



DRIVING TECHNOLOGY DEVELOPMENT  
**IN MODERN AGRICULTURE**



**MANAGEMENT DISCUSSION & ANALYSIS**  
2021 SECOND QUARTER



## 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 months ended December 31, 2020. This information is based on what we knew on March 1, 2021. 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. You can find more information about Clean Seed Capital Group Ltd., including our most recent filings on SEDAR, at [www.sedar.com](http://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 condensed consolidated interim 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.



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## 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. The Company's common shares are listed for trading on the TSX Venture Exchange under the symbol "CSX". 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. Since incorporating, the Company has received several awards for its technology innovations and was previously recognized as a TSX Venture 50 Company.

In February 2020, the Company entered into a joint venture (the "Joint Venture") with a subsidiary of Norwood Sales Inc. ("Norwood") to commercialize its planting and seeding technologies in North America.

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, British Columbia V6C 3B9  
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## 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 of the seeding operation. 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 team of professionals to create a farmer driven rethink from existing air seeding products in the marketplace. The result is the 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, reduction of product inputs (seeds, fertilizers and soil amendments, etc.) and reduction of 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 crop to meet current food demand, let alone to meet increased levels of future food 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 the best time in a plant's 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 our SMART Seeder technology, farmers and their agronomists 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, existing 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 the key factor to success, the farmer should not have to compromise overusing inputs to capture additional yield revenues or miss out on maximizing revenues in order 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.

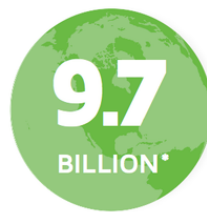
**UNWAVERING GLOBAL DEMAND  
MAXIMIZING ALL DRY LAND FARMS**

Every day the worlds population increases by



"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



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.



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 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

The Company has taken a farmer driven approach to developing its innovative SMART Seeder technology. Our team of engineers, technologists, agronomists, farmers and intellectual property professionals have focused on addressing the limitations faced by seeding operations and developing practical solutions that can be patent protected. 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.

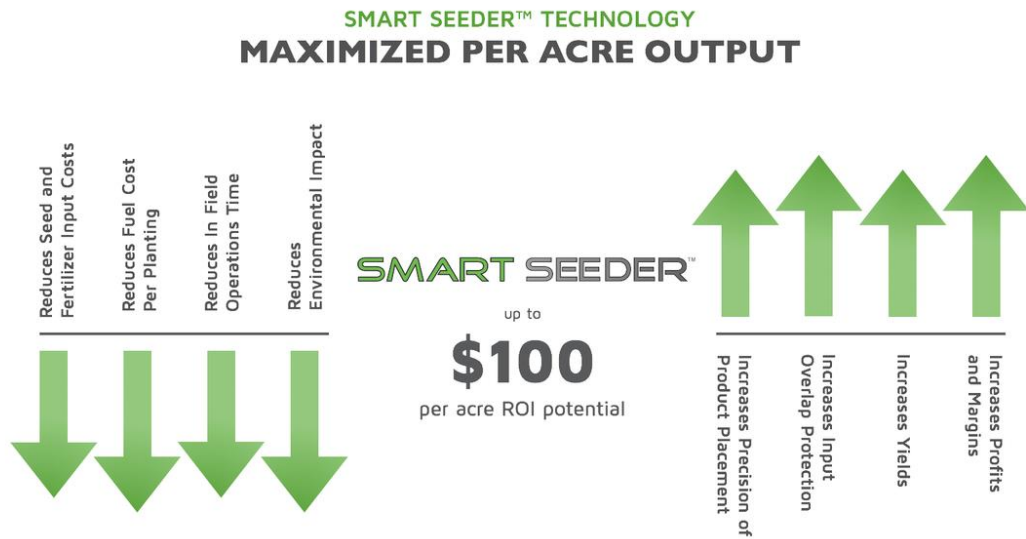
Product metering and distribution refers to how seeding equipment places farming inputs into the ground. Soil conditions are constantly changing across the field and do not limit themselves to symmetrical zones. Traditional air seeders do not have the flexibility to allow the farmer to put farming inputs into the ground across each square foot of the field to match soil conditions. This means the farmer has to compromise with the input blends and product application rates across the full or partial length of the air seeder, leading to either lost revenues, over-application of product inputs (higher costs), or an uneconomic combination of both. The SMART Seeder can plant independent combinations of up to five product inputs at each square foot of the field to match constantly changing soil conditions. The SMART Seeder includes singulation, positioning the technology to leverage into the planter market. Singulation is defined as one seed dropped at every spot you want a seed to drop.





## SMART Seeder Technology vs. Air Seeder Technology

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. The incremental benefits are driven by the following features each of which have agronomic or operational benefits to improve the farming operation:

<b>Unmatched Precision Row by Row Electric Product Metering</b>
✓ Five independent, individual agricultural product application capability
✓ 300 independent, electric, variable rate product control points
✓ Row by row precision singulation control of seeds, including canola, corn, soy, peas and hemp
✓ Row by row precision volumetric control of all products – from zero to 300 pounds per acre
✓ Easily switched, user defined seeding row spacing - 12”, 24” and 36”
✓ Easy to apply inter-cropping, multi-hybrid and cover cropping
✓ Precise turn rate-compensation and precision row by row shut to eliminate overlap
✓ No row-to-row flat rate product rate variance, seed bounce in furrow or seed fracturing
✓ Two easy methods to calibrate volumetric products – 1 min calibration kit or refine calibration with on-the-go tank load cells that match requested and applied product exactly
✓ High resolution product prescription implementation starting from 30 cm <sup>2</sup>
<b>Ground Engaging Unique and Disruptive Features</b>
✓ Unique opener with coulter and shank combination works for all field conditions
✓ Effective field trash flow-through staggered rows and rotating offset
✓ Six selectable in ground product placement options for maximum productivity
✓ Easily adjustable row by row precision depth control
✓ Maximum seed bed utilization option with 4” paired row seed placement
✓ Innovative soil fracturing and aeration with loose seed bed and root zone
✓ Seed safe 2.5” vertical separation of in furrow fertility for root zone
<b>Best in Class Operating, Logistics and Transport Features</b>
✓ Single front fold frame with narrow transport under 18 feet
✓ Single point unload conveyor for easy cleanout of rear tanks
✓ Easy to access and maintain volumetric and singulation metering systems
✓ Dual RTK GPS for true precision application
✓ Factory installed PTO hydraulic pump option for lower hydraulic flow tractor operations
✓ 5 compartments 760-bushel cart provides maximum operation flexibility
✓ Intuitive, easy to setup and use user interface software
✓ Data import, export cloud capabilities and wireless connectivity to the tractor cab



## Intellectual Property Portfolio

Clean Seed has secured its SMART Seeder's \$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.

