Condensed Consolidated Interim Financial Statements

For the three and six months ended December 31, 2023 and 2022

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

Contents

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements, and accompanying notes, of Clean Seed Capital Group Ltd. as at December 31, 2023 and 2022 for the three and six months then ended 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
Vancouver, British Columbia, Canada
October 9, 2024

/s/ Steven Brassard
Steven Brassard, Chief Financial Officer
Vancouver, British Columbia, Canada
October 9, 2024

Clean Seed Capital Group Ltd.

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

	Notes		As at December 31, 2023 (unaudited)		As at June 30, 2023
ASSETS					
Current Assets					
Cash and cash equivalents	**5**	**$**	**27,837**	$	108,984
Receivables	**6**		**26,141**		15,717
Prepaid expenses and deposits	**7**		**56,849**		193,621
Total current assets			**110,827**		318,322
Non-current Assets					
Property and equipment	**10**		**192,350**		837,583
Intellectual property	**9**		**9,462,737**		9,673,732
Interests in Joint Venture	**11**		**4,163,633**		4,290,007
Total non-current assets			**13,818,720**		14,801,322
TOTAL ASSETS		**$**	**13,929,547**	$	15,119,644
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	**12, 18c**	**$**	**3,345,409**	$	2,762,386
Due to related parties	**18c**		**845,964**		650,794
Finance lease obligations	**13**		**140,016**		303,933
Loans payable	**14**		**4,674,604**		4,470,295
Total current liabilities			**9,005,993**		8,187,408
Non-current Liabilities					
Finance lease obligations	**13**		**-**		462,457
Loans payable	**14**		**977,688**		766,324
Convertible debentures	**15**		**668,872**		614,305
Total non-current liabilities			**1,646,560**		1,843,086
TOTAL LIABILITIES			**10,652,553**		10,030,494
SHAREHOLDERS' EQUITY					
Share capital	**16**		**29,174,306**		28,906,177
Contributed surplus	**17b**		**3,097,326**		3,092,108
Deficit			**(28,994,638)**		(26,909,135)
TOTAL SHAREHOLDERS' EQUITY			**3,276,994**		5,089,150
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**13,929,547**	$	15,119,644

Ability to Continue as a Going Concern (Note 2d)
Commitments and Contingencies (Note 19)
Subsequent Events (Note 21)

Approved on behalf of the Board:

/s/ Graeme Lempriere
Director

/s/ Gary Anderson
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,	
	2023	2022	**2023**	2022
Operating expenses				
Amortization of intellectual property (Note 9)	**$ 252,000**	$ 180,000	**$ 501,000**	$ 360,000
Depreciation of property and equipment (Note 10)	**53,327**	83,884	**195,235**	171,842
Foreign exchange loss	**1,146**	2,824	**6,257**	15,009
Interest (Notes 13, 14, 15 and 18c)	**200,604**	137,111	**466,230**	238,262
Office and miscellaneous	**20,825**	25,739	**52,602**	53,295
Personnel	**124,334**	266,325	**275,735**	377,287
Premises	**7,682**	51,647	**7,884**	95,441
Professional (Note 18b)	**166,575**	201,911	**277,098**	408,988
Research and development (Note 18b)	**49,470**	82,167	**108,347**	183,163
Share-based compensation (Notes 17b and 18a)	**42,564**	8,976	**51,200**	47,346
Share of loss from equity accounted investment (Note 11)	**69,000**	12,037	**138,000**	135,313
Travel and trade shows	**724**	31,009	**5,915**	46,481
Net loss and comprehensive loss for the period	**$ (988,251)**	$ (1,083,630)	**$ (2,085,503)**	$ (2,132,427)
Basic and diluted loss per share	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)
Weighted average number of common shares outstanding	**94,661,584**	89,685,645	**93,720,539**	89,541,623

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	Contributed		
	Number	Amount	Issue Shares	Surplus	Deficit	Total
Balance, June 30, 2022	**89,185,645**	**$ 28,397,171**	**$ -**	**$ 2,933,950**	**$ (22,029,344)**	**$ 9,301,777**
Shares issued for cash (Note 16)	500,000	100,000	-	-	-	100,000
Proceeds allocated to equity component of convertible debentures (Note 15)	-	-	-	133,370	-	133,370
Bonus warrants issued as consideration for loans payable (Notes 14a(ii) and 17b(ii))	-	-	-	66,137	-	66,137
Share-based compensation (Note 17b)	-	-	-	47,346	-	47,346
Fair value transferred on exercise of stock options (Notes 16 and 17b)	-	29,396	-	(29,396)	-	-
Net loss for the period	-	-	-	-	(2,132,427)	(2,132,427)
Balance, December 31, 2022	**89,685,645**	**28,526,567**	**-**	**3,151,407**	**(24,161,771)**	**7,516,203**
Units and shares issued for cash (Note 16)	2,791,764	326,050	-	-	-	326,050
Proceeds allocated to equity component of convertible debentures (Note 15)	-	-	-	(65,883)	-	(65,883)
Share-based compensation (Note 17b)	-	-	-	60,144	-	60,144
Fair value transferred on exercise of stock options (Notes 16 and 17b)	-	53,560	-	(53,560)	-	-
Net loss for the period	-	-	-	-	(2,747,364)	(2,747,364)
Balance, June 30, 2023	**92,477,409**	**28,906,177**	**-**	**3,092,108**	**(26,909,135)**	**5,089,150**
Shares issued	2,579,460	222,147	-	-	-	222,147
Share-based compensation (Note 17b)	-	-	-	51,200	-	51,200
Fair value transferred on exercise of stock options (Notes 16 and 17b)	-	45,982	-	(45,982)	-	-
Net loss for the period	-	-	-	-	(2,085,503)	(2,085,503)
Balance, December 31, 2023	**95,056,869**	**$ 29,174,306**	**$ -**	**$ 3,097,326**	**$ (28,994,638)**	**$ 3,276,994**

