CLEAN seed capital GROUP

DRIVING TECHNOLOGY DEVELOPMENT
IN MODERN AGRICULTURE

CSX Listed on TMX TSX Venture Exchange

MANAGEMENT DISCUSSION & ANALYSIS
YEAR-END

WELCOME TO OUR MANAGEMENT DISCUSSION & ANALYSIS

This management discussion & analysis ("MD&A") includes information that will help you understand management's perspective of our consolidated financial statements and notes thereto for the year ended June 30, 2017. This information is based on what we knew on October 27, 2017. This MD&A includes statements and information about our expectations for the future and things that have not yet taken place. We highlight the section titled "Forward-Looking Information" for additional information about future expectations.

We encourage you to read our consolidated financial statements and notes thereto as you review this MD&A. You can find more information about Clean Seed Capital Group Ltd., including our most recent filings on SEDAR, at www.sedar.com.

Unless we have otherwise specified, all dollar amounts are stated in Canadian dollars. The financial information included in this MD&A and in our consolidated financial statements and notes thereto is prepared according to International Financial Reporting Standards (IFRS).

Throughout this document, the terms we, us, our, the Company and Clean Seed refer to Clean Seed Capital Group Ltd. and our wholly owned subsidiaries, Clean Seed Agricultural Technologies Ltd. and Seed Sync Systems Ltd.

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IN MODERN AGRICULTURE

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GENERAL

Clean Seed is the creator of the world's only SMART Seeder technology, as well as additional complementary technologies.

The Company was incorporated on January 28, 2010. On September 26, 2011, the Company (1) completed its initial public offering and (2) completed the acquisition of Vesco Agricultural Technologies Ltd. (subsequently renamed Clean Seed Agricultural Technologies Ltd.). On September 28, 2011, the Company began trading on the TSX Venture under the symbol CSX. Since incorporating, the Company has received several awards for its technology innovations and was recognized as a TSX Venture 50 Company two consecutive years.

The Company has one reportable operating segment.

INVESTOR INFORMATION

Common Shares
The Company's shares are traded on the Toronto Venture Exchange under the symbol CSX.

Transfer Agent
Computershare is the registrar and transfer agent for Clean Seed's common shares. For information on common shareholdings, lost share certificates and address changes, contact:

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2017 HIGHLIGHTS

The highlights that drove our performance for the 2017 fiscal year, and subsequent period, were we:

- conducted both a spring and fall 2017 CX-6 SMART Seeder demonstration program with Rocky Mountain Equipment; The two CX-6 Smart Seeders owned by Rocky Mountain Equipment were used to conduct our on-farm demonstrations;
- entered into an agreement with Torgerson's LLC, a Montana based distributor, to introduce the CX-6 SMART Seeder into the United States; the Company is working with Torgerson's to finalize its distribution plans and to set-up a demonstration program planned for spring 2018;
- obtained confirmation of patent grant for Europe, Australia, Eurasia, Ukraine and China over aspects our SMART Seeder technology (the "Variable Ratio Patent") that provide a significant part of our competitive advantage;
- expanded the smart seeding intellectual property portfolio by submitting a new application (the "Flow Control Patent") under the Patent Cooperation Treaty (PCT) to the World Intellectual Patent Office (WIPO) which we expect will both increase the scope and extend the life of our patent protection on our SMART Seeder technology worldwide;
- completed the 2017 SMART Seeder model and began preparing the 2018 SMART Seeder model for production and distribution in our 2018 fiscal year;
- evaluated smart planting technology options aimed at the global planter market;
- expanded our team by bringing on Colin Rush as Chief Operating Officer, William Mufford, P.Eng, as Chief Technology Officer and Gary Anderson, Randy Minhas, CPA, CA, C.Dir., and Tony Edwards, P.Eng, as new members of our Board of Directors;
- raised $2,032,500 through the issuance of common shares, and
- obtained financing of up to $2.250M through two different repayable contribution agreements with the Federal Government, each bearing 0% interest.

2018 OUTLOOK

We anticipate that the following key activities will drive our performance for the 2018 fiscal year:

- selling CX-6 SMART Seeders to Rocky Mountain Equipment in spring 2018 as part of the joint Clean Seed and Rocky Mountain Equipment early adopter program;
- preparing large scale production and distribution plans for the 2019 CX-6 SMART;
- launching our 2019 CX-6 SMART Seeder sales program at the 2018 Farm Progress Canada show;
- expanding our distribution network into unallocated sales territories within the Canadian and the US Prairies;
- holding demonstrations in key regions of the Canadian and United States prairies;
- determining our development and commercialization strategy for smart planting technology aimed at the large seed marketplace (which includes corn and soy crops) and the planter equipment market in the Canadian and United States Prairies;
- securing sufficient financing arrangement to support large scale production and distribution of the 2019 CX-6 SMART Seeder;
- formalizing the Variable Ratio patent in the remaining jurisdictions still reviewing our application, and
- obtaining PCT clearance from the WIPO for the Flow Control Patent.

COMPANY OVERVIEW

Clean Seed is driving technology development in modern agriculture. The Company acquired, created, designed and developed its portfolio of intellectual property into smart technologies that balance innovation, productivity and sustainability on the farm. Clean Seed is positioning itself at the forefront of the smart revolution in the seeding and planting equipment marketplace. We are expecting that our smart seeding technology will contribute to the global farming community's ability to meet future agriculture crop production demand. Clean Seed is the creator and producer of the world's first and only SMART Seeder.

We designed our SMART seeding technology with our diverse team of experts to create a farmer driven rethink from existing air seeding products in the marketplace. The result is the CX-6 SMART Seeder which has been designed to offer an unrivalled level of product input precision in the seeding operation. We believe this level of precision will provide improved farming outcomes compared to existing air seeder equipment; meaning increased crop production and reduction of product inputs and operating expenses.

Technological innovations impact every industry in a meaningful way. No industry has a further reach or is of more basic human importance than agriculture. Without sufficient agricultural production there is not enough food to meet current crop demand, let alone to meet increased levels of future crop demand. While some industries have embraced the use of technology to advance their capabilities, the agricultural seeding equipment sector in particular has lagged behind leaving a significant opportunity for Clean Seed to resolve existing limitations; we have done just that.

Seeding is and remains the best time in a plants' life to influence its physical, chemical and biological environment to impact its yield. To do so sustainably requires a holistic focus on supporting each plant inside every furrow with the agronomic formula it needs to reach its full potential. With the CX-6 SMART Seeder, farmers and agronomists (for the first time) can apply high-resolution prescriptions that place optimal amounts of seed, fertilizer and amendments inside each and every furrow at each ground contact (opener) point across the field. The ability to manage the field with this precision enables each plant to reach its reach optimal yields while using the optimal level of inputs along with superior seed placement.

At the farm level modern seeding equipment limitations have resulted in sub-optimal yields and overuse of farming inputs, reducing potential revenues while increasing farming operation costs. Crop production is already vulnerable enough, and while weather will always be a key factor to success, the farmer should not have to compromise overusing inputs to capture additional yield revenues or miss out on maximizing revenues to minimize input wastage. In most markets, farmers only have a short window to plant and every moment counts. Currently, compromises are made across every square foot of the farm because the farmer's seeding equipment cannot i) satisfy the varied soil conditions of their field down to the square foot and ii) be sufficiently efficient to maximize time available for planting.

At the global level seeding technology limitations negatively impact agricultural productivity. Firstly, we are reaching a point globally where agricultural supply cannot keep up with agricultural demand. Secondly, on a global basis, when the farmer overconsumes product inputs (as a result of equipment limitation) there is reduced global availability of farming inputs which could also limit global productivity when regions cannot get inputs in a timely manner. The trend of increasing crop demand is not reversing. If consumption patterns do not change, the United Nations estimates that agricultural crop production will need to increase by 70% to meet projected food demand in 2050.

UNWAVERING GLOBAL DEMAND
MAXIMIZING ALL DRY LAND FARMS

Every day the worlds population increases by

200,000

"I am convinced that only if we can take advantage of all technological opportunities can we safeguard the global food supply in the long term... we now need a second green revolution"

Sandra E. Peterson
CEO of Bayer CropScience AG

9.7 BILLION*

by **2050**

To meet food demands, global agricultural output will need to increase as much as **70%**

* Source: United Nations Dept of Economic & Social Affairs

Complicating matters is that increased crop demand must be met through higher yields since increasing the land used for agriculture carries major environmental costs. Most of the additional land that could be used for agriculture crops is under forests, wetlands or grasslands, and converting these to cropland would cause a loss of biodiversity, imbalance in important ecological systems, reduce the effectiveness of ecosystem services and greatly increase greenhouse gas emissions.

As a result, the amount of Canadian cropland is actually declining based on census data. Farming operations that focus on short-term crop yield at the cost of soil health result in land that must be left fallow for extended periods to rehabilitate (the time relationship between soil left fallow and soil being productive is not reciprocal). In order to meet the increasing demand for food, we need to combine productive farmland with technologies that enhance yields on a continuous, sustainable basis.

While this raises concerns about the implications of widespread crop production shortages, it highlights the global opportunity for technology solutions that can improve crop yields sustainably to help the global farming community meet this increasing demand.

The long-term solution is to farm smarter. Technological advancement will facilitate smarter farming, and Clean Seed is at the forefront of technology-based seeding solutions. The Company has created revolutionary sustainable farming technology that will change how farmers can seed operations. We believe that the CX-6 SMART Seeder will redefine an efficient and effective seeding operation and that our SMART Seeder technology can be further developed to enhance the large grain (corn and soy) planting operation in Canada and the United States.

A significant portion of the Company is owned by Canadian Prairie commercial farmers which we believe is a strong indication of consumer level product support for our SMART Seeder technology.