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%

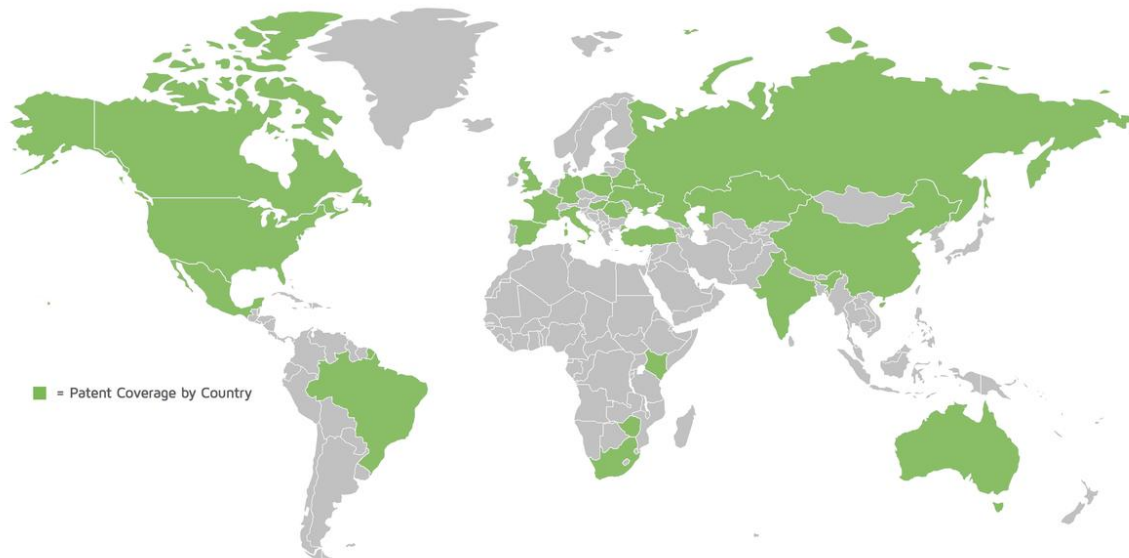


### CROP PRODUCTION AREA (ACRES)

Global: 2.1 Billion (Acres)  
Total Patent Coverage:

**1,468,326,260**

▲ 69.0%

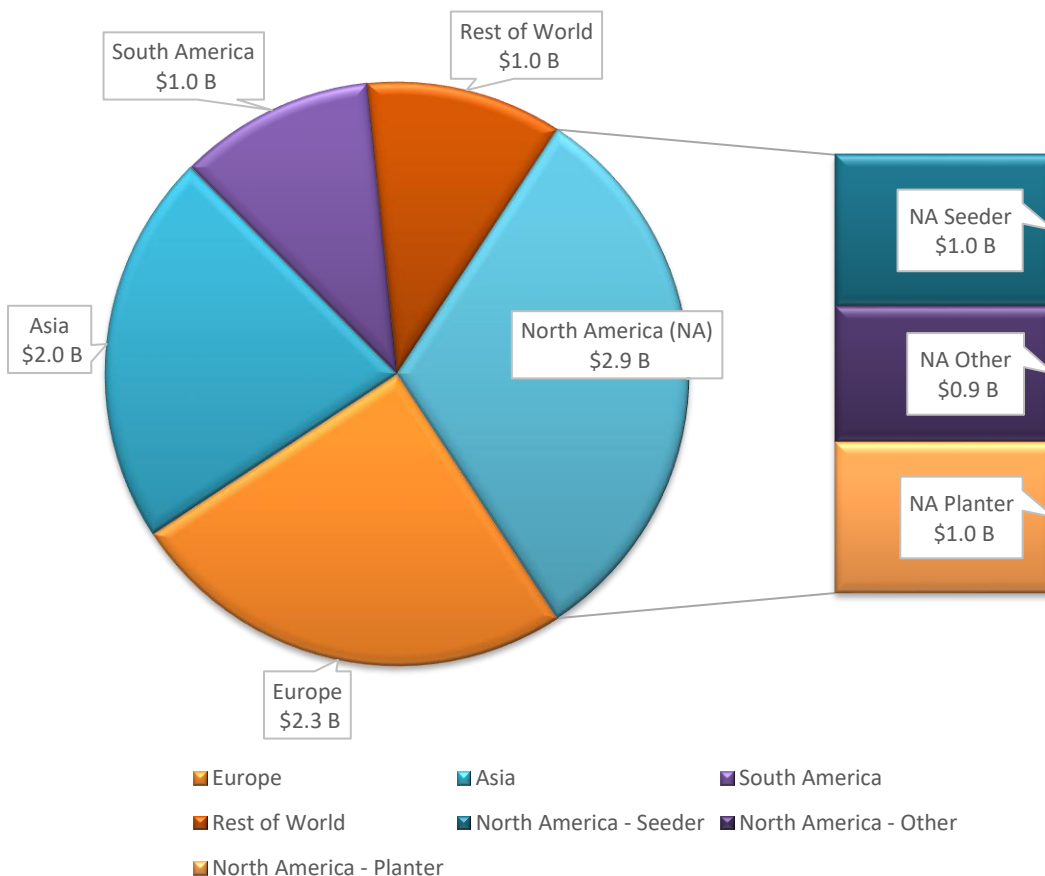


\* forward-looking information



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.

### Global Seeding and Planting Equipment Sales



As we advance our business, we plan to seek licensing agreements similar to the recent AMVAC Chemical Corporation (“AMVAC”) agreement, partnerships 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 over 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). 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 significantly 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.

### SMART Seeder MAX

The Company and Norwood have developed the SMART Seeder MAX from a combination of the Company's SMART Seeder technology and Norwood's frame and related technologies. The SMART Seeder MAX was built for the large scale Canadian and US prairie markets to resolve their seeding limitations. The SMART Seeder MAX is built on the principles of the CX-6 SMART Seeder and includes significant advancements and innovations from that previous product. With the capabilities to seed all crops used by seeders and planters, the SMART Seeder MAX is a true hybrid that will cross all markets as one platform.



## CLEAN SEED'S BUSINESS MODEL



Since its formation, Clean Seed has had the mission to facilitate progress in modern agriculture by driving technology development. The award-winning SMART Seeder technology 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 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.

We highlight the area entitled “material risks” within the **Forward-Looking Information** section.

### Norwood Joint Venture

In February 2020, the Company entered into a Joint Venture agreement with a subsidiary of Norwood under which the parties will undertake to commercialize new seeding and hybrid planting equipment for the North American market. The Joint Venture combines Norwood's significant market experience, technologies, engineering, supply chain and manufacturing resources with Clean Seed's award-winning SMART technologies. The Joint Venture provides Clean Seed a clear path to commercializing its SMART technologies without the financial requirements of a manufacturing plant, thus dramatically reducing its capital needs going forward.

The key terms of the Joint Venture are:

- Clean Seed and Norwood formed a new limited partnership to hold their Joint Venture interests with the purpose to develop, commercialize, distribute and support its hybrid planting and seeding equipment in North America;
- each of Clean Seed and Norwood hold a 50% interest in the ownership of the Joint Venture;
- Clean Seed licensed its SMART Seeder™ technologies to the Joint Venture for a renewable seven-year term;
- Norwood licensed its front folding frame rights, cart, hydraulics and other related technologies to the Joint Venture on the same terms as Clean Seed;
- Norwood is undertaking mechanical modifications, mechanical integration, hydraulic integration, related prototyping and mechanical engineering, all of which will be the property of the Joint Venture; and
- both Clean Seed and Norwood have contributed their respective components for production units to the Joint Venture.

The Joint Venture with Norwood secures a manufacturing solution and a well-established United States sales network while also combining our technology with Norwood's widely recognized tool bar (frame) and related technologies. Their proprietary frame design provides our SMART Seeder with a proven frame that will reduce both weight and transport width, which we believe will greatly broaden our market appeal. Norwood's engineering and design team has worked closely



alongside growers to provide a product well regarded in the industry and this will now be standard equipment carrying our SMART Technologies.

