CLEAN
seed capital
GROUP

DRIVING TECHNOLOGY DEVELOPMENT
IN MODERN AGRICULTURE

CSX
Listed on
TMX | TSX Venture Exchange

MANAGEMENT DISCUSSION & ANALYSIS
FIRST QUARTER 2018

WELCOME TO OUR MANAGEMENT DISCUSSION & ANALYSIS

This management discussion & analysis ("MD&A") includes information that will help you understand management's perspective of our condensed consolidated interim financial statements and notes thereto for the six-month period ended December 31, 2017. This information is based on what we knew on February 26, 2018. 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 condensed consolidated interim financial statements and notes thereto as you review this MD&A, as well as our audited consolidated financial statements and notes thereto for the year ended June 30, 2017. 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 are 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.

DRIVING TECHNOLOGY DEVELOPMENT
IN MODERN AGRICULTURE

GENERAL

The Company 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 Exchange under the symbol CSX. Since incorporating, the Company has received several awards for its technology innovations and was previously recognized as a TSX Venture 50 Company for two consecutive years.

The Company has one reportable operating segment.

INVESTOR INFORMATION

Common Shares

The Company's shares are traded on the TSX 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:

Computershare
200 – 510 Burrard Street
Vancouver, BC V6C 3B9
Canada
Phone: 604-661-9400
Fax: 604-661-9549

For Inquiries

Clean Seed Capital Group Ltd.
Unit 14 - 7541 Conway Avenue
Burnaby, BC V5E 2P7
Canada
Phone: 604-566-9895
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Email: ir@cleanseedcapital.com

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 Seeder 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.

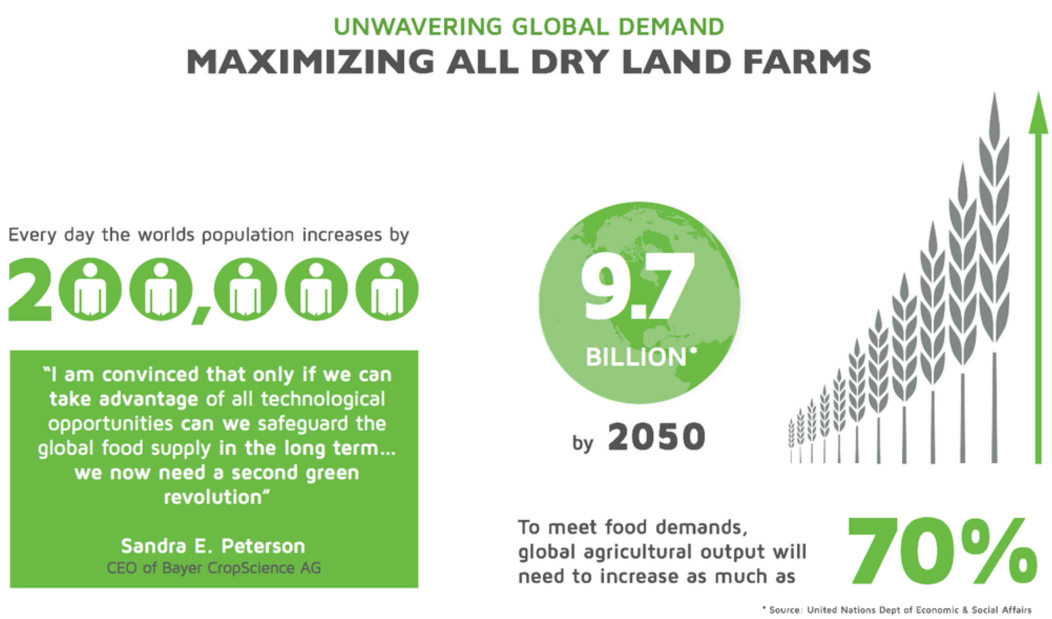
We designed our SMART Seeding technology with our diverse team of experts to create a farmer driven rethink from existing air seeding products in the marketplace. The result is the CX-6 SMART Seeder that has been designed to offer an unrivalled level of product input precision in the seeding operation. 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 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 1) satisfy the varied soil conditions of their field down to the square foot and 2) 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 over-consumes farming inputs (as a result of equipment limitation) there is reduced global availability of product inputs that 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.



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 farmland 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 cropland 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 technical team of engineers, technologists, agronomists, farmers and intellectual property professionals have focused on addressing the limitations faced by seeding operations. In modern farm operations, air seeding equipment continues to be the major farming limitation that restricts 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.

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.