TECHNOLOGY & INTELLECTUAL PROPERTY

Technology Overview

The Company has taken an innovative farmer driven approach to developing its SMART Seeder technology. Our team of engineers, researchers, agronomists, farmers and intellectual property professionals have focused on addressing the significant limitations faced by the farmer's seeding operation. In modern farm operations, air seeding equipment continues to be the major farming limitation restricting crop yield. With our technology, the limiting factor of the operation (aside from weather) will be what the soil allows. Our SMART Seeder technology will enable the farmer to reach the potential of their field through our patent-protected metering and distribution system and an innovative product logistics system.

Product Metering and Distribution

Product metering and distribution is how seeding equipment places farming inputs into the ground. Soil conditions are constantly changing across the field and do not limit themselves to symmetrical zones. Traditional air seeders do not have the flexibility to allow the farmer to put farming inputs into the ground across each square foot of the field to match soil conditions. This means the farmer has to compromise with input blends and product application levels across the full or partial length of the air seeder, leading to lost revenues or increased product application rates (costs), or an uneconomic combination of both. The CX-6 SMART Seeder can plant independent combinations of up to six product inputs at each square foot of the field to match constantly changing soil conditions.

Photo: 1:1 Scale Prescription Map Overlay CX-6 SMART Seeder

Product Logistics and Delivery

Product logistics and delivery refer to how the farming inputs get from the storage to the seeding equipment. Traditional air seeders require downtime to reload farming inputs and have significant issues that limit their use of more than three farming inputs. If the farmer cannot blend inputs to match the field conditions, there is compromise in terms of yield generation against product application. Furthermore, reloading, or changing products is challenging due to the downtime required. The downtime is expensive in terms of on-farm labour, lost operations and general challenges with the short time window available to seed during the seeding and planting seasons.

The Company has created the SMART Cart as a supplementary component to its SMART Seeder to eliminate the product logistics and delivery challenges with air seeders. The SMART Cart facilitates on the go-refilling which creates flexibility and reduces downtime. Our SMART Cart is much smaller than existing cart options used by air-seeders which produces a number of benefits from reduction of compaction to lower projected capital and operating costs. We are projecting a farming operation to have multiple SMART Carts that can be strategically placed on their field sites to effectively refill and change products in the field. The SMART Cart can be placed in the field based on the projected product input usage prescriptions for planting, requires only a quick hook-up to the SMART Seeder in the field and enables the continuance of seeding activities. With multiple SMART Carts, an operation can continuously have a full SMART Cart in place for the next required refill while the previous one is taken to get refilled off field.

Benefits of the SMART Seeder technology:

SMART Seeder Technology vs. Air Seeder Technology

The SMART Seeder technology has the following incremental benefits as compared to existing air seeders:

	CURRENT AIR SEEDERS	CX-6 SMART SEEDER™
Flawless integration with soil maps	✗	✓
Plant level metering at each opener	✗	✓
6 product handling capability	✗	✓
Turn compensation for non-linear travel	✗	✓
Fully electronic	✗	✓
Wireless in-cab controls	✗	✓
Seed bounce	✓	✗
Inconsistent product placement	✓	✗
Uniform distribution	✗	✓
On-the-go refilling	✗	✓

Based on internal calculations, the incremental benefits from adopting and using our SMART Seeder products could be as high as $100 per acre per year. This is considered forward-looking information based on the Company's calculations made by its internal farming and agronomy professionals and has not been independently verified. Any significant incremental benefit compared to the marketplace will form the SMART Seeder's competitive advantage as compared to air seeders.

When we verify that adopting our SMART Seeder technology creates significant incremental benefits as compared to existing air-seeding technology, we believe the value proposition will be too significant to ignore. At the individual farm level, the opportunity cost to the operation of not adopting our technology will be too substantial, and at the global level, the requirement for increased production is too significant.

Intellectual Property Portfolio

Clean Seed has secured its SMART Seeder's projected $100 per acre incremental benefit (its value proposition compared to air seeders) through its comprehensive intellectual property portfolio which consists of patents and patent applications on our:

- variable ratio metering system
- flow control air distribution
- in-ground opener system

Through our robust portfolio of patents, the Company has secured its patent protection in almost every major stable seeding and planting equipment marketplace representing:

- 78% of the global seeding and equipment sales
- 79% of global annual crop production tonnes
- 69% of global annual crop production hectares

SEEDING/PLANTING EQUIPMENT VALUE

Global: $9.2 Billion

Total Patent Coverage:

$7,175,455,360

▲ 77.9%

ANNUAL CROP PRODUCTION (TONS)

Global: 2.7 Billion (Tons)

Total Patent Coverage:

2,364,758,386

▲ 78.6%

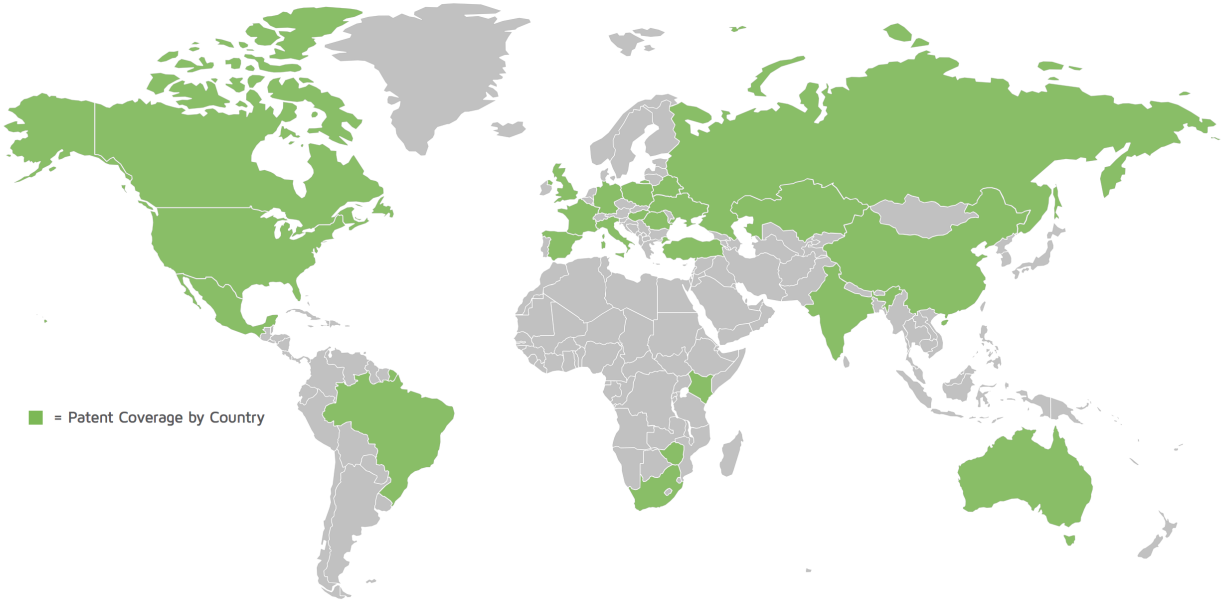
CROP PRODUCTION AREA (ACRES)

Global: 2.1 Billion (Acres)

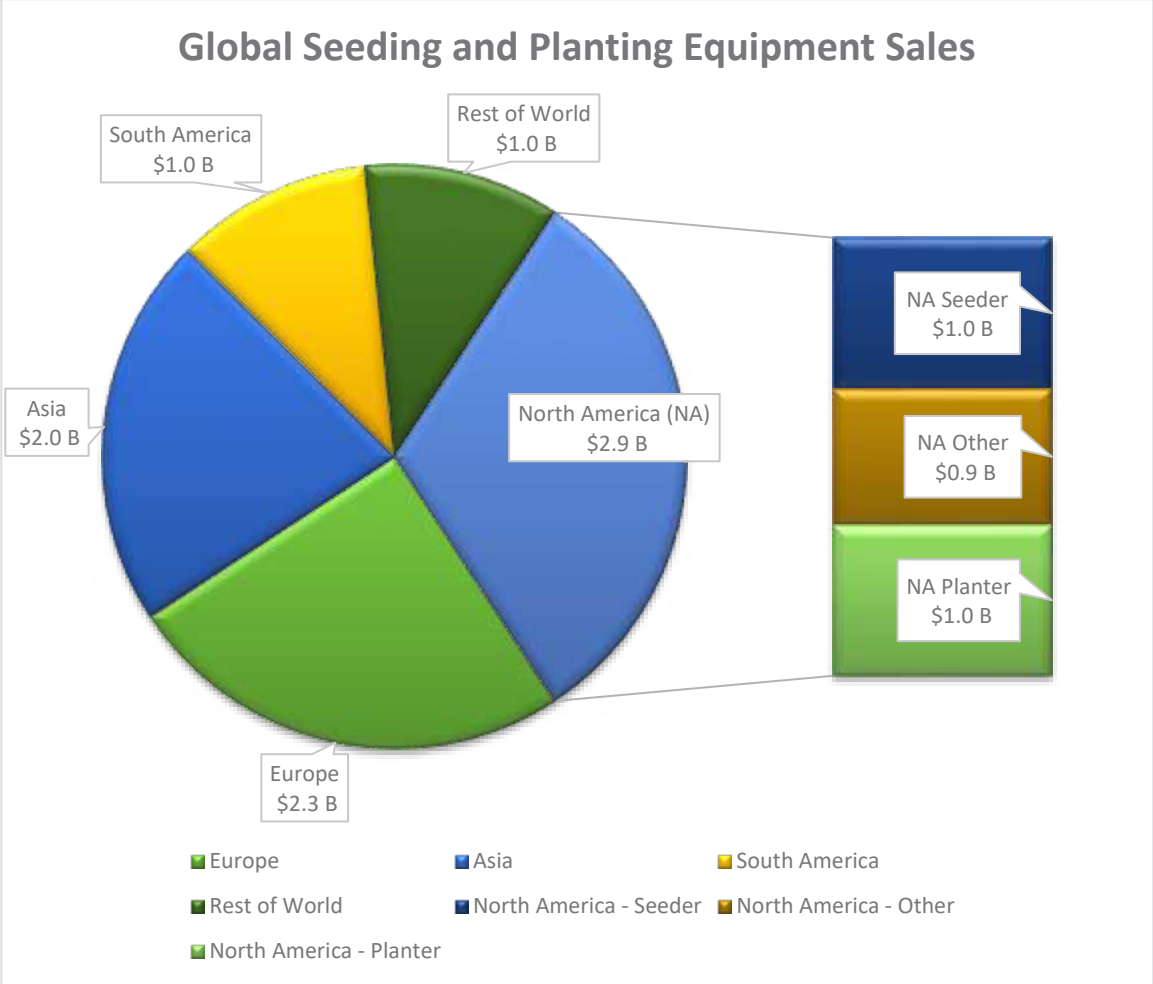
Total Patent Coverage:

