

Consolidated Financial Statements of
AgJunction, Inc.



Years ended December 31, 2019 and 2018

(Expressed in U.S. dollars)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of AgJunction Inc. (“AgJunction” or the “Company”) is responsible for the preparation and the presentation of the consolidated financial statements and related information published in the annual report. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The preparation of the financial information necessarily requires the use of some estimates and judgments, such as selection and application of accounting principles appropriate to the circumstances and with due consideration to materiality. Where appropriate, management seeks and receives guidance in these matters from external legal, accounting and other advisors.

To ensure the reliability of the consolidated financial statements, management relies on the Company’s system of internal controls. The accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable.

Management continuously monitors and adjusts the Company’s internal controls and management information systems to accommodate a changing environment while ensuring financial integrity.

The Board of Directors is responsible for overseeing management’s responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee which is comprised entirely of independent directors.

The Audit Committee meets periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management’s Discussion and Analysis, the consolidated financial statements and the external auditors’ report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

Management also recognizes its responsibility for ensuring that the Company, at all times, conducts its affairs in an ethical manner, conforming to all applicable laws and regulations, and in accordance with the highest standards of personal and corporate conduct.

Deborah Mack
Interim Chief Financial Officer
March 23, 2020

Brett McMickell
President & Chief Executive Officer
March 23, 2020



RSM US LLP

Independent Auditor's Report

Shareholders
AgJunction Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AgJunction Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of profit or loss, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in the United States of America, together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Conclude on the appropriateness of management's use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the consolidated audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

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

Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the consolidated financial position of AgJunction Inc. and its subsidiaries as of December 31, 2019 and 2018, and the consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2019, AgJunction Inc. and its subsidiaries adopted new accounting guidance, International Financial Reporting Standard 16. Our opinion is not modified with respect to this matter.

RSM US LLP

Phoenix, Arizona
March 23, 2020

AgJunction Inc.

Consolidated Statements of Financial Position

As of December 31, 2019, and 2018

(Expressed in U.S. thousand dollars, except in shares and per share data)

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents (note 5)	\$ 17,248	\$ 21,398
Accounts receivable, net (note 6)	2,793	8,508
Current portion of notes receivable, net (note 13)	320	320
Inventories (note 7)	3,743	5,743
Contract assets, net	-	58
Prepaid expenses and deposits	819	1,286
	24,923	37,313
Contract assets, net	-	185
Notes receivable, less current portion, net (note 13)	760	1,083
Property, plant and equipment, net (note 8)	1,535	1,434
Right-of-use assets (note 9)	1,020	-
Intangible assets, net (note 10)	10,112	9,689
Goodwill (note 21)	143	143
	\$ 38,493	\$ 49,847
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,540	\$ 8,500
Provisions (note 11)	826	999
Contract liabilities, net	-	84
Current portion of lease liability (note 9)	429	-
Current portion of deferred revenue	935	1,048
	5,730	10,631
Contract liabilities, net	-	96
Deferred revenue, less current portion	3,298	4,177
Lease liability, net of current portion (note 9)	702	-
Total liabilities	9,730	14,904
Shareholders' equity:		
Share capital	148,495	148,475
Equity reserve	4,890	4,892
Accumulated deficit	(124,622)	(118,424)
	28,763	34,943
	\$ 38,493	\$ 49,847

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Profit or Loss

Years ended December 31, 2019 and 2018

(Expressed in U.S. thousand dollars, except in shares and per share data)

	December 31, 2019	December 31, 2018
Revenue (note 16)	\$ 39,246	\$ 64,515
Cost of sales	24,561	40,705
Gross Profit	14,685	23,810
Expenses:		
Research and development	6,077	8,487
Sales and marketing	4,535	7,096
General and administrative	10,529	10,103
	21,141	25,686
Operating (loss)	(6,456)	(1,876)
Foreign exchange (gain) loss, net	(19)	(43)
Interest and other income	(289)	(122)
(Gain) loss on sale of property, plant and equipment (note 8)	50	(13)
(Gain) on sale of division (note 13)	-	(3,157)
	(258)	(3,335)
Net Income (loss) before income taxes	(6,198)	1,459
Income tax benefit (note 17)	-	(5)
Net Income (loss)	\$ (6,198)	\$ 1,464
Income (loss) per share:		
Basic and diluted income (loss) per share (note 15)	\$ (0.05)	\$ 0.01

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Changes in Equity

Years ended December 31, 2019 and 2018

(Expressed in U.S. thousand dollars, except in shares and per share data)

	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at January 1, 2018	\$ 146,896	\$ 5,805	\$ (119,635)	\$ 33,066	116,879
Impact of change in accounting policy (note 3(m))	-	-	(253)	(253)	-
Net income	-	-	1,464	1,464	-
Share-based payment transactions (note 3(m))	-	666	-	666	-
Issue of restricted share awards, net (note 3(m))	1,579	(1,579)	-	-	2,206
Balance at December 31, 2018	\$ 148,475	\$ 4,892	\$ (118,424)	\$ 34,943	119,085
Net (loss)	-	-	(6,198)	(6,198)	-
Share-based payment transactions (note 3(m))	-	(2)	-	(2)	-
Exercise of stock options to purchase common shares (note 3(m))	-	-	-	-	5
Exercise of restricted share awards, net (note 3(m))	20	-	-	20	45
Cancellation of restricted share awards, net (note 3(m))	-	-	-	-	(2,062)
Balance at December 31, 2019	\$ 148,495	\$ 4,890	\$ (124,622)	\$ 28,763	117,073

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

(Expressed in U.S. thousand dollars, except in shares and per share data)

	2019	2018
Cash flows (used in) from operating activities:		
Net (loss)	\$ (6,198)	\$ 1,464
Items not involving cash:		
Depreciation (note 8)	1,321	603
Amortization (note 10)	1,572	1,237
Share-based payment transactions (note 12)	(2)	666
Allowance loss on trade receivables (note 6)	3	(181)
Recovery of reserve for slow moving and obsolete inventories (note 7)	(363)	(7)
(Gain) loss on disposal of property, plant and equipment (note 8)	50	(13)
(Gain) on sale of division (note 13)	-	(3,157)
Change in operating working capital:		
Accounts receivable (note 6)	5,712	(4,285)
Inventories (note 7)	2,363	(2,213)
Contract assets	243	(54)
Prepaid expenses and deposits	467	(341)
Accounts payable and accrued liabilities	(4,960)	2,884
Provisions (note 11)	(173)	601
Contract liabilities	(180)	(262)
Deferred revenue	(934)	5,142
Cash flows (used in) from operating activities:	(1,079)	2,084
Cash flows used in financing activities:		
Issue of share capital (note 12)	20	-
Interest payments on notes receivable	6	-
Interest payments on lease liabilities (note 9)	(66)	-
Principal payments on lease liabilities (note 9)	(654)	-
Cash flows used in financing activities:	(694)	-
Cash flows (used in) from investing activities:		
Principal payments received on notes receivable (note 13)	259	19
Proceeds from the sale of property, plant and equipment (note 8)	-	107
Purchase of property, plant and equipment (note 8)	(641)	(777)
Intangible asset addition, net (note 10)	(1,995)	(1,763)
Proceeds from the sale of division (note 13)	-	7,835
Cash flows (used in) from investing activities:	(2,377)	5,421
(Decrease) increase in cash and cash equivalents	(4,150)	7,505
Cash and cash equivalents, beginning of period	21,398	13,893
Cash and cash equivalents, end of period	\$ 17,248	\$ 21,398

Supplemental Schedule of Noncash Investing and Financing Activities:

Notes receivable received in connection with sale of division	\$ -	\$ 1,422
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See accompanying notes to consolidated financial statements.

AgJunction Inc.

Notes to the Consolidated Financial Statements

Years ended December 31, 2019 and 2018

(Expressed in U.S. thousand dollars, except where noted)

1. Reporting entity:

AgJunction Inc. (the "Company") is a publicly traded company listed on the Toronto Stock Exchange under the ticker symbol "AJX", domiciled in Canada with its primary office located at 9150 E. Del Camino Drive, Suite 115, Scottsdale, Arizona. AgJunction Inc. is a leading provider of innovative hardware and software solutions for precision agriculture worldwide. The Company holds fundamental steering and machine control patents and its autosteering and machine control solutions are critical components in over 30 of the world's leading precision Ag manufacturers and solution providers. The consolidated financial statements of the Company as of and for the years ended December 31, 2019 and 2018 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The consolidated financial statements were authorized for issue by the Board of Directors on March 23, 2020.