Clean Seed and Norwood are preparing its SMART Seeder MAX-S prototype for testing and demonstrations. We were previously targeting spring 2020, but faced internal and external delays driven by COVID-19 and the nature of development activities. Subsequent to completion of our fall testing program, Clean Seed and Norwood will evaluate:

- additional development work required, if any, to prepare the SMART Seeder MAX-S for commercialization;
- the amount and timing of the 2021 SMART Seeder MAX-S units to be produced; and
- the timing of the subsequent sales and marketing activities by the Joint Venture of the SMART Seeder MAX-S.

Under the Joint Venture, Clean Seed will receive 50% of the distributions made by the Joint Venture from its earnings.

### **J.Assy Singulation Technology**

The Company has entered into a long-term license, distribution and collaboration agreement with CISA Ind. E Com. Eireli (“J.Assy”) for the global supply of its J.Assy Singulation Meter and related technologies. Clean Seed has been collaborating with J.Assy to adapt, develop and prepare the Singulation Meter technology for Clean Seed. To integrate the J.Assy meter into its Seed Sync™ software platform, Clean Seed has developed a proprietary motor drive and control system, the combination of which will provide a new level of flexibility to the farmer.

The J.Assy Singulation Meter will combine with Clean Seed’s variable rate volumetric metering cluster as a feature of the new SMART Seeder MAX-S being introduced in 2020 by the Clean Seed/Norwood Joint Venture. Under the OEM supply portion of the agreement, J.Assy will manufacture and supply adapted Clean Seed branded singulation meters, seed disks and related components. This arrangement will provide Clean Seed with singulation solutions for all major crops in North America, including canola, corn and soybean.

### **Outlook**

Clean Seed continues to explore opportunities to work collaboratively with like-minded 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 advancement 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.***



## 2021 OUTLOOK

Our management and Board of Directors' agricultural knowledge, experience and expertise are vast. Our development team has been with our group since inception as we have conceptualized, designed and developed our SMART Seeder technology. We anticipate that the following activities will drive our performance for the 2021 fiscal year:

- assessing the results of the fall testing of the SMART Seeder MAX-S prototype and determining the spring 2021 SMART Seeder MAX-S unit specifications and production program
- pursuing limited early adopter sales during the 2021 calendar year
- evaluating the performance of the 2021 SMART Seeder MAX-S, and planning the sales, marketing and production activities for the 2022 SMART Seeder MAX and MAX-S
- developing additional synergistic technologies to add to our intellectual property portfolio
- evaluating aftermarket sales opportunities with our intellectual property portfolio
- entering into strategic relationships that are synergistic to Clean Seed
- pursuing opportunities to accelerate business development, growth and performance
- continuing to broaden our intellectual property portfolio, including submitting patent applications for significant innovations
- obtaining patents for applications previously submitted

## 2021 YEAR-TO-DATE

During the 2021 fiscal year, the primary activities of the Company's have been:

- commencing testing of the SMART Seeder MAX-S prototype
- launching and presenting the SMART Seeder MAX-S
- planning the sales, marketing and production activities of the 2021 and 2022 SMART Seeder MAX-S
- receiving acceptance of our Canadian patent applications to broaden our variable ratio patent, which covers our ability to precision plant at the square foot of the field
- receiving acceptance of our flow control patent application in the Ukraine

Please refer to the section titled **Forward-Looking Information** for additional information on our 2021 fiscal year outlook.



## RESULTS OF OPERATIONS

### Six Months Ended December 31, 2020

During the six months ended December 31, 2020, the net loss and comprehensive loss was \$1,493,000 (\$0.02 per share) as compared to net loss and comprehensive loss of \$1,769,000 (\$0.03 per share) for the six months ended December 31, 2019.

A substantial amount of the Company's operating expenses pertained to non-cash items, including amortization of intellectual property, depreciation of property and equipment, share-based compensation and interest accretion. There was non-cash amortization, depreciation and interest accretion, and share-based compensation expense incurred of \$727,000 during the current period, as compared to \$920,000 during the previous year.

The Company's loss before interest, depreciation, amortization and share-based compensation was \$745,000 for the six months ended December 31, 2020, as compared to \$636,000 for the six months ended December 31, 2019, an increase of \$109,000 (17%) from the prior year. We highlight that **loss before interest, depreciation, amortization and share-based compensation** is a "non-IFRS financial measure". See section titled **Non-IFRS Financial Measures** for more information.

During the six months ended December 31, 2020, we highlight the following major differences:

- a reduction of \$161,000 for interest expense during the current year, as compared to the prior year. During Q4 2020, the Company made promissory loan repayments of \$1.7M, which reduced the amount of interest-bearing instruments outstanding for the six months ended December 31, 2020, as compared to the six months ended December 31, 2019.
- a reduction of \$117,000 for professional expense during the period ended December 31, 2020, as the Company had incurred professional fees of \$181,000 related to non-recurring transaction costs during the six months ended December 31, 2019, and
- a decrease of \$211,000 for share-based compensation, as a result of options modified during Q4 2019 with total compensation expense of approximately \$300,000.

	Six Months Ended		\$	%
	2020	December 31, 2019		
<b>Operating Expenses</b>				
Amortization of intellectual property	\$ 362,000	\$ 366,000	(4,000)	(1)
Depreciation of property and equipment	105,000	113,000	(8,000)	(7)
Foreign exchange loss	69,000	-	69,000	~
Interest	159,000	320,000	(161,000)	(50)
Office and miscellaneous	86,000	64,000	22,000	34
Personnel	336,000	272,000	64,000	24
Premises	24,000	28,000	(4,000)	(14)
Professional	157,000	274,000	(117,000)	(43)
Research and development (recovery)	16,000	(30,000)	46,000	153
Share-based compensation	123,000	334,000	(211,000)	(63)
Travel and trade shows	56,000	28,000	28,000	100
<b>Net loss and comprehensive loss</b>	<b>\$ (1,493,000)</b>	<b>\$ (1,769,000)</b>	<b>(276,000)</b>	

Significant operating expenses incurred in the current six months ended and variations of operating expenses as compared to the prior period include:



<b>Amortization of Intellectual Property</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$ 362,000	\$ 366,000	(4,000)	(1)

The Company amortizes its intellectual property available for use in accordance with IFRS. Intellectual property is amortized on a straight-line basis over the remaining life of the related portfolio of patents. Amortization of intellectual property was consistent with the prior period due to the amount of intellectual property in use being materially the same.

	<b>2020</b>	<b>2019</b>
Intellectual property in use (commercialized under IFRS)	\$ 11,823,000	\$ 11,823,000
Intellectual property not in use (not yet commercialized under IFRS)	419,000	225,000
	\$ 12,242,000	\$ 12,048,000

The development work undertaken pursuant to the Joint Venture is not considered to be commercialized yet and is therefore not yet amortized. While most of the development work is considered a contribution to the Joint Venture, certain development expenditures are considered the continual property of the Company and are not considered contributions to the Joint Venture.

<b>Depreciation of Property and Equipment</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$ 105,000	\$ 113,000	(8,000)	(7)

The decrease in the current period was a result of a lower average capital asset net book value during the six months ended December 31, 2020, as compared to December 31, 2019. Depreciation of right-of-use assets make up the majority of the balance. During the six months ended December 31, 2020, right-of-use assets were 87% (2019: 72%) of depreciation expense incurred.

