed Capital Group Ltd.

Notes to the Consolidated Financial Statements  
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## 16. EQUITY AND RESERVES (continued)

### b) Share-based Payment Reserve (continued)

#### (ii) Warrants

The Company has issued share purchase warrants (“warrants”) as a component of units issued in past private placements. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to the warrants.

The following table summarizes warrants activity for the years ended June 30, 2022 and 2021:

	Number of Warrants	Weighted Average Exercise Price	Share-based Payment Reserve
<b>Balance, June 30, 2020</b>	<b>7,895,000</b>	<b>\$ 0.50</b>	<b>\$ 837,700</b>
Issued	1,312,500	\$ 0.64	-
Exercised	(2,740,000)	\$ 0.50	(217,600)
Expired	(1,980,000)	\$ 0.50	-
Warrants extended in connection with promissory note extension	-	\$ -	22,565
<b>Balance, June 30, 2021</b>	<b>4,487,500</b>	<b>\$ 0.54</b>	<b>642,665</b>
Issued	2,857,145	\$ 0.50	-
Expired	(4,487,500)	\$ 0.64	-
<b>Balance, June 30, 2022</b>	<b>2,857,145</b>	<b>\$ 0.50</b>	<b>\$ 642,665</b>

Warrants outstanding at June 30, 2022 and 2021 are as follows:

Expiry Date	June 30, 2022		June 30, 2021	
	Number of Warrants Outstanding	Exercise Price	Number of Warrants Outstanding	Exercise Price
January 31, 2022	-	\$ 0.50	4,487,500	\$ 0.54
November 19, 2022	2,857,145	\$ 0.50	-	\$ -
	<b>2,857,145</b>	<b>\$ 0.50</b>	<b>4,487,500</b>	<b>\$ 0.54</b>
Remaining Contractual Life (years)		<b>0.39</b>		0.08

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 17. RELATED PARTY TRANSACTIONS AND BALANCES

#### a) Key Management Personnel

Compensation to key management, which consists of executives and management directors, for the years ended June 30, 2022 and 2021 was as follows:

	<b>June 30, 2022</b>	June 30, 2021
Short-term benefits*	\$ 652,800	\$ 652,500
Share-based payments#	28,447	181,738
	<b>\$ 681,247</b>	<b>\$ 834,238</b>

\*Short-term benefits include compensation for three executives and one insider as at June 30, 2022 (June 30, 2021: three executives and one officer).

#Share-based payments consist of the fair value of 1,000,000 options granted to an officer and directors of the Company on December 6, 2019; 666,667 of the options had vested at June 30, 2022 (June 30, 2021: 333,334)

#### b) Related Party Transactions

Transactions with related parties for the years ended June 30, 2022 and 2021 were as follows:

	<b>June 30, 2022</b>	June 30, 2021
Legal fees from a legal firm in which a director of the Company is a senior partner included in intellectual property and development expense	\$ -	\$ 158,459
Amounts for a monthly lease charged to the on-farm lease from a company controlled by an insider of the Company (Note 17c)	\$ 180,000	\$ 180,000
Consulting fees for a company controlled by an insider of the Company for agronomic advisory services included within intellectual property	\$ -	\$ 30,000
Lease accretion incurred for the on-farm lease from a company controlled by an insider of the Company included within intellectual property (Note 13)	\$ 21,540	\$ 45,266
Crop input costs and farm equipment usage costs related to on-farm testing activities incurred from a company controlled by an insider of the Company included within intellectual property	\$ 258,313	\$ -
Promissory note interest and loan processing fees incurred from a company controlled by an insider of the Company included within interest expense (Notes 14(a)(iii), 17(c) and 23(b))	\$ 26,636	\$ -
Consulting fees from a relative of the Chief Executive Officer included within intellectual property	\$ 62,400	\$ 62,400
License and royalty income received from a company with whom its Chief Operating Officer is a member of the Company's Board of Directors	<b>\$ 1,266,000</b>	<b>\$ 7,391</b>

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### c) Related Party Balances

Amounts due to related parties as at June 30, 2022 and 2021 were as follows:

	<b>June 30, 2022</b>	June 30, 2021
Amount due to an insider included in accounts payable related to the on-farm monthly lease, services and agricultural inputs	\$ 426,933	\$ 39,375
Amount due to a company controlled by an insider of the Company for agronomic advisory services	<b>3,079</b>	-
	<b>\$ 430,012</b>	\$ 39,375

The Company has promissory note and related accrued interest and fees owed to an insider of the Company included in Loans Payable (Notes 14(a)(iii), 17(b) and 23(b)).