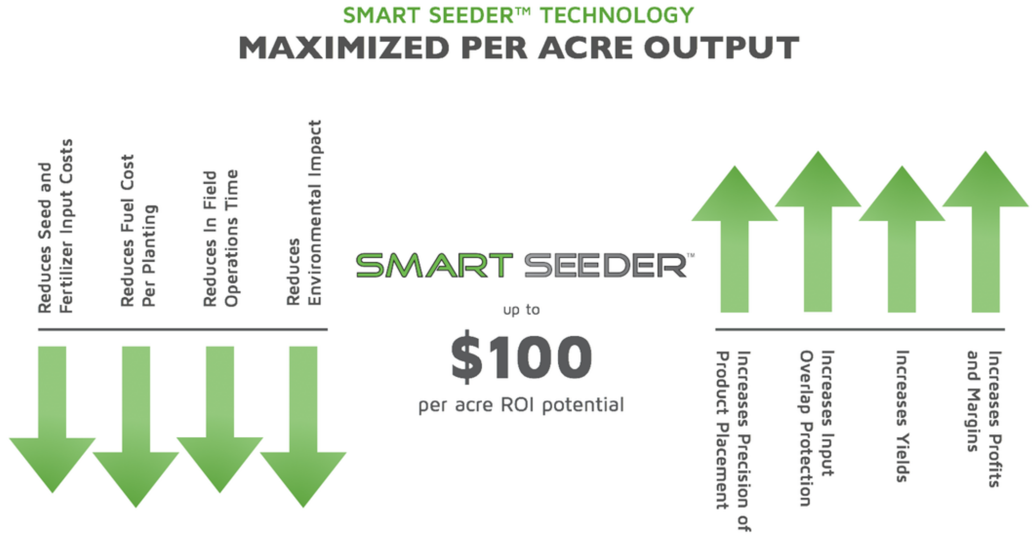
The Company has created the SMART Cart as a supplementary component to its SMART Seeder to eliminate the product logistics and delivery challenges with air seeders. The SMART Cart facilitates on the go-refilling, which creates flexibility and reduces downtime. Our SMART Cart is much smaller than existing 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.

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	No		Yes
Plant level metering at each opener	No		Yes
6 product handling capability	No		Yes
Turn compensation for non linear travel	No		Yes
Fully electronic	No		Yes
Wireless in-cab controls	No		Yes
Seed bounce	Yes		No
Inconsistent product placement	Yes		No
Uniform distribution	No		Yes
On-the-go refilling	No		Yes

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.

	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	✗	✓

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 that 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%

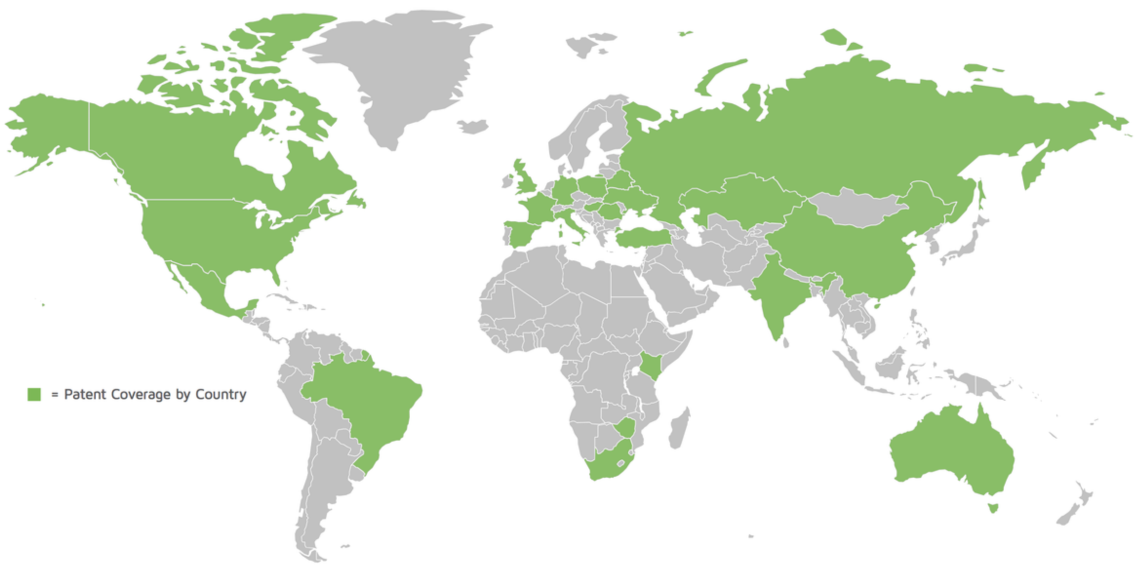
CROP PRODUCTION AREA (ACRES)

Global: 2.1 Billion (Acres)

