



Condensed Consolidated Interim Financial Statements

For the three and six months ended December 31, 2021 and 2020

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements, and accompanying notes, of Clean Seed Capital Group Ltd. for the three and six months ended December 31, 2021 and 2020 have been prepared by management and approved by the Company's Audit Committee and Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

/s/ Graeme Lempriere

Graeme Lempriere, Chief Executive Officer
Burnaby, British Columbia, Canada
March 1, 2022

/s/ Steven Brassard

Steven Brassard, Chief Financial Officer
Burnaby, British Columbia, Canada
March 1, 2022

Clean Seed Capital Group Ltd.

Condensed Consolidated Interim Statements of Financial Position (Expressed in Canadian Dollars)

	Notes	December 31, 2021 (unaudited)	June 30, 2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$ 140,895	\$ 301,598
Receivables	6	57,957	32,324
Prepaid expenses and deposits	7	86,703	148,805
Inventories	8	223,545	180,061
Total current assets		509,100	662,788
Non-current Assets			
Property and equipment	10	283,640	307,852
Intellectual property	9	9,624,988	9,562,759
Interests in Joint Venture	11	3,373,173	2,416,384
Total non-current assets		13,281,801	12,286,995
TOTAL ASSETS		\$ 13,790,901	\$ 12,949,783
LIABILITIES			
Current Liabilities			
Accounts payable	12, 17c	\$ 1,327,270	\$ 1,186,286
Due to related parties	17c	407,439	-
Loans payable	13, 14	2,195,052	1,414,331
Total current liabilities		3,929,761	2,600,617
Non-current Liabilities			
Loans payable	14	980,591	1,091,664
TOTAL LIABILITIES		4,910,352	3,692,281
SHAREHOLDERS' EQUITY			
Share capital	15, 20	26,913,787	25,728,160
Obligation to issue shares	15, 20	200,000	-
Share-based payment reserve	16b	2,913,315	2,919,090
Deficit		(21,146,553)	(19,389,748)
TOTAL SHAREHOLDERS' EQUITY		8,880,549	9,257,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 13,790,901	\$ 12,949,783
Ability to Continue as a Going Concern (Note 2d)			
Commitments and Contingencies (Note 18)			
Subsequent Events (Note 20)			

Approved on behalf of the Board:

/s/ Graeme Lempriere
Director

/s/ Colin Rush
Director

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

Clean Seed Capital Group Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss (Unaudited – Expressed in Canadian Dollars)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Operating expenses				
Amortization of intellectual property (Note 9)	\$ 180,000	\$ 180,752	\$ 360,000	\$ 361,504
Depreciation of property and equipment (Note 10)	55,471	53,167	109,305	105,483
Foreign exchange loss	1,829	41,664	17,530	69,265
Interest (Notes 13, 14 and 17b)	71,592	77,995	142,619	159,275
Office and miscellaneous	128,795	67,282	156,288	85,277
Personnel	176,537	201,027	362,686	336,467
Premises	18,358	14,076	37,356	24,442
Professional (Note 17b)	69,443	71,027	232,749	157,384
Research and development (Note 17b)	24,163	7,392	30,478	15,653
Share-based compensation (Notes 16b and 17a)	27,365	101,391	89,630	123,344
Share of loss from equity accounted investment (Note 11)	89,086	-	181,787	-
Travel and trade shows	16,016	43,074	36,377	55,652
Net loss and comprehensive loss for the period	\$ (858,655)	\$ (858,847)	\$ (1,756,805)	\$ (1,493,746)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	81,558,849	76,525,500	80,800,093	76,525,500

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

Clean Seed Capital Group Ltd.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Expressed in Canadian Dollars)