1,468,326,260

▲ 69.0%



We believe our SMART Seeder technology will be scalable to address the needs of the global farming community, not just the lucrative Canada and United States air seeder marketplace. The chart below shows that the Canadian and United States air seeder marketplace makes up approximately 11% of overall global seeding and planting equipment sales.



As we advance our business, we plan to seek licensing, partnership and other strategic opportunities to advance our Company from operating within the $1B per year air seeder marketplace to become a global player in the estimated $9B+ per year global seeding and planting equipment marketplace.

Each marketplace is different. As a technology company focused on farmer driven solutions, we believe we will be sufficiently scalable to deliver solutions to most major marketplaces in an efficient manner. These solutions will range from product line extensions, retrofit solutions, brand extensions such as planter technologies and licensing opportunities

MARKETPLACE & PRODUCTS

The number of large farms (1,600+ acres) in Canada continues to increase while the total land actively farmed in Canada continues to decrease. In 2016, for the first time since 2001, the acres of cropland actually increased while overall farming acres decreased. We estimate that this means more farms were categorized with Census Canada as a crop farm (as opposed to livestock) then from the previous Census.

Consistent with the 2011 Census, the average farm size in Canada has continued to increase and the number of crop farms above 1600 acres continues to increase. In general, farms are continuing to consolidate while becoming larger.

This is important because increasing crop production to meet the United Nations 2050 crop demand estimates will not be met by farming more land; it will be met by progressive commercial farming operations that have the scale, capability and capital to adopt new technologies and methodologies to sustainably increase yield.

Marketplace for Seeding Equipment

All crop-based farming operations require seeding or planting equipment. The overwhelming majority of North American commercial crop farms use air seeders (except for those farms primarily planting corn or soybean which generally use “planters” as there planting equipment). In 2006, the Alberta Ministry of Agriculture and Forestry estimated 14,000 air seeders were in use in the Northern Great Plains area (Canada and the United States). In the 2016, there were approximately 9,700 Canadian crop farms that were larger than 2500 acres, which we believe substantially all of which would be using air seeders (not to mention smaller farms that have adopted small air seeders). We believe the US market size for air seeders (small grain seeding equipment) would be approximately the same (the large grain planting equipment market size in the US is significant larger, reaching as high as 11,000 units). Our own research indicates that the annual marketplace for air seeders in Canada and the United States is between 2,000 – 3,000 units per year with year-to year fluctuations within that range. We believe that the annual air seeder marketplace will fluctuate within that range based on a number of factors including crop yields, crop prices, economic conditions and the supply of used farm equipment. To translate into dollars, we believe the annual marketplace is valued between $800M and $1.2B per annum, with significant room for an increase in marketplace value for products that can provide a significant incremental benefit through increasing crop yields and reducing product inputs applied; the SMART Seeder technology’s value proposition.

Flagship Product - The CX-6 SMART Seeder

The Company developed the CX-6 SMART Seeder as its flagship product from its SMART Seeder technology intellectual property portfolio. The CX-6 SMART Seeder was built for the large scale Canadian and US prairie to resolve their seeding limitations. Our product will provide the most significant impact on this scale of farming operation and provide the best return on investment to the farmers. We believe we will be able to build other SMART Seeder models to suit different sized farming operations necessary for market acceptance into new jurisdictions. We believe we must first gain market acceptance from the Canadian and US prairie farm. More information on the CX-6 SMART Seeder can be found at www.cx6smartseeder.com.

Other Products

The Company has three other products that have been completed and are ready for sale. The Company is not marketing any of these machines for sale at this time due to its focus on commercializing the CX-6 SMART Seeder. Based on the smaller size of the products, the Company would need to achieve wide-scale distribution, which would require infrastructure and support requirements that the Company is neither currently prepared to create, develop or acquire, nor has the funds available to pursue. Once the Company has achieved wide scale distribution of the CX-6 SMART Seeder, it may have the infrastructure in place so that the distribution of these other products would be economically feasible. The company is also evaluating licencing opportunities which could accelerate distribution of these products.

CLEAN SEED'S BUSINESS MODEL

Our initial business model focuses on the Canadian production and Canadian and United States distribution of the CX-6 SMART Seeder by combining our innovative technology with the manufacturing capabilities of WS Steel and the distribution network of Rocky Mountain Equipment Canada and Torgerson's LLC. This structure allows Clean Seed to leverage its technology portfolio and benefit from the expertise, infrastructure and capacity of WS Steel Manufacturing, Rocky Mountain Equipment and Torgerson's. We believe this process is the most effective use of resources and quickest path for gaining significant market acceptance of our CX-6 SMART Seeder.

Technology and Product Development

Since its formation, Clean Seed has had the mission to facilitate progress in modern agriculture by driving technology development. The award winning CX-6 SMART Seeder represents a complete re-think in seeding equipment and has attracted favourable attention from the farming community, agriculture industry, investment community and media. The Company has patents and patents pending for its SMART seeder technology in every stable marketplace where significant amounts of seeding equipment are sold. We believe our SMART Seeder technology will be scalable beyond the air-seeder segment, to all segments of the $8B seeding and planting equipment marketplace. The Company is actively working to advance its technology portfolio to broaden its product offerings including 1) an extended line of SMART Seeder models and 2) developing a smart technology solution for the corn and soy farmers in Canada and the United States. As we develop new technologies, Clean Seed will continue to broaden its intellectual property coverage and extend its patent protection life.

Manufacturing

WS Steel is a Manitoba-based original equipment manufacturer (OEM) with a twenty-five year history as a component producer and final assembly provider for agricultural equipment brands of all sizes from small emerging companies to fortune 500 companies. WS Steel is manufacturing the Company's first 100 CX-6 SMART Seeder units. WS Steel performs the manufacturing of all components except for the Company's metering system and related electronics and software, which production is sub-contracts to multiple vendors. WS Steel also completes the final assembly and preparations of the CX-6 SMART Seeder for shipping. WS Steel has the capacity to produce 75 units per year and has invested over $1M in pre-production costs as part of the CX-6 commercialization. As production demands grow WS steel is committed to expanding its facilities to meet the production expansion needs. Initial plans for production expansion are being assessed.

Distribution

Rocky Mountain Equipment is Canada's largest independent agriculture equipment dealer with a network of full-service agriculture and industrial equipment stores across the Canadian Prairies. They offer their customers a one-stop solution for equipment needs through new and used equipment sales, parts sales, repairs and maintenance services and third-party equipment financing and insurance services. In addition, Rocky provides or arranges other ancillary services such as GPS signal subscriptions and geomatics services. Rocky Mountain Equipment sells three of the biggestseeding equipment brands and is viewed as the leading seeding equipment distributor in Canada. Rocky Mountain purchased the first two CX-6 Smart Seeder units which were used in farmer demonstration throughout spring 2017.

Torgerson's is a 4th generation farm implement dealer with 8 locations throughout the farming belt of Montana. Montana is an important entry point into the United States as it annually plants 20 million acres of crop for commercial production across 28,000 farms.

Outlook

Clean Seed continues to explore opportunities to work collaboratively with likeminded organization and individuals as part of its efforts to build Clean Seed into a major player in the agricultural seeding equipment segment. The industry is active with strategic transactions including mergers, acquisitions and joint ventures that we believe could be beneficial for our advance into new marketplaces. The Company plans to advance its business model by evaluating opportunities to advance its products or technologies into different segments of the seeding and planting equipment marketplace and into new countries / regions.

The Company remains committed to the guiding principles of innovation on which it was founded.

We highlight the area entitled "material risks" within the Forward Looking Information Section.

RESULTS OF OPERATIONS

The Company's year-end and quarter-ended June 30, 2017 results were impacted significantly by the accounting treatment for the zero-interest government loans it received. The Section titled "Repayable Government Loans" provides an overview of the impact on the results of operations.

Year Ended June 30, 2017

During the year ended June 30, 2017, the net and comprehensive loss was $3,606,217 ($0.08 per share) as compared to net and comprehensive loss of $1,212,419 ($0.03 per share) for the year ended June 30, 2016. The main changes were:

- The Company did not sell any units during the year ended June 30, 2017, did not record any sales and did not have any related costs of sales or gross margin during this period;
- The amount of operating expenses increased primarily due to higher amortization, development, interest on loans and share-based compensation expenses;
- Incremental expenses totaling $2,161,395 were incurred during the year ended June 30, 2017 as compared to during the year ended June 30, 2016. In the prior year, the Company launched its 2016 CX-6 SMART Seeder during the fourth quarter and as a result it:
    - began amortizing its intellectual property costs related to the SMART seeder technology over the useful life of the related patents and patents pending for one and month half month; in the current year it recorded amortization for the full year (incrementally $380,568), and
    - ceased capitalizing development costs to intellectual property; during 2017, development costs were recorded as development expenses (incrementally $1,780,827).
- Incremental amounts totaling $120,955 for share-based compensation were incurred during the period ended June 30, 2017 as a result of an increase in the number of options granted in the current year and the recognition of modification expense related to the increase of the exercise price and extension of the exercisable life of certain options.