2. Basis of preparation:**(a) Statement of compliance:**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement:

The consolidated financial statements have been prepared on the going concern and historical cost basis except for non-derivative financial assets at fair value through profit and loss.

(c) Functional and presentation currency:

These consolidated financial statements are presented in United States dollars, the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Some of the significant estimates and assumptions used in preparing the consolidated financial statements are as follows:

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 2

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

2. Basis of preparation (continued):

(i) Allowance for doubtful accounts (note 6):

The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay balances owing to the Company. This allowance is determined based on a review of customers, historical experience and economic circumstances.

(ii) Deferred tax assets (note 17):

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and other tax assets, to the extent future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses and other tax assets can be utilized. Changes in the timing of the reversals of temporary differences and potential changes of the income tax rates applicable in future years could result in significant differences between the estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

(iii) Goodwill impairment (note 21):

The Company has a single cash-generating unit ("CGU"), the agricultural business unit which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Goodwill impairment is determined by assessing the recoverable amount of the assets or CGU to which the asset relates. The recoverable amount of an asset or CGU is the greater of fair value less cost to sell and the value in use.

Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one CGU. The value in use of the CGU is determined using a "discounted cash flow" model, consistent with recognized valuation methods. The most significant assumptions underlying the model prepared by Management include: revenues, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions include estimates of future market share, competition, technological developments, interest rates, and market trends. Assumptions incorporated into the discounted cash flow model reflect Management's long-term view of the Company's business and the markets in which it competes.

Impairment losses are measured as the difference between the carrying amount of the goodwill and its recoverable amount. The Company did not recognize an impairment loss on goodwill for the years ended December 31, 2019 and 2018.

(iv) Inventory obsolescence (note 7):

Inventory is measured at the lower of cost or net realizable value. The Company evaluates inventory based on movement over an 18 month period classifying inventory as active, slow-movement or zero-movement. Items classified as zero-movement are deemed obsolete and

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 3

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

2. Basis of preparation (continued):

are estimated to have no value. Items classified as slow-moving are valued based on historical cost recovery rates.

(v) Provisions (note 11):

Based on historical information of warranty claims compared to revenue, the Company provisions an amount for future claims on items sold in the current period. Any expenses directly relating to warranty claims are offset to the provision in the period.

(vi) Share-based payments (note 12):

Share-based payments are measured at fair value at the date of grant. Fair value is measured by using a Black Scholes option pricing model, taking into account the terms and conditions upon which the equity instruments were granted as well as management's best estimate of the expected life of such share options. The following inputs are utilized in determining the fair value of share-based payments: The Company's share price at issuance; share option exercise price; weighted average volatility; interest rate; and expected life.

(vii) Revenue recognition (note 16):

The Company generates revenue from the sale of equipment, software and extended service programs and from usage-based royalty agreements. Equipment sales revenue is recognized upon transfer of control to the customer (shipment) and when all significant contractual obligations have been satisfied and collection is reasonably assured. Revenue from the sale of software is recognized upon transfer of control to the customer (release of the software code). Both the revenue from the sale of equipment and the sale of software codes is deemed to be earned at a point in time with each contract constituting one performance obligation. Revenues from the sale of extended service programs are recorded as deferred revenue at the time the extended service is invoiced and are recognized on a pro-rata basis over the extended service period. The Company recognizes sales-based or usage-based royalty revenue when the Company satisfies its performance obligations, as identified in the agreement, over the contractual term. Both the extended service plan and the royalty revenue were deemed to be recognized over time. The transaction price associated with the performance obligations are determined by the respective contractual agreements.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All inter-company transactions, balances and unrealized gains or losses on inter-company transactions have been eliminated upon consolidation. AgJunction LLC (formerly Hemisphere GPS LLC), AgJunction AUS Pty Ltd.

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 4

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

3. Significant accounting policies (continued):

(formerly Hemisphere AUS Pty Ltd.), Novariant, Inc., and AgJunction Machinery (Shanghai) Ltd. are wholly-owned operating subsidiaries of the Company.

(b) Foreign currency translation:

Under IFRS, functional currency of each entity in the Company is determined separately in accordance with the indicators as per International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates, and should be measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Based on IAS 21, the functional currency of the Company and its subsidiaries is determined to be the United States dollar.

Foreign currency transactions denominated in other than United States dollars are translated into the functional currency on the following basis:

- (i) Monetary assets and liabilities are translated at the rates of exchange prevailing at statement of financial position date.
- (ii) Non-monetary assets, liabilities and related depreciation expenses that are measured at historical cost are translated using the exchange rate at the date of the transaction.
- (iii) Income and expenses for each statement of profit or loss presented are translated at average exchange rates during the month in which they are recognized.

Exchange differences resulting from the settlement of foreign currency transactions and the gain or loss due to remeasurement of assets and liabilities held in foreign currencies are recognized directly in the “foreign exchange (gain) loss, net” line item of the consolidated statement of profit or loss in the period in which incurred.

(c) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes trade and other receivables and deposits on the date they originate. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 5

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

3. Significant accounting policies (continued):

The Company classifies non-derivative financial assets not held at amortized cost into the following categories: financial assets at fair value through profit or loss ("FVTPL") or held-to-maturity financial assets and receivables.

Financial assets at fair value through profit or loss ("FVTPL"):

Financial assets designated as FVTPL are stated at fair value with the gain or loss recognized in the consolidated statement of profit or loss. The net gain or loss recognized incorporates any interest earned on the financial asset.

Held-to-maturity financial assets:

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The Company classifies short-term investments as held-to-maturity financial assets.

The Company's financial assets measured at amortized cost include cash, trade and other receivables, notes receivable and prepaid assets.

Receivables:

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period.

Trade receivables are defined as receivables to the Company resulting from credit sales to its customers and/or suppliers. The Company elected to apply the practical expedient to trade receivables which do not have a significant financing component as the expected term is less than one year on trade receivables. The Company evaluates the potential for credit loss using an Expected Credit Loss (ECL) model which categorizes trade and notes receivable in one of three credit stages at initial recognition. The Company has chosen to apply the practical expedient to accounts and notes receivable items with low credit risk.

The Company has classified accounts receivable and other receivable as receivables. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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Notes to the Consolidated Financial Statements, page 6

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

3. Significant accounting policies (continued):

Notes Receivable:

Notes Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The Company excludes adjustment for potential credit loss from the effective interest method calculation because credit losses are evaluated and reserved against independently. Any impairment resulting from an evaluation is reserved for in accordance with the company's reserve policy. The Company evaluates the potential for credit loss using an Expected Credit Loss (ECL) model which categorizes accounts and notes receivable in one of three credit stages at initial recognition.

(ii) Non-derivative financial liabilities:

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date that they are originated. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire. The Company has classified accounts payable and accrued liabilities as non-derivative financial liabilities.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand. The cash on hand is denominated in Canadian dollars (CDN \$), United States dollars (US \$), Australian dollars (AUS \$), Chinese Yuan (RMB ¥) and Euros (EUR €). The Company holds cash on hand with Canadian, United States, Australian and Chinese chartered banks.

(e) Revenue recognition:

The Company generates revenue from the sale of equipment and extended warranty programs (note 16). Product sale price is determined based on cost of component parts, shipping, assembly labor and market conditions. The Company may include variable consideration in contracts with customers which could include volume or other discounts and/or the right of return. Volume and other discounts are determined by company policy and sales and marketing promotions. When a customer has the right to return a product, the Company will

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Notes to the Consolidated Financial Statements, page 7

Years ended December 31, 2019 and 2018
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3. Significant accounting policies (continued):

ship a new product to the customer or will refund the purchase price. Revenue from the sale of equipment is recognized when control passes to the customer (shipment) and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances are recorded at the time control passes to the customer (shipment) and are based upon contract terms and anticipated claims. Revenue from sale of software relates mainly to perpetual licenses, which provide the customer with the right to use the licensed products.

Revenues from the sale of extended service programs are recorded as deferred revenue at the time the extended service is invoiced and are recognized on a pro-rata basis over the extended service period.

The Company recognizes sales-based or usage-based royalty revenue when the Company satisfies its performance obligations, as identified in the agreement, over the contractual term. Royalty revenue is located within the Revenue line of the Consolidated Statements of Profit or Loss.

(f) Inventories:

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price less estimated costs of completion and selling expenses. Cost, which is based on the most recent purchase order price, includes expenditures incurred in acquiring stock and bringing it to its existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of overheads attributable to manufacturing, based on normal operating capacity.

