



Condensed Consolidated Interim Financial Statements
For the three and nine months ended March 31, 2022 and 2021
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 nine months ended March 31, 2022 and 2021 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, BC, Canada
May 30, 2022

/s/ Steven Brassard

Steven Brassard, Chief Financial Officer
Burnaby, BC, Canada
May 30, 2022

Clean Seed Capital Group Ltd.

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

	Notes	March 31, 2022 (unaudited)	June 30, 2021
ASSETS			
Current Assets			
Cash and cash equivalents	5	\$ 120,256	\$ 301,598
Receivables	6	40,498	32,324
Prepaid expenses and deposits	7	57,338	148,805
Inventories	8	248,147	180,061
Total current assets		466,239	662,788
Non-current Assets			
Property and equipment	10	919,026	307,852
Intellectual property	9	9,662,144	9,562,759
Interests in Joint Venture	11	3,636,766	2,416,384
Total non-current assets		14,217,936	12,286,995
TOTAL ASSETS		\$ 14,684,175	\$ 12,949,783
LIABILITIES			
Current Liabilities			
Accounts payable	12, 17c	\$ 1,186,132	\$ 1,186,286
Due to related parties	17c	362,072	-
Loans payable	13, 14	2,468,029	1,414,331
Total current liabilities		4,016,233	2,600,617
Non-current Liabilities			
Loans payable	13, 14	1,631,404	1,091,664
TOTAL LIABILITIES		5,647,637	3,692,281
SHAREHOLDERS' EQUITY			
Share capital	15	26,913,787	25,728,160
Share-based payment reserve	16b	2,925,074	2,919,090
Deficit		(20,802,323)	(19,389,748)
TOTAL SHAREHOLDERS' EQUITY		9,036,538	9,257,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 14,684,175	\$ 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 Income (Loss)
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
License and royalty revenues (Note 2d)	\$ 1,266,000	\$ -	\$ 1,266,000	\$ -
Operating expenses				
Amortization of intellectual property (Note 9)	180,000	180,752	540,000	542,256
Depreciation of property and equipment (Note 10)	90,485	56,790	199,790	162,273
Foreign exchange loss (gain)	(3,882)	1,978	13,648	71,243
Interest (Notes 13,14 and 17b)	122,131	40,850	264,750	200,125
Office and miscellaneous	30,475	26,500	186,763	111,777
Personnel	169,206	196,197	531,892	532,664
Premises	25,201	17,207	62,557	41,649
Professional (Note 17b)	82,765	97,300	315,514	254,684
Research and development (Note 17b)	103,225	3,590	133,703	19,243
Share-based compensation (Notes 16b and 17a)	11,759	175,702	101,389	299,046
Share of loss from equity accounted investment (Note 11)	91,721	-	273,508	-
Travel and trade shows	18,684	13,154	55,061	68,806
	(921,770)	(810,020)	(2,678,575)	(2,303,766)
Net and comprehensive income (loss) for the period	\$ 344,230	\$ (810,020)	\$ (1,412,575)	\$ (2,303,766)
Basic and diluted earnings (loss) per share	\$ 0.00	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding	84,497,268	76,774,611	81,572,172	76,607,325

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		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
Units and shares issued for cash (Note 15)	1,015,000	319,500	-	-	319,500
Warrants issued with loans payable (Notes 14 and 16b)	-	-	9,630	-	9,630
Share-based compensation (Note 16b)	-	-	299,046	-	299,046
Fair value transferred on exercise of stock options (Notes 15 and 16b)	-	243,356	(243,356)	-	-
Net loss and comprehensive loss for the period	-	-	-	(2,303,766)	(2,303,766)
Balance, March 31, 2021	77,540,500	24,274,310	3,136,243	(18,422,470)	8,988,083
Units and shares issued for cash (Note 15)	2,460,000	1,200,000	-	-	1,200,000
Warrants issued with loans payable (Notes 14 and 15b)	-	-	12,935	-	12,935
Share-based compensation (Note 16b)	-	-	299,046	-	299,046
Fair value transferred on exercise of stock options (Notes 15 and 16b)	-	253,850	(253,850)	-	-
Net loss and comprehensive loss for the period	-	-	-	(967,278)	(967,278)
Balance, June 30, 2021	80,000,500	25,728,160	2,919,090	(19,389,748)	9,257,502
Units and shares issued (Note 15)	3,150,145	1,115,201	-	-	1,115,201
Share issue costs (Note 15)	-	(24,979)	-	-	(24,979)
Share-based compensation (Note 16b)	-	-	101,389	-	101,389
Fair value transferred on exercise of stock options (Notes 15 and 16b)	-	95,405	(95,405)	-	-
Net loss and comprehensive loss for the period	-	-	-	(1,412,575)	(1,412,575)
Balance, March 31, 2022	83,150,645	\$ 26,913,787	\$ 2,925,074	\$ (20,802,323)	\$ 9,036,538