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, 2023	2022
Cash flows used in operating activities		
Net loss for the period	**$ (2,085,503)**	$ (2,132,427)
Adjustments for items not affecting cash		
Amortization of intellectual property	**501,000**	360,000
Depreciation of property and equipment	**195,235**	171,842
Share of loss from equity accounted investment	**138,000**	135,313
Contributions in kind to the Joint Venture	**(1,621)**	(270,627)
Interest accretion and expense	**467,684**	238,262
Share-based compensation	**51,200**	47,346
Other items	**17,132**	(922)
Changes in non-cash working capital items		
Receivables	**(10,424)**	19,067
Prepaid expenses and deposits	**136,772**	30,139
Accounts payable	**96,170**	705,778
Due to related parties	**476,050**	23,298
	(18,305)	(672,931)
Cash flows from financing activities		
Proceeds from convertible debentures issued (net of issuance costs)	**-**	623,454
Proceeds from option exercises	**80,000**	100,000
Proceeds from loans payable	**150,000**	700,000
Repayments of loans payable and convertible debentures	**(16,813)**	(167,546)
Repayments of finance lease obligations	**(77,437)**	-
	135,750	1,255,908
Cash flows used in investing activities		
Development of intellectual property	**(198,578)**	(441,071)
Purchase of property and equipment	**-**	(367)
	(198,578)	(441,438)
Increase (decrease) in cash and cash equivalents for the period	**(81,133)**	141,539
Effect of exchange rates on cash and cash equivalents	**(14)**	1,476
Cash and cash equivalents, beginning of period	**108,984**	94,200
Cash and cash equivalents, end of period	**$ 27,837**	$ 237,215

Supplemental Cash Flow Information (Note 20)

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 common shares of Clean Seed are listed on the NEX branch of the TSX Venture Exchange ("TSX-V") and trade under the symbol "CSX.H". 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 and principal place of business is 733 Seymour Street, Unit 2900, Vancouver, British Columbia V6B 0S6.

2. BASIS OF PREPARATION

a) Statement of Compliance

The condensed consolidated interim financial statements of the Company as at December 31, 2023 and for the three and six months then ended, 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 as at June 30, 2023 and for the year then ended.

The condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements. On October 9, 2024, 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.

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

The Company's primary asset remains its intellectual property portfolio. The underlying value of the intellectual property is dependent upon the Company's ability to i) generate future profitable business operations based upon that intellectual property, and ii) pay its obligations arising from business operations as they come due. 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 for at least the next twelve months, the following conditions and events indicate the existence of material uncertainties that cast significant doubt on the validity of that assumption:

- as at December 31, 2023, the Company has an accumulated deficit of $28,994,638;
- the Company has incurred a loss of $2,085,503 for the six months ended December 31, 2023;
- the Company has net cash flows used in operating activities of $18,305 for the six months ended December 31, 2023;
- the Company has a history of losses from operations; and
- the Company has a net working capital deficit of $8,895,166.

The Company's ability to continue as a going concern is dependent upon management's forecasts and/or initiatives being realized through the sale of its products. To satisfy its liabilities in the normal course of operations until that time and to meet the anticipated cash requirements for working capital and capital expenditures as required, the Company will need to secure financing through a combination of licensing of its technologies, the acquisition of profitable operations, future equity issuances, future debt issuances, asset sales or a combination thereof.

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

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

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:

				Portion of Ownership Interest and Voting Power Held	
Name of Subsidiary	**Principal Activity**	**Fiscal Year-End**	**Place of Incorporation and Operation**	**December 31, 2023**	**June 30, 2023**
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) Impact of Rising Interest Rates

The impact of the current environment of rising interest rates and economic uncertainty can be far reaching and difficult to predict and may potentially impact the Company's ability to continue as a going concern. Interest rates can affect many areas within the condensed consolidated interim financial statements, including estimates, judgments, impairment assessments, borrowing costs and more.

Refinancing of the Company's fixed rate loans may be subject to higher interest rates meaning higher repayments in the future.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

A complete summary of material accounting policies can be found in Note 3 of the audited annual consolidated financial statements for the year ended June 30, 2023.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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. During the current year, the Company applied judgment in assessing that development costs related to the SMART Seeder technology 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.

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 17b(i) for the assumptions applied to the grant of incentive options.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Loans Payable

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

As each Loan bears no interest, the interest rate of each Loan is below the market rate for a commercial loan with similar terms. The initial fair value of these Loans was determined by using a discounted cash flow analysis. To determine the discounted cash flow, the Company had to determine the discount rate to apply to record the Loans at fair value at initial recognition. The discount rate selected at initial recognition has a significant impact on the amount recorded for the initial fair value of the Loans. In determining the appropriate discount rate, the Company considered the interest rates of similar long-term debt arrangements with similar terms. These Loans were issued by the Government of Canada to support innovation and economic development and requires repayments starting one year after the end of each project. Two Loans have five-year repayment terms 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 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 are as follows:

		December 31, 2023		June 30, 2023
Legal liability	**$**	**1,737,539**	$	1,754,353
Benefit on Loans payable		**(261,330)**		(334,602)
Carrying values (Notes 14b, c and d)	**$**	**1,476,209**	$	1,419,751

Notes Payable

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 18% (June 30, 2023: N/A) 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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 18% (June 30, 2023: 10%) 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.