(g) Property, plant and equipment:

Property, plant and equipment is measured at cost less accumulated depreciation and impairments. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

The carrying amounts of property, plant and equipment are depreciated from the date of acquisition to their estimated residual value over the estimated useful lives of the assets.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges.

Depreciation is charged from the date of acquisition of an asset and is provided at the following annual rates:

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Notes to the Consolidated Financial Statements, page 8

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

3. Significant accounting policies (continued):

Assets	Method	Rate
Buildings and leasehold improvements	straight-line	4 – 20 years
Computer equipment and software	declining balance	30%
Office and production equipment	declining balance	20% - 30%
Licenses and other assets	straight-line	2 – 10 years

(h) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and impairments. The carrying value of intangible assets is amortized over the estimated useful lives based on management's best estimates. Estimates of the useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining amortization charges.

Assets	Rate
Trademarks and brands	20 years
Technology	5 – 10 years
Internally developed intangibles	3 – 5 years

(i) Goodwill:

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that such carrying value may be impaired.

The Company has a single CGU, the agricultural business unit, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes based on the Company's primary reporting format determined in accordance with IFRS 8, Operating Segments.

(j) Impairment:

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation and

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 9

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

3. Significant accounting policies (continued):

amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the assets or CGU to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of fair value less cost to sell and the value in use.

An impairment loss is measured as the difference between the carrying amount of the goodwill and its recoverable amount. Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one cash generating unit, relevant multiples, and peer transactions. Value in use is determined using a detailed discounted cash flow analysis using management's estimates, including a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognized in respect of the CGU are allocated first to reduce the carrying amount of any goodwill of the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Where intangible assets have been allocated to the CGU and part of the operation within the CGU is disposed of, the intangible assets associated within the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Intangible assets disposed of in such cases are measured based on the relative values of the operation disposed of and the portion of the CGU retained.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, an impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount and an impairment loss is reversed, however, the increased carrying amount shall not exceed the carrying value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

(k) Research and development:

Expenditures on research activities are recognized under the Research and Development line item in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

An internally generated intangible asset arising from product development is recognized only when the company can demonstrate all of the following conditions are met:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale

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3. Significant accounting policies (continued):

- (ii) its intention to complete the intangible asset and use or sell it
- (iii) its ability to use or sell the intangible asset
- (iv) if the intangible asset will generate probable future economic benefits
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development

Internally generated intangible assets are amortized on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Capitalized expenses include the cost of material, direct labor, direct overhead and outsourcing costs directly attributable to preparing the asset for its intended use.

(l) Earnings per share:

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of ordinary shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of ordinary shares in issue during the period plus the weighted average number of dilutive potential shares resulting from share options where the inclusion of these would not be antidilutive.

(m) Share-based payments:

The Company awards share options to certain directors, officers, employees, consultants and agents of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. Share options are measured at fair value at the date of grant. Fair value is measured by using the Black Scholes option pricing model, taking into account the terms and conditions upon which the equity instruments were granted and also based on management's best estimate of the expected life of such share options. The fair value of such awards is expensed over the vesting period with a corresponding increase in reserve under equity. Upon exercise of share options, proceeds received are credited to share capital. Upon cancellation of RSAs, the fair value expense of such awards is reversed in the period of cancellation.

The Company has a restricted share award ("RSA") plan. The Company may award RSAs to certain directors, officers, and employees of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. RSAs are measured at fair value at the date of grant, taking into account the terms and conditions upon which the equity instruments were granted and also based on management's best estimate of the expected life of such restricted share awards. Based on a specified period of service, RSAs under this plan vest over a period

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Notes to the Consolidated Financial Statements, page 11

Years ended December 31, 2019 and 2018
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3. Significant accounting policies (continued):

of one to four years and the fair value of such awards is expensed over the vesting period with a corresponding increase in reserve under equity. From their issue date, the holders of RSAs have voting rights and are entitled to dividends equivalent to common shareholders.

As of December 31, 2019, 399 (2018 – 2,828) RSAs were held by senior management and certain members of the Board of Directors.

(n) Income taxes:

Income taxes comprise both current tax and deferred tax. Income tax is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity. Current income tax is the tax expected to be payable on the taxable profit for the period, using tax rates enacted or substantively enacted by the reporting date.

Deferred taxes are recognized on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and other tax assets, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses and other tax assets can be utilized. Deferred tax is calculated using the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and laws enacted, or substantively enacted, by the reporting date.

(o) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Provisions for obsolete inventory are based on management's best estimates which consider a variety of factors that may affect the carrying values of inventories. These factors include, but are not limited to, market demand, technology and design changes. A provision for warranty is recognized when the underlying products and services are sold. Warranty provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Where the time effect of money is material, significant provision balances are discounted to current values using appropriate pre-tax discount rates. The unwinding of the discount is recorded as finance cost under general and administrative expenses.

(p) Vacation pay:

Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at period end.

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 12

Years ended December 31, 2019 and 2018
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3. Significant accounting policies (continued):

(q) Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

(r) Leased assets and lease liabilities:

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method, and is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount

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Notes to the Consolidated Financial Statements, page 13

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3. Significant accounting policies (continued):

expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. The Company has elected not to separate non-lease components associated with leased property and account for the lease and associated non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including a storage unit, combines, and a postage meter. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets that do not meet the definition of investment property are classified as Right-of-use assets in the condensed consolidated statement of financial position.

Leases of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

(s) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company sells its products within the Agriculture market and reports associated revenue and expense under this one business segment.

(t) Restructuring costs:

A provision for restructuring is recognized when it is material, and the restructuring plans have been approved and announced before the reporting date. Restructuring costs are recognized in the consolidated statement of profit or loss within operating income (loss). These costs mainly involve the outsourcing of manufacturing costs, termination and severance benefits, legal and consulting fees, redundancy costs and scrapping of property and equipment as well

AgJunction Inc.

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3. Significant accounting policies (continued):

as other costs that are directly related to the restructuring plan and that provide no benefit to the ongoing operations.

(u) Initial adoption of new standards and interpretations:

The Company has adopted the following standards, with the date of initial application of January 1, 2019. The nature and effect of the changes are explained below:

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which requires major revisions in the way lessees currently account for leases under IAS 17, *Leases*. The standard was effective for annual periods beginning on or after January 1, 2019. The Company adopted the standard under the modified retrospective implementation along with various options, exemptions and practical expedients that can be elected at implementation.

At adoption, the Company recognized right-of-use assets and lease liabilities on the statement of financial position. The right-of-use asset was initially measured at an amount equal to the lease liability, adjusted by the amount of any prepaid, or accrued lease payments recognized in the statement of financial position immediately before the date of initial application. The lease liabilities were initially measured at the present value of the lease payments that are not paid at the effective date, using the Company's incremental borrowing rate of 4.75%.

The right-of-use asset is subsequently depreciated using the straight-line method from the adoption date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company used practical expedients when applying IFRS 16 to contracts that were previously identified as leases under IAS 17 and IFRIC 4, *Determining whether and Arrangement contains a Lease*. The Company did not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

Transition Adjustment

Right-of-use assets and lease liability initially recognized upon adoption of IFRS 16 on January 1, 2019 are presented below

	Office Space	Equipment	Total
Initial Right-of-Use Asset	\$ 1,750	\$ 56	\$ 1,806

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Years ended December 31, 2019 and 2018
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3. Significant accounting policies (continued):

IAS 17 – as a lessee

In the comparative period, as a lessee, the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payment were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's Statement of Financial Position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

In June 2018, the IASB published IFRIC 23, *Uncertainty over Income Tax Treatments* which was developed by the IFRS Interpretations Committee to enhance transparency and to clarify the accounting for income tax treatments that have yet to be accepted by tax authorities. The interpretation is effective for annual periods beginning on or after January 1, 2019, with early application permitted. This standard did not have a significant impact on the Company's financial results.

The Company has adopted the following standards, with the date of initial application of January 1, 2018. The nature and effect of the changes are explained below:

IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments*, which clarified how entities are to classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. The standard was adopted as of January 1, 2018 and had negligible impact on the financial results of the Company upon adoption.

Amendments to IFRS 2, Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, which clarified the classification and measurement of share-based payment transactions. The amended standard was adopted as of January 1, 2018 and had negligible impact on the financial results of the Company.

