



# CleanSeed

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Capital Group Ltd.

**CLEAN SEED CAPITAL GROUP LTD.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011 and 2010**



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## Independent Auditor's Report

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To the shareholders of  
Clean Seed Capital Group Ltd.

We have audited the accompanying financial statements of Clean Seed Capital Group Ltd. (the "Company"), which comprise the balance sheets as at June 30, 2011 and 2010 and the statements of operations and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2011 and 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1- Nature of Operations and Going Concern Assumption in the financial statements which indicates that the company has accumulated losses of \$212,438 since inception and is expected to incur further losses in the development of its business. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

**"BDO Canada LLP"**

Chartered Accountants

Langley, British Columbia  
October 27, 2011

# CLEAN SEED CAPITAL GROUP LTD.

## BALANCE SHEETS

As at June 30

	2011	2010
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 8,791	\$ 127,859
Sales taxes recoverable	10,206	471
Advances recoverable (Note 7)	2,379	-
Prepaid expenses and deposits	7,080	2,000
	<b>28,456</b>	130,330
Advances to Vesco Agricultural Technologies Ltd. (Notes 7 and 12)	118,446	-
Deferred acquisition costs (Notes 3 and 7)	105,000	75,000
Property and equipment (Note 4)	12,396	-
	<b>\$ 264,298</b>	<b>\$ 205,330</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 144,366	\$ 30,956
Loans payable (Notes 5 and 7)	53,000	-
	<b>197,366</b>	30,956
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	336,252	212,502
Deferred financing costs	(56,882)	-
Deficit	(212,438)	(38,128)
	<b>66,932</b>	174,374
	<b>\$ 264,298</b>	<b>\$ 205,330</b>

Approved by the Board of Directors:

*"Graeme Lempriere"*

Graeme Lempriere, Director

*"M.L. Swales"*

Murray L. Swales, Director

Going concern – Note 1

Commitments – Note 9

Subsequent events – Note 12

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

# CLEAN SEED CAPITAL GROUP LTD.

## STATEMENTS OF OPERATIONS AND DEFICIT

For the Years Ended June 30

	2011 (12 Months)	2010 (5 Months January 28, 2010, date of incorporation to June 30, 2010)
<b>Expenses</b>		
Amortization	\$ 4,470	\$ -
Consulting fees (Note 7)	-	11,268
General and administrative	10,266	298
Occupancy	6,093	-
Professional fees	147,939	25,000
Travel and meetings	5,542	1,562
<b>Net loss and comprehensive loss for the year</b>	<b>(174,310)</b>	<b>(38,128)</b>
<b>Deficit, beginning of year</b>	<b>(38,128)</b>	<b>-</b>
<b>Deficit, end of year</b>	<b>\$ (212,438)</b>	<b>\$ (38,128)</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.04)</b>	<b>\$(0.03)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>4,605,687</b>	<b>1,420,262</b>

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

# CLEAN SEED CAPITAL GROUP LTD.

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30

	2011 (12 Months)	2010 (5 Months January 28, 2010, date of incorporation to June 30, 2010)
<b>Cash flows from (used by) operating activities</b>		
Net loss for the year	\$ (174,310)	\$ (38,128)
Items not involving cash		
Amortization	4,470	-
	<u>(169,840)</u>	<u>(38,128)</u>
Change in non-cash operating working capital items:		
Advances recoverable	(2,379)	-
Sales tax recoverable	(9,735)	(471)
Prepaid expenses and deposits	(5,080)	(2,000)
Accounts payable and accrued liabilities	113,410	30,956
	<u>(73,624)</u>	<u>(9,643)</u>
<b>Cash flows from (used by) financing activities</b>		
Issuance of share capital	123,750	212,502
Deferred financing cost	(56,882)	-
Increase in loans payable	53,000	-
	<u>119,868</u>	<u>212,502</u>
<b>Cash flows used by investing activities</b>		
Option payments for acquisition of investment	(30,000)	(75,000)
Advances to Vesco Agricultural Technologies Ltd.	(118,446)	-
Capital assets purchased	(16,866)	-
	<u>(165,312)</u>	<u>(75,000)</u>
<b>Increase in cash</b>	<b>(119,068)</b>	<b>\$ 127,859</b>
<b>Cash, beginning of year</b>	<b>127,859</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 8,791</b>	<b>\$ 127,859</b>