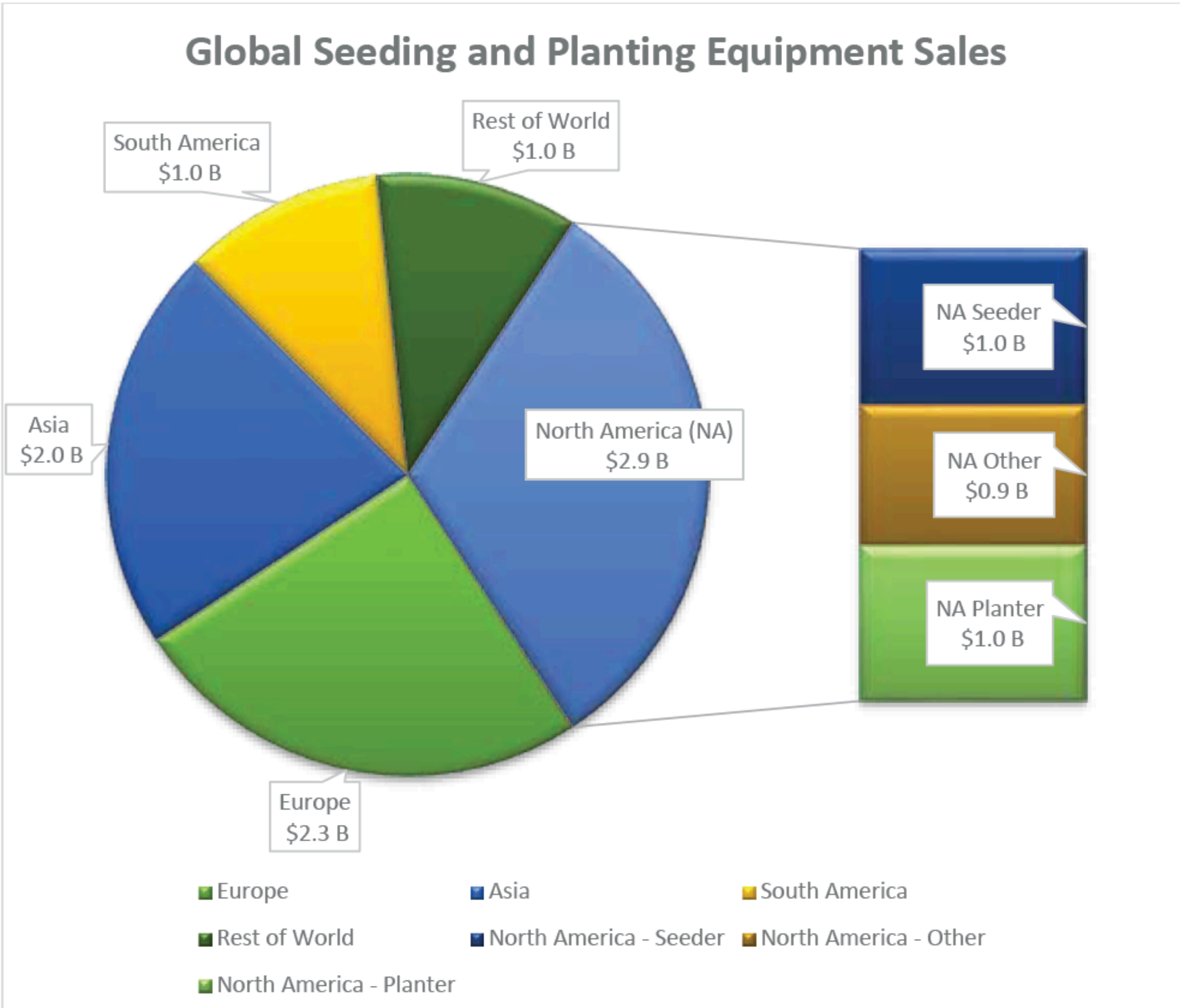
Total Patent Coverage:

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 Canadian 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) than 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 1,600 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 their 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 2016, there were approximately 9,700 Canadian crop farms that were larger than 2,500 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 and 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.

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 Manufacturing 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, 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

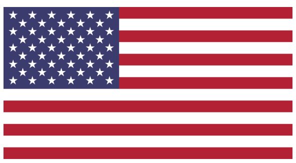
Since its formation, Clean Seed has had the mission to facilitate progress in modern agriculture by driving technology development. The award winning CX-6 SMART Seeder represents a complete re-think in seeding equipment and has attracted favourable attention from the farming community, agriculture industry, 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 $9B+ 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 with a 25-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-contracted 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

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 Mountain Equipment provides or arranges other ancillary services, such as GPS signal subscriptions and geomatics services. Rocky Mountain Equipment sells three of the biggest seeding equipment brands and is viewed as the leading seeding equipment distributor in Canada. Rocky Mountain Equipment purchased the first two CX-6 SMART Seeder units that were used in farmer demonstration throughout spring 2017.



Torgerson's is a fourth-generation farm implement dealer with eight 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 organizations 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 and 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.

2018 FISCAL YEAR

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

- selling our CX-6 SMART Seeders to Rocky Mountain Equipment customers 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 Seeder;
- 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 technologies 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 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.

To date, the Company has:

- launched the Company's Early Adopter Program for its 2018 CX-6 SMART Seeder
- held customer demonstrations in key regions of Canada which resulted in orders of the Company's CX-6 SMART Seeder for spring 2018;
- received purchase orders from Rocky Mountain Equipment to distribute CX-6 SMART Seeders to their customers starting in spring 2018;
- continued development of its SMART Seeder technology for the 2018 and 2019 CX-6 SMART Seeder model;
- been admitted as the first Company into the Saskatchewan Commercial Innovation Incentive (the "Patent Box"), which will reduce the Company's provincial tax rate by 50% for up to fifteen years for earnings generated in Saskatchewan;
- raised approximately $2.5M (including subsequent period) through the issuance of equity to fund the production and ongoing development of the Company's technology;
- been granted clearance for its patent application for the Variable Ratio patent application in the United States, Europe and Eurasia, and
- obtained PCT clearance from the WIPO for the Flow Control Patent.

The Company is on track to meet its targets for its 2018 fiscal year.

RESULTS OF OPERATIONS

Six-month Period Ended December 31, 2017

During the six-month period ended December 31, 2017, the net loss and comprehensive loss was $2,597,754 ($0.05 per share) as compared to net loss and comprehensive loss of $1,400,445 ($0.03 per share) for the six-month period ended December 31, 2016. The increase in operation loss between the two periods was primarily due to higher interest on loans, personnel and share-based compensation expenses;

- incremental amounts totaling $40,902 for interest accretion on loans was incurred during the period ended December 31, 2017 as a result of applying the fair value interest rate to the Company's 0% interest government repayable contributions;
- incremental amounts totaling $246,795 for personnel were incurred during the period ended December 31, 2017 related to additional key management hired; and
- incremental amounts totaling $872,811 for share-based compensation were incurred during the period ended December 31, 2017 as a result of an increase in the number of options granted.