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Notes to the Consolidated Financial Statements, page 16

Years ended December 31, 2019 and 2018
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3. Significant accounting policies (continued):

IFRIC 22, Foreign Currency Transactions and Advance Consideration

In December 2016, the IASB published IFRIC 22, *Foreign Currency Transactions and Advance Consideration* which was developed by the IFRS Interpretations Committee to clarify the accounting for transactions which include receipt or payment of advance consideration in a foreign currency. The interpretation was adopted as of January 1, 2018 and had negligible impact on the financial results of the Company.

IFRS 15, Revenue from Contracts with Customers:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, a new standard related to revenue recognition which was effective January 1, 2018. Under the standard, revenue is recognized when the Company satisfies its performance obligations. Performance obligations are satisfied when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. In addition, the standard requires revenue to be disaggregated into categories and disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The company has three categories of revenue from contracts with customers including sales to customers, non-recurring engineering (“NRE”) and royalty revenue.

The Company adopted the new standard effective January 1, 2018. The cumulative effect of initially implementing IFRS 15 under the modified retrospective method as of that date resulted in an adjustment to retained earnings of \$253, an adjustment to contract assets of \$189 and an adjustment to contract liabilities of (\$442). The most significant impact of implementing IFRS15 relates to our accounting for NRE agreements, which had previously not met the criteria for revenue recognition under past standards.

These NRE agreements fall into one of three categories, software upgrades, equipment prototype design (“hardware”), and feature code development. The contract price is determined based on material and labor costs incurred to develop and/or build the product and company resources, including facility and storage, used or allocated to the product. Revenue generated from software upgrade NRE is recognized upon delivery of the software upgrade to the customer. Revenue generated from equipment prototype design and feature code development NRE is initially deferred and later recognized on a pro-rata basis as new equipment or feature codes connected with those NRE agreements are purchased.

Costs related to NRE agreements under all three categories are capitalized as a contract asset as the expenses are incurred, not to exceed contractual NRE billings. Capitalized expenses include amounts paid to external vendors as well as internal labor costs. Contract assets related to software upgrades are fully expensed upon delivery of the software upgrade to customers. Contract assets related to equipment prototype design and feature code development are expensed on a pro-rata basis as new equipment or feature codes connected with those NRE agreements are purchased. This requires an estimate of future sales of related hardware and feature codes. Capitalized expenses related to these NRE agreements are

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3. Significant accounting policies (continued):

represented as net contract assets on the Consolidated Statements of Financial Position and total \$63 and \$0 as of December 31, 2018 and 2019, respectively. These net contract assets relate solely to software NRE agreements.

Under the standard, sales-based or usage-based royalty revenue is recognized when the Company satisfies its performance obligations over the contractual term. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Royalty revenue is recorded in the Revenue line of the Consolidated Statements of Profit or Loss. Royalty revenue recognized in the period ending December 31, 2019 and 2018 totals \$1,116 and \$294, respectively. Deferred royalty revenue is represented as net contract liabilities on the Consolidated Statements of Financial Position and total \$4,291 and \$5,395 as of December 31, 2019 and 2018, respectively.

	2019	2018
Sales to Customer	\$ 38,130	\$ 64,221
Royalty	1,116	294
	\$ 39,246	\$ 64,515

4. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Derivatives:

The fair value of forward exchange contracts is based on their listed market price, if available. There were no derivatives held as of December 31, 2019 and 2018.

(b) Share-based payment transactions:

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience of forfeiture rates), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

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Notes to the Consolidated Financial Statements, page 18

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4. Determination of fair values (continued):

(c) Notes Receivable:

The fair value of notes receivable is measured at present value.

(d) Goodwill:

Refer to note 21.

5. Cash and cash equivalents:

	December 31, 2019	December 31, 2018
Cash on hand		
US \$	\$ 16,747	\$ 20,657
AUS \$	492	265
Other currencies	9	476
Cash and cash equivalents	\$ 17,248	\$ 21,398

6. Accounts receivable:

	December 31, 2019	December 31, 2018
Trade	\$ 1,535	\$ 6,227
Other receivable	1,314	2,334
Allowance for doubtful accounts	(56)	(53)
	\$ 2,793	\$ 8,508

The other receivable line items above includes income tax receivable of \$159 and \$305 for the year ended December 31, 2019 and 2018, respectively. r elated to refundable alternative minimum tax credits paid in prior years. Due to legislation passed on December 22, 2017, the realization of these credits became probable and accordingly, a receivable was recorded. Additional information regarding this legislation may be found in footnote 17.

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Notes to the Consolidated Financial Statements, page 19

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6. Accounts receivable (continued):

Aging of receivables that are past due but not impaired:

	December 31, 2019	December 31, 2018
1 to 30 days	\$ 65	\$ 32
31 to 60 days	50	-
61 to 90 days	-	-
Over 90 days	337	-
	<u>\$ 452</u>	<u>\$ 32</u>

Reconciliation of changes in the allowance for doubtful accounts:

	December 31, 2019	December 31, 2018
Balance beginning of year	\$ 53	\$ 228
Provisions	35	(181)
Accounts receivable written off (recovered)	(32)	6
	<u>\$ 56</u>	<u>\$ 53</u>

7. Inventories:

Inventories include material, labor and manufacturing overhead costs. The components of inventories were as follows:

	December 31, 2019	December 31, 2018
Finished Goods	\$ 2,511	\$ 4,733
Raw Material	1,232	1,010
	<u>\$ 3,743</u>	<u>\$ 5,743</u>

During the year ended December 31, 2019, the Company recorded recovery of finished goods and raw materials to net realizable value in the amount of \$363 (2018 - \$7) which was recognized in the cost of sales line item of the consolidated statement of profit or loss.

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8. Property, plant and equipment:

Cost

	Building and leasehold improvements	Computer equipment and software	Office and production equipment	Licenses and other assets	Total
Balance at December 31, 2018	\$ 194	\$ 796	\$ 1,572	\$ 1,548	\$ 4,110
Additions	-	109	503	29	641
Transfers	-	-	-	-	-
Disposals	(65)	(259)	(138)	(85)	(547)
Balance at December 31, 2019	\$ 129	\$ 646	\$ 1,937	\$ 1,492	\$ 4,204

Accumulated depreciation

Balance at December 31, 2018	\$ 134	\$ 445	\$ 858	\$ 1,239	\$ 2,676
Depreciation	22	96	219	109	447
Transfers	-	-	-	-	-
Disposals	(65)	(208)	(98)	(82)	(454)
Balance at December 31, 2019	\$ 91	\$ 333	\$ 979	\$ 1,266	\$ 2,669

Carrying amount

Balance at December 31, 2018	\$ 60	\$ 351	\$ 714	\$ 309	\$ 1,434
Balance at December 31, 2019	\$ 39	\$ 312	\$ 958	\$ 226	\$ 1,535

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Notes to the Consolidated Financial Statements, page 21

Years ended December 31, 2019 and 2018
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8. Property, plant and equipment (continued):

Cost

	Building and leasehold improvements	Computer equipment and software	Office and production equipment	Licenses and other assets	Total
Balance at December 31, 2017	\$ 2,626	\$ 1,825	\$ 1,836	\$ 1,486	7,773
Additions	24	209	387	157	777
Transfers	105	(632)	527	-	-
Disposals	(2,561)	(606)	(1,178)	(95)	(4,440)
Balance at December 31, 2018	\$ 194	\$ 796	\$ 1,572	\$ 1,548	\$ 4,110

Accumulated depreciation

Balance at December 31, 2017	\$ 1,471	\$ 925	\$ 1,293	\$ 1,185	4,874
Depreciation	106	152	232	113	603
Transfers	-	(294)	294	-	-
Disposals	(1,443)	(338)	(961)	(59)	(2,801)
Balance at December 31, 2018	\$ 134	\$ 445	\$ 858	\$ 1,239	\$ 2,676

Carrying amount

Balance at December 31, 2017	\$ 1,155	\$ 900	\$ 543	\$ 301	\$ 2,899
Balance at December 31, 2018	\$ 60	\$ 351	\$ 714	\$ 309	\$ 1,434

During 2019 and 2018, the Company disposed of fixed assets no longer required for the ongoing operations of the business for a loss of \$50 and a gain of \$13, respectively, as noted in the consolidated statement of profit or loss.

9. Leases:

The Company leases assets including office space, printers, copiers, security system, and a mailing system. Information about leases for which the Company is a lessee is presented below.

AgJunction Inc.