	Share Capital		Obligation to Issue Shares	Share-based Payment Reserve	Deficit	Total
	Number	Amount				
Balance, June 30, 2020	76,525,500	\$ 23,711,454	\$ -	\$ 3,070,923	\$ (16,118,704)	\$ 10,663,673
Warrants issued with loans payable (Note 15)	-	-	-	9,630	-	9,630
Share-based compensation (Note 16b)	-	-	-	123,344	-	123,344
Net loss and comprehensive loss for the period	-	-	-	-	(1,493,746)	(1,493,746)
Balance, December 31, 2020 (unaudited)	76,525,500	23,711,454	-	3,203,897	(17,612,450)	9,302,901
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)	-	-	-	12,935	-	12,935
Share-based compensation	-	-	-	199,464	-	199,464
Fair value transferred on exercise of stock options (Notes 15 and 16b)	-	497,206	-	(497,206)	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,777,298)	(1,777,298)
Balance, June 30, 2021	80,000,500	25,728,160	-	2,919,090	(19,389,748)	9,257,502
Units and shares issued	3,150,145	1,115,201	-	-	-	1,115,201
Shares subscribed (Notes 15 and 20)	-	-	200,000	-	-	200,000
Share issue costs	-	(24,979)	-	-	-	(24,979)
Share-based compensation	-	-	-	89,630	-	89,630
Fair value transferred on exercise of stock options (Notes 15 and 16b)	-	95,405	-	(95,405)	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,756,805)	(1,756,805)
Balance, December 31, 2021 (unaudited)	83,150,645	\$ 26,913,787	\$ 200,000	\$ 2,913,315	\$ (21,146,553)	\$ 8,880,549

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

Clean Seed Capital Group Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian Dollars)

	Six Months Ended December 31,	
	2021	2020
Cash flows used in operating activities		
Net loss for the period	\$ (1,756,805)	\$ (1,493,746)
Adjustments for items not affecting cash		
Amortization of intellectual property	360,000	361,504
Depreciation of property and equipment	109,305	105,483
Foreign exchange loss (gain)	(4,243)	69,265
Share of loss from equity accounted investment	181,787	-
Contributions in kind to the Joint Venture	(363,574)	-
Interest accretion and expense	137,616	158,744
Share-based compensation	89,630	123,344
Changes in non-cash working capital items		
Receivables	(25,633)	2,313
Prepaid expenses and deposits	62,102	11,774
Inventories	(43,484)	(36,325)
Accounts payable	112,116	(22,257)
	(1,141,183)	(719,901)
Cash flows from (used in) financing activities		
Advances received from shareholders	811,612	-
Proceeds from private placements (note 15)	1,089,201	-
Proceeds from subscriptions collected	200,000	-
Share issue costs	(24,979)	-
Repayments of loans payable	(195,687)	(284,583)
	1,880,147	(284,583)
Cash flows used in investing activities		
Development of intellectual property	(827,007)	(809,264)
Purchase of property and equipment	(72,660)	(16,991)
	(899,667)	(826,255)
Decrease in cash and cash equivalents for the period	(160,703)	(1,830,739)
Effect of exchange rates on cash	-	(81,940)
Cash and cash equivalents, beginning of period	301,598	3,198,266
Cash and cash equivalents, end of period	\$ 140,895	\$ 1,285,587

Supplemental Cash Flow (Note 19)

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

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended December 31, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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 condensed consolidated interim financial statements of the Company for the three and six months ended December 31, 2021, including comparatives, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements have been prepared on the basis of and using accounting policies, methods of computation and presentation consistent with those applied in the audited annual consolidated financial statements for the year ended June 30, 2021.

The condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements. On March 1, 2022, the Company’s Audit Committee and its Board of Directors approved and authorized these condensed consolidated interim financial statements for issue.

b) Basis of Measurement

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

The condensed consolidated interim 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 condensed consolidated interim 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 future periods, if the revision affects both current and future periods.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended December 31, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

c) Use of Estimates and Judgments (continued)

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

d) Ability to Continue as a Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business. The Company had been in the development stage by both advancing its intellectual property to increase its technological capability and by developing products from its intellectual property portfolio. The Company has never achieved profitable operations from the sale of its planting or seeding products. The Company is developing its SMART Seeder technologies for commercialization within its Joint Venture and for other opportunities.

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 will continue to seek licensing opportunities in the future. 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.