	Six-month Period Ended December 31, 2017	2016	$ Change	% Change
Operating Expenses				
Amortization of intellectual property	$ **220,162**	$ 222,988	(2,826)	(1)
Depreciation of property and equipment	**17,695**	19,738	(2,043)	(10)
Development	**491,328**	574,400	(83,072)	(14)
Interest accretion on loans	**58,480**	17,578	40,902	233
Office and miscellaneous	**47,399**	29,265	18,134	62
Personnel	**579,635**	246,795	332,840	135
Premises	**41,049**	43,457	(2,408)	(6)
Professional	**82,750**	62,671	20,079	32
Share-based compensation	**996,571**	123,760	872,811	705
Travel and trade shows	**62,685**	59,793	2,892	5
Net loss and comprehensive loss	$ **(2,597,754)**	$ (1,400,445)	(1,197,309)	85

Significant operating expenses incurred in the current year **six-month period ended** and variations of operating expenses as compared to the prior period include:

Amortization of Intellectual Property Expense	**2017**	**2016**	**Change ($)**	**Change (%)**
	$ 220,162	$ 222,988	(2,826)	(1)

The Company amortizes its intellectual property available for use in accordance with IFRS. Since the commenced revenue generating activities during the year ended June 30, 2016 by commercializing its CX-6 SMART Seeder, the intellectual property related to developing the CX-6 SMART Seeder is amortized on a straight-line basis over the remaining life of the related portfolio of patents. Amortization of intellectual property was comparable to the prior period.

Development Expense	**2017**	**2016**	**Change ($)**	**Change (%)**
	$ 491,328	$ 574,400	(83,072)	(14)

Development expenses are costs incurred to develop the CX-6 SMART Seeder and consist of technical staff costs, consulting fees, materials, purchases, travel, testing and testing facilities. Prior to commercializing its intellectual property in 2016, development expenditures that met the definition of an intangible asset were capitalized to intellectual property. Under IFRS, once the CX-6 SMART Seeder was commercialized, the related development costs are expensed as they are incurred.

The primary development activities during the quarter ended December 31, 2017 was the preparation of the 2018 CX-6 SMART Seeder for production. The costs during the quarter ended December 31, 2016 related to the preparation of the 2017 CX-6 SMART Seeder for the Company's demonstration program.

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

	Six-month Period Ended December 31,	
Cost Type	**2017**	**2016**
Patent applications	$ -	$ 15,421
Personnel	**308,668**	279,516
Premises	**48,242**	37,500
Purchases	**130,018**	198,049
Travel	-	37,314
Vehicle	**4,400**	6,600
	$ 491,328	$ 574,400

Included in the figure above for the six-month period ended December 31, 2017 is $51,505 (2016: $473,585) 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	$ 58,480	$ 17,578	40,902	233

Interest on Loans during the six-month period ended December 31, 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.

Office and Miscellaneous	2017	2016	Change ($)	Change (%)
Expense	$ 47,399	$ 29,265	18,134	62

Office and miscellaneous costs relate to filing fees, telephone, office supplies and miscellaneous other charges. The increase during the period is a result of an increase in registrar fees from a large amount of option exercises and incurred significant courier costs not directly related to production.

Personnel	2017	2016	Change ($)	Change (%)
Expense	$ 579,635	$ 246,795	332,840	135

Personnel expense on the income statement increased compared to the previous year due to increases in the personnel, increase in services provided by certain personnel, and an increase in wages and fees paid to certain personnel to support the execution of the Company's business plan.

The Company incurred total personnel fees during the six-month period ended December 31, 2017 as follows:

2017	Personnel Count		Expense for the Period		Benefit	Allocation on Financial Statements
Administration	2	$	96,000	$	-	Personnel
Executives	4		497,000		13,000	Development / Personnel
Marketing	1		87,000		-	Personnel
Technical	8		353,000		-	Development / IP
	15	$	1,033,000	$	13,000	

Notes:

- Amounts were allocated net of the Benefit
- Included within the above personnel expense was the grant of bonuses totaling $157,000 to key management personnel that was used to exercise stock options.

The Company incurred total personnel fees during the six-month period ended December 31, 2016 as follows:

2016	Personnel Count		Expense for the Period		Benefit	Allocation on Financial Statements
Administration	3	$	85,000	$	-	Personnel
Executives	4		147,000		-	Personnel
Marketing	1		47,000		-	Personnel
Technical	5		247,000		-	Development
	13	$	526,000	$	-	

The allocation of personnel fees, net of government grants and benefits, during the year was:

Development	-	$ 309,000	(2016: $279,000)
Personnel	-	$ 580,000	(2016: $247,000)
Intellectual Property	-	$ 131,000	(2016: $NIL)

Professional	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 82,750	$ 62,671	20,079	32

Professional expense includes 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. Professional expense increased from the prior period due to marketing services not being used in the prior period and increased investor relations services used by the Company.

Share-based compensation	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 996,571	$ 123,760	872,811	705

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 significantly more stock options at a higher fair value during the six-month period ended December 31, 2017 than in the same period in the prior year. Additional share-based compensation expense incurred in the current year related to options that were granted in a prior period, but have yet to vest.