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9. Leases (continued):

Right-of-use assets

	Office Space	Equipment	Total
Balance at January 1, 2019	\$ 1,750	\$ 56	\$ 1,806
Lease Additions	45	-	45
Depreciation change for the period	(792)	(40)	(832)
Balance, December 31, 2019	\$ 1,002	\$ 16	\$ 1,020

Lease liabilities

	2019
Maturity analysis - contractual undiscounted cash flows	
Less than one year	\$ 472
One to five years	738
Total undiscounted lease liabilities at December 31, 2019	1,210
Lease liabilities at initial application	1,806
Current	\$ 429
Non-current	702
Lease liabilities included in the statement of financial position at December 31, 2019	\$ 1,131

Amounts recognized in profit or loss

	2019
Interest on lease liabilities	\$ 66
Variable lease payments not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Depreciation of right-of-use asset	832
Expenses related to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1
Loss related to foreign currency exchange differences in lease liability	-
Total amount recognized in profit and loss	\$ 899

Amounts recognized in the statement of cash flows

	2019
Total cash outflow for leases	654

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Notes to the Consolidated Financial Statements, page 23

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9. Leases (continued):

Real estate leases

The Company leases office space typically for a period of 3-7 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some leases require the Company to make payments that relate to the property taxes levied on the lessor and utility charges paid by the lessor.

Some leases of office space contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include the extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company does not expect to exercise any lease options.

Lease cancellation

The company announced the closure of its Brisbane, Australia and Fremont, California facilities on April 10, 2019. The company has five leases, three facility leases and two printer leases, which are associated with closure of the Fremont and Brisbane facilities. The Company intends on retaining use and access to the Fremont office facility through the lease expiration date of June 30, 2020 all other leases associated with the closure of the Brisbane and Fremont locations have been terminated as of December 31, 2019

Upon lease termination, fees associated with the lease cancellation, such as negotiation costs, relocation costs or termination penalties including costs associated with returning the asset in a contractually specified condition or contractually specified location are the responsibility of the lessee.

As of December 31, 2019 the Company has accelerated the amortization of the right-of-use assets of the aforementioned leases. The related accelerated depreciation expense of \$157 is recognized on the Consolidated Statement of Profit or Loss for the year ended December 31, 2019. The Company recognized lease cancellation fees of \$138 during the year ended December 31, 2019.

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Notes to the Consolidated Financial Statements, page 24

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9. Leases (continued):

Other leases

The Company leases printers, a security system and a mailing system, with lease terms of 1 to 4.5 years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Company monitors the use of these assets, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets. The Company does not have any residual guarantees as of December 31, 2019.

The Company also leases a storage unit, postage meter and security system with contract terms no longer than 3 years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

10. Intangible assets:

The Company incurs research and development expenses during the general course of business to enhance existing products by increasing and/or extending the functionality and/or performance of existing products or to create new products.

During 2019, the Company capitalized \$1,995 in development costs (2018 - \$1,763). This capitalization is captured on the Intangible assets line under the assets section on the Consolidated Statements of Financial Position.

Cost				
	Trademarks and Brands	Technology	Total	
Balance at December 31, 2018	\$ -	\$ 13,433	\$ 13,433	
Internally development intangibles	-	1,995	1,995	
Balance at December 31, 2019	\$ -	\$ 15,428	\$ 15,428	
Accumulated amortization				
Balance at December 31, 2018	\$ -	\$ 3,744	\$ 3,744	
Amortization	-	1,572	1,572	
Balance at December 31, 2019	\$ -	\$ 5,316	\$ 5,316	
Carrying amount				
Balance at December 31, 2018	\$ -	\$ 9,689	\$ 9,689	
Balance at December 31, 2019	\$ -	\$ 10,112	\$ 10,112	

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 25

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

10. Intangible assets (continued):

Cost				
	Trademarks and Brands		Technology	Total
Balance at December 31, 2017	\$	2,115	\$ 12,240	14,355
Internally development intangibles		-	1,763	1,763
Sales of division		(2,115)	(570)	(2,685)
Balance at December 31, 2018	\$	-	\$ 13,433	\$ 13,433
Accumulated amortization				
Balance at December 31, 2017	\$	1,352	\$ 3,147	4,499
Amortization		70	1,167	1,237
Sale of division		(1,422)	(570)	(1,992)
Balance at December 31, 2018	\$	-	\$ 3,744	\$ 3,744
Carrying amount				
Balance at December 31, 2017	\$	800	\$ 9,056	\$ 9,856
Balance at December 31, 2018	\$	-	\$ 9,689	\$ 9,689

Amortization of \$1,572 (2018 – \$1,167) and \$0 (2018 – \$70) is included within the Research and Development and Sales and Marketing line items, respectively, within the Consolidated Statements of Profit or Loss.

11. Provisions:

	Warranty	Restructuring	Total
Balance at December 31, 2018	\$ 999	\$ -	\$ 999
Provisions made during the year	194	1,948	2,142
Provisions used during the year	(367)	(1,748)	(2,115)
Balance at December 31, 2019	\$ 826	\$ 200	\$ 1,026
	Warranty	Restructuring	Total
Balance at December 31, 2017	\$ 613	\$ 16	\$ 629
Provisions made during the year	1,175	-	1,175
Provisions used during the year	(558)	(16)	(574)
Provisions sold	(231)	-	(231)
Balance at December 31, 2018	\$ 999	\$ -	\$ 999

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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11. Provisions (continued):

The provision for warranties relates mainly to products sold during the years ended December 31, 2019, and 2018. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The Company expects to incur the majority of the warranty liability over the next two years.

In February 2019, the Company identified performance issues with a single model of a high-volume product which is produced under an OEM supply agreement. The Company immediately halted production and shipment of the product and conducted a Root Cause Analysis which determined that a single connector could fail in certain circumstances once the product was put into use in the field. Based on management's estimate of remediation costs per unit, a warranty provision of \$422 was recorded as of December 31, 2018 which related to units that had shipped in 2018 and have been or could be impacted. During the quarter ended March 2019 an additional \$77 provision was recorded for warranty costs related to units that were manufactured and shipped late 2018 and in 2019. No additional provisions have been recorded as of December 31, 2019.

The Company announced the closure of its Brisbane, Australia and Fremont, California offices on April 10, 2019.

In connection with the site closures, provisions were made during the year ended December 31, 2019 which included estimates for lease acceleration, early contract and lease termination, shipping, and severance fees. The \$200 provision outstanding at December 31, 2019 includes an estimate for exiting the lease for the Fremont location, severance, shipping and disposal fees. These fees are expected to be paid during the first half of 2020.

Costs related to the restructuring of \$1,948 (2018 – \$0) are included within the General and Administrative line item on the Consolidated Statements of Profit or Loss.

12. Share capital:

(a) Authorized:

Unlimited common shares

Unlimited first preferred shares, issuable in series

Unlimited second preferred shares, issuable in series

(b) Issued:

Issued share capital consists of 117,073 common shares at \$148,495.

(c) Par value:

No par value.

(d) The Company has a share option plan, whereby options to purchase common shares may be issued at market price to directors, officers, employees, key consultants and agents of the Company subject to certain terms and conditions. The Company also has a restricted share

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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12. Share capital (continued):

award plan, whereby common shares may be issued at market price to directors, officers, and employees of the Company subject to certain terms and conditions. The Company's shareholders have approved the combined issuance of total share options and restricted share awards with a rolling maximum limit equal to 13% of outstanding common shares. Share options granted vest over a period of two to five years and expire at various dates through to 2020. Restricted share awards granted vest over a period of one to four years and have no expiration date.

- (e) During the year ended December 31, 2019, the Company recorded \$64 (2018 – \$239) as share based compensation expense relating to options and a reduction to share based compensation of (\$62) related to cancellation of RSA's in 2019 (2018 - \$427) relating to restricted share awards for total compensation expense of \$2 (2018 - \$666).
- (f) The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model. There were no grants in 2019. The following assumptions were used in determining the fair value of the March 2018 grants: Company share price at issuance; weighted average volatility of 57%; interest rate of 1.74%; and weighted average expected life of 3.0 years. The following assumptions were used in determining the fair value of the April 2018 grants: Company share price at issuance; weighted average volatility of 56%; interest rate of 1.79%; and weighted average expected life of 3.0 years.