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)

	Nine Months Ended March 31,	
	2022	2021
Cash flows from operating activities		
Net loss for the period	\$ (1,412,575)	\$ (2,303,766)
Adjustments for items not affecting cash		
Amortization of intellectual property	540,000	542,256
Depreciation of property and equipment	199,790	162,273
Foreign exchange loss (gain)	(24,985)	71,243
Share of loss from equity accounted investment	273,508	-
Contributions in kind to the Joint Venture	(547,017)	-
Interest accretion and expense	259,749	199,682
Share-based compensation expense	101,389	299,046
Changes in non-cash working capital items		
Receivables	(8,174)	(12,373)
Prepaid expenses and deposits	91,467	19,568
Inventories	(68,086)	(431,322)
Accounts payable	(223)	56,460
Due to related parties	123,031	-
	(472,126)	(1,396,933)
Cash flows to (from) financing activities		
Proceeds from private placements (Note 15)	1,089,201	319,500
Share issue costs	(24,979)	-
Proceeds from loans payable (Note 14)	1,150,500	-
Repayments of loans payable (Notes 13 and 14)	(558,336)	(473,727)
	1,656,386	(154,227)
Cash flows from investing activities		
Purchase of property and equipment	(126,636)	(70,428)
Development of intellectual property	(1,252,614)	(1,198,943)
	(1,379,250)	(1,269,371)
Decrease in cash and cash equivalents for the period	(194,990)	(2,820,531)
Effect of exchange rates on cash	13,648	(94,471)
Cash and cash equivalents, beginning of period	301,598	3,198,266
Cash and cash equivalents, end of period	\$ 120,256	\$ 283,264

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 Nine Months Ended March 31, 2022 and 2021

(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 nine months ended March 31, 2022, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 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.

These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements. On May 30, 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 further 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 Nine Months Ended March 31, 2022 and 2021

(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 March 31, 2022, the Company has an accumulated deficit of \$20,802,323;
- the Company has incurred a loss of \$1,412,575 for the nine months ended March 31, 2022;
- the Company has net cash flows used in operating activities of \$472,126 for the nine months ended March 31, 2022;
- the Company has a history of losses from operations; and
- the Company has a net working capital deficit of \$3,549,994.

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 received US\$1,000,000 from AMVAC Chemical Corporation (note 17(b)) in exchange for amending its existing license agreement whereby it agreed all future royalties were paid in full and subsequently completed a private placement for gross proceeds of \$1,508,750. 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 filed a preliminary short form base shelf prospectus with the British Columbia Securities Commission whereby the Company would raise an aggregate of up to \$20,000,000 during a 25-month period. There is no assurance that the Company will successfully obtain receipt of a final short form base shelf prospectus. If receipt of the final short form base shelf prospectus is received, there is no assurance that we will be successful raising funds from the short form base shelf prospectus.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

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

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.

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	
				March 31, 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 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 have 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.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

g) COVID-19 (continued)

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.

New Accounting Standards Adopted During the Period

IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments; Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases

The Company adopted the amendments, collectively named Interest Rate Benchmark Reform – Phase 2, 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. The Company does not have any IBOR related financial instruments, and the amendments did not have any impact for the Company.

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.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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.

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 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

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Loans Payable (continued)

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.

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 is as follows:

		March 31, 2022		June 30, 2021
Legal liability	\$	1,909,706	\$	2,102,214
Benefit on Loans payable		(545,867)		(700,534)
Carrying values (Note 14)	\$	1,363,839	\$	1,401,680

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

		March 31, 2022		June 30, 2021
Cash	\$	71,162	\$	250,763
Redeemable guaranteed investment certificates		49,094		50,835
	\$	120,256	\$	301,598

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended March 31, 2022 and 2021
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

6. RECEIVABLES

		March 31, 2022		June 30, 2021
Goods and Services Tax	\$	36,958	\$	26,157
Other		3,540		6,167
	\$	40,498	\$	32,324

7. PREPAID EXPENSES AND DEPOSITS

		March 31, 2022		June 30, 2021
Security deposits	\$	27,834	\$	51,198
Legal retainer for patent applications		17,891		28,383
Prepaid insurance		4,221		34,370
Other prepaid expenses		7,392		34,854
	\$	57,338	\$	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.

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.