Convertible Debentures

Management was required to use significant judgment in determining the appropriate discount rate to apply in the fair value calculation for the convertible debentures. Management used discount rates between 17% and 18% 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.

Going Concern

Judgment is required in determining whether the Company is a going concern (see Note 2d).

5. CASH AND CASH EQUIVALENTS

		December 31, 2023		June 30, 2023
Cash	$	548	$	59,034
Redeemable guaranteed investment certificates		27,289		49,950
	$	27,837	$	108,984

6. RECEIVABLES

		December 31, 2023		June 30, 2023
Goods and Services Tax	$	24,240	$	13,816
Other receivables		1,901		1,901
	$	26,141	$	15,717

7. PREPAID EXPENSES AND DEPOSITS

		December 31, 2023		June 30, 2023
Prepayment for services	$	22,008	$	140,104
Legal retainers		20,642		25,683
Prepaid insurance		12,539		-
Security deposits		1,660		27,834
	$	56,849	$	193,621

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

8. INVENTORIES

The Company's inventory consists of raw materials inventory.

	December 31, 2023	June 30, 2023
Raw materials	$ -	$ 265,949
Allowance	-	(265,949)
Balance	$ -	$ -

Allowances to write-down inventories are included in research and development expenses.

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, software, know-how, designs and the development costs incurred to translate those items into products. Costs capitalized to intellectual property include amounts related to acquisition, legal, patent, personnel, materials, components and development facilities.

	Cost	Accumulated Amortization	Net Book Value
Balance, June 30, 2022	**$ 13,662,508**	**$ (3,954,411)**	**$ 9,708,097**
Additions	1,139,444	-	1,139,444
Contribution to Joint Venture (Note 11)	(232,809)	-	(232,809)
Amortization	-	(941,000)	(941,000)
Balance, June 30, 2023	**14,569,143**	**(4,895,411)**	**9,673,732**
Additions	300,010	-	300,010
Contribution to Joint Venture (Note 11)	(10,005)	-	(10,005)
Amortization	-	(501,000)	(501,000)
Balance, December 31, 2023	**$ 14,859,148**	**$ (5,396,411)**	**$ 9,462,737**

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

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

10. PROPERTY AND EQUIPMENT

	Right-of-use Asset	Shop Equipment	Computer Equipment	Computer Software	Production Molds	Other	Total
Cost							
Balance, June 30, 2022	**$ 1,273,401**	**$ 81,438**	**$ 137,279**	**$ 81,543**	**$ 66,479**	**$ 103,595**	**$ 1,743,735**
Additions for the year	335,459	368	-	-	-	-	335,827
Balance, June 30, 2023	**1,608,860**	**81,806**	**137,279**	**81,543**	**66,479**	**103,595**	**2,079,562**
Additions for the period	252,060	-	-	-	-	-	252,060
Disposals for the period	(937,946)	-	-	-	-	(103,595)	(1,041,541)
Balance, December 31, 2023	**$ 922,974**	**$ 81,806**	**$ 137,279**	**$ 81,543**	**$ 66,479**	**$ -**	**$ 1,290,081**
Accumulated Depreciation							
Balance, June 30, 2022	**$ 641,076**	**$ 73,007**	**$ 107,216**	**$ 73,887**	**$ 9,030**	**$ 40,084**	**$ 944,300**
Depreciation for the year	255,508	2,585	15,031	3,828	7,181	13,546	297,679
Balance, June 30, 2023	**896,584**	**75,592**	**122,247**	**77,715**	**16,211**	**53,630**	**1,241,979**
Depreciation for the period	183,124	933	3,759	956	3,142	3,321	195,235
Disposals for the period	(282,532)	-	-	-	-	(56,951)	(339,483)
Balance, December 31, 2023	**$ 797,176**	**$ 76,525**	**$ 126,006**	**$ 78,671**	**$ 19,353**	**$ -**	**$ 1,097,731**
Carrying Amounts							
At June 30, 2023	**$ 712,276**	**$ 6,214**	**$ 15,032**	**$ 3,828**	**$ 50,268**	**$ 49,965**	**$ 837,583**
At December 31, 2023	**$ 125,798**	**$ 5,281**	**$ 11,273**	**$ 2,872**	**$ 47,126**	**$ -**	**$ 192,350**

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

11. INTERESTS IN JOINT VENTURE

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

Related to the Joint Venture, two entities were formed:

- Clean Seed Agriculture Limited Partnership ("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, 2023. 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.

				Portion of Ownership Interest and Voting Power Held		
Name of Entity	**Principal Activity**	**Fiscal Year-End**	**Place of Formation and Operation**	**December 31, 2023**	**June 30, 2023**	**Measurement Method**
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 its Joint Venture

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

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

11. INTERESTS IN JOINT VENTURE (continued)

b) Summary of Activity

		Net Book Value
Balance, June 30, 2022	**$**	**4,124,173**
Contributions		642,169
Portion of Joint Venture loss		(476,335)
Balance, June 30, 2023		**4,290,007**
Contributions		11,626
Portion of Joint Venture loss		(138,000)
Balance, December 31, 2023	**$**	**4,163,633**

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		**December 31, 2023**		June 30, 2023
Total current assets	**$**	**-**	$	-
Intellectual property		**5,797,215**		5,480,685
Total non-current assets		**5,797,215**		5,480,685
Total current liabilities		**-**		-
Total non-current liabilities		**-**		-
Net assets	**$**	**5,797,215**	$	5,480,685
Reconciliation to carrying amounts				
Opening net assets of Joint Venture	**$**	**5,260,893**	$	5,569,264
Contributions made by parties		**11,626**		644,298
Net loss		**(275,989)**		(952,669)
Closing net assets		**4,996,530**		5,260,893
Company ownership and interest		**50%**		50%
Carrying amount	**$**	**4,163,633**	$	4,290,007

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

11. INTERESTS IN JOINT VENTURE (continued)

c) Summarized Financial Information for Joint Venture (continued)

(i) Statements of Financial Position (continued)

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 December 31, 2023, the Company's interest in the Joint Venture is equal to the cost of its contributions made to the Joint Venture.