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

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Clean Seed Capital Group Ltd. (the "Company") was incorporated on January 28, 2010 under the British Columbia *Business Corporations Act* and since that date has negotiated the purchase of a company engaged in the business of acquiring developing, assembling and selling agriculture equipment, specifically no-tillage seeding equipment. (Notes 3 and 12)

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2011, the Company had not yet achieved profitable operations, had accumulated losses of \$212,438 since its inception, had negative working capital of \$168,910 and is expected to incur further losses in the development of its business, which casts doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Subsequent to June 30, 2011 the Company completed its Initial Public Offering realizing net proceeds of approximately \$1,786,000. (Note 12)

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Recently Adopted Accounting Policies

On July 1, 2010, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1582 - *Business Combinations*, Section 1601 - *Consolidated Financial Statements*, and Section 1602 - *Non-controlling Interests*. These new standards supersede Section 1581 - *Business Combinations*, and Section 1600 - *Consolidated Financial Statements*. Section 1582 - *Business Combinations* establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. This Section applies prospectively to business combinations for which the acquisition date is on or after July 1, 2010.

CICA Handbook Section 1601 - *Consolidated Financial Statements*, together with the new Section 1602-*Non-Controlling Interests*, replaces the former Section 1600 - *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS 27, *Consolidated and Separate Financial Statements*.

The early adoption of these three sections had no material impact on the financial statements of the Company.

#### Cash and Equivalents

Cash and equivalents consist of amounts on deposit with banks and short-term investments in money market instruments that are readily convertible to cash without penalty and with maturities of no more than three months when acquired. Cash and cash equivalents are classified as held for trading and are adjusted to fair market value at each balance sheet reporting date, with the corresponding adjustment going to current earnings. As at June 30, 2011, the Company does not have cash equivalents on hand.

#### Property and Equipment and Amortization

Property and equipment is initially recorded at cost and amortized over its estimated useful life. Amortization is provided on a straight-line basis at the following annual rates:

Leasehold improvements	Term of the lease plus first renewal period
Office furniture and equipment	10 years
Computer equipment	3.3 years
Computer software	2 years

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES – Continued

#### **Impairment of long-lived assets**

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when their carrying value exceeds the total indicated undiscounted cash flows from their use and eventual disposition or their fair market value. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its discounted future cash flows or fair value. Write downs due to impairment in value are charged to operations.

#### **Estimates and Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses recorded during the reporting periods. Significant areas requiring management estimates relate to the determination of impairment of assets, useful lives of property and equipment, recoverability of advances to related parties and the valuation allowance for future income tax assets. Actual results could differ from these estimates and these differences could have a significant impact on the financial statements.

#### **Comprehensive Income (Loss)**

Changes in equity from transactions and other events from non-owner sources are recorded as Comprehensive income (loss). Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net earnings (loss). For the year ended June 30, 2011 and the period ended June 30, 2010, comprehensive loss is equal to net loss as there were no other comprehensive income (loss) adjustments.

#### **Stock Based Compensation**

The Company measures the cost of the service received for all stock options made to consultants, employees and directors based on an estimate of fair value at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility, the expected dividends, the expected life of the option and the risk-free interest rate for the expected term of the option. Changes to these assumptions can materially affect the fair value estimate.

Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting period using the straight line method. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date. Stock based compensation is recognized as expense or, if applicable, capitalized with a corresponding increase in contributed surplus. On exercise of the stock option, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as share capital.

#### **Loss per Share**

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the average market rate during the year.

Basic loss per share is calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share figures are equal to those of basic loss per share for each period as the effects of stock options, if outstanding, will be excluded since they are anti-dilutive.

#### **Business Combinations**

Business Combinations are measured at the full fair value of the acquired entity at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability are recognized in retained earnings. All direct costs and restructuring costs are expensed in the period incurred unless they constitute costs associated with issuing debt or equity securities. Non-controlling interests are reported as a component of equity.