	Year Ended June 30, 2017	Year Ended June 30, 2016	$ Change	% Change
Sales	$ -	$ 1,050,000	$ (1,050,000)	(100)
Cost of Sales	-	(860,787)	860,787	100
Gross Margin	-	189,213	(189,213)	(100)
Operating Expenses				
Amortization of intellectual property	**436,735**	56,167	380,568	678
Amortization of property and equipment	**36,894**	34,560	2,334	7
Development	**1,780,827**	-	1,780,827	~
Foreign exchange loss	**-**	22,035	(22,035)	(100)
Interest on loans	**56,637**	14,298	42,339	296
Office and miscellaneous	**79,103**	126,048	(46,945)	(37)
Personnel	**511,540**	494,988	16,552	3
Premises	**83,442**	105,606	(22,164)	(21)
Professional	**140,083**	153,137	(13,054)	(9)
Share-based compensation	**364,055**	243,100	120,955	50
Travel and trade shows	**116,901**	151,693	(34,792)	(23)
	3,606,217	1,401,632	2,204,585	157
Net and comprehensive loss	$ **(3,606,217)**	$ (1,212,419)	$ (2,393,798)	197

Significant operating expenses incurred in the current year and variations of operating expenses that as compared to the prior year include:

Amortization of Intellectual Property	2017	2016	Change ($)	Change (%)
Expense	$ 436,735	$ 56,167	$ 380,568	678%

The Company commenced revenue generating activities during the quarter ended June 30, 2016 from commercializing its SMART Seeder technology and considered its intellectual property related to the SMART Seeder technology available for use in accordance with IFRS. Once in use, we began amortizing this intellectual property on a straight-line basis over the remaining life of the SMART Seeder technology patents and patents pending. In 2017, a full twelve months of amortization was recorded. During the same period in 2016, only one and one half months of amortization was recorded as the intellectual property had only been commercialized in May 2016.

Development	2017	2016	Change ($)	Change (%)
Expense	$ 1,780,827	$ -	$ 1,780,827	~%

Development expenses are amounts incurred to develop the SMART Seeder technology and consist of technical staff costs, consulting fees, materials, purchases, travel, testing and testing facilities. In 2017, these costs include amounts incurred:

- related to the demonstration program with Rocky Mountain;
- to complete development of the 2017 CX-6 SMART Seeder;
- to update the 2016 CX-6 SMART Seeders to 2017 CX-6 SMART Seeders;
- to perform on-going testing activities on the CX-6 SMART Seeder, and
- to develop the 2018 CX-6 SMART Seeder.

Prior to commercializing its intellectual property, development expenditures that met the definition of an intangible asset were capitalized to intellectual property. Once the Company commercialized its SMART Seeder technology, the underlying intellectual property was considered available for use, and the Company ceased capitalizing development expenditures as those amounts no longer qualified for capitalization under IFRS.

Below is a summary of development expenses incurred during the current year, as compared with enhancements to intellectual property during the prior year. We believe the development expenses incurred in the current year would have qualified as capitalized enhancements to intellectual property prior to commercialization:

	Year Ended June 30,			
	2017		2016	
Cost Type	**Development Expense**		**Capitalized to Intellectual Property**	
Personnel	$	565,289	$	479,858
Purchases		950,630		635,968
Premises		75,944		73,950
Patent applications		50,767		113,234
Travel		138,197		22,284
	$	1,780,827	$	1,325,294

The figure above includes a reduction of expenses for the year ended June 30, 2017 of $745,134 related to the calculated benefit on the zero interest government loan. See **Repayable Government Loans** for additional information on the government loan benefit

Foreign Exchange Loss	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ -	$ 22,035	$ (22,035)	(100%)

Foreign exchange loss relates to the technology acquisition note payable which was denominated in US Dollars. The technology acquisition note payable was extinguished during the prior year.

Interest on Loans	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 56,637	$ 14,298	$ 42,339	296%

Interest on Loans during the year ended June 30, 2017 is a non-cash item related to interest accretion on the AgriInnovation Repayable Contribution and Western Innovation Initiative Repayable Contribution (both bearing 0% interest) in which proceeds were received in the fiscal year. The interest accreted was based on the discount value applied in recording the loans at their fair value and represents the allocation of the benefit calculated on page 28 over the life of the loan in accordance with IFRS. Interest on Loans in the year ended June 30, 2016 relates to interest on the notes to related party and technology acquisition note payable which were fully extinguished during the year.

Personnel	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 511,540	$ 494,988	$ 16,552	3%

Personnel expense on the income statement was similar to the previous. As shown below, personnel fees increased during the year ended June 30, 2017 due to additional hires, including our Chief Operating Officer and Chief Technology Officer.

The Company incurred total personnel fees during the year ended June 30, 2017 were allocated as follows:

2017	Personnel Count	Expense for the Period	Benefit	Allocation on Financial Statements
Executives	4	$ 428,000	$ 10,000	Development / Personnel
Administration	3	$ 178,000	-	Personnel
Marketing	1	$ 97,000	$ 37,000	Personnel
Technical	6	$ 543,000	$ 122,000	Development
	14	$ 1,246,000	$ 169,000	

The Company incurred total personnel fees during the year ended June 30, 2016 were allocated as follows:

2016	Personnel Count	Expense for the Period	Government Grant	Allocation on Financial Statements
Executives	2	$ 233,000	-	Personnel
Administration	3	$ 168,000	-	Personnel
Marketing	1	$ 91,000	-	Personnel
Technical	5	$ 644,000	$ 91,000	IP / Personnel / Cost of Sales
	11	$ 1,136,000	$ 91,000	

Note: Amounts were allocated net of the government grant

The allocation of personnel fees, net of government grants and Benefit, was:

Development	-	$ 565,000	(2016: $NIL)
Personnel	-	$ 512,000	(2016: $495,000)
Intellectual Property	-	$ NIL	(2016: $480,000)
Cost of Sales	-	$ NIL	(2016: $ 70,000)

During the year ended June 30, 2016 the Company received government grants of $91,000 from the Industrial Research Application Program (IRAP) to subsidize the costs of certain members of our technical team.

Premises	2017	2016	Change ($)	Change (%)
Expense	$ 83,442	$ 105,606	$ (22,164)	(21%)

Premises expense includes head office rent fees, insurance, utilities and repairs and maintenance expenses. During 2017 the Company had lower premises expense as compared to the prior period due to certain premises lease amounts being allocated to development expenses in the current year, which were allocated to premises expense in the prior year.

Professional	2017	2016	Change ($)	Change (%)
Expense	$ 140,083	$ 153,137	$ (13,054)	(9%)

Professional expense include corporate legal advisor fees, intellectual property legal advisor fees, auditor fees, business valuation services, corporate finance services, investor relations services and investor market distribution services. During 2017 the Company had lower professional expense as compared to the prior period due to the discontinuation of an investor relations firm and a reduction in legal fees incurred based on the current activities of the Company.

Share-based compensation	2017	2016	Change ($)	Change (%)
Expense	$ 364,055	$ 243,100	$ 120,955	50%

Share based compensation expense is related to the grant of incentive stock options in accordance with the Company's Stock Option Plan. The Company incurred a higher amount of share-based compensation expense during the current year as it:

- granted a higher number of stock options at a lower fair value than the previous year and
- modified options expiring in September 2016 to extend their life to September 2021, while increasing their exercise price from $0.30 to $0.35; this modification resulted in additional share based compensation expense to recognize under IFRS.

The options were granted and modified as follows:

	2017		2016	
	# of Options	Fair Value of Options	# of Options	Fair Value of Options
Grants				
Employees	304,000	$84,624	400,000	$106,000
Directors and Officers	400,000	$64,389	450,000	$130,500
Consultants	325,000	$72,382	30,000	$6,600
	1,029,000	$221,395	880,000	$243,100
Modifications				
Employees	316,097	$63,670	-	$ -
Directors and Officers	350,000	$70,550	-	$ -
Consultants	40,000	$8,440	-	$ -
	706,097	$142,660	-	$ -
Total Grants and Modifications	1,735,097	$364,055	880,000	$243,100
Average Fair Value per Option Granted	$0.21		$0.28	

See note 15(b) to the consolidated financial statements for more information about stock based compensation.

Travel and Trade Shows	2017	2016	Change ($)	Change (%)
Expense	$ 116,901	$ 151,693	$ (34,792)	(23%)

Travel and trade show expense relates to travel for general business purposes and all costs associated with attending trade shows. The decrease from the prior period is the result of the decreased general business travel and reduction in trade shows in the current year as compared to 2016. In the previous period the Company had the following expenses that were not incurred during the current year:

- held a CX-6 SMART Seeder commercial launch ceremony, and
- the majority of the Ag In Motion 2016 expenses

Three Months Ended June 30, 2017

During the three month period ended June 30, 2017, the net and comprehensive loss was $790,963 ($0.02 per share) as compared to net and comprehensive loss of $203,688 ($0.00 per share) for the three month period ended June 30, 2016. The main changes were:

- The Company did not sell any units during the period ended June 30, 2017, did not record any sales and did not have any related costs of sales or gross margin. During the period ended June 30, 2016, the Company had gross margin of $189,213.