<b>Interest on Loans</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$ 159,000	\$ 320,000	(161,000)	(50)

Interest on loans during the six months ended December 31, 2020 includes interest of \$58,000 (2019: \$196,000) on promissory notes and non-cash items of \$137,000 (2019: \$107,000) related to interest accretion on 0% interest government loans and interest accretion on leases. 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 24 over the life of the loan in accordance with IFRS. The decrease of interest on loans was primarily due to the average amount of promissory notes outstanding being significantly reduced during the six months ended December 31, 2020, as compared to the period ended December 31, 2019. The Company extinguished promissory notes with principal of \$1.8M during Q4 2020.



Personnel Expense	2020	2019	Change (\$)	Change (%)
	\$ 336,000	\$ 272,000	64,000	24

Personnel expense on the income statement increased for the six months ended December 31, 2020 and 2019. The Company incurred total personnel fees during the six months ended December 31, 2020 as follows:

2020	Personnel Count	Expense for the Period	Allocation on Financial Statements
Administration	4	\$ 95,000	Personnel
Executives	3	330,000	Personnel / IP
Marketing	8	399,000	Personnel / IP
Technical	2	48,000	R&D / IP
Total	17	\$ 872,000	

The Company incurred total personnel fees during the six months ended December 31, 2019 as follows:

2019	Personnel Count	Expense for the Period	Allocation on Financial Statements
Administration	3	\$ 52,000	Personnel
Executives	3	276,000	Personnel / IP
Marketing	2	91,000	Personnel / IP
Technical	12	355,000	R&D / IP
Total	20	\$ 774,000	

The allocation of personnel fees during the period was:

Personnel	-	\$ 336,000	(2019: \$ 272,000)
Research and Development	-	\$ 7,000	(2019: \$ 36,000)
Intellectual Property	-	\$ 529,000	(2019: \$ 466,000)

Professional Expense	2020	2019	Change (\$)	Change (%)
	\$ 157,000	\$ 274,000	(117,000)	(43)

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 decreased during the current year, as compared to the same period in the prior year due to \$181,000 of non-recurring transaction fees being incurred during the six months ended December 31, 2019. Besides those changes, professional fees increased by \$64,000 due to increased investor distribution and related media services retained.

Research and Development Expense (recovery)	2020	2019	Change (\$)	Change (%)
	\$ 16,000	\$ (30,000)	46,000	153

Research and development expenses are costs incurred to develop and test the SMART Seeder MAX-S and related SMART Seeder technologies that do not meet the criteria for capitalization. Research and development expenses consist of engineering and technical staff costs, consulting fees, professional fees, materials, prototypes, production molds no longer in use, purchases, travel, testing and testing facilities.



Substantially all of the Company's SMART Seeder expenditures qualified as development expenditures or were for inventories of components. See the section "Intellectual Property Expenditures" for a summary of the SMART Seeder technology expenditures.

During the six months ended December 31, 2019, the Company had a recovery of expenses from the reversal of a non-recurring provision.

<b>Share-based Compensation</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense (recovery)	\$ 123,000	\$ 334,000	(211,000)	(63)

Share-based compensation expense is related to the grant and modification of incentive stock options in accordance with the Company's stock option plan. During the six months ended December 31, 2019, the Company granted 1,500,000 stock options and modified 3,360,100 stock options. During the six months ended December 31, 2020, the Company granted 454,000 options.

The options activity was as follows:

	<b>2020</b>		<b>2019</b>	
	<b># of Options Granted</b>	<b>Fair Value of Options</b>	<b># of Options Granted</b>	<b>Fair Value of Options</b>
<b>Options Granted in Prior Periods with Vesting Terms (Recovery)</b>	-	\$ 44,000	-	\$ -
<b>Options Granted in Current Period</b>	454,000	79,000	1,350,000	36,000
<b>Options Modified</b>	-	-	-	298,000
<b>Total Share-based Compensation</b>	<b>454,000</b>	<b>\$ 123,000</b>	<b>1,350,000</b>	<b>\$ 334,000</b>

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



### Three Months Ended December 31, 2020

During the three months ended December 31, 2020, the net loss and comprehensive loss was \$859,000 (\$0.01 per share), as compared to net loss and comprehensive loss of \$1,140,000 (\$0.02 per share) for the three months ended December 31, 2019. The Company's primary operations during the three months ended December 31, 2020 and 2019 were development of its SMART Seeder technology for contribution to its Joint Venture and continued business development. The decrease in net loss and comprehensive loss between the two periods was primarily due to reduced share-based compensation, reduced interest costs and reduced professional fees.

	Three Months Ended December 31,		\$	%
	2020	2019	Change	Change
<b>Operating Expenses</b>				
Amortization of intellectual property	\$ 181,000	\$ 185,000	(4,000)	(2)
Depreciation of property and equipment	53,000	58,000	(5,000)	(9)
Foreign exchange loss	41,000	-	41,000	~
Interest	78,000	172,000	(94,000)	(55)
Office and miscellaneous	68,000	23,000	45,000	191
Personnel	201,000	132,000	69,000	51
Premises	14,000	6,000	8,000	133
Professional	71,000	265,000	(194,000)	(73)
Research and development (recovery)	8,000	(44,000)	52,000	118
Share-based compensation	101,000	334,000	(233,000)	(70)
Travel and trade shows	43,000	9,000	34,000	378
<b>Net loss and comprehensive loss</b>	<b>\$ (859,000)</b>	<b>\$ (1,140,000)</b>	<b>(281,000)</b>	<b>(25)</b>

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

Amortization of Intellectual Property	2020	2019	Change (\$)	Change (%)
Expense	\$ 181,000	\$ 185,000	(4,000)	(2)

The Company amortizes its intellectual property available for use in accordance with IFRS. Intellectual property is amortized on a straight-line basis over the remaining life of the related portfolio of patents. The results for the months ended December 31, 2020 were proportionate with the three months ended December 31, 2019. See the discussion under the six months ended December 31, 2020.



<b>Interest on Loans</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$ 78,000	\$ 172,000	(94,000)	(55)

Interest on loans during the three months ended December 31, 2020 includes interest of \$29,000 (2019: \$196,000) on promissory notes, non-cash items of \$68,000 (2019: \$86,000) related to interest accretion on 0% interest government loans and interest accretion on leases. 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 24 over the life of the loan in accordance with IFRS. The decrease of interest on loans was primarily due to the average amount of promissory notes outstanding being significantly reduced during the six months ended December 31, 2020, as compared to the period ended December 31, 2019. The Company extinguished promissory notes with principal of \$1.8M during Q4 2020.