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. In the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of future income tax reductions. The Company has not recognized potential future benefit amounts as the criteria for recognition under Canadian generally accepted accounting principles have not been met.

#### Financial Instruments

Financial Assets – The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Loans and receivables* – These assets, including advances, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income in the period in which it arises.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net income in the period in which it arises.

*Available-for-sale investments* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in net income in the period in which it arises.

*Financial assets held for trading* – This category comprises assets that do not meet the criteria of other categories, and includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement in the period in which they arise.

All financial assets except for those classified as held for trading are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial Liabilities – The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Financial liabilities held for trading* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in net income in the period in which they arise.

*Other financial liabilities* - This category includes loans payable, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost with changes in fair value recognized in net income in the period in which they arise.

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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### 2. SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Financial Instrument Risk Management

Financial instruments are exposed to a variety of financial risks: credit risk, liquidity risk and market risk. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

Interest rate risk - Interest rate risk arises from changes in the prevailing levels of market interest rates, resulting in fluctuations in the value of interest bearing financial instruments. The Company is not exposed to interest rate risk as there are no assets that bear interest and liabilities only bear interest at fixed rates;

Currency risk – The assets and liabilities are held in the functional currency of the Company which is the Canadian dollar. The Company is not exposed to significant currency risk except to the extent the business activities may include suppliers who bill in a foreign currency;

Market price risk – The Company is not currently exposed to market risk as it does not have a business activity beyond determining an investment target. Upon acquisition of a business the market risk assumed by the business will be specific to the industry acquired.

Credit risk and liquidity risk – At the balance sheet date the Company is exposed to credit and/or liquidity risk on amounts due to creditors and amounts due from/to related parties. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to the Company acquiring a viable business operation. It is management's opinion that the Company is not exposed to significant market price risk. Subsequent to June 30, 2011 the Company completed its Initial Public Offering realizing net proceeds of approximately \$1,786,000. (Note 12)

#### Valuation of Warrants

Warrants issued to agents as consideration or part consideration for services related to share issuances are valued at the fair value of the warrants on the date of grant, determined using the Black-Scholes option-pricing model. Option pricing models require the input of highly subjective assumptions, including the expected price volatility, the expected dividends, the expected life of the warrant and the risk-free interest rate for the expected term of the warrant. Changes to these assumptions can materially affect the fair value estimate.

Share issue costs are deducted from the increase in share capital to which they specifically relate with a corresponding increase to contributed surplus. Upon exercise of the warrants consideration paid by the warrant holder together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The Company uses the proportionate fair value method to value any warrants issued as part of private placement units. The fair value assigned to warrants is recorded as a reduction to share capital and an increase in warrants. If the warrants are exercised the entry is reversed. If the warrants expire unexercised, the value is reallocated to contributed surplus.

#### Share consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for acquisition, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the agreed upon value determined between two arms-length parties and after the shares are listed on the TSX Venture Exchange ("TSX-V") the closing price of those shares on the TSX-V on the date of the agreement to issue shares. The fair value of the shares issued as option payments for acquisitions is based upon the agreed upon value determined between two arms-length parties and after the shares are listed on the TSX-V the closing price of those shares on the TSX-V on the date the Company has a legal obligation to issue the shares.

#### Share issuance costs

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

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Recently Issued Accounting Pronouncements

International financial reporting standards (“IFRS”): IFRS will replace Canadian GAAP for fiscal periods beginning on or after January 1, 2011. The Company’s transition date at July 1, 2010 will require restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. The Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended September 30, 2011. The Company’s 2012 interim and annual financial statements will include comparative financial statements restated to comply with IFRS.