(ii) Statements of Comprehensive Loss

Summarized Statements of Comprehensive Loss		**December 31, 2023**		December 31, 2022
Revenues	**$**	**-**	$	-
Operating expenses		**275,989**		270,627
Net loss and comprehensive loss	**$**	**(275,989)**	$	(270,627)

12. ACCOUNTS PAYABLE

		December 31, 2023		June 30, 2023
Trade payables	**$**	**2,162,679**	$	1,829,229
Personnel payable		**1,182,730**		933,157
	$	**3,345,409**	$	2,762,386

13. FINANCE LEASE OBLIGATIONS

The Company leases certain premises.

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. The Company's leases in Saskatoon was terminated during September 2023. Included in accounts payable is $20,255 (June 30, 2023: $nil) related to these leases.

On November 2, 2022, the Company entered into an amendment to extend the expiry date of the on-farm lease from September 30, 2022 to September 30, 2024. Under the amendment, the lease amount increased from $15,000 to $16,500 per month commencing on October 1, 2022. The total commitments under the lease amendment for the two-year extension aggregate $396,000.

Effective July 1, 2023, the Company entered into a new lease agreement for its premises in Burnaby, which it had been leasing on a month-to-month basis. The lease term was for three years commencing with monthly lease payments of $8,390 per month plus operating costs due under the lease for the first year, with increasing amounts in the subsequent years. The Company's lease in Burnaby was terminated during October 2023. Included in accounts payable is $29,130 (June 30, 2023: $nil) related to this lease.

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

13. FINANCE LEASE OBLIGATIONS (continued)

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

		December 31, 2023		June 30, 2023
Premises lease with a related party payable in monthly instalments of $16,500 (June 30, 2023: $15,000) including interest at the incremental borrowing rate of 18.00% (June 30, 2023: 16.33%) per annum (Note 18b)	**$**	**148,500**	$	247,500
Premises lease payable in monthly instalments of $6,982 including interest at the incremental borrowing rate of 9.82% per annum		**-**		307,230
Premises lease payable in monthly instalments of $7,648 including interest at the incremental borrowing rate of 9.82% per annum		**-**		336,490
		148,500		891,220
Less: Interest		**(8,484)**		(124,830)
Finance lease obligations		**140,016**		766,390
Less: Current portion		**(140,016)**		(303,933)
Non-current Finance lease obligations	**$**	**-**	$	462,457

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

2024	$	99,000
2025		49,500
	$	148,500

The Company incurred lease accretion of $52,315 (June 30, 2023: $46,187) on the finance lease obligations.

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

14. LOANS PAYABLE

The Loans payable are as follows:

	Notes		**December 31, 2023**		June 30, 2023
Notes payable	14a	**$**	**4,176,083**	$	3,816,868
AgriInnovation repayable contribution	14b		**1,004,910**		956,034
2017 Western Innovation Initiative repayable contribution	14c		**168,139**		167,719
2019 Western Innovation Initiative repayable contribution	14d		**303,160**		295,998
Total Loans payable			**5,652,592**		5,236,619
Less: Current portion of Loans payable			**(4,674,604)**		(4,470,295)
Non-current Loans Payable		**$**	**977,688**	$	766,324

a) Notes Payable

The notes payable activity is as follows:

		Notes Payable
Balance, June 30, 2022	**$**	**1,820,934**
Promissory notes issued		1,903,827
Proceeds allocated to bonus warrants (Note 17b(ii))		(66,137)
Proceeds allocated to bonus shares (Note 16b)		(71,462)
Interest accrued		276,236
Repayments		(46,530)
Balance, June 30, 2023		**3,816,868**
Promissory notes issued		150,000
Proceeds allocated to bonus shares (Note 16b)		(10,791)
Interest accrued		319,100
Repayments		(99,094)
Balance, December 31, 2023	**$**	**4,176,083**

(i) On August 1, 2019, the Company restructured accounts payable of $990,000 by issuing a promissory note that matured on July 31, 2020, bore an annual rate of interest of 12% payable monthly and was unsecured. The maturity date of the promissory note was further extended by a series of amendments to September 30, 2023. The balance as at December 31, 2023 is $838,510 (June 30, 2023: $791,890). The promissory note matured on September 30, 2023 and will continue to bear interest at 12% per annum.

14. LOANS PAYABLE (continued)

a) Notes Payable (continued)

(ii) On March 18, 2022, the Company restructured two shareholder loans aggregating $1,010,500 into promissory notes. The promissory notes matured on September 30, 2022, bore an annual rate of interest of 8% and were secured by general security interests in the assets of the Company. As a result of restructuring the shareholder loans, the Company incurred loan processing fees of $40,000 payable at maturity.

a. On October 24, 2022, the Company entered into a new promissory note with one of these shareholders, who was an insider of the Company, consisting of $510,500 from a matured promissory note and a further advance of $400,000 for an aggregate principal amount of $910,500. The maturity date of the promissory note was subsequently extended to September 30, 2023 and will continue to bear interest at 8% per annum. Management determined that the extension of the debt was non-substantial.