While these condensed consolidated interim 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, the following conditions and events indicate the existence of a material uncertainty that may cast significant doubt on the validity of that assumption:

- as at December 31, 2021, the Company has an accumulated deficit of \$21,146,553;
- the Company has incurred a loss of \$1,756,805 for the six months ended December 31, 2021;
- the Company has net cash flows used in operating activities of \$1,141,183 for the six months ended December 31, 2021;
- the Company has a history of losses from operations; and
- the Company has a net working capital deficit of \$3,420,661 as at December 31, 2021.

The Company's ability to continue as a going concern is dependent on achieving profitable operations through the sales of its product, the acquisition of profitable operations, and/or management's ability to raise the necessary funding through future equity issuances, debt issuances, licensing arrangements, asset sales or a combination thereof. The Company has engaged investment banking advisors to advise on financing alternatives and the Company is currently evaluating options to raise funds through the issuance of shares or debt instruments to meet its funding requirements for the ensuing twelve months and beyond. The Company has received subscriptions for a private placement and from amending its license agreement (Note 20). The Company will continue to evaluate other financing options.

There is no assurance that any necessary future financing will be sufficient to sustain operations until such time that the Company can generate sufficiently profitable operations to support its requirements. These condensed consolidated interim 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 condensed consolidated interim 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, these conditions and events may cast significant doubt on the validity of that assumption.

Clean Seed Capital Group Ltd.

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2. BASIS OF PREPARATION (continued)

e) Subsidiaries

In addition to the Company, the condensed consolidated interim 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	
				December 31, 2021	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 31, 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. 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. 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. The Company expects supply chain delays will impact its ability to produce SMART Seeder MAX units for the 2022 fiscal year.

The duration and impact of the COVID-19 pandemic, as well as the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A complete summary of significant accounting policies can be found in Note 3 of the audited annual consolidated financial statements for the year ended June 30, 2021.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended December 31, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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 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.

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.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Share-based Compensation (continued)

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 fiscal year, the Company entered into two 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 bore 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.

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.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Loans Payable (continued)

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:

	December 31, 2021	June 30, 2021
Legal liability	\$ 1,941,925	\$ 2,102,214
Benefit on Loans payable	(595,832)	(700,534)
Carrying values (Note 14)	\$ 1,346,093	\$ 1,401,680

5. CASH AND CASH EQUIVALENTS

	December 31, 2021	June 30, 2021
Cash	\$ 91,591	\$ 250,763
Redeemable guaranteed investment certificates	49,304	50,835
	\$ 140,895	\$ 301,598

6. RECEIVABLES

	December 31, 2021	June 30, 2021
Goods and Services Tax	\$ 54,417	\$ 26,157
Other receivables	3,540	6,167
	\$ 57,957	\$ 32,324

7. PREPAID EXPENSES AND DEPOSITS

	December 31, 2021	June 30, 2021
Security deposits	\$ 51,198	\$ 51,198
Legal retainer for patent applications	16,130	28,383
Prepaid insurance	14,271	34,370
Other prepaid expenses	5,104	34,854
	\$ 86,703	\$ 148,805

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
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(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

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.

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.

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
Balance, June 30, 2020	\$ 12,083,423	\$ (2,511,403)	\$ -	\$ 9,572,020
Additions	2,182,547	-	-	2,182,547
Contribution to Joint Venture (Note 11)	(1,468,800)	-	-	(1,468,800)
Amortization	-	(723,008)	-	(723,008)
Balance, June 30, 2021	12,797,170	(3,234,411)	-	9,562,759
Additions	1,193,257	-	-	1,193,257
Contribution to Joint Venture (Note 11)	(771,028)	-	-	(771,028)
Amortization	-	(360,000)	-	(360,000)
Balance, December 31, 2021	\$ 13,219,399	\$ (3,594,411)	\$ -	\$ 9,624,988

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended December 31, 2021 and 2020
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10. PROPERTY AND EQUIPMENT