Change in the number of options, with their weighted average exercise prices are summarized below:

Twelve Months Ended (share price in CAD)	December 31, 2019		December 31, 2018	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Total options outstanding, beginning of period	7,313	\$ 0.55	7,409	\$ 0.63
Granted	-	-	-	-
Exercised	(5)	0.50	-	-
Expired or cancelled	(4,430)	0.53	(96)	1.00
Share options outstanding, end of period	2,878	\$ 0.55	7,313	\$ 0.55
Exercisable at year end	1,854	\$ 0.55	3,906	\$ 0.53

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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12. Share capital (continued):

(share price in CAD)	Options outstanding			Options exercisable	
	Number outstanding at December 31, 2019	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at December 31, 2019	Weighted average exercise price
Range of exercise prices outstanding					
\$0.50 - \$1.00	2,878	21	\$ 0.55	1,854	\$ 0.55

Change in the number of restricted share awards, with their weighted average grant prices are summarized below:

Twelve Months Ended (share price in CAD)	December 31, 2019		December 31, 2018	
	Number of RSAs	Weighted average grant price	Number of RSAs	Weighted average grant price
Total RSAs outstanding, beginning of period	3,525	\$ 0.76	2,280	\$ 0.53
Granted	-	-	2,538	0.88
Exercised	(874)	0.70	(962)	0.86
Expired or cancelled	(2,062)	0.74	(331)	0.71
RSAs outstanding, end of period	589	\$ 0.81	3,525	\$ 0.76

The restricted share awards outstanding as of December 31, 2019 have a weighted average remaining vesting life of 19 months and vest over the years 2020 through 2021.

13. Sale of Divisions:

On August 31, 2018, the Company closed the sale of certain assets and liabilities of its Outback Guidance (Outback) business to Hemisphere GNSS (HGNSS) for \$6,355, \$6,000 plus a working capital adjustment of \$355. The transaction has allowed AgJunction to focus on its core strategy to grow the market for autosteering.

The sale of Outback included the Outback Guidance® brand, the REBEL™ autosteering products, and AgJunction's Hiawatha, Kansas and Winnipeg, Canada facilities. HGNSS has takenover the relationships with the Outback independent dealer network, and the majority of the Outback workforce have transitioned to HGNSS.

AgJunction Inc.

Notes to the Consolidated Financial Statements, page 29

Years ended December 31, 2019 and 2018
(Expressed in U.S. thousand dollars, except where noted)

13. Sale of Divisions (continued):

Certain assets and liabilities associated with the Outback Guidance business operations sold and are as follows:

	Total
Prepaid expenses	\$ 31
Inventories	2,946
Property, plant and equipment, net	1,543
Assets Sold	\$ 4,520
Deferred revenue	166
Warranty Provisions	137
Accounts payable and accrued expenses	33
Liabilities Sold	336
Assets Sold, net	\$ 4,184

In connection with the sale of Outback, the Company wrote off \$693 of intangible assets related to the Outback division that no longer had any future value to the Company. This \$693 is included in the gain on sale of division. A gain on the sale of division of \$1,478, was recognized and is reported on the December 31, 2018 Consolidated Statements of Profit or Loss.

On November 15, 2018, the Company closed the sale of certain assets and liabilities of its SATLOC® aerial guidance and flow control business to Texas Transland, LLC ("Transland") for cash of \$1,480 and a note receivable of \$1,422. The note is payable in equal installments over a five year period commencing December 2018. The note is carried at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. Interest income relating to the Satloc note, calculated using the effective interest method is \$178. The transaction has allowed AgJunction to focus on its core strategy to develop products which provide flexibility to our customers by delivering modular hardware and software components that can be seamlessly integrated into our customer' systems. A gain on the sale of the division in the amount of \$1,679 was recognized and is reported on the year ended December 31, 2018 Consolidated Statements of Profit or Loss.

The sale of SATLOC® included the SATLOC® brand and aerial guidance products. Certain assets and liabilities associated with the SATLOC® aerial guidance business operations sold and are as follows:

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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13. Sale of Divisions (continued):

	Total
Accounts receivable	\$ 143
Prepaid expenses	14
Inventories	1,158
Property, plant and equipment, net	2
Assets Sold	1,317
Warranty Provisions	94
Liabilities Sold	94
Assets Sold, net	\$ 1,223

14. Expenses by nature from continuing operations:

Operating results include the following items:

	2019	2018
Salaries and employee benefits	\$ 11,175	\$ 16,075
Defined contribution expenses	323	472
Share based payment expenses	1,348	666
Directors fees, cash portion	174	98
Amortization and depreciation expense	2,692	1,839
Consulting expenses	257	1,648
Travel and related expenses	164	1,318
Software, information technology and licensing expenses	872	777
Legal expenses	472	1,142
Lease payments recognized as expense	89	724
Advertising and promotional expenses	390	1,002
Insurance expense	314	320
Communication expenses	97	183
External audit fees	357	225
Public company expenses	339	242
Other corporate overhead expenses	1,037	1,553
Inventories recognized as costs of sales	19,787	33,610
Site Closure Expenses	1,948	-
Other costs of sales	3,868	4,492
	\$ 45,701	\$ 66,386

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Years ended December 31, 2019 and 2018
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15. Earnings (Loss) per share:

The calculation of basic and diluted income (loss) per share from operations was based on the earnings (loss) attributable to ordinary shareholders of (\$6,192) (2018 – income of \$1,464).

At year end, weighted-average number of shares outstanding used to calculate basic loss per share was as follows:

	2019	2018
Opening balance January 1	119,085	116,878
Issue of restricted share awards, net	(1,137)	1,112
	117,948	117,990

At year end, weighted-average number of shares outstanding used to calculate diluted (loss) income per share was as follows:

	2019	2018
Opening balance January 1	119,085	116,878
Issue (forfeitures) of restricted share awards, net	(1,137)	1,112
Effect of dilutive share options not exercised	-	7,313
	117,948	125,303

At December 31, 2019, 7,209 share options (2018 – 96) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

16. Entity-wide disclosure:

Revenue by operating segment:

	2019	2018
Agriculture	\$ 39,246	\$ 64,515

Revenue by geographic region:

	2019	2018
Americas	\$ 13,554	\$ 21,434
Asia-Pacific (APAC)	604	1,518
Europe, the Middle East, and Africa (EMEA)	25,089	41,563
	\$ 39,246	\$ 64,515

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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16. Entity-wide disclosure (continued):

Two customers each individually account for over 10 percent of Company total revenue. One customer approximates 62% or \$24,062 (2018 - 63% or \$40,411) of total revenue and is included in the EMEA geographic region. The other customer approximates 25% or \$9,803 (2018 - 17% or \$11,036) of total revenue and is included in the Americas geographic region

Non-current assets by geographic region:

	2019	2018
Americas	\$ 13,634	\$ 12,704
	\$ 13,634	\$ 12,704

17. Income taxes:

The Company is taxable in multiple jurisdictions, each with varying tax rates, tax regulations, and tax structures. This results in a blended effective income tax rate. Accordingly, the income tax expense recorded on the Consolidated Statements of Profit or Loss varies from the amount that would be computed by applying the combined Canadian Federal and Provincial income tax rate of 25% (2018 – 27%). The Rate Reconciliation schedule below summarizes these differences.

Rate reconciliation of effective tax rate:

	2019	2018
Expected income tax (recovery)	\$ (1,547)	\$ 509
Increase (decrease resulting from:		
Change in unrecognized deferred tax assets	1,304	(83)
Prior period adjustments	(553)	-
Nondeductible expenses	635	(272)
Effective tax rates differences by jurisdictions	161	(159)
Recognition of previously unrecognized deferred tax assets	-	-
Income tax (recovery)	\$ -	\$ (5)

A rate of 21 percent was used in the Company's 2019 and 2018 US income tax and net operating loss calculations.

Unrecognized deferred tax assets and liabilities:

No portion of the Company's net deferred tax assets has been recorded in these consolidated financial statements. The components are as follows:

AgJunction Inc.