In conjunction with the issuance of this promissory note, the Company issued the insider 2,000,000 bonus warrants exercisable into common shares of the Company at a price of $0.20 per share until September 30, 2023 (Note 17b(ii)). The Company determined that the market interest rate on a similar loan would be 18% based on market yield curves. Proceeds of $41,525 were allocated to the bonus warrants (Note 17b(ii)). This promissory note balance as at December 31, 2023 is $1,036,332 (June 30, 2023: $975,681) (Note 18b).

b. On December 22, 2022, the Company entered into a new promissory note with one of these shareholders consisting of $500,000 from a matured promissory note and a further advance of $300,000 for an aggregate principal amount of $800,000. The promissory note was further amended to mature on September 30, 2023 and will continue to bear interest at 8% per annum. Management determined that the modification of the debt was non-substantial.

In conjunction with the issuance of this promissory note, the Company issued 1,000,000 bonus warrants exercisable into common shares of the Company at a price of $0.20 per share until September 30, 2023 (Note 17b(ii)). The Company determined that the market interest rate on a similar loan would be 18% based on market yield curves. Proceeds of $24,612 were allocated to the bonus warrants (Note 17b(ii)). This promissory note balance as at December 31, 2023 is $920,978 (June 30, 2023: $865,061) (Note 18b).

(iii) During April 2023 the Company completed a private placement whereby it issued three promissory notes aggregating $1,203,828. These notes will mature on April 26, 2024, bear interest of 18% per annum payable quarterly and are secured by a general security agreement of the assets of the Company. One of these promissory notes was to a director of the Company (Note 18b).

In connection with this private placement, the Company issued 1,415,293 bonus shares at closing. The Company determined that the market interest rate on a similar loan would be 24% based on market yield curves. Using the market rate, the Company estimated the fair value of the loan received to be $1,132,365. Proceeds of $71,462 were allocated to the bonus shares (Note 16b(ii)) under the residual interest method. The balance of these three promissory notes at December 31, 2023 is $1,233,422 (June 30, 2023: $1,184,236).

During the six months ended December 31, 2023, the Company issued 1,050,889 common shares (June 30, 2023: nil) to extinguish interest of $99,094 (June 30, 2023: $nil).

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

14. LOANS PAYABLE (continued)

a) Notes Payable (continued)

(iv) During October 2023 the Company issued promissory notes aggregating $150,000. These notes mature one year from issuance, bear interest of 18% per annum payable quarterly and are secured by a general security agreement of the assets of the Company. In connection with issuing the promissory notes, the Company issued 428,571 bonus shares. The Company determined that the market interest rate on a similar loan would be 24% based on market yield curves. Using the market rate, the Company estimated the fair value of the loan received to be $139,209. Proceeds of $10,791 were allocated to the bonus shares (Note 16b(ii)) under the residual interest method. The balance of these promissory notes at December 31, 2023 is $146,821 (June 30, 2023: $nil).

b) AgriInnovation Repayable Contribution

The AgriInnovation repayable contribution activity is as follows:

		Contribution Payable
Balance, June 30, 2022	**$**	**847,486**
Interest accretion		108,548
Balance, June 30, 2023		**956,034**
Interest accretion		48,876
Balance, December 31, 2023	**$**	**1,004,910**

On July 18, 2016, the Company entered into a repayable contribution agreement (the "AgriInnovation 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 AgriInnovation 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 AgriInnovation 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 on 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 on February 29, 2028.

Effective December 31, 2020, the AgriInnovation 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 on 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 December 31, 2023, the Company has deferred payments due under the Loan for 24 months, totaling $396,768. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole. Subsequently, as a result of the deferred payments, the Minister of Agriculture and Agri-Food has issued the Company with notice of requirement to repay the Loan.

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

14. LOANS PAYABLE (continued)

c) 2017 Western Innovation Initiative Repayable Contribution

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

		Contribution Payable
Balance, June 30, 2022	**$**	**197,548**
Interest accretion		21,415
Repayments		(51,244)
Balance, June 30, 2023		**167,719**
Interest accretion		8,229
Repayments		(7,809)
Balance, December 31, 2023	**$**	**168,139**

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 on 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.

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.

Effective December 30, 2022, the 2017 WINN Agreement was amended to change the remaining payment schedule of the Loan from 24 consecutive monthly instalments of $7,084 commencing on January 1, 2023 to three consecutive monthly instalments of $2,000 commencing on January 1, 2023, followed by 20 consecutive instalments of $7,809 commencing on April 1, 2023, with one final payment of $7,796 on December 1, 2024. Management determined that the modification of the debt was non-substantial.

As at December 31, 2023, the Company has deferred payments due under the Loan for ten months, totaling $80,979. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole. Subsequently, as a result of the deferred payments, Western Economic Diversification Canada has issued the Company with notice of requirement to repay the Loan.

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

14. LOANS PAYABLE (continued)

d) 2019 Western Innovation Initiative Repayable Contribution

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

		Contribution Payable
Balance, June 30, 2022	**$**	**318,040**
Interest accretion		36,650
Repayments		(58,692)
Balance, June 30, 2023		**295,998**
Interest accretion		16,166
Repayments		(9,004)
Balance, December 31, 2023	**$**	**303,160**

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 on 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.

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.