- The amount of operating expenses increased primarily due to higher amortization, development, interest on loans, personnel and share based compensation expenses related to the commercialization and ongoing development of the CX-6 SMART Seeder.

- Incremental expenses totaling $246,931 were incurred during the year ended June 30, 2017 as compared to during the year June 30, 2016. In the prior year, the Company launched its 2016 CX-6 SMART Seeder during the quarter ended June 30, 2016 and as a result it:

  - began amortizing its intellectual property costs related to the smart seeder over the useful life of the related patents and patents pending (incrementally $52,374)

  - ceased capitalizing development costs to intellectual property and recorded those amounts as development expenses (incrementally $194,557)

- Incremental amounts totaling $144,140 for share-based compensation were incurred during the period ended June 30, 2017 as a result of an increase in the number of options granted in the current year and the recognition of modification expense related to the increase of the exercise price and extension of the exercisable life of certain options

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	$ Change	% Change
Sales	$ -	$ 1,050,000	$ (1,050,000)	(100)
Cost of Sales	-	(860,787)	860,787	100
Gross Margin	-	189,213	(189,213)	(100)
Operating Expenses				
Amortization of intellectual property	108,541	56,167	52,374	93
Amortization of property and equipment	9,684	8,110	1,574	19
Development	194,557	-	194,557	~
Foreign exchange loss (gain)	-	-	-	0
Interest on loans	25,106	742	24,364	3,284
Office and miscellaneous	24,825	52,015	(27,190)	(52)
Personnel	158,705	93,497	65,208	70
Premises	16,784	41,121	(24,337)	(59)
Professional	35,162	16,450	18,712	114
Share-based compensation	180,140	36,000	144,140	400
Travel and trade shows	37,459	88,799	(51,340)	(58)
	790,963	392,901	398,062	101
Net and comprehensive loss	$ (790,963)	$ (203,688)	$ (587,275)	(288)%

For comparison purposes of operations, see “Cash used by Operating Activities”

Significant operating expenses incurred in the current year and variations of operating expenses as compared to the prior year include:

Amortization of Intellectual Property	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 108,541	$ 56,167	$ 52,374	93%

The Company commenced revenue generating activities during the quarter ended June 30, 2016 from commercializing its SMART Seeder technology and considered its intellectual property related to the SMART Seeder technology available for use in accordance with IFRS. Once in use, we began amortizing this intellectual property on a straight-line basis over the remaining life of the SMART Seeder technology portfolio of patents and patents pending. In the current quarter ended, a full three months of amortization was recorded. During the same period in 2016, only one and one half months of amortization was recorded as the intellectual property had only been commercialized in May 2016.

Development	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 194,557	$ -	$ 194,557	~%

Development expenses are amounts incurred to develop the smart seeder technology and consist of technical staff, consulting, materials, purchases, travel, testing and testing facilities. Prior to commercializing its intellectual property, development expenditures that met the definition of an intangible asset were capitalized to intellectual property. Once the Company commercialized its smart seeder technology, the underlying intellectual property was considered available for use, and the Company ceased capitalizing development expenditures as they no longer qualified for capitalization under IFRS.

Below is a summary of development expenses incurred during the period as compared with enhancements to intellectual property during the same period in the prior year:

	Three Months Ended June 30,			
	2017		2016	
Cost Type		Development Expense		Capitalized to Intellectual Property
Personnel	$	138,574	$	106,862
Purchases		(38,803)		252,552
Premises		9,794		-
Patent applications		28,416		29,743
Travel		56,576		5,319
	$	194,557	$	394,476

Included in the figure above for the three month period ended June 30, 2017 is $316,604 related to the Benefit on the zero interest government loan. See **Repayable Government Loans** for additional information on the government loan benefit.

Interest on Loans	2017	2016	Change ($)	Change (%)
Expense	$ 25,106	$ 742	$ 24,364	3,284%

Interest on Loans during the quarter ended June 30, 2017 is a non-cash item related to interest accretion on the AgriInnovation Repayable Contribution and Western Innovation Initiative Contribution (both bearing 0% interest) in which proceeds were received in the fiscal year. The interest accreted was based on the discount value applied in recording the loans at their fair value and represents the allocation of the benefit calculated on page 28 over the life of the loan in accordance with IFRS. Interest on Loans in the year ended June 30, 2016 was unrelated to the AgriInnovation Repayable Contribution and Western Innovation Initiative Repayable Contribution.

Personnel	2017	2016	Change ($)	Change (%)
Expense	$ 158,705	$ 93,497	$ 65,208	70%

Personnel expense on the income statement increased compared to the previous year due to increases in the personnel and an increase in salary rates paid to support the execution of the Company's business plan.

The Company incurred total personnel fees during the three month period ended June 30, 2017 was as follows:

2017	Personnel Count		Expense for the Period		Benefit	Allocation on Financial Statements
Executives	4	$	161,000	$	6,000	Development / Personnel
Administration	3	$	50,000		-	Personnel
Marketing	1	$	25,000	$	11,000	Personnel
Technical	6	$	150,000	$	72,000	Development
	14	$	386,000	$	89,000	

Note: Amounts were allocated net of the government grant

The Company incurred total personnel fees during the three month period ended June 30, 2016 was as follows:

2016	Personnel Count		Expense for the Period	Government Grant	Allocation on Financial Statements
Executives	2	$	47,000	-	Personnel
Administration	3	$	44,000	-	Personnel
Marketing	1	$	25,000	-	Personnel
Technical	5	$	154,000	-	IP / Personnel / Cost of Sales
	11	$	270,000	-	

Note: Amounts were allocated net of the government grant

The allocation of personnel fees, net of government grants and Benefits, was:

Development		$ 138,000	(2016: $NIL)
Personnel	-	$ 159,000	(2016: $93,000)
Intellectual Property	-	$ NIL	(2016: $107,000)
Cost of Sales	-	$ NIL	(2016: $70,00

Premises	2017	2016	Change ($)	Change (%)
Expense	$ 16,784	$ 41,121	$ (24,337)	(59%)

Premises expense includes head office rent fees, insurance, utilities and repairs and maintenance expenses. During 2017 the Company had lower premises expense as compared to the prior period due to certain premises lease amounts allocated to development expenses in the current year having been allocated to premises expense in the prior year.

Professional	2017	2016	Change ($)	Change (%)
Expense	$ 35,162	$ 16,450	$ 18,712	114%

Professional expense include corporate legal advisor fees, intellectual property legal advisor fees, auditor fees, business valuation services, corporate finance services, investor relations services and investor market distribution services. During the quarter ended June 30, 2017, the Company had higher professional expense as compared to the prior period due to intellectual property costs incurred to submit its PCT application and an increase in marketing activities related to the commercialization of the CX-6 SMART Seeder.

Share-based compensation	2017	2016	Change ($)	Change (%)
Expense	$ 180,140	$ 36,000	$ 144,140	400%

Share-based compensation expense is related to the grant of incentive stock options in accordance with the Company's Stock Option Plan. The Company granted fewer stock options at a lower fair value during the three month period ended June 30, 2017 than in the same period in the prior year. Additional expense incurred in the current year related to options which were granted in a prior period but have yet to vest and additional share-based compensation on a modification of options, the share-based compensation is significantly higher than the prior period.

The options activity was as follows:

	2017		2016	
	# of Options	Fair Value of Options	# of Options	Fair Value of Options
Grants				
Employees	25,000	$ 3,864	150,000	$ 36,000
Consultants	100,000	$ 23,847	-	$ -
	125,000	$ 27,711	150,000	$ 36,000
Options Granted in Prior Periods with Vesting Terms				
Directors and Officers	N/A	$ 10,694	N/A	$ -
Consultants	N/A	$ 25,174	N/A	$ -
	N/A	$ 35,868	N/A	$ -
Modifications				
Employees	316,097	$ 52,000	-	$ -
Directors and Officers	350,000	$ 57,600	-	$ -
Consultants	40,000	$ 6,961	-	$ -
	706,097	$ 116,561	-	$ -
Total Grants and Modifications	831,097	$ 180,140	150,000	$ 36,000
Average Fair Value per Option Granted		$0.22		$0.24

See note 15(b) to the consolidated financial statements for more information about stock based compensation.

Travel and Trade Shows	2017	2016	Change ($)	Change (%)
Expense	$ 37,459	$ 88,799	$ (51,340)	(58%)

Travel and trade show expenses related to travel for general business purposes and all costs associated with attending trade shows. The decrease from the prior period is the result of the decreased general business travel and trade shows in the current year as compared to 2016. In the previous period the Company had the following expenses that were not incurred during the current year:

- held a CX-6 SMART Seeder commercial launch ceremony, and
- the majority of the Ag In Motion 2016 expenses

Repayable Government Loans

During 2017, the Company entered into two repayable government contributions (loans) with the Federal Government of Canada with total borrowing available of $2,250,000. The Company can draw down on the loans by submitting claims for reimbursement on eligible expenditures. The repayable government loans are interest free and fall within the scope of IAS 20 Government Grants for accounting purposes. Under IAS 20, the Company is required to recognize the loan at its fair value by determining what the market rate of interest would have been were under market conditions. The difference between the proceeds received (the repayable contribution) and the calculated fair value is considered a benefit and is treated as a government grant (the "Benefit"). This Benefit is treated as a recovery of the related expenditures for which the loan proceeds were received. As at June 30, 2017, the Company had borrowed $1,657,304 which had a calculated fair value of $657,202. The Benefit of $1,000,102 was allocated to the reimbursed expenditure as follows:

		Impact for the Three Months Ended June 30, 2017		Impact for the Year Ended June 30, 2017
Balance Sheet Benefit Allocation				
Prepaid Expenses and Deposits	$	10,902	$	133,168
Property and Equipment	$	2,791	$	27,173
Intellectual Property	$	7,721	$	94,627
Total Balance Sheet Benefit	**$**	**21,414**	**$**	**254,968**
Income Statement Benefit Allocation				
Development Expenses	$	**316,604**	**$**	**745,134**
Total Benefit Allocation	$	**338,018**	**$**	**1,000,102**

The Benefit allocation presented above reduced total assets by $254,968 and reduced net loss by $745,134 in the 2017 fiscal year. The impact of the balance sheet Benefit will be realized as follows:

- prepaid expenses and deposits will be realized when the Company utilizes the production deposit by purchasing a completed CX-6 SMART Seeder.
- both property and equipment and intellectual property will be realized as a reduction of the cost being amortized over the useful life of the underlying tangible purchased or intangible asset development cost incurred.