The options activity was as follows:

	2017		**2016**	
	# of Options	**Fair Value of Options**	**# of Options**	**Fair Value of Options**
Grants				
Employees	1,850,100	$ 582,107	279,000	$ 80,760
Directors and Officers	1,146,000	333,650	400,000	43,000
Consultants	675,000	25,179	-	-
	3,671,100	940,936	679,000	123,760
Options Granted in Prior Periods with Vesting Terms				
Employees	N/A	4,636	N/A	-
Directors and Officers	N/A	34,611	N/A	-
Consultants	N/A	16,388	N/A	-
	N/A	55,635	N/A	-
Total Grants	3,671,100	$ 996,571	679,000	$ 123,760
Average Fair Value per Option Granted		$0.32		$0.29

See Note 15(b) to the condensed consolidated interim financial statements for more information about share-based compensation.

Travel and Trade Shows	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 62,685	$ 59,793	2,892	5

Travel and trade show expenses related to travel for general business purposes and all costs associated with attending trade shows. Travel and trade show expenses were comparable to the prior period.

Three-month Period Ended December 31, 2017

During the three-month period ended December 31, 2017, the net loss and comprehensive loss was $1,368,719 ($0.03 per share) as compared to net loss and comprehensive loss of $584,320 ($0.01 per share) for the three-month period ended December 31, 2016. The increase in operation loss between the two periods was primarily due to higher personnel and share-based compensation expenses;

- incremental amounts totaling $686,180 for share-based compensation were incurred during the period ended December 31, 2017 as a result of an increase in the number of options granted; and
- incremental amounts totaling $112,529 for personnel were incurred during the period ended December 31, 2017 related to additional key management hired.

	Three-month Period Ended December 31, 2017	2016	$ Change	% Change
Operating Expenses				
Amortization of intellectual property	**$ 110,081**	$ 111,494	(1,413)	(1)
Amortization of property and equipment	**10,876**	10,073	803	8
Development	**142,107**	215,662	(73,555)	(34)
Interest accretion on loans	**30,196**	17,578	12,618	72
Office and miscellaneous	**34,498**	15,267	19,231	126
Personnel	**238,324**	125,795	112,529	89
Premises	**23,420**	20,505	2,915	14
Professional	**43,890**	22,733	21,157	93
Share-based compensation	**704,380**	18,200	686,180	3,770
Travel and trade shows	**30,947**	27,013	3,934	15
Net loss and comprehensive loss	**$ (1,368,719)**	$ (584,320)	(784,399)	(134)

Significant operating expenses incurred in the current three-month period ended and variations of operating expenses as compared to the prior period include:

Amortization of Intellectual Property	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 110,081	$ 111,494	(1,413)	(1)

The Company amortizes its intellectual property available for use in accordance with IFRS. Since the commenced revenue generating activities during the year ended June 30, 2016 by commercializing its CX-6 SMART Seeder, the intellectual property related to developing the CX-6 SMART Seeder is amortized on a straight-line basis over the remaining life of the related portfolio of patents. Amortization of intellectual property was comparable to the prior period.

Development	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 142,107	$ 215,662	(73,555)	(34)

Development expenses are costs incurred to develop the CX-6 SMART Seeder and consist of technical staff costs, consulting fees, materials, purchases, travel, testing and testing facilities. Prior to commercializing its intellectual property in 2016, development expenditures that met the definition of an intangible asset were capitalized to intellectual property. Under IFRS, once the CX-6 SMART Seeder was commercialized, the related development costs are expensed as they are incurred.

The primary development activities during the quarter ended December 31, 2017 was the preparation of the 2018 CX-6 SMART Seeder for production. The costs during the quarter ended December 31, 2016 related to the preparation of the 2017 CX-6 SMART Seeder for the Company's demonstration program.

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

	Three-month Period Ended December 31,			
Cost Type		**2017**		**2016**
Patent applications	**$**	**4,229**	$	6,643
Personnel		**104,465**		151,652
Premises		**29,492**		18,750
Purchases		**1,125**		18,588
Travel		**1,696**		16,729
Vehicle		**1,100**		3,300
	$	**142,107**	$	215,662

Included in the figure above for the three-month period ended December 31, 2017 is $51,505 (2016: $473,585) 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	$ 30,196	$ 17,578	12,618	72

Interest on loans during the quarter ended December 31, 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.

Office and Miscellaneous	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 34,498	$ 15,267	19,231	72

Office and miscellaneous costs relate to filing fees, telephone, office supplies and miscellaneous other charges. The increase during the period is a result of an increase in registrar fees from a large amount of option exercises and incurred significant courier costs not directly related to production.

Personnel	**2017**	**2016**	**Change ($)**	**Change (%)**
Expense	$ 238,324	$ 125,795	112,529	89

Personnel expense on the income statement increased compared to the previous year due to increases in the personnel, increase in services provided by certain personnel and an increase in wages and fees paid to certain personnel to support the execution of the Company's business plan.

The Company incurred total personnel fees during the three-month period ended December 31, 2017 as follows:

2017	Personnel Count	Expense for the Period		Benefit		Allocation on Financial Statements
Administration	2	$	66,000	$	-	Personnel
Executives	4		200,000		8,000	Development / Personnel
Marketing	1		28,000		-	Personnel
Technical	8		188,000		-	Development / IP
	15	$	482,000	$	8,000	

Amounts were allocated net of the Benefit

The Company incurred total personnel fees during the three-month period ended December 31, 2016 as follows:

2016	Personnel Count	Expense for the Period		Benefit		Allocation on Financial Statements
Administration	3	$	42,000	$	-	Personnel
Executives	4		92,000		-	Personnel
Marketing	1		24,000		-	Personnel
Technical	5		120,000		-	Development
	13	$	278,000	$	-	

The allocation of personnel fees, net of government grants and benefits, during the year was:

Development	-	$ 104,000	(2016: $ 152,000)
Personnel	-	$ 238,000	(2016: $ 126,000)
Intellectual Property	-	$ 132,000	(2016: $ NIL)

Professional	2017	2016	Change ($)	Change (%)
Expense	$ 43,890	$ 22,733	21,157	93

Professional expense includes 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. Professional expense increased from the prior period due to marketing services not being used in the prior period and increased investor relations services used by the Company.