	Right-of-Use Asset	Shop Equipment	Computer Equipment	Computer Software	Production Molds	Other	Total
Cost							
Balance, June 30, 2020	\$ 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)
Balance, June 30, 2021	587,515	78,292	118,646	81,543	25,485	38,886	930,367
Additions for the period	-	-	11,435	-	36,484	37,174	85,093
Balance, December 31, 2021	\$ 587,515	\$ 78,292	\$ 130,081	\$ 81,543	\$ 61,969	\$ 76,060	\$ 1,015,460
Accumulated Depreciation							
Balance, June 30, 2020	\$ 173,277	\$ 66,542	\$ 68,131	\$ 58,522	\$ 11,739	\$ 38,886	\$ 417,097
Depreciation for the year	184,116	3,525	18,340	7,709	3,467	-	217,157
Write-off included in research and development expense	-	-	-	-	(11,739)	-	(11,739)
Balance, June 30, 2021	357,393	70,067	86,471	66,231	3,467	38,886	622,515
Depreciation for the period	92,058	1,234	9,473	3,828	2,640	72	109,305
Balance, December 31, 2021	\$ 449,451	\$ 71,301	\$ 95,944	\$ 70,059	\$ 6,107	\$ 38,958	\$ 731,820
Carrying Amounts							
At June 30, 2021	\$ 230,122	\$ 8,225	\$ 32,175	\$ 15,312	\$ 22,018	\$ -	\$ 307,852
At December 31, 2021	\$ 138,064	\$ 6,991	\$ 34,137	\$ 11,484	\$ 55,862	\$ 37,102	\$ 283,640

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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 December 31, 2021 and June 30, 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
				December 31, 2021	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 2022 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.

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11. INTERESTS IN JOINT VENTURE (continued)

b) Summary of Activity

		Net Book Value
Balance, June 30, 2020	\$	861,884
Contributions		1,639,627
Portion of Joint Venture earnings		(85,127)
Balance, June 30, 2021		2,416,384
Contributions		1,138,576
Portion of Joint Venture earnings		(181,787)
Balance, December 31, 2021	\$	3,373,173

c) Summarized Financial Information for the 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

Summarized Statements of Financial Position	December 31, 2021	June 30, 2021
Total current assets	\$ -	\$ -
Intellectual property	5,560,255	4,142,976
Total non-current assets	5,560,255	4,142,976
Total current liabilities	-	-
Total non-current liabilities	-	-
Net assets	\$ 5,560,255	\$ 4,142,976
Reconciliation to carrying amounts		
Opening net assets of Joint Venture	\$ 4,142,976	\$ 2,028,297
Contributions made by parties	1,780,853	2,284,933
Net loss	(363,574)	(170,254)
Closing net assets	5,560,255	4,142,976
Company ownership and interest	50%	50%
Carrying amount	\$ 3,373,173	\$ 2,416,384

Pursuant to the Joint Venture agreement between 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 December 31, 2021, the Company's interest in the Joint Venture is equal to the cost of its contributions made to the Joint Venture.

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11. INTERESTS IN JOINT VENTURE (continued)

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

(ii) Statements of Comprehensive Loss

Summarized Statements of Comprehensive Loss	December 31, 2021	December 31, 2020
Revenues	\$ -	\$ -
Operating expenses	363,574	-
Net loss and comprehensive loss	\$ (363,574)	\$ -

During the year ended June 30, 2021, the Joint Venture had a net loss and comprehensive loss of \$170,254.

12. ACCOUNTS PAYABLE

	December 31, 2021	June 30, 2021
Trade payable (Note 17c)	\$ 1,170,916	\$ 1,085,080
Personnel payable and accrued vacation	156,354	101,206
	\$ 1,327,270	\$ 1,186,286

13. FINANCE LEASE OBLIGATIONS

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

	December 31, 2021	June 30, 2021
Premises lease payable in monthly instalments of \$15,000 including interest at the incremental borrowing rate of 16.33% per annum (Notes 12 and 17b)	\$ 135,000	\$ 225,000
Premises lease payable in monthly instalments of \$4,533 including interest at the incremental borrowing rate of 16.33% per annum	45,845	71,750
Computer software lease payable in monthly instalments of \$431 including implicit interest at 9.05% per annum	-	1,389
	180,845	298,139
Less: Interest	(11,306)	(30,589)
Total Lease Obligation	\$ 169,539	\$ 267,550

Minimum repayments over the next two years are as follows:

2022	\$ 115,795
2023	65,050
	\$ 180,845

Clean Seed Capital Group Ltd.