See Notes 4 and 13 in our consolidated financial statements for additional information with respect to these repayable contributions.

Quarterly Results

Key things to note as we are a venture company with significant development activities:

- Individual quarterly results are not necessarily a good indication of annual results due to variations in expenditures as noted throughout this document and no consistent production or sales results
- Net income by quarter fluctuates significantly depending on the timing of the grant of stock options, and the corresponding expense recorded associated with the grant of stock options
- Total assets will fluctuate depending on the activities during the quarter, including, significant financings and if the expenditures qualify for classification as an asset

Quarter Ended	Revenue ($)	Net Income / (Loss) ($)	Basic & Diluted Loss Per Share ($)	Total Assets ($)	Long-Term Liabilities ($)	Cash Dividend ($)
June 30, 2017	-	(790,963)	(0.02)	7,792,084	713,839	-
March 31, 2017	-	(1,414,809)	(0.03)	7,964,292	541,607	-
December 31, 2016	-	(584,320)	(0.01)	8,144,576	458,273	-
September 30, 2016	-	(816,125)	(0.02)	8,597,359	724,751	-
June 30, 2016	1,050,000	(203,688)	(0.01)	8,522,685	-	-
March 31, 2016	-	(315,452)	(0.01)	8,693,603	-	-
December 31, 2015	-	(412,562)	(0.01)	8,443,838	-	-
September 30, 2015	-	(280,717)	(0.01)	8,318,723	-	-

Revenue, Net Loss and Loss per Share

The Company commenced revenue generating activities in the quarter ended June 30, 2016 with the sale of its first two CX-6 SMART Seeders. For the three quarters previous, the Company was conducting development activities to prepare its CX-6 SMART Seeder for pre-production and commercialization respectively, during which time the associated development costs were capitalized to intellectual property and included as part of total assets. The development work from quarter to quarter varied based on the status and progress of the CX-6 SMART Seeder during that quarter, leading to variations in amounts capitalized in each quarter.

Prior to commercialization, the nature of the Company's operations was dependent on the status of the CX-6 SMART Seeder development and the operating expenses incurred varied from quarter to quarter based on the activities conducted by the Company, including attending trade shows, working towards a distribution agreement with Rocky Mountain and working towards a manufacturing agreement with WS Steel.

Subsequent to commercialization, the Company's operating expenses have increased significantly as:

- development costs were no longer capitalized and were expensed as incurred;
- the Company began amortizing its intellectual property over the useful life;
- it prepared the SMART Seeders produced for spring 2017 demonstrations;
- it has been preparing its 2018 SMART Seeder for production for spring 2018 sales;
- there have been no sales during the 2017 fiscal year while the Company has continued with development activities to advance future models.

Total Assets

The Company completed the following financings through the issuance of shares to support the development and commercialization of the CX-6 SMART Seeder:

- during the quarter ended September 30, 2017 for gross proceeds totaling $1,000,000;
- during the quarter ended March 31, 2017 for gross proceeds totaling $1,032,501, and
- during the quarter ended September 30, 2015 for gross proceeds totaling $1,796,800

During the quarter ended December 31, 2015, the Company received funds from the exercise of warrants and options of approximately $1M.

Total Liabilities

The Company entered into two loan agreements with her Majesty the Queen of Canada a total borrowing limit of $2.250M. The Company has borrowed $485,144, $257,880, $189,529 and $724,751 during the quarters ended June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016 respectively. The amounts shown in the table are presented at their fair value. For additional discussion on the difference between the fair value and the legal liability, see "**Repayable Government Contributions"**.

LIQUIDITY & CAPITAL RESOURCES

To date, the Company's capital needs have been met by raising funds through the issuance of equity and debt instruments. As of June 30, 2017, the Company had cash and cash equivalents of $262,464, while its total debt amounted to $1,919,373. The Company does not have sufficient funds on hand or working capital available to meet its on-going operations, its current obligations and its planned production and development activities for the 2018 fiscal year.

The primary driver impacting the Company's liquidity is its ability to produce, sell and collect the proceeds on sales of its CX-6 SMART Seeder. The CX-6 SMART Seeder is a new product that carries uncertainty with respect to the timing and volume of sales. The Company did not complete any sales during the 2017 fiscal year and only expects to do so starting spring 2018. The Company is exploring other opportunities for revenue producing operations including licensing SMART Seeder rights to new markets, licensing its small machines and retrofit products that can be utilized by existing seeding equipment.

During the year ended June 30, 2017, the Company entered into two zero interest loan agreements with Her Majesty the Queen of Canada as represented by two different departments of the Canadian Federal Government. The loans were provided to support commercialization and development activities. The Company has $193,312 available to draw down as at the date of this MD&A.

The loans payable, as drawn down, will be repayable as follows:

- $1,480,304 in equal monthly installments of $13,707 for nine years starting April 1, 2019
- $177,000 in equal monthly installments of $2,950 for five years starting April 1, 2019

Including these two loans, the Company has total contractual commitments as follows:

Contractual Commitments as at June 30, 2017	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Accounts Payable	$ 919,085	$ 899,056	$ 18,357	$ 1,672	$ -
Due to Related Parties	286,449	286,449	-	-	-
Loans Payable	1,657,304	-	249,848	399,756	1,007,700
Operating Leases	140,432	67,328	73,104	-	-
Total Contractual Commitments	**$ 3,003,270**	**$ 1,252,833**	**$ 341,309**	**$ 401,428**	**$ 1,007,700**

The Company has stock options outstanding which, if exercised, would provide up to an additional $1,870,664 of cash for the Company. The exercise of the options is dependent on the price and activity of the Company's shares on the TSX Venture in conjunction with the remaining life of the related options. At this time, there is limited reliance on the proceeds from exercise being available for the Company in the next twelve months. The Company will need to raise funds through the issuance of equity and / or debt instruments to meet its obligations and administrative requirements.

The continuation of the Company as a going concern is dependent on its ability to attain future profitable operations and/ or obtain additional equity capital or debt financing to finance future operations as required. During its 2018 fiscal year the Company will not generate sufficient revenues to meet its contractual commitments, ongoing operations and planned development activities; however, it will be a critical step to selling a sufficient number of SMART Seeders in the 2019 fiscal year to be self-sufficient. The volume and timing of production will determine the amount of funds the Company needs to raise to fund production, maintain its current capacity, meet planned growth and to fund its working capital requirements. The Company is actively seeking long-term production financing to support its business requirements for the 2018 and 2019 fiscal years. Additionally, the Company will continue to evaluate activities to generate revenues from other sources that will reduce its requirement to obtain debt or equity financing. We believe alternatives include revenues from licensing, royalties, retrofits sales and other similar complementary opportunities.

Until the Company reaches the point of generating sufficiently profitable operations to meet its ongoing operating requirements, the Company may need to continue raising funds through debt or equity issuances or seek to raise funds through alternatives such as selling license rights. If the Company cannot generate profitable operations, it will continue to need to raise funds to continue as a going-concern. Should the Company be unable to continue as a going concern, the realization of its assets may be at amounts significantly less than their carrying values.

Share Structure

As at October 27, 2017, the Company's share structure, basic and fully diluted, is shown below. Any warrant or option exercises that could occur would provide funding to the Company as indicated below:

	Number of Instruments Outstanding	Weighted Average Exercise Price	Potential Proceeds from Exercise	Weighted Average Remaining Life of Derivative (years)
Common Shares	50,249,903	-	-	-
Incentive Options*	4,860,097	$ 0.38	$ 1,870,664	3.44
	55,110,000		$ 1,870,664	

* incentive options are convertible into common shares of the Company at their respective exercise price

Cash Flows

	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash and cash equivalents, beginning of year	**$ 494,427**	$ 178,968
Cash used by operating activities	**(2,990,047)**	(1,150,311)
Investing activities		
Enhancements to intellectual property, net of government grants	**-**	(1,031,105)
Purchases of equipment	**(26,386)**	(127,441)
Financing activities		
Net proceeds from loans	**1,657,304**	-
Net proceeds from issuances of shares	**1,127,166**	2,838,027
Net issuances and repayments of debt instruments and interest	**-**	(213,711)
Cash and cash equivalents, end of year	**$ 262,464**	$ 494,427

Cash used by Operating Activities

Cash used by operations was 153% higher in the year ended June 30, 2017 as compared to the same period in 2016 due primarily to $1,780,827 of development costs being categorized as expenses as opposed to capitalized on the balance sheet as intellectual property enhancements.