### 3. DEFERRED ACQUISITION COSTS

On April 30, 2010 the Company entered into an Option Agreement whereby the Company purchased an option to acquire 100% of the issued shares of Vesco Agricultural Technologies Ltd. (“Vesco”), the owner of a portfolio of no-tillage technologies, for total consideration of 10,000,000 shares of the capital of the Company. The total option price of \$105,000 has been paid. The option is for a period of twelve months from the date of the Option Agreement. The option payments are recorded as Deferred Acquisition Costs and will be added to the investment in the event the option is exercised or will be expensed if the option expires unexercised. The Optionor is controlled by minority shareholders and certain directors of the Company and the Optionor is also a shareholder of the Company.

On May 31, 2010 (amended August 31, 2010) the Company entered into a definitive Share Exchange Agreement with the shareholders of Vesco whereby the Company will acquire 100% of the issued shares of Vesco, in exchange for 10,000,000 common shares of the Company, at a deemed price of \$0.25 per share. The shareholders of Vesco jointly own 462,500 shares (9.86%) of the issued shares of the Company.

Subsequent to the acquisition the Company will fund the capital and operating costs of Vesco. Those costs are projected to be approximately \$1,000,000 for the first year after acquisition. The Company proposes to fund these costs from the proceeds of an initial public offering.

On September 26, 2011, the Company completed its initial public offering, realizing net proceeds of approximately \$1,786,000, and completed the acquisition of Vesco. (Note 12).

### 4. PROPERTY AND EQUIPMENT

	2011		2010	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	\$ 1,438	\$ 40	\$ -	\$ -
Office furniture and equipment	5,593	160	-	-
Computer equipment	2,070	560	-	-
Computer software	7,765	3,710	-	-
	<u>\$ 16,866</u>	<u>\$ 4,470</u>	<u>\$ -</u>	<u>\$ -</u>
Net Book Value		<u>\$ 12,396</u>		<u>\$ -</u>

### 5. LOANS PAYABLE

	2011	2010
<b>Note payable</b> , unsecured with interest at 10%, due at the earlier of five business days following the Company’s first day of trading on the TSX Venture Exchange or September 15, 2011. As additional consideration the Company issued 16,666 special warrants in the capital of the Company entitling the holder to 16,666 common shares of the Company at the time of closing of the Company’s Initial Public Offering. The loan was repaid and the special warrants were exercised September 26, 2011.	\$ 50,000	\$ -
<b>Note payable to a director</b> , unsecured without interest, due on demand. The loan was repaid September 27, 2011	3,000	-
	<u>\$ 53,000</u>	<u>\$ -</u>

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 6. SHARE CAPITAL

- a) Authorized  
Unlimited number of common shares without par value
- b) Issued

	Number of Shares	Value
Issued on incorporation, January 28, 2010, for cash at \$1.00 per share	2	\$ 2
Surrendered for cancellation	(2)	-
Issued for cash on February 11, 2010 at \$0.01 per share	1,000,000	10,000
Issued for cash on June 1, 2010 at \$0.075 per share	2,700,000	202,500
<b>Balance, June 30, 2010</b>	3,700,000	212,502
Issued for cash on August 1, 2010 at \$0.125 per share	990,000	123,750
<b>Balance, June 30, 2011</b>	<b>4,690,000</b>	<b>\$ 336,252</b>

Subsequent to June 30, 2011 the Company issued the following common shares:

1. 6,700,000 common shares, at \$0.30 per share, upon closing the Company's Initial Public Offering;
2. 10,000,000 common shares for the acquisition of 100% of the issued shares of Vesco Agricultural Technologies Ltd., at a deemed price of \$0.25 per share; and
3. 16,666 common shares in exchange for special warrants issued with respect to a loan payable.

Following the issuance of these shares the Company has 21,406,666 common shares issued and outstanding of which the following are restricted from trading:

1. 2,050,000 common shares are subject to escrow restrictions pursuant to an Escrow Agreement dated September 23, 2010, to be released as to 10% on the Listing Date (September 28, 2011) and 15% every six months thereafter;
2. All of the 10,000,000 shares issued to acquire Vesco are subject to a four month hold period ending January 27, 2012;
3. 8,692,500 of such 10,000,000 shares are also subject to escrow restrictions under an Escrow Agreement dated June 23, 2011, to be released as to 10% on the Listing Date and 15% every six months thereafter; and
4. 990,000 seed shares are subject to TSX-V seed share resale restrictions, to be released as to 20% on the Listing Date and 20% each month thereafter over four months.