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended March 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

9. INTELLECTUAL PROPERTY (continued)

	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	1,582,999	-	-	1,582,999
Contribution to Joint Venture (Note 11)	(943,614)	-	-	(943,614)
Amortization	-	(540,000)	-	(540,000)
Balance, March 31, 2022	\$ 13,436,555	\$ (3,774,411)	\$ -	\$ 9,662,144

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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10. PROPERTY AND EQUIPMENT

	Right-of-Use ("ROU") 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	685,886	1,472	17,903	-	40,994	64,709	810,964
Balance, March 31, 2022	\$ 1,273,401	\$ 79,764	\$ 136,549	\$ 81,543	\$ 66,479	\$ 103,595	\$ 1,741,331
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	171,276	2,016	15,422	5,742	4,172	1,162	199,790
Balance, March 31, 2022	\$ 528,669	\$ 72,083	\$ 101,893	\$ 71,973	\$ 7,639	\$ 40,048	\$ 822,305
Carrying Amounts							
At June 30, 2021	\$ 230,122	\$ 8,225	\$ 32,175	\$ 15,312	\$ 22,018	\$ -	\$ 307,852
At March 31, 2022	\$ 744,732	\$ 7,681	\$ 34,656	\$ 9,570	\$ 58,840	\$ 63,547	\$ 919,026

Clean Seed Capital Group Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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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 March 31, 2022 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
				March 31, 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 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		1,493,890
Portion of Joint Venture earnings		(273,508)
Balance, March 31, 2022	\$	3,636,766

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

Summarized Statements of Financial Position	March 31, 2022	June 30, 2021
Total current assets	\$ -	\$ -
Intellectual property	5,178,777	4,142,976
Total non-current assets	5,178,777	4,142,976
Total current liabilities	-	-
Total non-current liabilities	-	-
Net assets	\$ 5,178,777	\$ 4,142,976
Reconciliation to carrying amounts		
Opening net assets of Joint Venture	\$ 4,142,976	\$ 2,028,297
Contributions made by parties	1,582,818	2,284,933
Net loss	(547,017)	(170,254)
Closing net assets	5,178,777	4,142,976
Company ownership and interest	50%	50%
Carrying amount	\$ 3,636,766	\$ 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 March 31, 2022, 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 Joint Venture (continued)

(ii) Statements of Comprehensive Loss

Summarized Statements of Comprehensive Loss	March 31, 2022	March 31, 2021
Revenues	\$ -	\$ -
Operating expenses	547,017	-
Net loss and comprehensive loss	\$ (547,017)	\$ -

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

12. ACCOUNTS PAYABLE

	March 31, 2021	June 30, 2020
Trade payable (Note 17c)	\$ 1,021,426	\$ 1,085,080
Personnel payable, payroll taxes and accrued vacation	164,706	101,206
	\$ 1,186,132	\$ 1,186,286

13. FINANCE LEASE OBLIGATIONS

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.

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13. FINANCE LEASE OBLIGATIONS (continued)

The lease obligations represent the present value of minimum lease payments payable. The Company's lease obligation consists of:

	March 31, 2021	June 30, 2020
Premises lease payable in monthly instalments of \$6,982 including interest at the incremental borrowing rate of 9.82% per annum	\$ 411,968	\$ -
Premises lease payable in monthly instalments of \$7,648 including interest at the incremental borrowing rate of 9.82% per annum	451,202	-
Premises lease payable in monthly instalments of \$15,000 including interest at the incremental borrowing rate of 16.33% per annum (Notes 9 and 17b)	90,000	225,000
Premises lease payable in monthly instalments of \$4,533 including interest at the incremental borrowing rate of 16.33% per annum	27,200	71,750
Computer software lease payable in monthly instalments of \$431 including implicit interest at 9.05% per annum	-	1,389
	980,370	298,139
Less: Interest	(180,717)	(30,589)
Total Lease Obligation	\$ 799,653	\$ 267,550

Minimum repayments over the next six fiscal years are as follows:

2022	\$ 102,490
2023	234,160
2024	175,560
2025	175,560
2026	175,560
2027	117,040
	\$ 980,370

14. LOANS PAYABLE

The loans payable are as follows:

	Notes	March 31, 2022	June 30, 2021
Notes payable	14a	\$ 1,935,941	\$ 836,765
Lease obligation	13	799,653	267,550
AgrInnovation repayable contribution	14b	834,824	825,249
2017 Western Innovation Initiative repayable contribution	14c	204,517	228,707
2019 Western Innovation Initiative repayable contribution	14d	324,498	347,724
Shareholder advance	14e	-	-
Total loans payable		4,099,433	2,505,995
Less: Current portion of loans payable		(2,468,029)	(1,414,331)
Non-current Loans Payable		\$ 1,631,404	\$ 1,091,664

Clean Seed Capital Group Ltd.