Share-based compensation	2017	2016	Change ($)	Change (%)
Expense	$ 704,380	$ 18,200	686,180	3,770

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 significantly more stock options at a higher fair value during the three-month period ended December 31, 2017 than in the same period in the prior year. Additional share-based compensation expense incurred in the current year related to options which were granted in a prior period, but have yet to vest.

The options activity was as follows:

	2017		2016	
	# of Options	Fair Value of Options	# of Options	Fair Value of Options
Grants				
Employees	1,640,100	$ 549,183	15,000	$ 4,200
Directors and Officers	325,000	108,875	300,000	14,000
Consultants	675,000	25,179	-	-
	2,640,100	683,237	315,000	18,200
Options Granted in Prior Periods with Vesting Terms				
Employees	N/A	12,318	N/A	-
Directors and Officers	N/A	3,500	N/A	-
Consultants	N/A	5,325	N/A	-
	N/A	21,143	N/A	-
Total Grants	2,640,100	$ 704,380	315,000	$ 18,200
Average Fair Value per Option Granted		$0.34		$0.28

See Note 15(b) to the condensed consolidated interim financial statements for more information about share-based compensation.

Travel and Trade Shows	2017	2016	Change ($)	Change (%)
Expense	$ 30,947	$ 27,013	3,934	15

Travel and trade show expenses related to travel for general business purposes and all costs associated with attending trade shows. Travel and trade show expenses were comparable to the prior period.

Repayable Government Loans

During 2017 the Company entered into two repayable government contributions (loans) with the 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 International Accounting Standards (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 December 31, 2017, the Company had borrowed $1,855,748, which had a calculated fair value of $768,144, and is currently being carried at $883,262. The Benefit is recognized in the Company's condensed consolidated interim statement of comprehensive loss as "Interest Accretion on Loans" over the life of the loans.

See Notes 4 and 13 in our condensed consolidated interim 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; we have not had consistent sales or production;
- 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; and
- 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 and Diluted Loss Per Share ($)	Total Assets ($)	Long-Term Liabilities ($)	Cash Dividend ($)
December 31, 2017	-	(1,368,719)	(0.03)	8,273,130	883,262	-
September 30, 2017	-	(1,229,035)	(0.03)	7,929,729	771,530	-
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	-	-

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 Equipment 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; and

- there were no sales during the 2017 fiscal year, or first quarter of 2018, 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 for a total borrowing limit of $2.250M. The Company has borrowed $143,756, $54,688, $485,144, $257,880, $189,529 and $724,751 during the quarters ended December 31, 2017, September 30, 2017, 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 Loans**.

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 December 31, 2017, the Company had cash and cash equivalents of $272,335, while its total debt amounted to $1,836,612. The Company does not have sufficient funds on hand or working capital available to meet its ongoing 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 from the 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 six-month period ended December 31, 2017 and only expects to do so starting in 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 $49,556 available to draw down as at the date of this MD&A.

The loans payable, as drawn down as of December 31, 2017, will be repayable as follows:

- $1,480,304 in equal monthly installments of $13,707 for nine years commencing April 1, 2019; and

- $375,444 in equal monthly installments of $6,257 for five years commencing April 1, 2019.

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

Contractual Commitments as at December 31, 2017	**Payments Due by Period**				
	Total	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Accounts payable	$ 583,118	$ 567,398	$ 15,720	$ -	$ -
Due to related parties	370,232	370,232	-	-	-
Loans payable	1,855,748	-	419,242	479,134	957,372
Services contracts and leases	100,730	82,454	18,276	-	-
Total Contractual Commitments	**$ 2,909,828**	**$ 1,020,084**	**$ 453,238**	**$** 479,134	**$ 957,372**

The Company has stock options, warrants and broker warrants outstanding that, if exercised, would provide up to an additional $3,628,955 of cash for the Company. The exercise of the options and/or warrants is dependent on the price and activity of the Company's shares on the TSX Venture Exchange 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. In January 2018, the Company raised 867,500 through the issuance of shares. The Company will need to raise additional 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 earn positive income from operations. 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 February 26, 2018, 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	54,546,000	$ -	$ -	-
Incentive Options*	5,105,100	$ 0.46	$ 2,332,680	4.19
Warrants	1,735,000	$ 0.75	$ 1,301,250	0.86
Broker Warrants	50,050	$ 0.50	$ 25,025	0.86
	61,436,150		$ 3,658,955	

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

Cash Flows

	Six-month Period Ended December 31, 2017	2016
Cash and cash equivalents, beginning of period	**$ 262,464**	$ 494,427
Cash used by operating activities	**(1,846,710)**	(1,275,365)
Investing activities		
Enhancements to intellectual property, net of government grants	**(209,483)**	-
Purchases of equipment	**(102,849)**	(9,897)
Financing activities		
Net proceeds from loans	**198,444**	914,280
Net proceeds from issuances of shares	**1,660,469**	96,750
Net proceeds from subscriptions collected without issuing shares	**310,000**	-
Cash and cash equivalents, end of period	**$ 272,335**	$ 220,195

Cash used by Operating Activities

Cash used by operations was 45% higher in the six-month period ended December 31, 2017 as compared to the same period in 2016 primarily due to increased personnel expense related to additional development and management personnel to prepare for production and distribution of the Company's CX-6 SMART Seeder.