### 7. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions and balances with related parties are recorded at the exchange value as summarized below:

Goods or services rendered:	2011	2010
Consulting fees paid to a director	\$ -	\$ 2,000
Option payments made to a company who is a shareholder of the Company (owning 200,000 shares) and is controlled by individuals who are shareholders, directors and officer of the Company (owning 262,500 shares in total)	\$ 30,000	\$ 75,000

Included in the Company's assets are amounts advanced to a company controlled by an officer and director for expense advance in the amount of \$2,379. These advances are made without fixed terms of repayment, without interest and are unsecured.

Included in the Company's liabilities are amounts due as follows:

	2011	2010
Included in accounts payable and accrued liabilities		
Amount due to director	\$ 797	\$ -
Amount due to a company controlled by an officer and directors of the Company	\$ -	\$ 2,048
Notes payable to a director	\$ 3,000	\$ -

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 7. RELATED PARTY TRANSACTIONS AND BALANCES - Continued

#### Share capital:

On February 11, 2010 officers and directors of the Company purchased 737,500 common shares at \$0.01 per share and on June 1, 2010 officers and directors (or their related companies) of the Company purchased 1,150,000 common shares at \$0.075 per share.

#### Advances to Vesco Agricultural Technologies Ltd.:

The Company has advanced, or made payments on behalf of, Vesco Agricultural Technologies Ltd., the subject of the agreement referred to in Note 3. The advances are made without fixed terms of repayment, without interest and are unsecured.

### 8. INCOME TAXES

The Company's provision for income taxes differs from the amounts computed by applying the statutory income tax rates to the loss as a result of the following:

	2011	2010
Statutory rates	13.5%	13.5%
Recovery of Income taxes computed at statutory rates	\$ 23,500	\$ 5,100
Effect of change in statutory tax rates	19,800	4,400
Share issue costs	14,200	-
Change in valuation allowance	(57,500)	(9,500)
	<u>\$ -</u>	<u>\$ -</u>

The tax effects of temporary timing differences that give rise to significant components of the future tax assets and future tax liabilities are as follows:

	2011	2010
Future income tax assets:		
Non-capital losses carry forward	\$ 42,000	\$ 9,500
Financing costs	24,000	-
Property and equipment	1,000	-
Less: Valuation allowance	(67,000)	(9,500)
Net future income tax liability	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital losses carried forward of approximately \$169,000, expiring as follows: 2030 - \$38,000 and 2031 - \$131,000.

### 9. COMMITMENTS

#### **Premises Lease**

On February 3, 2011 the Company entered into a premise lease for a term of five years commencing on April 1, 2011 for base rent plus estimated operating costs totaling approximately \$67,700 for fiscal year 2012 \$68,400 for 2013, \$71,000 for 2014, \$73,100 for 2015 and \$54,800 for 2016.

### 10. MANAGEMENT OF FINANCIAL RISK

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

#### a) Fair value of financial instruments

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

Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities. The valuation of the Company's cash is determined by reference to valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities, or Level 1 as defined above.

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 10. MANAGEMENT OF FINANCIAL RISK - Continued

#### a) Fair value of financial instruments - continued

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

Level 3 – valuation techniques with significant unobservable market inputs. The Company has no Level 3 financial instruments.

The fair value hierarchy of financial instruments measured at fair value on the balance sheet date is as follows:

As at June 30, 2011

	Level 1	Level 2	Level 3	Total
Assets				
Cash	\$ 8,791	\$ -	\$ -	\$ 8,791
	\$ 8,791	\$ -	\$ -	\$ 8,791

As at June 30, 2010

	Level 1	Level 2	Level 3	Total
Assets				
Cash	\$ 127,859	\$ -	\$ -	\$ 127,859
	\$ 127,859	\$ -	\$ -	\$ 127,859

#### b) Risk Management

The Company's financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. The Company manages these risks through prudent investment and business decisions, and, where the exposure is deemed too high, the Company may enter into derivative contracts to reduce this exposure. The Company does not utilize derivative financial instruments for trading or speculative purposes. Hedge accounting is applied only when appropriate documentation and effectiveness criteria are met.