Effective December 30, 2022, the 2019 WINN Agreement was amended to change the remaining payment schedule of the Loan from 38 consecutive monthly instalments of $8,470 commencing on January 1, 2023 to three consecutive monthly instalments of $2,000 commencing on January 1, 2023, followed by 35 consecutive instalments of $9,004 commencing on April 1, 2023, with one final payment of $8,990 on March 1, 2026. Management determined that the modification of the debt was non-substantial.

As at December 31, 2023, the Company has deferred payments due under the Loan for eleven months, totaling $96,413. Those deferred amounts are accruing interest of prime plus 3% until they have been repaid in whole. Subsequently, as a result of the deferred payments, Western Economic Diversification Canada has issued the Company with notice of requirement to repay the Loan.

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

15. CONVERTIBLE DEBENTURES

		Convertible Debentures
Balance, June 30, 2022	**$**	**-**
Proceeds from the issuance of convertible debentures		630,000
Transaction costs		(5,145)
		624,855
Amount classified as equity (conversion rights)		(68,888)
Interest accrued and accreted		76,205
Repayments		(17,867)
Balance, June 30, 2023		**614,305**
Interest accrued and accreted		54,567
Balance, December 31, 2023	**$**	**668,872**
Consisting of:		
Present value of financial liability	$	602,619
Classified as derivative liability		66,253
	$	**668,872**

On August 31, 2022, the Company issued convertible debentures as follows:

a) One subscriber purchased an aggregate amount of convertible debentures of $300,000. These debentures bear interest of 8% per annum and will mature on August 31, 2027. The debentures are repayable as interest only for the first twelve months from issue, then subsequently repayable in 48 instalments thereafter. The debentures are convertible into common shares after twelve months from the date of issue at the greater of (i) a base price of $0.30 per share, or (ii) the market price of the Company's shares on the TSX-V less a 30% discount provided. In any event, the conversion price will not exceed $0.60 per share; and

b) One subscriber purchased an aggregate amount of convertible debentures of $330,000. These debentures bear interest of 9% per annum and will mature on August 31, 2025. The debentures are repayable as interest only on a quarterly basis until maturity. Upon maturity the principal outstanding and any unpaid interest is due. The debentures are convertible into common shares after twelve months from the date of issue at a price of $0.20 per share until maturity.

These debentures are secured by a general security agreement of the assets of the Company. The Company may redeem the debentures after twelve months from the date of issue as follows:

a) If after twelve months from the date of issue and prior to 36 months from the date of issue the Company must give the holder at least 30 days' advance notice, and during that 30-day period, the debenture holder will have the option of converting the principal amount of the debenture plus accrued interest, or any portion thereof prior to the prepayment date, into common shares and the Company will pay the holder a redemption premium equal to 15% of the principal amount and any accrued interest being redeemed; and

b) If after 36 months from the date of issue and prior to the maturity date, the Company may do so without prior notice to the holder and will pay the holder a redemption premium equal to 25% of the principal amount and any accrued interest being redeemed.

15. CONVERTIBLE DEBENTURES (continued)

The convertible debentures are considered compound financial instruments, which include a liability component, a derivative liability component and an equity component. Of the gross proceeds of $630,000, upon recognition $489,714 was allocated to the present value of the liability component of the convertible debenture, $66,253 was allocated to the present value of the derivative liability component of the convertible debenture and $68,888 was allocated to the equity component (conversion right feature) of the convertible debentures. Financing costs incurred in connection with the issuance of convertible debentures totaled $6,546. Financing costs were allocated based on the relative values of the liability and equity components at initial recognition. The allocated costs were netted against each component.

The Company calculated the fair value of the liability component using a discounted cash flow model using discount rates of 17% to 18%. Interest on the net liability component is determined using the effective interest rate method (17.34% to 18.18% annualized) and accreted over the term of the debentures (Note 4).

16. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Issued

During the six months ended December 31, 2023, the following share capital transactions occurred:

(i) On July 18, 2023, the Company issued 375,565 common shares for interest payments on promissory notes measured at $48,823.

(ii) On October 17, 2023, in connection with an issuance of promissory notes (Note 14a(iv)), the Company issued 428,571 bonus shares. Proceeds from the promissory notes of $10,791 were allocated to the bonus shares.

(iii) On October 17, 2023, the Company issued 675,324 common shares for interest payments on promissory notes measured at $67,532.

(iv) The Company granted 1,000,000 stock options exercisable at an exercise price of $0.08 per share for one year; 1,100,000 stock options with a weighted average exercise of $0.08 per share were subsequently exercised.

During the year ended June 30, 2023, the following share capital transactions occurred:

(i) An aggregate 1,500,000 common shares were issued related to the exercise of stock options for gross proceeds of $300,000. Upon exercise, the fair value of the options totaling $82,956 was transferred from contributed surplus reserve to share capital.

(ii) In connection with a private placement of promissory notes (Note 14a(iii)), the Company issued 1,415,293 bonus shares and 376,470 finders' fee shares. Proceeds from the promissory notes of $71,462 were allocated to the bonus shares. The finders' fee shares aggregated $54,588 based on their fair market value.

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

17. 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 "Contributed Surplus" and "Accumulated Deficit".