	Year Ended June 30, 2017	Year Ended June 30, 2016
Net loss for the period	**$ (3,606,217)**	$ (1,212,419)
Adjustments for items not affecting cash		
Amortization of property and equipment	**36,894**	34,560
Amortization of intellectual property	**436,735**	56,167
Benefit of government loan treated as a government grant	**(745,134)**	-
Foreign exchange	**-**	22,035
Write-off of property and equipment included in development expenses	**4,300**	-
Interest on loans	**56,637**	12,264
Loss on settlement of debt	**-**	23,581
Share-based compensation	**364,055**	243,100
Warranty provision	**-**	6,444
Expenditures from the income statement adjusted for items not affecting cash	**(3,452,730)**	(814,268)
Changes in non-cash working capital items		
Receivables	**16,300**	(27,320)
Inventory	**(116,255)**	(11,634)
Prepaid expenses and deposits	**(107,918)**	(335,556)
Due to related parties	**568,666**	(97,092)
Accounts payable	**101,890**	135,559
	(2,990,047)	(1,150,311)

Reflection

We had anticipated that our cash flows used in operations for the 2017 fiscal year would differ significantly from the 2016 fiscal year as a result of SMART Seeder technology development, CX-6 SMART Seeder sales and inventory production. In the previous year, development expenditures were capitalized in accordance with IFRS. During the current year, expenditures of the same nature were expensed due to accounting requirements for a commercialized technology under IFRS. The level of sales and inventory production would also have had a significant impact on the amount of operating cash flows. Besides variations in these areas, we believed that the cash flow from operations would be similar to the 2016 fiscal year.

When factoring in development expenditures capitalized to intellectual property during the year ended June 30, 2016, the change in 2017 from the prior year was a 19% increase as a result of 1) the Company did not sell any CX-6 SMART Seeders in 2017 2) the Company collaborated with Rocky Mountain Equipment on a comprehensive demonstration program and 3) the Company updated the existing 2016 CX-6 SMART Seeder units as 2017 CX-6 SMART Seeder units as part of the 2017 demonstration program.

Outlook

We anticipate that the cash flows used in operations for 2018 will be materially similar to 2017 with the potential for significant variation related to 1) volume of CX-6 SMART Seeder production and sales 2) development expenditures related to new and existing technologies.

i. CX-6 SMART Seeder Sales & Inventory
Clean Seed has initiated production of its 2018 CX-6 SMART Seeder for delivery to Rocky Mountain Equipment. The volume of CX-6 SMART Seeder units sold will have a significant impact on the cash used by operating activities. We do not yet have an estimate of the number of units we will be delivering to Rocky Mountain Equipment for the 2018 fiscal year. Realization of sales will provide significant cash flow to the Company. If production is completed without sales being made, it will have a significant impact on the cash required as those units will be carried as inventory. Due to the period between order acceptance and delivery, we expect to sell all 2018 SMART Seeders produced. The Company also anticipates initiating production of its 2019 SMART Seeder in its fourth quarter of the 2018 fiscal year as part of launching its sales program at Farm Progress 2018.

ii. CX-6 SMART Seeder Development
As in 2017, a substantial amount of development work related to the CX-6 SMART Seeder is not expected to qualify for capitalization on the Company's financial position and will be expensed as incurred. We anticipated that the amount that will be allocated towards development activities for the 2018 fiscal year will be less than the amount that was incurred during the 2017 fiscal year.

Due to the nature of the Company in its business cycle, we could experience significant variability in our cash flows used by operating activities in efforts to prepare for expanded sales and production in 2019.

Cash used by Investing Activities

Cash used in investing activities consists of property and equipment purchases and enhancements to intellectual property.

Enhancements to Intellectual Property

The Company capitalized SMART Seeder technology development prior to commercializing its CX-6 SMART Seeders when those expenditures met the definition of an asset pursuant to the IFRS account standards for intangible assets. The amounts capitalized by the Company consisted of the cost of development staff, consulting fees, materials purchases, intellectual property protection costs, travel, testing costs and testing facilities. When the Company commercialized its SMART Seeder technology, the underlying intellectual property became available for use and the Company ceased capitalizing development costs in accordance with IFRS.

During the current period the development costs incurred have been expensed. Discussion of the comparison of the current and previous years can be found under "Results of Operations".

Reflection
During the year ended June 30, 2017, the Company did not have any development expenditures that qualified for capitalization to intellectual property.

Outlook
Future development expenditures that qualify for capitalization to intellectual property can occur multiple ways including but not limited to 1) broadening of existing technologies 2) development of new technologies and 3) expenditures that relate to separate and identifiable technologies. The Company will have significant patent expenditures in the upcoming year which could qualify for capitalization to intellectual property. Furthermore, the Company anticipates that it will be exploring opportunities to broaden its intellectual property portfolio by investigating smart planting solutions targeting corn and soybean crops. The extent of enhancements to intellectual property will be dependent on the nature of expenditure qualifying as intellectual property under its accounting policy, the progress the Company makes with respect to the development of the SMART Seeder, the marketplace adoption of the SMART Seeder, the time available for its development team to complete its planting technologies and the funds the Company has on hand.

Purchases of Property & Equipment

The purchase of property and equipment relates to leasehold improvements, computer software, computer hardware, shop equipment and production molds

Reflection
During the 2017 fiscal year the costs incurred to purchase property and equipment were not significant as several of the anticipated expenditures for the 2017 fiscal year did not occur.

Outlook
The Company expects that its property and equipment purchases will increase as compared to the amount incurred during the 2016 fiscal year (since the amount purchased in 2017 was lower than expectations).

We will require new production molds for multiple components of our CX-6 SMART Seeder for our anticipated 2018 production requirements and continue to develop software to advance our SMART Seeder technology. Long-term, we are evaluating production alternatives that while capital intensive, we believe will enable us to reduce production costs for core elements of the CX-6 SMART Seeder. We expect that those capital intensive expenditures would not occur until 2019 at the earliest.

Cash from Financing Activities

Cash from financing activities consist primarily of funds raised from the issuance of shares, the exercise of stock options and proceeds from repayable government contributions. These funds have supported the Company's operating and investing activities for the past two years. See the statement of cash flows in our June 30, 2017 consolidated financial statements for details of the source of funds for the two years.

Outlook

During the 2018 fiscal year we anticipate raising at least a total of $3,000,000 through the issuance of debt or equity to fund the Company's production, development and ongoing administration requirements. The Company is also seeking production financing alternatives to prepare for expanded production for the 2019 fiscal year.

Financial Condition

	June 30, 2017 ($)	June 30, 2016 ($)	Change ($)	Change (%)
Cash and Cash Equivalents	262,464	494,427	(231,963)	(47)
Cash used by Operations	2,990,047	1,180,054	1,809,993	153
Total Monetary Debt	1,919,373	534,977	1,384,396	259
Working Capital (Deficit)	(456,948)	370,867	(827,815)	(223)
Debt as a % of Total Capitalization*	24.6	6.3	18.4	292

* Total capitalization refers to total debt and shareholders' equity

Financial Position

	June 30, 2017 ($)	June 30, 2016 ($)	Change ($)	Change (%)
Line Items to Highlight				
Cash and Cash Equivalents	262,464	494,427	(231,963)	(47)
Prepaid Expenses and Deposits	322,556	347,806	(25,250)	(7)
Intellectual Property	6,935,122	7,466,484	(531,362)	(7)
Total Assets	7,792,084	8,522,685	(730,601)	(9)
Total Liabilities	1,919,373	534,977	1,384,396	259

The Company's financial instrument assets consist of cash and cash equivalents. The Company holds its cash and cash equivalents with a national chartered bank and is not exposed to significant credit, price or other financial instrument risk.

Intellectual Property

From June 30, 2016 to June 30, 2017 our total assets have decreased as the Company has been amortizing intellectual property without incurring any enhancements to it and has not earned any revenues while continuing with both commercialization and development activities. A substantial amount of our total assets continues to be concentrated in our intellectual property. As at June 30, 2017, the intellectual property accounted for 89% of total assets, and as at June 30, 2016 was 88%.

Intellectual property consisting of patents, patents pending and amounts related to the development of technologies and related proprietary knowledge is recorded at cost. The intellectual property relates primarily to the Company's SMART Seeder technology. The SMART Seeder technology is being amortized over the remaining life of its patents, which is 17 years from the date of commercialization, expiring 2033.

Prepaid Expenses and Deposits
Prepaid expenses and deposits includes production deposits of $293,000 related to production of CX-6 SMART Seeders.

Other Assets
The other assets of the Company consist of SMART Seeder parts inventory, GST receivable and equipment.

Liabilities
Our financial liabilities are as follows:

Liabilities	Total	Financial Instrument	Interest Expense	Foreign Exchange Expense	Other Expense / Income
Accounts Payable	$ 919,085	Yes	$ 2,569	$ -	$ -
Due to Related Parties	$ 286,449	Yes	$ -	$ -	$ -
Loans Payable*	$ 713,839	Yes	$ 56,637	$ -	$ -
Total Liabilities	**$ 1,919,373**		**$ 59,206**	**$ -**	**$ -**

*Subsequent to June 30, 2017, the Company received additional loans payable proceeds of $54,688.

The accounts payable and the due to related parties consist of trade payables incurred in the normal course of business and usually payable within 30 days of receiving the invoice.

The loans payable consists of $1,657,304 borrowed on under its agreements with the Federal Government of Canada, less the Benefit. The face value of $713,839 represents the amount measured at amortized cost using the effective interest rate method with an average discount rate 17% which was selected by management by applying significant judgement. The Benefit of $1,001,102 is accreted over the life of the loans as “Interest” pursuant to International Financial Reporting Standards. See **Repayable Government Loans** for additional information on the loans payable. Note the full amount of the contractual commitment is shown in the **Liquidity and Capital Resources** section.

The Company does not have any significant interest rate, foreign exchange or other market risks related to its liabilities. In the future, the Company may have foreign exchange risk related to production costs.