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14. LOANS PAYABLE

The loans payable are as follows:

	Notes	December 31, 2021	June 30, 2021
Notes payable	14a	\$ 848,400	\$ 836,765
Lease obligations	13	169,539	267,550
AgrilInnovation repayable contribution	14b	821,429	825,249
2017 Western Innovation Initiative repayable contribution	14c	203,436	228,707
2019 Western Innovation Initiative repayable contribution	14d	321,227	347,724
Shareholder advance	14e	811,612	-
Total loans payable		3,175,643	2,505,995
Less: Current portion of loans payable		(2,195,052)	(1,414,331)
Non-current Loans Payable		\$ 980,591	\$ 1,091,664

a) Notes Payable

The notes payable activity is as follows:

	Principal	Accrued Interest	Notes Payable
Balance, June 30, 2020	\$ 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)
Balance, June 30, 2021	751,435	85,330	836,765
Interest accrued	-	53,635	53,635
Repayments	-	(42,000)	(42,000)
Balance, December 31, 2021	\$ 751,435	\$ 96,965	\$ 848,400

On August 1, 2019, the Company restructured accounts payable of \$990,000 by issuing a promissory note that matured 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. A fair value of \$66,000 was allocated to the warrants. During the 2021 fiscal year, the Company and the creditor agreed to extend the maturity date of the promissory note and the expiry date of the warrants to October 31, 2020. The Company subsequently extended the promissory note and the warrants to January 31, 2021 and then subsequently to July 31, 2021. On July 31, 2021 the warrants expired. The maturity date of the promissory note was further extended to January 31, 2022 (Note 20d).

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14. LOANS PAYABLE (continued)

b) AgrilInnovation Repayable Contribution

The AgrilInnovation repayable contribution activity is as follows:

		Contribution Payable
Balance, June 30, 2020	\$	858,040
Interest accretion		66,401
Repayments		(99,192)
Balance, June 30, 2021		825,249
Interest accretion		62,308
Repayments		(66,128)
Balance, December 31, 2021	\$	821,429

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.

c) 2017 Western Innovation Initiative Repayable Contribution

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

		Contribution Payable
Balance, June 30, 2020	\$	262,508
Interest accretion		8,699
Repayments		(42,500)
Balance, June 30, 2021		228,707
Interest accretion		17,229
Repayments		(42,500)
Balance, December 31, 2021	\$	203,436

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14. LOANS PAYABLE (continued)

c) 2017 Western Innovation Initiative Repayable Contribution (continued)

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.

d) 2019 Western Innovation Initiative Repayable Contribution

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

		Contribution Payable
Balance, June 30, 2020	\$	321,958
Interest accretion		51,597
Repayments		(25,831)
Balance, June 30, 2021		347,724
Interest accretion		25,165
Repayments		(51,662)
Balance, December 31, 2021	\$	321,227

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.

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14. LOANS PAYABLE (continued)

d) 2019 Western Innovation Initiative Repayable Contribution (continued)

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.

e) Shareholder Advance

Shareholder advance activity is as follows:

		Principal		Accrued Interest		Advance Payable
Balance, June 30, 2020 and 2021	\$	-	\$	-	\$	-
Advances		811,612		-		811,612
Balance, December 31, 2021	\$	811,612	\$	-	\$	811,612

The Company received advances from three shareholders totaling \$510,000. The advances do not bear interest, are unsecured and do not have specified terms of the repayment.

15. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued

During the six months ended December 31, 2021, 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 and warrants, 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 issues 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.