### 18. COMMITMENTS AND CONTINGENCIES

As at June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026	June 30, 2027 and Beyond	Total
Accounts payable	\$ 1,521,887	\$ -	\$ -	\$ -	\$ -	\$ 1,521,887
Due to related parties	430,012	-	-	-	-	430,012
Loans payable	2,200,948	562,266	562,267	519,765	715,032	4,560,278
Contractual commitments	213,750	135,000	225,000	-	-	573,750
	<b>\$ 4,366,597</b>	<b>697,266</b>	<b>\$ 787,267</b>	<b>\$ 519,765</b>	<b>\$ 715,032</b>	<b>\$ 7,085,927</b>

#### Production and Development Costs

The Company previously worked with a Canadian manufacturing entity (the "Manufacturer") that the Company had engaged to design and develop components of the CX-6 SMART Seeder and to manufacture its CX-6 SMART Seeder. Under the terms of the manufacturing agreement between Clean Seed and the Manufacturer, the Company committed to producing 100 CX-6 SMART Seeders, subject to certain conditions being met. The Manufacturer produced five CX-6 SMART Seeders, including two CX-6 SMART Seeders in 2018 (the "2018 Seeders"). The Company received invoices, which it disputes, for approximately \$1,250,000 for the production of the 2018 Seeders and related equipment and services. The Company believes these invoices were in excess of the agreed upon contractual price, were invalid due to inadequate manufacturing performance, were invalid due to the inability of the manufacturer to meet agreed upon delivery dates and were invalid as the product was never delivered. Related to the 2018 Seeders, the Company believes it is entitled to recoveries to remedy manufacturing defects on the 2018 Seeders delivered and other costs incurred related to those manufacturing defects. The Company has ceased working with the Manufacturer.

The Company has been named in a statement of claim by the Manufacturer whereby the Manufacturer is seeking judgment against the Company in the amount of \$1,613,000 plus interest, costs and other just amounts. The amount of \$1,613,000 includes those invoices totaling \$1,250,000 which the Company believes to be invalid. The Company has assessed the payment of the \$1,613,000 plus interest, costs and other just amounts as unlikely and has not recorded a liability related to those amounts. The Company is uncertain to the likelihood of recovery from the Manufacturer related to defects on the products delivered.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 19. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 27% (June 30, 2021: 27%) with the reported taxes for the years ended June 30, 2022 and 2021 is as follows:

	June 30, 2022	June 30, 2021
Net loss for the year	\$ (2,639,596)	\$ (3,271,044)
Expected income tax recovery	\$ (713,000)	\$ (883,000)
Items not deductible for income taxes	504,000	389,000
True up of prior period amounts	(128,000)	632,000
Change in unrecognized benefit of deferred income tax asset	337,000	(138,000)
Income tax recovery	\$ -	\$ -

#### Deferred Income Taxes

The significant components of the Company's deferred income tax assets and liabilities after applying enacted corporate tax rates at June 30, 2022 and 2021 are as follows:

	June 30, 2022	June 30, 2021
Non-capital loss carry-forwards	\$ 24,114,000	\$ 22,117,000
Intangible assets	(5,273,000)	(5,127,000)
Other	(1,786,000)	(1,233,000)
	17,055,000	15,757,000
Statutory rates	27%	27%
	4,605,000	4,254,000
Unrecognized deferred income tax asset	(4,605,000)	(4,254,000)
Deferred income tax assets (liabilities)	\$ -	\$ -

Deferred tax benefits that may arise as a result of these amounts have been fully offset reflecting the Company's estimate that these amounts are not considered probable, that sufficient future taxable profit will allow the deferred tax asset to be recovered at this time.

The Company has available non-capital losses that may be carried forward to apply against future years' income for income tax purposes. The Company has accumulated Canadian non-capital tax losses of \$23,886,000. The non-capital tax losses expire as follows:

2032	\$ 13,000
2033	673,000
2035	1,417,000
2036	2,484,000
2037	3,827,000
2038	6,013,000
2039	3,819,000
2040	1,374,000
2041	2,497,000
2042	1,769,000
	\$ 23,886,000

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and makes adjustments, based on the funds available to the Company, in order to support its business activities and to safeguard the Company's ability to continue as a going concern. The capital structure of the Company consists of components of equity attributable to common shareholders' equity as follows:

	<b>June 30, 2022</b>
Share capital	\$ 28,397,171
Share-based payment reserve	2,933,950
	<b>\$ 31,331,121</b>

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2022.