Off-Balance Sheet Activities
The Company had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Transactions with related parties for the year ended June 30, 2017 and 2016 are as follows:

		June 30, 2017		June 30, 2016
Interest accrued on notes payable to a company controlled by the Chief Executive Officer	**$**	**-**	$	2,089
Interest accrued and foreign exchange impact on technology acquisition payable to a relative of the Chief Executive Officer of the Company	**$**	**-**	$	10,175
Lease expense paid for premises and vehicle and equipment rental to a company controlled by the VP Product Development of the Company (included in development expenses in the current period and intellectual property in the prior period)	**$**	**88,200**	$	88,200

On January 1, 2014, the Company entered into two leases:

1) premises lease for its facility in Midale, Saskatchewan for a term of three years commencing on January 1, 2014. The Company uses the 5,000 square foot facility to assemble, develop and test its equipment as the premises are adjacent to a 5,000 acre commercial farm, which the Company has access to run its equipment on. The Company pays rent of $6,250 per month over the life of the lease which includes basic rent, operating costs and utilities. The lease can be terminated with two months' notice in the third year of the lease. The lease expired March 31, 2017.

2) vehicle lease for a pick-up truck at its facility in Midale, Saskatchewan for a term of three years commencing on January 1, 2014. The Company pays lease fees of $1,100 per month. The lease can be terminated with two months' notice in the third year of the lease. The lease expired December 31, 2016.

Both these leases are between the Company and a company controlled by the Company's VP Product Development who is also a director and officer of the Company.

Transactions with related parties were measured at the exchange amounts and were incurred in the normal course of business.

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

		June 30, 2017		June 30, 2016
Amounts due to companies controlled by Directors and Officers of the Company. Amounts are non-interest bearing, unsecured and are due on demand.	**$**	**286,449**	$	184,559

ADDITIONAL INFORMATION

Proposed Transactions

The Company does not have any proposed transactions at this time.

Internal Controls and Procedures

The Company's certifying officers complete the Venture Basic Issuer Certificate in accordance with National Instrument 52-109. In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109) for non-Venture companies, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representation relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting policies.

The Company's certifying officers are responsible for ensuring processes are in place to provide them with sufficient knowledge to support the representations they are making in their certification.
Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filing and other reports provided under securities legislation.

Critical Accounting Estimates

The Company's MD&A is based on its financial statements that have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the impairment of long-lived assets. As a venture issuer, we do not provide additional analysis of our critical accounting estimates.

New Standards Not Yet Adopted

There are new standards, interpretations and amendments to existing standards not yet effective for the 2017 fiscal year, and have not been applied in preparing our consolidated financial statements. For details of the Company's Future Accounting Standards, including accounting standards not yet adopted and accounting standards amended but not yet effective, please refer to Note 3 of the Company's audited consolidated financial statements as at June 30, 2017 (filed on SEDAR).

FORWARD-LOOKING INFORMATION

The financial information in the MD&A and in our financial statements and notes are prepared according to International Financial Reporting Standards. This MD&A includes statements and information about our expectations for the future. When we discuss our strategy, plans, future financial and operating performance, or other things that have not yet taken place, we are making statements considered to be forward-looking information or forward-looking statements under Canadian securities laws. We refer to them in this MD&A as *forward-looking information.*

Key things to understand about the forward-looking information in this MD&A:

- It typically includes words and phrases about the future, such as: believe, estimate, anticipate, expect, plan, intend, predict, goal, target, project, potential, strategy and outlook (see examples below).
- It includes views of the industry, which is taken to mean the Agriculture Equipment sectors & Agricultural Seeding & Planting Equipment sub-sectors and uses words such as: sector, industry, segment, marketplace interchangeably.
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions which may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, due to the risks associated with our business.
- Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

In particular, this MD&A may contain forward-looking statements pertaining to the following:

- The Company's business plans;
- The Company's operating history;
- The Company's negative profitability;
- The Company's sales, distribution, commercialization, production and development plans;
- Unpredictable changes to the market prices for farm commodities and the Company's share price (in respect of both inputs and outputs);
- Political, economic and other associated risk;
- The Company's ability to attract and retain qualified management personnel;
- The Company's ability to obtain additional financing on satisfactory terms; and
- The Company's future investments and allocation of capital resources.

Explicit and implicit examples of forward-looking information in this MD&A

- Our expectations about 2018 and beyond, the future global agriculture industry, farmer buying patterns, trends, marketplace demands and marketplace usage;
- Our strategy for commercializing and manufacturing our technology and products;
- Our expectation that we will continue to develop the CX-6 SMART Seeder, achieve sales and continue expanding our sales during the upcoming year;

- Our expectation for capital expenditures and working capital requirements in 2018 and beyond;
- Our expectation for the level of sales and production volume for the 2018 year and subsequent years;
- Our expectation of arranging manufacturing and distribution strategies, arrangements or plans during the 2018 fiscal year and that we will execute those plans in 2018 or beyond;
- Our expectation of obtaining financing through the issuance of equity or debt, the proceeds from options or the sales of assets;
- Our expectations of receiving intellectual property protection, the timing of receiving intellectual property protection and the timing of making applications to obtain intellectual property protection and the applications for future patents.

The Company has assessed the following material risks, but not limited to:

- Our ability to increase the distribution of the CX-6 SMART Seeder in the timeline contemplated, including, attracting and retaining qualified personnel, continuing to update and improve the CX-6 SMART Seeder and independently confirming the incremental benefit for a user for adopting the CX-6 SMART Seeder;
- The CX-6 SMART Seeders sold require substantial warranty work related to unexpected issues from using the equipment to farm over several farming seasons limiting our ability to advance distribution, marketing and sales efforts in Canada, the United States and internationally;
- Our ability to achieve market success will require substantial marketing efforts and the expenditure of funds to inform potential customers of the distinctive benefits and characteristics of the CX-6 SMART Seeder and our other products;
- Our ability to sell enough CX-6 SMART Seeder units in the manner anticipated to earn sufficient funds to support operations and our working capital requirements based on the current financial condition and capital resources of the Company;
- The agriculture industry, the consumer desires, the value proposition to the purchaser and the amount of the benefit to the end user for our CX-6 SMART seeder does not meet our internal expectations;
- The desirability of our innovations, the demand for the CX-6 SMART seeder and the specifications the end users value significantly differ from our expectations;
- Our ability to raise sufficient funds to meet our on-going obligations, existing liabilities and forecasted administrative requirements for the 2018 fiscal year and period thereafter, until our operations can generate sufficient cash flows to support all requirements of the Company;
- Our ability to successfully obtain patents for the CX-6 SMART Seeder patents pending as part of maintaining a competitive advantage in the marketplace;
- Our ability to obtain clear passage for our PCT application for the SMART seeder technology;
- The Company is forced to defend its intellectual property through litigation and does not have the necessary resources to do so leading to financial difficulties, resource constraint and the inability to continue operations in the manner intended to generate profits;

- Changes to government regulations or policies that adversely affect us, including tax and trade laws and policies;

- The popularity of no-till farming and air seeder technology declines and as a result, no-till equipment, air seeder equipment, planter equipment and potential substitutions for air seeders and planters are not attractive to the marketplace;

- The Company, or The Company's target market, are affected by natural phenomena, including inclement weather, fire, flood and earthquakes;

- Our development activities are disrupted due to the unavailability of equipment, software, operating parts and supplies critical to production and development; equipment failure, labour shortages, transportation disruptions or accidents or other development and operating risks;

- Agriculture equipment industry weakens through:

    - ◊ agriculture equipment demand continuing to decline;
    - ◊ equipment replacement cycles are extended; and
    - ◊ farm receipts are weaker than expected or generally poor;

- Market forces may render it difficult or impossible for the Company to secure financing through the issuance of new shares at prices which will not lead to severe dilution to existing shareholders, or at all. There can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

- The Company's market information with respect to geographic market sizes, revenue amounts or the amount of revenue within each of the types of seeding and planting equipment

- As a Company with limited historic revenues and no sales in the current year, it may be impossible to obtain satisfactory debt financing forcing financing through the sale of shares to continue as a going concern

- There is no assurance that actual results realized by customers will match the internal and historical results of testing of our technology;

- We may not have the management systems, processes and procedures to cope with high growth or high sales demands leading to financing difficulties or business execution risk;

- Departure of key personnel could have an adverse effect on planned operations.

The Company has made the following material assumptions as part of its business plan including but not limited to:

1. Customer receptiveness to accepting and purchasing our CX-6 SMART Seeder and products;
2. Market conditions upon which we have based our capital expenditure expectations;
3. Liabilities inherent in our operations;
4. Political and economic risks;
5. Changes in regulation;
6. World agricultural commodity prices and markets;
7. Producers' decisions regarding total seeded acreage, crop selection and utilization levels of farm inputs such as fertilizers and pesticides;
8. Forecasted farming receipts for the 2018 / 2019 fiscal years;
9. Uncertainties associated with estimated market demand and sector activity levels;
10. Competition for, among other things, capital, acquisitions and skilled personnel;

11. Dependence on key personnel;
12. Employee relations and third party relationships;
13. Our operations will not be significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, civil unrest, social activism, political activism, equipment breakdown, natural disasters, government actions, political actions, litigation or arbitration proceedings, unavailability of equipment, parts and supplies critical to production and development, labour shortages or other development or operating risks;
14. Our ability to comply with government, environmental and regulatory requirements;
15. Future expectations regarding tax rates and payments; and
16. Fluctuations in foreign exchange or interest rates and stock market volatility.

While these forward looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

The impact from the difference between estimates, predictions, projections, assumptions for future results, levels of activity, performance or achievements expressed or implied and actual results on thereto could be material.

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