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16. EQUITY AND RESERVES

a) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's condensed consolidated interim statement 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.
- *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

	Incentive Options	Warrants	Broker Warrants	Share-based Payment Reserve
Balance, June 30, 2020	\$ 2,137,526	\$ 837,700	\$ 95,697	\$ 3,070,923
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)
Balance, June 30, 2021	2,180,728	642,665	95,697	2,919,090
Options granted under stock option plan	47,311	-	-	47,311
Options granted in prior period with vesting conditions	42,319	-	-	42,319
Options exercised	(95,405)	-	-	(95,405)
Balance, December 31, 2021	\$ 2,174,953	\$ 642,665	\$ 95,697	\$ 2,913,315

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.

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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 six months ended December 31, 2021 and year ended June 30, 2021:

	Number of Options	Weighted Average Exercise Price	Share-based Payment Reserve
Balance, June 30, 2020	4,923,100	\$ 0.21	\$ 2,137,526
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)
Balance, June 30, 2021	5,092,100	\$ 0.26	2,180,728
Granted	552,000	\$ 0.52	89,630
Cancelled	(100,000)	\$ 0.55	-
Exercised	(293,000)	\$ 0.39	(95,405)
Balance, December 31, 2021	5,251,100	\$ 0.28	\$ 2,174,953

Options Granted During the Period

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:

	December 31, 2021	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%

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16. EQUITY AND RESERVES (continued)

b) Share-based Payment Reserve (continued)

(i) Incentive Share Options (continued)

Options outstanding at December 31, 2021 and June 30, 2021 were as follows:

	December 31, 2021		June 30, 2021	
Expiry Date	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	25,000	\$ 0.60
December 31, 2023	4,226,100	\$ 0.24	4,227,100	\$ 0.23
February 28, 2025	500,000	\$ 0.50	200,000	\$ 0.50
January 31, 2026	500,000	\$ 0.40	500,000	\$ 0.40
	5,251,100	\$ 0.28	5,092,100	\$ 0.26
Weighted Average Remaining Contractual Life (years)		2.30		2.69
Weighted Average Fair Value of Options Granted		\$ 0.22		\$ 0.23
Weighted Average Share Price During Period		\$ 0.49		\$ 0.44

At December 31, 2021, 983,333 (June 30, 2021: 1,041,666) of the incentive stock options had not vested. All other incentive stock options are fully vested.

(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 six months ended December 31, 2021 and year ended June 30, 2021:

	Number of Warrants	Weighted Average Exercise Price	Share-based Payment Reserve
Balance, June 30, 2020	7,895,000	\$ 0.50	\$ 837,700
Issued	1,312,500	\$ 0.64	22,565
Exercised	(2,740,000)	\$ 0.50	(217,600)
Expired	(1,980,000)	\$ 0.50	-
Balance, June 30, 2021	4,487,500	\$ 0.54	642,665
Issued	2,857,145	\$ 0.50	-
Expired	(1,312,500)	\$ 0.64	-
Balance, December 31, 2021	6,032,145	\$ 0.50	\$ 642,665

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16. EQUITY AND RESERVES (continued)

b) Share-based Payment Reserve (continued)

(ii) Warrants (continued)

The Company extended the expiry date of 3,175,000 warrants from July 31, 2021 to January 31, 2022 exercisable at \$0.50 per share (Note 20c). The 3,175,000 warrants had been issued as part of unit offerings in September 2019, March 2020 and April 2020.

Warrants outstanding at December 31, 2021 and June 30, 2021 are as follows:

	December 31, 2021		June 30, 2021	
Expiry Date	Number of Warrants Outstanding	Exercise Price	Number of Warrants Outstanding	Exercise Price
January 31, 2022	3,175,000	\$ 0.50	4,487,500	\$ 0.54
November 19, 2022	2,857,145	\$ 0.50	-	\$ -
	6,032,145	\$ 0.50	4,487,500	\$ 0.54
Remaining Contractual Life (years)		0.46		0.08

17. RELATED PARTY TRANSACTIONS AND BALANCES

a) Key Management Personnel

Compensation to key management, which consists of executives and management directors, for the three and six months ended December 31, 2021 and 2020 was as follows:

	Three Months Ended December 31		Six Months Ended December 31	
	2021	2020	2021	2020
Short-term benefits*	\$ 163,200	\$ 171,300	\$ 326,400	\$ 326,100
Share-based payments [#]	-	54,369	10,188	76,322
	\$ 163,200	\$ 225,669	\$ 336,588	\$ 402,422

* Short-term benefits include compensation for four executives for the six months ended December 31, 2021 (2020: four).