	Six-month Period Ended December 31, 2017	Six-month Period Ended December 31, 2016
Net loss for the period	**$ (2,597,754)**	$ (1,400,445)
Adjustments for items not affecting cash		
Depreciation of property and equipment	**17,695**	19,738
Amortization of intellectual property	**220,162**	222,988
Benefit of government loan treated as a government grant	**(87,501)**	(473,585)
Write-off of property and equipment included in development expenses	**35,232**	-
Interest accretion on loans payable	**58,480**	17,578
Share-based compensation	**996,571**	123,760
Expenditures from the income statement adjusted **for items not affecting cash**	**(1,357,115)**	(1,489,966)
Changes in non-cash working capital items		
Receivables	**17,965**	12,498
Prepaid expenses and deposits	**(28,529)**	(94,886)
Inventory	**(404,487)**	(46,564)
Accounts payable	**(158,327)**	281,622
Due to related parties	**83,783**	61,931
	$ (1,846,710)	$ (1,275,365)

Reflection

We had anticipated that the cash flows used in operations for 2018 would be materially similar to 2017 outside of the potential for significant variation related to 1) volume of CX-6 SMART Seeder production and sales and 2) development expenditures related to new and existing technologies. The level of sales and inventory production will have a significant impact on the amount of operating cash flows for Q3 and Q4.

Cash flows used in operations was approximately 17% higher than the previous year, prior to changes from inventory purchases for production, as a result of 1) five new full-time employees in the Company in the current period as compared to the previous period and 2) the costs associated with bonuses issued to employees in order to exercise stock options. The Company's operations required it to use a higher amount of cash for working capital purposes as part of preparing for production activities during the 2018 fiscal year.

Outlook

We continue to 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 and 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. 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. The volume of CX-6 SMART Seeder units sold will has a significant impact on the cash used by operating activities. 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

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 CX-6 SMART Seeder development activities for the 2018 fiscal year will be significantly 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 accounting standards for intangible assets. The Company now capitalizes enhancements to its SMART Seeder technology that are separate and identifiable from the CX-6 SMART Seeder, when those amounts are controllable, have a future benefit and qualify for capitalization under IFRS. 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.

Reflection

Development costs related to the CX-6 SMART Seeder have been expensed as incurred. The Company has capitalized development costs which are separate and identifiable from the CX-6 SMART Seeder, under company control and have a future economic benefit.

Below is a summary of intellectual property additions incurred during the three-month and six-month periods ended December 31, 2017 as compared with the same periods in the prior year:

	Three-month Period Ended December 31,		Six-month Period Ended December 31,	
Cost Type	**2017**	**2016**	**2017**	**2016**
Patent applications	$ 16,286	$ -	$ 49,013	$ -
Personnel	131,607	-	131,607	-
Premises	-	-	-	-
Purchases	42,373	-	42,373	-
Travel	3,371	-	3,371	-
Vehicle	-	-	-	-
	$ 193,637	$ -	$ 226,364	$ -

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 that could qualify for capitalization to intellectual property. The Company plans to undertake activities to broaden its intellectual property portfolio by investigating smart planting solutions targeting corn and soybean crops.

Purchases of Property & Equipment

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

Reflection

The Company had expected purchases of property and equipment to increase as compared to the amount incurred during the previous year. During the current year the Company purchased new production molds related to its CX-6 SMART Seeder that were significant. During the previous year there were no purchases of similar nature.

Outlook

We will continue to develop software to advance our SMART Seeder technology that could result in additional property and equipment purchases. 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 consists primarily of funds raised from the issuance of shares, the exercise of stock options and proceeds from repayable government contributions. Cash flows from financing activities have supported the Company's operating and investing activities since inception. See the statement of cash flows in our December 31, 2017 condensed consolidated interim financial statements for details of the source of funds for the two periods.

Reflection

During the current period ended, the Company raised $1,000,000 through the issuance of common shares, as well as loan proceeds of $55,000 through the Western Innovation Initiative Fund repayable contribution. During the same period in the prior year, the Company received loan proceeds of $914,000 through the AgriInnovation repayable contribution.

Outlook

During the 2018 fiscal year, we anticipate raising at least an additional $1,000,000 through the issuance of debt or equity to fund the Company's production, development and ongoing administration requirements. The Company is also seeking non-dilutive production financing alternatives to prepare for expanded production for the 2019 fiscal year.

Financial Condition

	December 31, 2017 ($)	June 30, 2017 ($)	Change ($)	Change (%)
Cash and Cash Equivalents	272,335	262,464	9,871	4
Cash used by Operations*	1,846,710	2,990,047	(1,143,337)	(38)
Total Monetary Debt	1,836,612	1,919,373	(82,761)	(4)
Working Capital (Deficit)	220,158	(456,948)	677,106	148
Debt as a % of Total Capitalization**	22.2	24.6	(2.4)	(10)

* The current period is the six months ended December 31, 2017 while the comparative is the year ended June 30, 2017

** Total capitalization refers to total debt and shareholders' equity

Off-Balance Sheet Activities

The Company had no off-balance sheet arrangements.