A summary of the major financial instrument risks and the Company's approach to the management of these risks are highlighted as follows:

##### Interest rate and credit risk

The Company has minimal cash balances and no floating rate interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. Management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Accounts and other receivable consist of goods and services tax due from the Federal Government of Canada and interest receivable. Management believes that the credit risk concentration with respect to receivables is remote.

The Company has significant interest-bearing indebtedness but is not exposed to interest rate risk as the interest bearing liabilities all bear interest at fixed rates.

##### Liquidity Risk

The Company manages liquidity risk by attempting to maintain sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short term obligations. As at June 30, 2011, the Company is exposed to liquidity risk on amounts due to creditors and amounts due to/from related parties (currently liabilities of \$197,366) to be settled with a cash balance of \$8,791. Subsequent to June 30, 2011 the Company completed its Initial Public Offering realizing net proceeds of approximately \$1,786,000. (Note 12)

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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### 10. MANAGEMENT OF FINANCIAL RISK - Continued

b) Risk Management - continued

#### Insurance

The Company purchases limited discretionary insurance to cover catastrophic property damage, business interruption and liability risk.

#### Sensitivity analysis

The Company has designated its cash as held-for-trading, which are measured at fair value with all gains and losses included in net loss (earnings) in the period in which they arise. Sales tax recoverable is classified as loans and receivables, which is measured at amortized cost. Accounts payable and accrued liabilities and loans payable are classified as other financial liabilities, which are measured at amortized cost.

As of June 30, 2011, the carrying amount of sales tax recoverable and accounts payable and accrued liabilities and loans payable equals fair market value. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- Cash includes amounts held which may earn interest at variable rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$Nil.
- Price risk is remote since the Company currently does not have sales.

### 11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, in order to support its business activities and to safeguard the Company's ability to continue as a going concern. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business. The only assets in which the Company currently has an interest are related to an option to acquire Vesco Agricultural Technologies Ltd. ("Vesco"), a company developing certain agriculture related technology. In order to fund the acquisition of Vesco, fund Vesco's planned product development program and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2011.

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

The Company has no external restrictions on its capital.

# CLEAN SEED CAPITAL GROUP LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 12. SUBSEQUENT EVENTS

Subsequent to June 30, 2011 the Company entered into the following transactions:

#### a) Initial Public Offering

On June 27, 2011 the Company filed a prospectus, with securities regulatory authorities in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario and with the TSX Venture Exchange, for the distribution of 6,700,000 Shares at a price of \$0.30 per share of the Company. On September 26, 2011 the Company completed the financing related to the prospectus realizing gross proceeds of \$2,010,000.

The Company paid costs directly related to the financing as follows:

1. Cash commission \$160,800, being 8% of the gross proceeds;
2. Corporate finance fee of \$32,900;
3. Agent's expenses incurred by it pursuant to the offering of \$52,422;

thereby realizing net proceeds of \$1,786,000. Financing costs previously recorded will be netted against the proceeds of the offering.

In addition, the Company issued 536,000 agent's options, being 8% of the number of shares subscribed issued under the financing, exercisable at \$0.30 for a period of 36 months from September 26, 2011, the listing date of the Company's shares.

Upon completion of the initial public offering the Company issued 16,666 common shares pursuant to the terms of special warrants issued as consideration for a loan payable. (Note 5)

#### b) Acquisition of Vesco Agricultural Technologies Ltd.

On September 26, 2011 the Company completed the acquisition of Vesco Agricultural Technologies Ltd. Pursuant to the acquisition agreement the Company issued 10,000,000 common shares to the shareholders of Vesco for 100% of the issued shares of Vesco. (Note 3)

#### c) Incentive stock options

On September 28, 2011 the Company granted 1,380,000 stock options to directors and officers (1,000,000) employees (200,000) and consultants (180,000). The options are fully vested and exercisable at \$0.30 per share for a period of five years expiring September 28, 2016.