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For the Nine Months Ended March 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

14. LOANS PAYABLE (continued)

a) Notes Payable

		Principal	Accrued Interest	Notes Payable
Balance at 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 at June 30, 2021		751,435	85,330	836,765
Advances received		1,150,500	-	1,150,500
Interest accrued		-	122,776	122,776
Repayments		(100,000)	(74,100)	(174,100)
Balance at March 31, 2022	\$	1,801,935	\$ 134,006	\$ 1,935,941

- (i) 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 and subsequently to June 18, 2022. In connection with the June 18, 2022 extension, the Company repaid principal of \$100,000.
- (ii) On March 18, 2022, the Company restructured two shareholder loans notes aggregating \$1,010,500 into promissory notes. The promissory notes mature on September 18, 2022, bear an annual rate of interest of 8% and are unsecured. 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 \$510,000 due to a company controlled by an insider of the Company. This promissory note balance as at March 31, 2022 is \$526,955 (note 17(c)).
- (iii) On March 29, 2022, the Company issued a promissory note of \$140,000 that matures on September 29, 2022 and bears an annual rate of interest of 8%. As a result of restructuring the shareholder loans, the Company incurred loan processing fees of \$2,500 payable at maturity (note 17(c)).

b) AgrilInnovation Repayable Contribution

The AgrilInnovation repayable contribution activity is as follows:

	Contribution Payable
Balance at June 30, 2020	\$ 858,040
Interest accretion	66,401
Repayments	(99,192)
Balance at June 30, 2021	825,249
Interest accretion	92,235
Repayments	(82,660)
Balance at March 31, 2022	\$ 834,824

Clean Seed Capital Group Ltd.

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14. LOANS PAYABLE (continued)

b) AgrilInnovation Repayable Contribution (continued)

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 March 31, 2022, the Company has deferred payments due under the loan for four months, totaling \$66,128. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole.

c) 2017 Western Innovation Initiative Repayable Contribution

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

		Contribution Payable
Balance at June 30, 2020	\$	262,508
Interest accretion		8,699
Repayments		(42,500)
Balance at June 30, 2021		228,707
Interest accretion		25,393
Repayments		(49,583)
Balance at March 31, 2022	\$	204,517

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.

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14. LOANS PAYABLE (continued)

c) 2017 Western Innovation Initiative Repayable Contribution (continued)

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 March 31, 2022, the Company has deferred payments due under the loan for two months, totaling \$14,167. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole.

d) 2019 Western Innovation Initiative Repayable Contribution

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

		Contribution Payable
Balance at June 30, 2020	\$	321,958
Interest accretion		51,597
Repayments		(25,831)
Balance at June 30, 2021		347,724
Interest accretion		37,045
Repayments		(60,271)
Balance at March 31, 2022	\$	324,498

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.

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14. LOANS PAYABLE (continued)

d) 2019 Western Innovation Initiative Repayable Contribution (continued)

As at March 31, 2022, the Company has deferred payments due under the loan for two months, totaling \$17,220. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole.

e) Shareholder Advance

Shareholder advance activity is as follows:

		Principal	Accrued Interest	Shareholder Advance Payable
Balance, June 30, 2020 and 2021	\$	-	\$ -	\$ -
Advances		1,151,612	-	1,151,612
Converted into promissory notes		(1,150,000)	-	(1,150,000)
Repayments		(1,612)	-	(1,612)
Balance, March 31, 2022	\$	-	\$ -	\$ -

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 17(c)).

15. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value

b) Issued

During the nine months ended March 31, 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 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 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.
- *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	54,078	-	-	54,078
Options exercised	(95,405)	-	-	(95,405)
Balance, March 31, 2022	\$ 2,186,712	\$ 642,665	\$ 95,697	\$ 2,925,074

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 nine months ended March 31, 2022 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	101,389
Cancelled	(425,000)	\$ 0.52	-
Exercised	(293,000)	\$ 0.39	(95,405)
Balance, March 31, 2022	4,926,100	\$ 0.26	\$ 2,186,712

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:

	March 31, 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%

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16. EQUITY AND RESERVES (continued)

b) Share-based Payment Reserve (continued)

(i) Incentive Share Options (continued)

Options outstanding at March 31, 2022 and June 30, 2021 were as follows:

	March 31, 2022		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
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
	4,926,100	\$ 0.26	5,092,100	\$ 0.26
Weighted Average Remaining Contractual Life (years)		2.01		2.69
Weighted Average Fair Value of Options Granted		\$ 0.22		\$ 0.23
Weighted Average Share Price During Period		\$ 0.39		\$ 0.44

At March 31, 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.