<b>Personnel</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$ 201,000	\$ 132,000	69,000	51

Personnel expense on the income statement increased for the six months ended December 31, 2020 and 2019. The Company incurred total personnel fees during the three months ended December 31, 2020 as follows:

<b>2020</b>	<b>Personnel Count</b>	<b>Expense for the Period</b>	<b>Loan Benefit</b>	<b>Allocation on Financial Statements</b>
Administration	4	\$ 56,000	\$ -	Personnel
Executives	3	167,000	-	Personnel / R&D
Marketing	1	19,000	-	Personnel / R&D / IP
Technical	9	211,000	-	R&D
<b>Total</b>	<b>17</b>	<b>\$ 453,000</b>	<b>\$ -</b>	

The Company incurred total personnel fees during the three months ended December 31, 2019 as follows:

<b>2019</b>	<b>Personnel Count</b>	<b>Expense for the Period</b>	<b>Loan Benefit</b>	<b>Allocation on Financial Statements</b>
Administration	3	\$ 26,000	\$ -	Personnel
Executives	3	138,000	-	Personnel / R&D
Marketing	2	46,000	-	Personnel / R&D / IP
Technical	12	177,000	-	R&D
<b>Total</b>	<b>20</b>	<b>\$ 387,000</b>	<b>\$ -</b>	

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

Personnel	-	\$ 201,000	(2019: \$ 132,000)
Research and Development	-	\$ nil	(2019: \$ 12,000)
Intellectual Property	-	\$ 252,000	(2019: \$ 243,000)



<b>Professional</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$ 71,000	\$ 265,000	(194,000)	(73)

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 decreased during the current year as compared to the same period in the prior year due the prior year having increased fees from non-recurring transaction costs and from entering into the Joint Venture with Norwood.

<b>Share-based Compensation</b>	<b>2020</b>	<b>2019</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$ 101,000	\$ 334,000	(233,000)	(70)

Share-based compensation expense is related to the grant and modification of incentive stock options in accordance with the Company's stock option plan. During the three months ended December 31, 2019, the Company granted 1,500,000 stock options and modified 3,360,100 stock options. During the three months ended December 31, 2020, the Company granted 454,000 stock options.

The options activity was as follows:

	<b>2020</b>		<b>2019</b>	
	<b># of Options Granted</b>	<b>Fair Value of Options</b>	<b># of Options Granted</b>	<b>Fair Value of Options</b>
<b>Options Granted in Prior Periods with Vesting Terms (Recovery)</b>	-	\$ 22,000	-	\$ -
<b>Options Granted in Current Period</b>	454,000	79,000	1,350,000	35,000
<b>Options Modified</b>	-	-	-	298,000
<b>Total Share-based Compensation</b>	<b>454,000</b>	<b>\$ 101,000</b>	<b>1,350,000</b>	<b>\$ 333,000</b>

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



## Repayable Government Loans

During the 2017 and 2019 fiscal years, the Company entered into repayable government contributions (loans) with the Government of Canada with total borrowing available of \$2,758,000. 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 Standard (“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 under market conditions. The difference between the proceeds received (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. The Company had borrowed \$2,532,000, which had a cumulative calculated fair value of \$1,124,000, and is currently being carried at \$1,546,000. During the six months ended December 31, 2020, \$78,000 (2019: \$86,000) of the Benefit was amortized in the Company’s condensed consolidated interim statements of comprehensive loss as “Interest” and \$25,000 (2019: \$17,000) of the benefit was amortized in the Company’s condensed consolidated interim statements of financial position as “Intellectual Property”.

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



## Non-IFRS Financial Measures

In the **Results of Operations** for the six months ended December 31, 2020 and six months ended December 31, 2019, the Company uses a non-IFRS financial measure labelled “loss before interest, depreciation, amortization and share-based compensation”. The measure is calculated by removing those items from the net loss presented on our condensed consolidated interim statements of comprehensive loss. This measure does not have a standardized meaning under IFRS. Management uses this measure internally to evaluate its results of operations as it removes:

- the impact of non-cash depreciation, amortization, share-based compensation and interest accretion; and
- the impact of cash-based interest, which is a result of the financing strategy undertaken at that point in time.

Loss per share in 2020 and 2019 have been impacted by the items enumerated in the table below, which reconciles profit (loss) to earnings (loss) before interest, depreciation, amortization and share-based compensation.

	Six Months Ended December 31,	
	2020	2019
Net loss	\$ (1,494,000)	\$ (1,769,000)
Basic and diluted net loss per share	\$ (0.02)	\$ (0.03)
Amortization on intellectual property	\$ 362,000	\$ 366,000
Depreciation of property and equipment	\$ 105,000	\$ 113,000
Interest on Loans	\$ 159,000	\$ 320,000
Share-based compensation	\$ 123,000	\$ 334,000
Loss before interest, amortization, depreciation and share-based compensation	\$ (745,000)	\$ (636,000)
Basic and diluted loss before interest, amortization, depreciation and share-based compensation per share	\$ (0.01)	\$ (0.01)



## 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 loss 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, as well as the research and development activities undertaken during a quarter; 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 Earnings (Loss) Per Share (\$)	Total Assets (\$)	Long-Term Liabilities (\$)	Cash Dividend (\$)
December 31, 2020	-	(859,000)	(0.01)	12,799,503	1,382,129	-
September 30, 2020	-	(635,000)	(0.01)	13,590,000	1,405,000	-
June 30, 2020	5,202,000	4,500,000	0.06	14,249,000	1,427,000	-
March 31, 2020	-	(640,000)	(0.01)	10,895,000	1,444,000	-
December 31, 2019	-	(1,011,473)	(0.02)	10,728,764	1,490,492	-
September 30, 2019	-	(628,957)	(0.01)	10,530,093	1,369,260	-
June 30, 2019	-	(1,248,180)	(0.02)	9,964,540	1,069,993	-
March 31, 2019	-	(771,431)	(0.01)	9,978,089	1,064,452	-

### Revenues

During the quarter ended June 30, 2020, the Company licensed certain intellectual property in exchange for a license fee of \$5,202,250, which was fully recognized as revenue.

### Net Income (Loss) and Earnings (Loss) per Share

For the quarter ended March 31, 2019, the Company continued development of its SMART Seeder technology and focused on advancing the proposed acquisition of a US-based company, which terminated April 15, 2019.

For the quarters ended June 30, 2019 and September 30, 2019, the Company was evaluating strategic alternatives to advance its SMART Seeder technology.

For the quarters ended December 31, 2019, March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, the Company was focused on closing its Joint Venture with Norwood and advancing the SMART Seeder MAX-S prototype, which the Joint Venture began developing in fall 2019. During the quarter ended June 30, 2020, the Company earned revenues of \$5,202,250 from license of its technology to AMVAC.



### Total Assets

In addition to the licensing revenues collected in April 2020, the Company completed the following financings through the issuance of shares to support the development and commercialization of its SMART Seeder technology and the related business development opportunities:

- during the quarter ended June 30, 2020, for gross proceeds of \$1,906,250;
- during the quarter ended March 31, 2020, for gross proceeds \$1,277,500; and
- during the quarter ended September 30, 2019, for gross proceeds of \$1,680,000.

A substantial amount of the total assets in each period presented above is comprised of intellectual property (see page 31 for discussion on the intellectual property). During the year ended June 30, 2020, the Company adopted IFRS 16 *Leases*, which increased total assets.

### Long-Term Liabilities

During the 2017 and 2019 fiscal years, the Company entered into three long-term loan agreements with her Majesty the Queen of Canada for total borrowings of \$2.532M. The amounts shown in the Quarterly Results table are presented at their fair value in accordance with IFRS. For additional discussion on the difference between the fair value and the legal liability, see **Repayable Government Loans**.

## **LIQUIDITY & CAPITAL RESOURCES**

The Company's historical capital needs have been met by raising funds through the issuance of equity and debt instruments. As of December 31, 2020, the Company had cash and cash equivalents of \$1,286,000, while the carrying amount of its debt was \$3,496,602. The Company will need to raise funds to meet its ongoing operations, its current obligations and its planned business activities for the 2021 fiscal year and beyond.