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17. Income taxes (continued):

December 31, 2019	Asset (Liability)					Total
	Canada	United States	Australia	China		
Net operating losses	\$ 2,949	\$ 14,623	\$ 2,077	\$ 4	\$	19,653
Research and development tax credits	2,312	5,753	-	-		8,065
Property and equipment	-	(34)	-	-		(34)
Right-of-use asset	-	(260)	-	-		(260)
Lease liability	-	288	-	-		288
Share issue costs	(7)	-	-	-		(7)
Goodwill	-	1,297	-	-		1,297
Intangibles	-	(597)	-	-		(597)
Reserves	-	935	-	-		935
Deferred revenue	-	857	-	-		857
Inventory	-	139	-	-		139
Charitable contributions	-	4	-	-		4
Related party accrued interest	-	90	-	-		90
Unrealized foreign exchange loss (gain)	64	(13)	-	-		51
Income tax (recovery)	\$ 5,319	\$ 23,081	\$ 2,077	\$ 4	\$	30,481

December 31, 2018	Asset (Liability)					Total
	Canada	United States	Australia	China		
Net operating losses	\$ 2,935	\$ 13,793	\$ 2,243	\$ -	\$	18,971
Research and development tax credits	2,312	5,753	-	-		8,065
Property and equipment	-	(67)	-	-		(67)
Share issue costs	10	-	-	-		10
Goodwill	-	1,401	-	-		1,401
Intangibles	-	(882)	-	-		(882)
Reserves	2	1,081	127	-		1,210
Deferred revenue	-	-	-	-		-
Inventory	-	310	-	-		310
Charitable contributions	-	4	-	-		4
Related party accrued interest	-	96	-	-		96
Unrealized foreign exchange loss (gain)	59	(1)	-	-		58
Income tax (recovery)	\$ 5,318	\$ 21,489	\$ 2,370	\$ -	\$	29,177

The net operating loss carry-forwards as of December 31, 2019 reflected in the unrecognized deferred tax assets will expire as follows:

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Years ended December 31, 2019 and 2018
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17. Income taxes (continued):

	Net operating losses
United States:	
2023	346
2024	526
2025 and beyond	46,685
No expiration date	6,700
	\$ 54,257
Canada:	
2028 and beyond	\$ 11,795
Australia:	
No expiry date	\$ 6,924

18. Financial instruments and financial risk management:

The Company is exposed to various financial risks through its financial instruments. The nature of these instruments and the Company's operations expose the Company to the following risks:

(a) Credit risk:

Credit risk reflects the risk that the Company may be unable to collect amounts due to the Company from customers for its products or for other transactions that may be entered into by the Company. The extent of the risk depends on the credit quality of the party from which the amount is due.

The Company employs established credit approval and monitoring practices to mitigate this risk, including reviewing the creditworthiness of new customers to establish credit limits, monitoring customer payment performance and, where considered appropriate, reviewing the financial condition of its existing customers and other debtors. The Company establishes an allowance for doubtful accounts based upon individual account assessment along with the credit risk of its customers, historical trends and economic circumstances.

(b) Interest rate risk:

The Company is exposed to interest rate risk on cash balances or term deposits earning interest income and to the extent that it may draw on its operating line of credit or carry other

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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18. Financial instruments and financial risk management (continued):

forms of debt which calculate interest as a function of variable interest rates. At December 31, 2019, the Company does not carry material liabilities that are exposed to variable interest rates.

(c) Liquidity risk:

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the Company's ability to meet commitments to creditors.

The Company manages its liquidity risks by carrying a target level of cash by maintaining a conservative capital structure, by prudently managing its credit risks and by maintaining sufficient capacity within its credit facilities to meet any near-term liquidity requirements.

Approximate remaining contractual obligations at year end:

	Within 1 year	1 to 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 3,540	\$ -	\$ -
Operating Leases (note 13)	429	702	-
	\$ 3,969	\$ 702	\$ -

(d) Foreign exchange risk:

The Company is exposed to foreign exchange risk primarily in the following ways:

- i. Cash flow – A significant portion of the Company's revenues and expenses are denominated in US dollars, however certain of its expenses are denominated in Canadian dollars and Australian dollars.
- ii. Working capital – The Company has a US dollar measurement or functional currency. As a result, the Company is exposed to foreign exchange risk for working capital items denominated in Canadian dollars, Australian dollars, and Euros. At year end, working capital denominated in Canadian dollars was \$509 (939 CAD). A 1% change in Canadian to US dollar exchange rate will impact net income by approximately \$4. At year end, working capital denominated in Australian dollars, Euros, and Chinese Yuan was not material.

The Company does not use forward contracts for trading or speculative purposes. Foreign exchange contracts are recorded at fair value with changes in fair value recognized through earnings and are included in "Foreign exchange gain (loss)" in the consolidated statement of profit or loss. There were no foreign exchange contracts outstanding at December 31, 2019.

AgJunction Inc.

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18. Financial instruments and financial risk management (continued):

(e) Fair value of financial instruments:

The Company classifies its financial instruments measured at fair value using a fair value hierarchy defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company records cash and cash equivalents at fair value each reporting period by using "Level 1" under fair value hierarchy.

As of year end, carrying values of financial assets and liabilities approximate fair value.

19. Capital management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to seek to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity and through the monthly review of financial results and business expectations. The Company considers the shareholders' equity to be the capital of the Company.

Based upon the dynamic nature of the technology markets that the Company engages in, and the low level of tangible assets required, the capital strategy is to carry a very low level of debt (including capital lease). As of December 31, 2019, the Company does not have covenants that require a maximum debt to equity ratio, and the ratio of debt to equity has not exceeded 5% at year-end in each of the last five years.

In February 2014, the Company entered into an agreement for a credit facility, which provides up to a maximum of \$3 million in an operating line of credit. The operating line of credit has been renewed annually and currently bears interest at the bank's prime rate minus 1.0%. The operating line of credit matures on May 14, 2020. No amount has been drawn from the facility in any year.

Where considered appropriate by Management and/or the Board of Directors, the Company may incur and carry long-term debt from time to time as a result of expansion activities, including acquisitions.

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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20. Related party transactions:

The Company has related party relationships with its subsidiaries, key management personnel, and Board of Directors. Key management personnel include the Company's Chief Executive Officer, Chief Financial Officer and the top four senior officers for 2019 and 2018.

Key management personnel and Board member compensation:

	2019	2018
Salaries and benefits	\$ 2,471	\$ 1,882
Share based compensation	129	450
	\$ 2,600	\$ 2,332

The Board of Directors and Executive Officers participate in the Company's share option and restricted stock unit programs (note 12). During 2019, no options or RSAs were granted to such persons (2018 – no options and 1,798 RSAs). Share options outstanding for key management personnel and Board members as of December 31, 2019 totaled 2,774 (2018 – 7,113). Restricted share awards outstanding for key management personnel and Board members as of December 31, 2019 totaled 399 (2018 - 2,828).

Key management personnel and Board member transactions:

As of December 31, 2019, key management personnel, board members and entities to which certain board members are related, controlled 1.2% (2018 – 31.1%) of the voting shares of the Company.

A number of Board members, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

In December 2018, Lori Ell, a director was engaged as Interim Chief Executive Officer following the departure of the Company's then CEO at a rate of \$20,000 CAD per month. This arrangement was terminated on January 29, 2020.

In 2016, Jonathan Ladd, a director was engaged by the Company to act as a Senior Strategic Advisor to the then CEO. For the period January 1, 2018 through December 31, 2019, the Company incurred short term compensation expense in the amount of \$81 (2018 – \$84) for duties performed by Mr. Ladd as well as \$22 (2018 – \$22) in travel and other business related expenses associated with this service agreement.

The terms and conditions of the transactions with Mr. Ladd and Ms. Ell were no more favorable than those available, or which might reasonably be expected to be available, in similar arrangements with non-arm's length service providers.

AgJunction Inc.

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Years ended December 31, 2019 and 2018
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21. Goodwill:

The Company carried goodwill of \$143 at December 31, 2019 and 2018. For the purpose of impairment testing, goodwill is allocated to the Company's only cash generating unit (CGU), the agriculture CGU. In accordance with IFRS, goodwill is assessed for impairment at least annually, and more often if an event or circumstance indicates an impairment may have occurred.

At December 31, 2019, the closing price of the Company's common shares was \$0.34 (CAD) per share or \$0.26 (USD) per share. As such, total market value of the Company's common shares was \$30.8 million (USD) which was above the Company's total equity prior to impairment charges, of \$29.0 million (USD). While this information indicates recoverability, management tested goodwill for impairment as of December 31, 2019 for reasons described below.

Continued decline of the Agriculture industry in the near term was factored into the discounted cash flow model via beginning sales base and lower growth rates than those used in prior year's goodwill impairment estimates which impacted estimated future cash flows. Management believes the estimates and assumptions used in the impairment assessment are reasonable and in line with available market information but notes variations in such assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

As of December 31, 2019 and 2018, the Company assessed goodwill for impairment using a discounted cash flow model in order to determine value in use. The most significant assumptions underlying the model prepared by management include: revenue, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, capital expenditures, estimates of future market share, competition, technological developments, interest rates and market trends. The assumptions incorporated into the discounted cash flow model reflect management's long-term view of the company's business and the market in which it competes. The discount rate used in management's analysis as of December 31, 2019 was 13.3%. Management's value in use assessment as of December 31, 2019 and 2018 concluded goodwill totaling \$143 was not impaired.