(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 nine months ended March 31, 2022 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	(4,487,500)	\$ 0.64	-
Balance, March 31, 2022	2,857,145	\$ 0.50	\$ 642,665

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16. EQUITY AND RESERVES (continued)

b) Share-based Payment Reserve (continued)

(ii) Warrants (continued)

Warrants outstanding at March 31, 2022 and June 30, 2021 are as follows:

	March 31, 2022		June 30, 2021	
Expiry Date	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	-	\$ -
	2,857,145	\$ 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 nine months ended March 31, 2022 and 2021 was as follows:

	Three Months Ended March 31		Nine Months Ended March 31	
	2022	2021	2022	2021
Short-term benefits*	\$ 163,200	\$ 154,800	\$ 489,600	\$ 480,900
Share-based payments [#]	4,014	95,338	24,388	171,660
	\$ 167,214	\$ 250,138	\$ 513,988	\$ 652,560

* Short-term benefits include compensation for three executives and one insider for the nine months ended March 31, 2022 (2021: three executives and one insider).

[#] Share-based payments consist of the fair value of 1,000,000 options granted to an officer and director of the Company on December 6, 2019; 666,667 of the options had vested at March 31, 2022 (June 30, 2021: 333,334).

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Related Party Transactions

Transactions with related parties for the three and nine months ended March 31, 2022 and 2021 were as follows:

	Three Months Ended March 31, 2022		2021		Nine Months Ended March 31, 2022		2021	
Lease accretion incurred for the on-farm lease from a company controlled by an insider of the Company included within intellectual property (Note 9)	\$	4,566	\$	10,530	\$	18,578	\$	35,956
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	\$	-	\$	-	\$	244,053	\$	-
Promissory note interest and loan processing fees incurred from a company controlled by an insider of the Company included with in interest expense	\$	16,454	\$	-	\$	16,454	\$	-
Consulting fees from a relative of the Chief Executive Officer included within intellectual property	\$	15,600	\$	15,600	\$	46,800	\$	46,800
License and royalty revenues received from a company with whom its Chief Operating Officer is a member of the Company's Board of Directors	\$	1,266,000	-	\$	1,266,000	\$	-	-

c) Related Party Balances

Amounts due to related parties as at March 31, 2022 and June 30, 2021 were as follows:

	March 31, 2021		June 30, 2021	
Amount due to an insider related to crop input costs, farm equipment usage costs on-farm testing activities, monthly lease and consulting fees (Notes 9 and 17b)#	\$	356,835	\$	39,375
Amount due to a company controlled by an insider of the Company for agronomic advisory services		2,737		-
Amount due to a company controlled by the Chief Financial Officer#		2,500		-
	\$	362,072	\$	39,375

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

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Related Party Balances

The Company issued certain promissory notes to shareholders (Note 14(a)), related to certain shareholder advances received which were subsequently restructured into promissory notes (Note 14(c)). Included is a promissory note issued to an insider of the Company as disclosed under Note 14(a).

18. COMMITMENTS AND CONTINGENCIES

As at March 31, 2022	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026 and Beyond	Total
Accounts payable	\$ 1,186,132	\$ -	\$ -	\$ -	\$ -	\$ 1,186,132
Due to related parties	362,072	-	-	-	-	362,072
Loans payable	2,190,122	620,866	562,267	519,765	890,592	4,783,612
Contractual commitments	765,259	262,500	225,000	-	-	1,252,759
	\$ 4,503,585	\$ 883,366	\$ 787,267	\$ 519,765	\$ 890,592	\$ 7,584,575

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 as to the likelihood of recovery from the Manufacturer related to defects on the products delivered.

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19. SUPPLEMENTAL CASH FLOW

	Nine Months Ended March 31	
	2022	2021
Intellectual property development expenditures contributed to Joint Venture	\$ 1,493,890	\$ 774,490
Operating expenditures contributed to Joint Venture	\$ (547,017)	\$ -
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	\$ 55,639	\$ 74,305
Interest accreted on loans payable included in interest expense	\$ 259,749	\$ 199,682
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	\$ (84,290)	\$ 27,777
Change in intellectual property enhancements included in due to related parties	\$ 362,295	\$ -
Change in capital assets included in accounts payable	\$ (1,558)	\$ -
Allocation of promissory note unit to warrants	\$ -	\$ 9,630
Interest paid	\$ 266,714	\$ 257,220

20. SUBSEQUENT EVENTS

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. In conjunction with the offering, the Company will pay aggregate finder's fees of \$10,425.