The primary factors impacting the Company's liquidity are its ability to produce, sell and collect the proceeds from the sales of its products and services, its ability to license its technology and its ability to obtain financing as it requires. Commercializing technology carries uncertainty with respect to the timing and volume of sales and the associated costs to produce and service those sales. Accordingly, the Company entered into the Joint Venture with Norwood to commercialize planting and seeding equipment in North America, which substantially reduces its future cash outflows associated with commercializing under an approach whereby it undertook to manufacture and distribute on its own.

During the years ended June 30, 2017 and 2019, the Company entered into three zero-interest loan agreements with two different departments of the Canadian federal government. The Company has \$nil of further borrowing available under these loans. The loans are repayable as follows:

- \$1,599,461 in monthly instalments of \$16,532 for nine years commencing March 31, 2019;
- \$425,000 in monthly instalments of \$7,083 for five years commencing April 1, 2019; and
- \$508,000 in monthly instalments of \$8,581 for five years commencing April 1, 2021.



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

Contractual Commitments as at December 31, 2020	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Accounts payable	\$ 704,000	\$ 704,000	\$ -	\$ -	\$ -
Loans payable	3,350,000	1,457,000	908,000	583,000	402,000
Other purchase commitments	808,000	130,000	295,000	144,000	239,000
<b>Total Contractual Commitments</b>	<b>\$ 4,862,000</b>	<b>\$ 2,291,000</b>	<b>\$ 1,203,000</b>	<b>\$ 727,000</b>	<b>\$ 641,000</b>

The Company has stock options and warrants outstanding that, if exercised, would provide up to an additional \$5,400,000 of cash for the Company. See the table under **Share Structure** for more information on those instruments. 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. The Company's share price as of February 26, 2021 of is \$0.60 while the weighted average exercise price of the options is \$0.23 per share and the weighted average exercise price of the warrants is \$0.50 per share. The Company expects there to be warrants and options exercised over the coming twelve months if the Company's share price remains at this level. All the warrants will expire on July 31, 2021.

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. The combination of financing required to proceed with commercializing its technology, meet its contractual commitments and meet its operating requirements will determine the amount of funds the Company needs to raise in future years. The strategy set for, the extent of financing required by and sources of financing available to the Joint Venture will dictate the amount of funds the Company may be required to invest in future years. As of the date hereof, the Company has no financial commitments for the Joint Venture, but is contributing development and business resources to the Joint Venture. The Company will continue to evaluate opportunities to generate revenues from other sources that will reduce its requirement to obtain debt or equity financing.

Until the Company or its associated entities reach 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 March 1, 2021, 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)
<b>Common Shares</b>	76,760,500	\$ -	\$ -	
<b>Incentive Options*</b>	5,617,100	\$ 0.25	1,396,220	2.93
<b>Warrants*</b>	5,915,000	\$ 0.50	2,957,500	0.42
	88,292,600		\$ 4,353,720	

\* Incentive options and warrants are convertible into common shares of the Company at their respective exercise price.

## Cash Flows

	Six Months Ended December 31,	
	2020	2019
<b>Cash and cash equivalents</b> , beginning of period	\$ 3,198,000	\$ 92,000
<b>Cash used by operating activities</b>	(801,000)	(923,000)
<b>Investing activities</b>		
Enhancements to intellectual property, net of government grants	(809,000)	(602,000)
Purchase of equipment	(17,000)	(7,000)
<b>Financing activities</b>		
Net proceeds from loans	-	169,000
Repayments of loans payable	(285,000)	(421,000)
Net proceeds from issuance of shares	-	1,089,000
Net proceeds from subscription of shares	-	695,000
<b>Cash and cash equivalents</b> , end of period	\$ 1,286,000	\$ 92,000

### Cash used by Operating Activities

Cash used by operations was 22% lower for the six months ended December 31, 2020, as compared to the prior year period, primarily due to reduced cash used to fund working capital in the current year. In the current year the Company has purchased inventories for production of the 2021 SMART Seeder MAX S. In the prior year period the Company had substantial historical accounts payable repayments from its financing activities.



	Six Months Ended December 31,	
	2020	2019
<b>Net loss for the period</b>	\$ (1,494,000)	\$ (1,769,000)
<b>Adjustments for items not affecting cash</b>		
Amortization and depreciation	467,000	478,000
Benefit of government loan treated as a government grant	-	(13,000)
Interest accretion and accrual on loans payable	159,000	301,000
Share-based compensation	123,000	334,000
Recovery of provisions and expenses	(12,000)	(67,000)
<b>Expenditures from the income statement adjusted for items not affecting cash</b>	<b>(757,000)</b>	<b>(736,000)</b>
<b>Changes in non-cash working capital items</b>	<b>(44,000)</b>	<b>(187,000)</b>
	\$ <b>(801,000)</b>	\$ <b>(923,000)</b>

### ***Commentary on the Six Months Ended December 31, 2020***

We had anticipated that cash flows used in operations prior to changes in working capital would increase in 2021 by up to 33%, as compared to 2020, based on the nature of the Company's planned activities. Cash flows from operations prior to changes in working capital decreased by \$61,000, or 8%. The change was lower than expected, and is generally the result of the nature of activities during the period being development oriented as the Company was commissioning and testing its SMART Seeder technology on the SMART Seeder MAX-S prototype.

### ***Outlook for Remaining 2021 Fiscal Year***

While the Company anticipates receiving royalty revenues during the 2021 fiscal year, the amount will not be known until Q4 2021. The Company may receive additional licensing revenues from other sources; however, it is not considered likely, and the Company is not relying upon the receipt of licensing revenues. As a result, we will compare the cash flows used in operations prior to the receipt of any inflows from licensing revenues and royalty revenues. The Company expects cash flows used in operations to increase relative to last year as part of its contributions for the Joint Venture's spring activities to prepare the SMART Seeder MAX-S for commercialization.

### ***Cash used in Investing Activities***

Cash used in investing activities consists of property and equipment purchases and enhancements to intellectual property. The Company is party to a Joint Venture with Norwood, which requires certain contributions to develop the SMART Seeder MAX-S prototype, including development activities related to adapting their respective technologies for planting and seeding equipment to be commercialized. These development activities are considered part of each party's investment into the Joint Venture. Accordingly, the Company will continue to have significant development expenditures, many of which will be applied towards its interests in the Joint Venture. These expenditures are classified as development expenditures on the Company's condensed consolidated interim statements of cash flows.



### Enhancements to Intellectual Property

The Company capitalizes development costs when those expenditures meet the definition of an asset pursuant to IFRS for intangible assets, which includes costs that:

- are separate and identifiable;
- are controllable;
- have a future benefit; and
- related to activities that qualify for capitalization under IFRS.

The Company has one cash generating unit, the SMART Seeder technology portfolio. All the development costs capitalized to intellectual property are related to the SMART Seeder technology portfolio. The amounts capitalized by the Company include the cost of development staff working directly on the development projects, consulting fees incurred, material and component purchases, intellectual property protection costs, travel, testing costs and testing facilities. In addition to development costs, the Company also incurs inventory purchases, personnel costs, and research and development costs related to the SMART Seeder technology cash generating unit.