- *Contributed Surplus* is used to recognize the fair value of derivative equity instruments granted or issued by the Company on its own stock and the residual equity component of convertible debentures issued.
- *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) Contributed Surplus

The contributed surplus consists of the following amounts:

	Incentive Options	Warrants	Broker Warrants	Equity Component of Convertible Debentures	Contributed Surplus
Balance, June 30, 2022	**$ 2,195,588**	**$ 642,665**	**$ 95,697**	**$ -**	**$ 2,933,950**
Options granted under stock option plan	82,956	-	-	-	82,956
Convertible debentures issued	-	-	-	67,487	67,487
Bonus warrants issued upon modification of loans payable	-	66,137	-	-	66,137
Options granted in prior periods with vesting conditions	24,534	-	-	-	24,534
Options exercised	(82,956)	-	-	-	(82,956)
Balance, June 30, 2023	**2,220,122**	**708,802**	**95,697**	**67,487**	**3,092,108**
Options granted under stock option plan	45,982	-	-	-	45,982
Options granted in prior periods with vesting conditions	5,218	-	-	-	5,218
Fair value transferred on exercise of stock options	(45,982)	-	-	-	(45,982)
Balance, December 31, 2023	**$ 2,225,340**	**$ 708,802**	**$ 95,697**	**$ 67,487**	**$ 3,097,326**

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 i) warrants issued as part of a unit, ii) bonus warrants issued as consideration for a loan arrangement, and iii) the equity component of convertible debentures issued.

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

17. EQUITY AND RESERVES (continued)

b) Contributed Surplus (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 date 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, 2023 and year ended June 30, 2023:

	Number of Options	Weighted Average Exercise Price	Contributed Surplus
Balance, June 30, 2022	**4,926,100**	**$ 0.26**	**$ 2,195,588**
Granted	1,500,000	$ 0.20	107,490
Exercised	(1,500,000)	$ 0.20	(82,956)
Balance, June 30, 2023	**4,926,100**	**$ 0.26**	**2,220,122**
Granted	1,100,000	$ 0.09	51,200
Exercised	(1,100,000)	$ 0.09	(45,982)
Expired	(4,226,100)	$ 0.23	-
Balance, December 31, 2023	**700,000**	**$ 0.43**	**$ 2,225,340**

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, 2023	June 30, 2023
Risk-free interest rate	**4.89%**	3.97%
Expected life of options (years)	**0.99**	1.14
Annualized volatility	**116.80%**	90.25%
Dividend rate	**0.00%**	0.00%

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

17. EQUITY AND RESERVES (continued)

b) Contributed Surplus (continued)

(i) Incentive Share Options (continued)

Options outstanding at December 31, 2023 and June 30, 2023 were as follows:

	December 31, 2023			**June 30, 2023**		
Expiry Date	Number of Options Outstanding	Weighted Average Exercise Price		Number of Options Outstanding	Weighted Average Exercise Price	
December 31, 2023	-	$	-	4,226,100	$	0.23
February 28, 2025	200,000	$	0.50	200,000	$	0.50
January 31, 2026	500,000	$	0.40	500,000	$	0.40
	700,000	**$**	**0.43**	4,926,100	$	0.26
Weighted Average Remaining Contractual Life (years)			**1.82**			0.76
Weighted Average Fair Value of Options Granted		**$**	**0.04**		$	0.20
Weighted Average Share Price During Period		**$**	**0.10**		$	0.15

At December 31, 2023, 250,000 (June 30, 2023: 333,334) of the incentive stock options had not vested. All other incentive stock options are fully vested.

(ii) Warrants

The following table summarizes warrants activity for the six months ended December 31, 2023 and year ended June 30, 2023:

	Number of Warrants		**Weighted Average Exercise Price**		**Contributed Surplus**
Balance, June 30, 2022	**5,874,645**	$	**0.50**	**$**	**642,665**
Issued	3,000,000	$	0.20		66,137
Expired	(2,857,145)	$	0.50		-
Balance, June 30, 2023	**6,017,500**	**$**	**0.35**		**708,802**
Expired	(3,000,000)	$	0.20		-
Balance, December 31, 2023	**3,017,500**	**$**	**0.50**	**$**	**708,802**

The Company issued 3,000,000 bonus warrants in connection with restructuring two promissory notes, which resulted in proceeds received of $700,000 (Note 14a(ii). The bonus warrants were exercisable at a price of $0.20 per share. The Company calculated the fair value of the promissory notes using a discounted cash flow model using a discount rate of 18%, and the residual value of $66,137 was allocated to the bonus warrants. These warrants expired on September 30, 2023.

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

17. EQUITY AND RESERVES (continued)

b) Contributed Surplus (continued)

(ii) Warrants (continued)

In May 2023, the Company extended the expiry date of 3,017,500 warrants exercisable at $0.35 per unit from May 6, 2023 to May 6, 2024.

Warrants outstanding at December 31, 2023 and June 30, 2023 are as follows:

	December 31, 2023			**June 30, 2023**		
Expiry Date	Number of Warrants Outstanding		Exercise Price	Number of Warrants Outstanding		Exercise Price
September 30, 2023	-	$	-	3,000,000	$	0.20
May 6, 2024#	3,017,500	$	0.50	3,017,500	$	0.50
	3,017,500	**$**	**0.50**	6,017,500	$	0.35
Remaining Contractual Life (years)			**0.35**			0.55

Subsequently expired unexercised.

18. RELATED PARTY TRANSACTIONS AND BALANCES

a) Key Management Personnel

Compensation to key management, which consists of executives and insiders, for the three and six months ended December 31, 2023 and 2022 was as follows:

	Three Months Ended December 31				**Six Months Ended December 31**			
		2023		2022		**2023**		2022
Short-term benefits*	**$**	**100,700**	$	163,200	**$**	**201,400**	$	326,400
Share-based payments#		**-**		4,106		**-**		8,209
	$	**100,700**	$	167,306	**$**	**201,400**	$	334,609

* Short-term benefits include compensation for two executives and one insider for the six months ended December 31, 2023 (2022: three executives and one insider).