[#] Share-based payments consist of the fair value of 1,000,000 options granted to an officer and director of the Company. None of the options had vested as at December 31, 2020.

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Related Party Transactions

Transactions with related parties for the three and six months ended December 31, 2021 and 2020 were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Lease accretion incurred for the on-farm lease from a company controlled by an insider of the Company included within intellectual property (Note 12) [#]	\$ 6,199	\$ 11,991	\$ 14,012	\$ 25,426
Consulting fees from a relative of the Chief Executive Officer included within intellectual property	\$ 15,600	\$ 15,600	\$ 31,200	\$ 31,200

[#] The individual controlling the company became an insider during the year ended June 30, 2020 upon their purchase of common shares in the private placements to own more than 10% of the common shares outstanding. The lease and consulting agreements were entered into prior to the individual becoming an insider.

c) Related Party Balances

Amounts due to related parties as at December 31, 2021 and June 30, 2021 were as follows:

	December 31, 2021	June 30, 2021
Amount due to an insider related to the on-farm monthly lease (Notes 12 and 17b) [#]	\$ 401,979	\$ 39,375
Amount due to a company controlled by an insider of the Company for agronomic advisory services	5,460	-
	\$ 407,439	\$ 39,375

[#] At June 30, 2021, the balance was included in accounts payable.

Amounts advanced from shareholders to the Company are disclosed under note 14(e)).

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18. COMMITMENTS AND CONTINGENCIES

As at December 31, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026 and Beyond	Total
Accounts payable	\$ 1,327,270	\$ -	\$ -	\$ -	\$ -	\$ 1,327,270
Due to related parties	407,439	-	-	-	-	407,439
Loans payable	1,157,548	451,756	386,707	344,205	598,000	2,938,216
Contractual commitments	868,401	510,040	472,540	247,540	371,310	2,469,831
	\$ 3,760,658	\$ 961,796	\$ 859,247	\$ 591,745	\$ 969,310	\$ 7,142,756

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 that 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 Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended December 31, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

19. SUPPLEMENTAL CASH FLOW

	Six Months Ended December 31,	
	2021	2020
Intellectual property development expenditures contributed to Joint Venture	\$ 1,138,576	\$ 513,141
Operating expenditures contributed to Joint Venture	\$ (363,574)	\$ -
Options exercised through extinguishment of accounts payable	\$ 26,000	\$ -
Fair value of stock options and warrants exercised	\$ 95,405	\$ -
Interest accreted on loans payable included in intellectual property	\$ 39,170	\$ 50,559
Interest accreted on loans payable included in interest expense	\$ 137,616	\$ 137,346
Change in intellectual property enhancements included in accounts payable	\$ 13,615	\$ 31,277
Change in intellectual property enhancements included in due to related parties	\$ (317,439)	\$ -
Change in capital assets included in accounts payable	\$ 12,433	\$ -
Allocation of promissory note unit to warrants	\$ -	\$ 9,630
Interest paid	\$ 165,153	\$ 59,400

20. SUBSEQUENT EVENTS

- a) 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 a term of 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.
- b) The Company received US\$1,000,000 from AMVAC Chemical Corp. in exchange for amending a license agreement whereby it agreed all future royalties were paid in full.
- c) On January 31, 2022, 3,175,000 warrants exercisable at a price of \$0.50 per share expired.
- d) The Company agreed to extend the maturity date of a promissory note with principal outstanding of \$740,000 from January 31, 2022 to June 18, 2022. In connection with the extension, the Company repaid principal of \$100,000.
- e) The Company collected share subscriptions of \$150,000.