Financial Position

	December 31, 2017 ($)	June 30, 2017 ($)	Change ($)	Change (%)
Line Items to Highlight				
Cash and cash equivalents	272,335	262,464	9,871	4
Prepaid expenses and deposits	351,085	322,556	28,529	9
Inventory	532,376	127,889	404,487	316
Intellectual property	6,941,324	6,935,122	6,202	0
Total Assets	8,273,130	7,792,084	481,046	6
Total Liabilities	1,836,612	1,919,373	(82,761)	(4)

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, 2017 to December 31, 2017, our intellectual property has decreased as the Company has been amortizing intellectual property without incurring significant 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 December 31, 2017, the intellectual property accounted for 86% of total assets, and as at June 30, 2017 was 89%.

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 and legal deposits related to patent applications.

Inventory

The Company has been purchasing inventory in order to manufacture components of the 2018 CX-6 SMART seeders, which will be used in units for sale.

Other Assets

The other assets of the Company consist of 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	$ 583,118	Yes	$ 1,050	$ -	$ -
Due to related parties	370,232	Yes	-	-	-
Loans payable	883,262	Yes	58,480	-	-
Total Liabilities	**$ 1,836,612**		**$ 59,530**	**$ -**	**$ -**

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

The loans payable consists of $1,855,748 borrowed under its agreements with the Government of Canada, less the Benefit. The face value of $883,262 represents the amount measured at amortized cost using the effective interest rate method with an average discount rate of 17%, which was selected by management by applying significant judgement. The difference of $972,486 (the unamortized Benefit) is accreted over the life of the loans as "Interest" pursuant to IFRS. See **Repayable Government Loans** for additional information on the loans payable. The full 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. The Company could face foreign exchange risk related to production costs.

RELATED PARTY TRANSACTIONS

Transactions with related parties for the six-month periods ended December 31, 2017 and 2016 are as follows:

		December 31, 2017		December 31, 2016
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)	$	**57,200**	$	49,600

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

- a 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 on which the Company has access to run its equipment. The Company previously paid 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 December 31, 2016 and has continued on a month-to-month basis. During the current year, the Company increased its use of the facilities and now pays rent of $10,000 per month including the use of a farm vehicle (see 2 below).
- a 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. The use of the vehicle is now included in the premises lease indicated in 1) above.

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

		December 31, 2017		June 30, 2017
Amounts due to companies controlled by Directors and Officers of the Company. Amounts are non-interest-bearing, unsecured and are due on demand	$	**370,232**	$	286,449

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 *Certificate of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109). In contrast to the certificate required under 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 filings and other reports provided under securities legislation.

New Standards Adopted

IFRS 7 Cash Flow Statement

The Company will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g., drawdowns and repayments of borrowings) and non-cash changes, such as acquisitions, disposals, and accretion of interest and unrealized exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. IFRS will be effective for the Company's June 30, 2018 year-end. Adoption of this standard will impact the cash flow disclosure relating to the **Repayable Government Loans**.

New Standards Not Yet Adopted

There are new standards, interpretations and amendments to existing standards not yet effective for the 2018 fiscal year, and have not been applied in preparing our condensed consolidated interim financial statements. The Company's future accounting standards, including accounting standards not yet adopted and accounting standards amended but not yet effective, are:

IFRS 9 Financial Instruments

IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 will be effective for the Company's June 30, 2019 year-end, with early application permitted. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*, and contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when, revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS will be effective for the Company's June 30, 2019 year-end. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

IFRS 16 Leases

The new standard will replace IAS 17 *Leases* and eliminates the classification of leases as either operating or finance leases by the lessee. The treatment of leases by the lessee will require capitalization of all leases resulting in an accounting treatment similar to finance leases under IAS 17. Exemptions for leases of very low value or short- term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17. IFRS 16 will be effective for the Company's June 30, 2020 year-end. The Company is currently evaluating the impact this standard is expected to have on its consolidated financial statements.

Critical Accounting Estimates

The Company's MD&A is based on its condensed consolidated interim financial statements that have been prepared in accordance with IFRS. The preparation of condensed consolidated interim 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.

FORWARD-LOOKING INFORMATION

The financial information in this MD&A and in our condensed consolidated interim financial statements and notes are prepared according to IFRS. 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 that 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 and 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 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; and
- 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, including 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 differs from our expectations;
- Our ability to raise sufficient funds to meet our ongoing 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 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 that 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 data could be inaccurate or unreliable with respect to geographical market sizes for seeding and planting equipment, revenue amounts of each segment, its estimated market values, number of seeding units sold, number of planting units sold or the amount of revenue within each of the types of seeding and planting equipment;
- As a Company with limited historical 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; and
- 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:

i. Customer receptiveness to accepting and purchasing our CX-6 SMART Seeder and products;
ii. Market conditions upon which we have based our capital expenditure expectations;
iii. Liabilities inherent in our operations;
iv. Political, economic, commodity price and market risks;
v. Changes in regulation;
vi. Producers' decisions regarding total seeded acreage, crop selection and utilization levels of farm inputs, such as fertilizers and pesticides;
vii. Forecasted farming receipts for the 2018/2019 fiscal years;
viii. Uncertainties associated with estimated market demand and sector activity levels;
ix. Competition for, among other things, capital, acquisitions and skilled personnel;
x. Dependence on key personnel, employee relations and third-party relationships;
xi. 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;
xii. Our ability to comply with government, environmental and regulatory requirements;

xiii. Future expectations regarding tax rates and payments; and
xiv. 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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