Share-based payments consist of the fair value of 1,000,000 options granted to an officer and directors of the Company on December 6, 2019; 1,000,000 of the options had vested at December 31, 2023 (2022: 666,667).

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

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Related Party Balances

Amounts due to related parties for the three and six months ended December 31, 2023 and 2022 were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	**2023**	2022
Amounts for a monthly lease charged to the Company for on-farm lease from a company controlled by an insider of the Company (Note 18c)	**$ 49,500**	$ 49,500	**$ 99,000**	$ 94,500
Promissory note interest and Loan processing fees incurred from a company controlled by an insider of the Company included within interest expense (Notes 14a(iii),18c and 21)	**$ 18,210**	$ 33,356	**$ 59,405**	$ 43,650
Promissory note interest incurred from a director of the Company included within interest expense (Note 14a(iii))	**$ 12,062**	$ -	**$ 23,958**	$ -
Lease accretion incurred for the on-farm lease from a company controlled by an insider of the Company included within intellectual property (Note 9)	**$ 6,844**	$ 13,823	**$ 15,552**	$ 15,023
Consulting fees for a company controlled by an insider of the Company for agronomic advisory services included within intellectual property (Note 9)	**$ 7,500**	$ 7,500	**$ 15,000**	$ 15,000
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 (Note 9)	**$ -**	$ -	**$ -**	$ 7,595
Consulting fees from a relative of the chief executive officer included within intellectual property (Note 9)	**$** -	$ 15,600	**$** -	$ 31,200

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

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Related Party Balances

Amounts due to related parties as at December 31, 2023 and June 30, 2023 were as follows:

		December 31, 2023		June 30, 2023
Amount due to an insider included in accounts payable related to the on-farm monthly lease, services and agricultural inputs	**$**	**687,146**	$	567,446
Amount due to a company controlled by the chief financial officer related to consulting fees and expenses		**123,270**		47,800
Amount due to a company controlled by an insider of the Company for agronomic advisory services		**41,410**		41,410
Other amounts		**(5,862)**		(5,862)
	$	**845,964**	$	650,794

The Company has promissory note and related accrued interest and fees owed to an insider of the Company included in loans payable (Notes 14a(iii) and18c).

19. COMMITMENTS AND CONTINGENCIES

As at December 31, 2023		**June 30, 2024**		**June 30, 2025**		**June 30, 2026**		**June 30, 2027**		**June 30, 2028 and Beyond**		**Total**
Accounts payable	$	3,345,406	$	-	$	-	$	-	$	-	$	3,345,406
Due to related parties		845,964		-		-		-		-		845,964
Finance lease obligations		148,500		-		-		-		-		148,500
Loans payable		5,227,944		306,432		225,382		198,384		33,056		5,991,198
Convertible debentures		224,528		425,313		87,888		14,648		-		752,377
	$	**9,792,342**	**$**	**731,745**	**$**	**313,270**	**$**	**213,032**	**$**	**33,056**	**$**	**11,083,445**

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.

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

19. COMMITMENTS AND CONTINGENCIES (continued)

Production and Development Costs (continued)

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

Technology License Agreement Commitments

The Company entered into a technology license agreement with Mahindra and Mahindra Limited ("Mahindra") wherein Mahindra will manufacture and distribute the SMART Seeder Mini-MAX under its own brand. Clean Seed granted Mahindra exclusive and non-exclusive rights on a per region basis for global production and distribution of the Mini-MAX.

Under this agreement, Clean Seed may purchase SMART Seeder Mini-MAX units under its own brand from Mahindra. In connection with the agreement, the Company has commitments for tooling amounts for the fiscal years, which will be amortized on a per-unit basis, and waived if the Company reaches its target order quantities. The amount of the commitments aggregates $182,000 as follows:

June 30, 2025	$25,000
June 30, 2026	$72,000
June 30, 2027	$85,000

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
Intellectual property development expenditures contributed to Joint Venture	**$ 11,626**	$ 442,473
Shares issued to settle interest	**$ 48,823**	$ -
Operating expenditures contributed to Joint Venture	**$ 1,621**	$ 270,627
Options exercised through extinguishment of accounts payable	**$ 15,000**	$ -
Fair value of stock options and warrants exercised	**$ 45,982**	$ 29,396
Interest accreted on Loans payable and finance lease obligations included in intellectual property	**$ 31,717**	$ 32,455
Interest accreted on Loans payable included in interest expense	**$ 413,117**	$ 208,328
Interest accreted on convertible debentures included in interest expense	**$ 54,567**	$ 29,934
Change in intellectual property enhancements included in accounts payable	**$ 69,715**	$ 45,405
Change in intellectual property enhancements included in due to related parties	**$ -**	$ 38,423
Change in capital assets included in accounts payable	**$ 287**	$ 553
Allocation of promissory note to warrants and bonus shares	**$ 10,791**	$ 66,137
Interest paid	**$ 69,128**	$ 97,330

21. SUBSEQUENT EVENTS

a) The Company issued promissory notes aggregating $550,000. These notes will mature one year from issuance, ranging from January 2025 to August 2025, bear interest of 18% per annum payable quarterly and are secured by a general security agreement of the assets of the Company.

b) The Company entered into an agreement with Maqunaria Agricola JAS ("MAJAS") wherein MAJAS shall have the exclusive rights to sell and distribute SMART Seeder Mini-MAX units in Mexico under the Clean Seed brand. Under this agreement, MAJAS shall purchase Mini-MAX units from the Company.