### Commentary on the Six Months Ended December 31, 2020

The Company expected it would continue to have significant development activities related to its SMART Seeder technology. During the quarter ended December 31, 2020, the Company capitalized \$892,000 of development costs, as compared to \$662,000 during the quarter ended December 31, 2019, an increase of 35%, or \$230,000. Development costs increased as compared to the prior period, as there was an increase in development activities of the Company in advancing the SMART Seeder MAX-S project with Norwood.

Below is a summary of the SMART Seeder technology cash generating costs incurred during the period and their allocation amongst intellectual property, inventories, development expense and personnel expense.

	Six Months Ended December 31,	
	2020	2019
<b>Type of SMART Seeder Technology Cost:</b>		
Personnel	\$ 611,000	\$ 494,000
Purchases	257,000	88,000
Professional	110,000	56,000
Premises	25,000	29,000
Capitalized interest accretion	25,000	-
Travel	19,000	19,000
Benefit on zero-interest government loan*	-	(54,000)
	<b>\$ 1,047,000</b>	<b>\$ 632,000</b>
<b>Allocation of SMART Seeder Technology Cost:</b>		
Development costs as intellectual property	\$ 888,000	\$ 662,000
Purchases of parts and components of inventories	74,000	
Allocated as personnel expense	69,000	
Allocated as development expense	16,000	(30,000)
	<b>\$ 1,047,000</b>	<b>\$ 632,000</b>

\* See Repayable Government Loans for additional information on the government loan benefit.



Below is a reconciliation of development additions on the condensed consolidated interim statements of financial position to development expenditures on the condensed consolidated interim statements of cash flows:

	Six Months Ended December 31,	
	2020	2019
Net intellectual property additions	\$ 16,000	\$ 297,000
Amortization of intellectual property	\$ 361,000	\$ 365,000
Intellectual property contributions to Joint Venture	\$ 514,000	\$ -
Intellectual property additions	\$ 892,000	\$ 662,000
Capitalized interest costs	\$ (51,000)	\$ (29,000)
Government Loans benefit	\$ -	\$ 54,000
Costs incurred in accounts payable	\$ (31,000)	\$ (85,000)
Expenditures to enhance intellectual property	\$ 809,000	\$ 602,000

The expenditures to enhance intellectual property increased by \$207,000, or 34%. During the same period in the prior year, the Company had reduced purchases and professional fees based on the Joint Venture being in its early stages.

#### ***Outlook for 2021 Fiscal year***

We had anticipated that the nature of the work to be focused on commercialization refinements to prepare the SMART Seeder technology for commercial units of the SMART Seeder MAX. Based on these expectations, we had anticipated that the development expenditures to be incurred for the 2021 fiscal year will be reduced by up to 25%, as compared to the 2020 fiscal year. Based on the results for the first six months of the 2021 fiscal year, we now believe the expenditures to enhance intellectual property for the 2021 fiscal year will be similar to the 2020 fiscal year.

In addition, the Company anticipates it will continue to have development activities related to its SMART Seeder synergistic technology plans that are not directly related to contributions to the Joint Venture. Based on the nature of development activities and the inherent uncertainties as of the date of this MD&A, we could experience significant variability in our cash flows used by development activities.

#### ***Purchases of Property and Equipment***

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

#### ***Commentary on the Six Months Ended December 31, 2020***

The Company did not purchase significant property and equipment during the six months ended December 31, 2020 or 2019.

#### ***Outlook for 2021 Fiscal Year***

As we advance our SMART Seeder technology to commercialization with the Joint Venture in North America and in other markets thereafter, we will have property and equipment purchases, including production molds, demonstration units and other related 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 SMART Seeder technology. Whether these expenditures will be the responsibility of Clean Seed or the Joint Venture will depend on the timing and financing available to the Joint Venture. We expect that those capital-intensive expenditures



could begin occurring during the 2021 fiscal year. We could experience significant variability in our cash flows used by purchases of property and equipment activities.

### Cash from Financing Activities

Cash from financing activities consists primarily of funds raised from the issuance of shares, exercise of stock options, proceeds from repayable government contributions and promissory notes. Cash flows from financing activities have supported the Company's operating and investing activities since inception. See the condensed consolidated interim statements of cash flows in our December 31, 2020 condensed consolidated interim financial statements for details of the source of funds for the two periods.

### **Commentary on the Six Months Ended December 31, 2020**

During the six months ended December 31, 2020, the Company had loan repayments of \$285,000. During the six months ended December 31, 2019, the Company raised proceeds of \$1,784,000 through the issuance of common shares and receipt of share subscriptions and made loan repayments of \$169,000.

### **Outlook for 2021 Fiscal Year**

During the 2021 fiscal year, the Company anticipates raising additional funds to support the long-term objectives of the business, including both working capital financing for Joint Venture inventory contributions and financing to support the medium-term requirements of the business. The Company may receive financing through the exercise of options or warrants, which would reduce its requirement to issue new securities.

The Company has 7.9M warrants outstanding that, if exercised, would provide sufficient financing for the medium-term requirements of the business. As of the date of this MD&A, those warrants are in the money and are set to expire July 31, 2021. The Company believes these warrants could be exercised if the Company and the Joint Venture are able to reach milestones from the performance of the SMART Seeder MAX-S.

### **Financial Condition**

	December 31, 2020 (\$)	June 30, 2020 (\$)	Change (\$)	Change (%)
<b>Cash and Cash Equivalents</b>	1,286,000	3,198,000	(1,912,000)	(60)
<b>Cash from (used by) Operations*</b>	(720,000)	3,329,000	(4,049,000)	(122)
<b>Total Monetary Debt</b>	3,497,000	3,585,000	(88,000)	(2)
<b>Net Working Capital</b>	(713,000)	1,170,000	(1,883,000)	(161)
<b>Debt as a % of Total Capitalization**</b>	27%	25%	-	2

\* The current period is for the six months ended December 31, 2020, while the comparative is for the year ended June 30, 2020.

\*\* 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, 2020 (\$)	June 30, 2020 (\$)	Change (\$)	Change (%)
<b>Line Items to Highlight</b>				
Cash and cash equivalents	1,286,000	3,198,000	(1,912,000)	(60)
Intellectual property	9,588,000	9,572,000	16,000	0
Interests in Joint Venture	1,375,000	862,000	513,000	60
Property and equipment	398,000	487,000	(89,000)	(18)
<b>Total Assets</b>	<b>12,800,000</b>	<b>14,249,000</b>	<b>(1,449,000)</b>	<b>(10)</b>
<b>Total Liabilities</b>	<b>3,497,000</b>	<b>3,585,000</b>	<b>(88,000)</b>	<b>(2)</b>

The Company's financial 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, 2020 to December 31, 2020, our intellectual property increased as a result of the continued development of our SMART Seeder technology. The increase was offset by:

- 1) amortization of the intellectual property. Intellectual property, consisting of patents, patents pending, and costs incurred for the development of technologies and related proprietary knowledge is recorded at cost (page 18); and
- 2) intellectual property contributions to the Joint Venture.

The intellectual property relates primarily to the Company's SMART Seeder technology. The SMART Seeder technology is patented by the Company until 2033. The Company is entering the regional phase of its next patent, which would provide patent protection until 2036.

A substantial amount of our total assets continues to be concentrated in our intellectual property. As at December 31, 2020, the intellectual property accounted for 75% of total assets, and as at June 30, 2020 was 67% of total assets.

### Property and Equipment

Property and equipment includes right-of-use assets relating to two premises leases with a carrying value of \$322,000 (June 30, 2020: \$414,000) and other equipment.