The Company's investment policy is to invest its excess cash in low risk, highly liquid short-term interest-bearing investments, selected with regard to the expected timing of upcoming expenditures. The Company will raise additional funds to carry its operations through its upcoming operating period and to satisfy its obligations.

### 21. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

#### a) Fair Value of Financial Instruments

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. The Company has no Level 2 financial instruments.

Level 3 – valuation techniques with significant unobservable market inputs.

The Company's financial instruments are:

- Cash and cash equivalents;
- Accounts payable; and
- Loans payable.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 21. FINANCIAL INSTRUMENTS (continued)

#### a) Fair Value of Financial Instruments (continued)

Cash and cash equivalents are measured at fair value using Level 1 inputs as the basis for measurement in the fair value hierarchy. See Notes 4 and 14 for discussion about the calculation of fair value of the loans payable. The recorded amounts for accounts payable and loans payable approximate their fair values due to their short-term nature.

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 94,200	\$ -	\$ -

The Company's financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. The Company manages these risks through prudent investment and business decisions. Where the exposure is deemed too high, the Company uses derivative contracts to reduce this exposure. As at June 30, 2022 and 2021, the Company does not utilize derivative financial instruments for trading or speculative purposes.

#### b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk to its financial assets is summarized below:

		June 30, 2022
Cash and cash equivalents	\$	94,200
Receivables	\$	59,723

#### Cash and Cash Equivalents

The Company's policy is to invest excess cash in investment-grade, short-term, redeemable investment certificates issued by Canadian chartered banks. Management believes the risk of financial loss from cash held in its bank accounts and in guaranteed investment certificates to be remote; both are held with a Canadian chartered bank.

#### Receivables

Receivables consist of GST due from the Government of Canada. Management believes the risk of financial loss to be remote.

#### c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. As of June 30, 2022, the Company does not have sufficient funds on hand to meet current liabilities and the expected operations for the coming year. At June 30, 2022, the Company has cash and cash equivalents of \$94,200, current liabilities of \$4,309,530 and net current monetary liabilities of \$4,155,607.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 21. FINANCIAL INSTRUMENTS (continued)

#### c) Liquidity Risk (continued)

The following table summarizes the maturity profile of the Company's financial liabilities based on contractual payments.

June 30, 2022	Carrying Value \$	Contractual Cash Flows \$	Less Than One Year \$	One to Three Years \$	Four to Five Years \$	More Than Five Years \$
Accounts payable	1,521,887	1,521,887	1,521,887	-	-	-
Due to related parties	430,012	430,012	430,012	-	-	-
Loans payable	3,901,284	4,560,278	2,200,948	1,124,533	904,070	330,727
	5,853,183	6,512,177	4,152,847	1,124,533	904,070	330,727

The Company has no formal revolving credit facilities available at this time and, given the Company's current stage of development, it is not expected that such credit facilities will become available to the Company in the next fiscal year.

The Company is in the process of evaluating its commercialization options for the SMART Seeder in the Joint Venture. This will require financing to fund its contributions under the Joint Venture, to meet its obligations as they come due and to meet its administrative requirements for the next year. The Company will seek to gain financing through the issuance of common shares, the issuance of debt instruments, the sale of licenses to its technology, and the exercise of incentive share options and warrants outstanding. There is no assurance that such funding will be available to the Company or that it will be obtained on terms favorable to the Company. Failure to obtain sufficient financing may result in delaying or failure to:

- investigate or participate in new ventures in which the Company would otherwise seek involvement;
- continue the advancement of its technology;
- expand commercial sales of its SMART Seeder; or
- meet its obligations and contractual commitments as they come due.

As the Company does not project to have positive cash flows from its operations for the 2023 fiscal year, management believes the Company's overall liquidity risk continues to be high and is actively working to mitigate that risk by sourcing financing to support its short- and medium-term requirements.

#### d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk consists of two components:

- (i) Interest rate cash flow risk is the risk that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company's guaranteed investment certificates are variable rate instruments tied to the Canadian prime interest rate. A 1% change in interest rates would have a nominal effect on net income (loss) and comprehensive income (loss) of the Company.

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

### 21. FINANCIAL INSTRUMENTS (continued)

#### d) Market Risk (continued)

- (ii) Interest rate price risk is the risk that changes in prevailing market interest rates differ from the interest rate on the Company's monetary assets and liabilities. The Company is not exposed to interest rate price risk.

The Company is not materially exposed to interest rate changes.

#### Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign exchange risk on a small amount of its accounts payable denominated in US dollars. A fluctuation in the exchange rate between the Canadian and US dollars of 10% would result in a change of \$33,000 in the net income (loss) and comprehensive income (loss) of the Company. The Company does not use any techniques to mitigate foreign exchange risk.

#### Other Price Risk

The Company is not exposed to other price risk.

### 22. SUPPLEMENTAL CASH FLOW INFORMATION

The following table lists the Company's non-cash transactions and other information:

	June 30, 2022	June 30, 2021
Intellectual property development expenditures contributed to Joint Venture	\$ 2,078,218	\$ 1,468,800
Operating expenditures contributed to Joint Venture	\$ 740,857	\$ -
Options exercised through extinguishment of accounts payable	\$ 171,000	\$ -
Fair value of stock options and warrants exercised	\$ 95,405	\$ 497,206
Interest accreted on loans payable included in intellectual property	\$ 69,766	\$ 96,286
Interest accreted on loans payable included in interest expense	\$ 356,102	\$ 89,599
Recognition of ROU asset in property and equipment and related liability in loan payable upon entering into finance lease	\$ 685,886	\$ -
Change in intellectual property enhancements included in accounts payable	\$ 121,859	\$ 54,121
Change in intellectual property enhancements included in due to related parties	\$ 208,596	\$ -
Change in capital assets included in accounts payable	\$ (5,981)	\$ 16,805
Allocation of promissory notes units to warrants	\$ -	\$ 9,630
Interest paid	\$ 352,200	\$ 295,760

# Clean Seed Capital Group Ltd.

## Notes to the Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021

(Expressed in Canadian Dollars, unless otherwise stated)

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### 23. SUBSEQUENT EVENTS

- a) The Company issued convertible debentures for total proceeds of \$630,000 to two subscribers.
- (i) One subscriber purchased an aggregate \$300,000. This debenture bears interest of 8% per annum and is set to mature on August 31, 2027. The debenture is repayable as interest only for the first twelve months from issue, then subsequently repayable in 48 instalments thereafter. The debenture is convertible into common shares after twelve months from the date of issue at the greater of (1) a base price of \$0.30, or (2) the market price of the Company's shares on the TSX-V less a 30% discount provided in any event the conversion price will not exceed \$0.60 per share; and
  - (ii) One subscriber purchased an aggregate \$330,000. This debenture bears interest of 9% per annum and is set to mature on August 31, 2025. The debenture is repayable as interest only on a quarterly basis until maturity. Upon maturity the principal outstanding and any unpaid interest is due. The debenture is convertible into common shares after twelve months from the date of issue at a price of \$0.20 per share until maturity.

This debenture is secured by a general security agreement of the assets of the Company. The Company may redeem the debenture after twelve months from the date of issue as follows:

- (i) If after twelve months from the date of issue and prior to 36 months from the date of issue it must give the holder at least 30 days' advance notice, and during that 30 day period, the debenture holder will have the option of converting the principal amount of the debenture plus accrued interest, or any portion thereof prior to the prepayment date, into common shares in the manner and the Company will pay the holder a redemption premium equal to 15% of the principal amount and any accrued interest being redeemed; and
  - (ii) If after 36 months from the date of issue and prior to the maturity date, the Company may do so without prior notice to the holder and will pay the holder a redemption premium equal to 25% of the principal amount and any accrued interest being redeemed.
- b) The Company restructured a promissory note due to an insider of the Company, which had a principal balance owing of \$510,500 (notes 14(a)(iii) and 17(c)). In October 2022, the creditor advanced the Company a further \$200,000 and committed to advancing an additional \$200,000, increasing the principal balance of the promissory note to \$910,500 upon receipt of the funds. The maturity date of the promissory note was extended to March 31, 2023 and continues to bear interest at 8% per annum. In conjunction with the issuance of the promissory note, the Company has agreed to issue the creditor 2,000,000 bonus warrants exercisable into common shares of the Company at a price of \$0.20 per share until March 31, 2023, subject to TSX-V approval.
- c) The Company entered into a production financing agreement with Farm Credit Canada. Under the loan agreement, Clean Seed may borrow \$1,000,000 to fund production of the SMART Seeder MAX. Amounts borrowed bear interest of 6.95%, will be repayable from the proceeds of the sale of the SMART Seeder units and, if not otherwise repaid prior, will be due September 1, 2023. To date, the Company has not borrowed any amounts on this facility.
- d) The Company granted a consultant the option to acquire 500,000 common shares at a price of \$0.20 per share until December 31, 2023. The options were subsequently exercised.