### Other Assets

The other assets of the Company of \$153,000 (June 30, 2020: \$130,000) consist of GST receivable, inventories, and prepaid expenses and deposits.

### Liabilities

Our financial liabilities are as follows:

Liabilities	Carrying Value	Financial Instrument	Interest Expense*	Foreign Exchange Recovery	Other Expense / Income
Accounts payable	\$ 704,000	Yes	\$ -	\$ (14,000)	\$ -
Loans payable	2,793,000	Yes	159,000	-	-
<b>Total Liabilities</b>	<b>\$ 3,497,000</b>		<b>\$ 159,000</b>	<b>\$ (14,000)</b>	<b>\$ -</b>

\*Interest of \$51,000 was capitalized to intellectual property during the year.



The accounts payable consists of:

- trade payables incurred in the normal course of business and usually payable within 30 days of receiving the invoice; and
- accrued liabilities related to the operation of the business.

Loans payable consists of amounts borrowed under its agreements with the Government of Canada, Farm Credit Canada and short-term lenders. The Company has borrowed:

- \$2,532,000 under its agreements with the Government of Canada to support commercialization of the Company's SMART Seeder. The carrying value of \$1,546,000 represents amounts repaid to date and the amount borrowed 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 judgment. The remaining unamortized benefits of \$723,000 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 & Capital Resources** section;
- one promissory note totaling \$890,000; and
- five leases with a carrying value totaling \$360,000.

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 three and six months ended December 31, 2020 and 2019 are as follows:

	Three Months Ended December 31, 2020		Six Months Ended December 31, 2019					
Legal fees to Field Law LLP, a firm in which Antony Edwards (a former director) is a senior partner, for patent application and intellectual property services included in intellectual property and research and development expense. Mr. Edwards resigned as a director in May 2020. The legal firm and Mr. Edwards continue to represent the Company	\$	<b>39,000</b>	\$	28,000	\$	<b>110,000</b>	\$	56,000
Consulting fees to a relative of the Chief Executive Officer included in research and development expense for technology advisory services	\$	<b>16,000</b>	\$	9,000	\$	<b>31,000</b>	\$	16,500
Consulting fees for agronomic advisory services from JDS Farms Ltd., a company controlled by an insider included within intellectual property <sup>#</sup>	\$	<b>7,500</b>	\$	7,500	\$	<b>15,000</b>	\$	15,000
Monthly lease amount for the on-farm premises from JDS Farms Ltd., a company controlled by an insider of the Company <sup>#</sup>	\$	<b>45,000</b>	\$	45,000	\$	<b>90,000</b>	\$	90,000-
Interest accrued on amount due to related party included within intellectual property	\$	-	\$	10,500	\$	-	\$	12,400
Interest accrued on promissory notes payable to Gary Anderson and Steven Brassard	\$	-	\$	36,000	\$	-	\$	74,000

<sup>#</sup> The individual controlling the company became an insider during the year ended June 30, 2020 upon their purchase of common shares in the private placements to own more than 10% of the common shares outstanding. The lease and consulting agreements were entered into prior to the individual becoming an insider.

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



## ADDITIONAL INFORMATION

### 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

There were no new accounting standards adopted during the quarter ended December 31, 2020 that had a material impact on the condensed consolidated interim financial statements of the Company.

### 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.

### COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus disease 2019 (COVID-19) a pandemic. In the time since, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal



interventions to stabilize economic conditions. The Company has experienced supply chain delays as a result. Aside from these, the Company has faced a limited impact from COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. The ongoing COVID-19 has the potential to create considerable future risk for the Company, which could have a negative effect on its future cash flows, ability to continue development activities, ability to generate future revenues and the ability to obtain financing as needed.

## FORWARD-LOOKING INFORMATION

The financial information in this MD&A and in our condensed consolidated interim financial statements and notes are prepared in accordance with 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.
- It includes views of the industry, which is taken to mean the Agriculture Equipment sectors and Agricultural Seeding & Planting Equipment sub-sectors, and uses words such as: sector, industry, segment, marketplace interchangeably.
- It represents our current views, which 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 largely 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 2021 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 SMART Seeder technology, achieve sales and continue expanding our sales during the upcoming year;
- our expectation for capital and working capital requirements in 2021 and beyond;
- our expectation of what will be undertaken in the Joint Venture with Norwood and achieving the results contemplated of the Joint Venture;
- the combination of Clean Seed's variable rate, volumetric metering cluster and the J.Assy Singulation Meter will provide a new level of flexibility to the farmer;
- the value proposition that a customer may realize from utilizing our SMART Seeder technology;
- our plans for sales and production volume for the 2021 year and subsequent years;
- our expectation of arranging manufacturing and distribution strategies, arrangements or plans during the 2021 fiscal year and that we will execute those plans in 2021 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 distribute the SMART Seeder products in the timeline contemplated, including attracting and retaining qualified personnel, continuing to update and improve the SMART Seeder products, and independently confirming the incremental benefit for a user for adopting the SMART Seeder products;
- the Company's Joint Venture with Norwood will succeed in developing commercialized equipment in the manner contemplated in the Joint Venture agreement, or at all;
- the arrangement with J.Assy will continue without modification, or be successful in the near- or long-term, or that the manufactured parts and products will work in the manner contemplated;
- any SMART Seeder products sold requiring substantial warranty work related to unexpected issues from using the equipment over several farming seasons limiting our ability to advance distribution, marketing and sales efforts in Canada, the United States and internationally;
- any SMART Seeder products sold are not able to be operated successfully by customers and those customers seek to have the product returned to Clean Seed under Company policy, provincial legislation, state legislation or other means leading to a significant refund;
- the ability of Clean Seed and the Joint Venture 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 SMART Seeder products;
- the ability of Clean Seed and the Joint Venture to sell enough SMART Seeders 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 ability of Clean Seed and the Joint Venture to produce SMART Seeder products for a cost that provides for profitability from the sale of any units;



- COVID-19 pandemic having an adverse and prolonged impact on the agriculture industry, the public markets or the Company's operations directly;
- the anticipated benefit of the SMART Seeder technology is not translated to equipment purchased by customers;
- the agriculture industry, the consumer desires, the value proposition to the purchaser and the amount of the benefit to the end user for our SMART Seeder products or the SMART Seeder MAX does not meet our internal expectations;
- the desirability of our innovations, the demand for the SMART Seeder products 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, potential growth plans and forecasted administrative requirements for the 2021 fiscal year and periods thereafter, until our operations can generate sufficient cash flows to support all requirements of the Company;
- we cannot advance our technologies into commercially ready products that are accepted by the marketplace due to financing, technical or sales limitations, or the Company incurs delays in production or development as a result of global developments, including regional slow-down due to virus or similar conditions;
- our ability to successfully obtain patents for the SMART Seeder patents pending, or for which clear passage has been received in its PCT application, and provide protection over our competitive advantage in the marketplace;
- 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 precision farming, planting technologies and air seeder technology declines, and as a result, precision farming 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 SMART Seeder products;
- ii. market conditions upon which we have based our capital expenditure expectations;
- iii. future demand for technology and technology-based solutions in the agricultural market;
- iv. liabilities inherent in our operations;
- v. political, economic, commodity price and market risks, and 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 2020/2021 fiscal year;
- 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, viruses, cyber-attack, 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 thereto could be material.



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