22. Subsequent events:

The Company evaluated subsequent events through March 23, 2020, the date the consolidated financial statements were available to be issued and has determined the following subsequent event merit disclosure.

On March 10, 2020, the Company reported that it was informed by one of its largest customers that the customer will not be renewing their supply agreement with AgJunction when it expires at the end of 2020. The Company does not expect this to impact the financial results for 2020.

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. There is significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our supply chain and may negatively impact the global agriculture market. At the current time, we are unable to quantify the potential impact this pandemic may have on our future financial statements.



Management's Discussion and Analysis

Year ended December 31, 2019
(Expressed in U.S. dollars)

AgJunction Inc.
Management's Discussion and Analysis
Year ended December 31, 2019
(Expressed in U.S. thousand dollars, except where noted)

The following discussion and analysis are effective as of March 23, 2019 and should be read together with our audited annual consolidated financial statements and accompanying notes. Additional information related to AgJunction Inc., including the Company's Annual Information Form, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com. All amounts stated in this Management Discussion and Analysis ("MD&A") are in US thousand dollars unless otherwise stated.

Overview

References throughout this document to AgJunction or the "Company" all refer to AgJunction Inc. and its subsidiaries.

AgJunction Inc. is a public company listed on the Toronto Stock Exchange that provides innovative hardware and software applications for precision agriculture worldwide.

Management Change

On January 31, 2020, the Company announced the following management changes: M. Brett McMickell was appointed President and Chief Executive Officer and appointed to the Board and Deborah Mack was appointed Interim Chief Financial Officer.

Foreign Private Issuer Status

As reported at December 31, 2014, as of June 30, 2014, the Company determined that a majority of its outstanding shares were held directly or indirectly by US residents. As a result, AgJunction lost its "foreign private issuer" status effective January 1, 2015 as defined in Rule 3b-4 of the Securities and Exchange Act of 1934. AgJunction will however continue to be governed by Canadian securities laws and reporting obligations and is not required to register with the Securities and Exchange Commission or make any filings under the Securities and Exchange Act of 1934.

Economic and Market Trends

Agriculture Markets

According to the OECD Food and Agriculture Organization of the United Nations report title, *OECD-FOA Agriculture Outlook 2019-2028*, agricultural production will grow globally by 15% with broadly flat agricultural land use. This implies a global increase in yield primarily resulting from increased global adoption of precision agricultural technology. Countries are creating policies to increase adoption of precision agricultural technology. For example, China supported a new subsidy policy released in 2018, which added imported agricultural machinery to its subsidy list.

According to the Conveyor Equipment Manufacturers Association ("CEMA"), European Agricultural Machinery Association and their member companies, the dealer stock levels for new and used machines has continued to grow above the 3-year average in most regions of Europe. The pessimistic outlook for agriculture development that had been viewed across Europe has now reversed for two thirds of the regions. On December 16, 2019 CEMA reported that the general business climate forecast for both the European and United States markets are expected to perform above average.

Ongoing market access issues continued to be detrimental to North American farmers, which has hurt farmer confidence. According to the Association of Equipment Manufacturers, U.S. sales of total 4-wheel drive tractors sales were down by 2.8% year over year with an important class of lower power tractors (40-100 hp) dropping 4.9% year over year. Although trade relations have shown signs of stabilization, U.S. farmer confidence remains low with only modest year-over-year growth in agricultural tractors of 4.7% forecasted for 2020.

Expansion of rural broadband in the U.S. supports adoption of precision agricultural technology. According to the *2019 American Broadband Initiative Report*, published by the National Telecommunications and Information Administration, 32% of rural Americans lack access to fixed terrestrial broadband. The United States Department of Agriculture (USDA) Reconnect Pilot Program provides a second round of \$550 million in funding for rural broadband development in the U.S.

According to the latest reports from the USDA on February 5, 2020, total farm cash receipts are expected to increase by 2.7%, from \$374.3B to \$384.4B, while cash expenses are expected to increase by 3.1%, from \$311.8B to \$321.3B. Total farm expenses are expected to rise by 3% over the course of 2020. Additionally, net farm income is expected to increase to \$96.7B from \$93.6B, 3.3% growth. This is coming off of 2019 which is expected to yield a 11.7% gain in Net farm income.

Management views the 2020 fundamentals of its global agriculture markets to be growth neutral with new machine sales expected to be slightly up and existing farm equipment sales to be slightly up. In addition, the Company benefited recently from revenue generated by the Bulk Purchase Order (BPO) signed in 2018 and completed during the quarter ended September 30, 2019. As a result, sales are expected to lag slightly behind the agriculture cycle and related upturn due to the Company's customer base and mix of machine manufacturers. The outlook for our markets in 2020 and beyond is positive, driven by population growth, limited arable land, and a relatively low global penetration of advanced guidance, autosteering, and machine automation solutions for precision agriculture and other off-road applications.

The outlook for our markets in 2020 remains positive however, driven by a relatively low global penetration of advanced guidance, autosteering, and machine automation solutions for precision agriculture and other off-road applications. The Company is committed to advancing off-road machine automation with our portfolio of flexible automation modules for developing configurable solutions for our customers

Results of Operations

	Years Ended December 31		
	2019	2018	2017
Sales	\$ 39,246	\$ 64,515	\$ 46,781
Gross profit	14,685	23,810	19,421
<i>Expenses</i>			
Research and development	6,077	8,487	8,210
Sales and marketing	4,535	7,096	7,776
General and administrative	10,529	10,103	9,391
	21,141	25,686	25,377
Operating (loss)	(6,456)	(1,876)	(5,956)
Foreign exchange (gain) loss	(19)	(43)	4
Interest and other income	(289)	(122)	(18)
Sale of non-compete	-	-	(3,000)
(Gain) loss on sale of property, plant and equipment	50	(13)	19
(Gain) on sale of divisions	-	(3,157)	-
Income (loss) before income taxes	(6,198)	1,459	(2,961)
Income tax benefit	-	(5)	(290)
Net Income (loss)	(6,198)	1,464	(2,671)
<i>Income (loss) per common share:</i>			
Basic and diluted earnings (loss) per share	\$ (0.05)	\$ 0.01	\$ (0.02)

Selected Statement of Financial Position Information

	As of December 31		
	2019	2018	2017
Total assets	\$ 38,493	\$ 49,847	\$ 39,593

Year Ended December 31, 2019 and 2018

Revenue

For the year ended December 31, 2019, Revenue was \$39.5 million representing a decrease of 39.5% from \$64.5 million in 2018. This decrease was driven by reduced volumes on the PBO and reduced revenue from product lines and divisions sold in 2018.

	2019	2018	Change
Agriculture	\$ 39,246	\$ 64,515	-39.2%

Sales by geographic region

	2019	2018	Change
Americas	\$ 13,553	\$ 21,434	-36.8%
APAC	604	1,518	-60.2%
EMEA	25,089	41,563	-39.6%
	\$ 39,246	\$ 64,515	-39.2%

Sales in the Americas decreased by 36.8% or \$7.9 million compared to 2018. This decrease in sales is primarily due to the disposition of divisions which impacted sales in the United States, Brazil, Panama and Canada which declined \$4.5 million, \$0.3 million, \$0.7 million and \$2.4 million, respectively. Sales in APAC decreased by 60.2% or \$0.9 million compared to 2018. Australia and China sales decreased \$0.4 million and \$0.7 million, respectively, related to the sale of Outback, offset by demand increase in Japan sales of \$0.2 million. Sales in EMEA decreased 39.6% or \$16.5 million compared to 2018 due primarily to a decrease in demand from Germany of \$11.4 million, due to the bulk-purchase order completion, and a decrease from France of \$5.0 million.

Sales to customers in the Americas represented 34.5% of total Sales in 2019 compared to 33.2% in 2018. Sales in APAC accounted for 1.5% and 2.4% of total Sales in 2019 and 2018, respectively. EMEA sales represent 64.0% and 64.4% of 2019 and 2018 revenues, respectively.

Gross Profit

Gross profit of \$14.7 million for the year, declined by \$9.1 million or 38.3% from gross profit of \$23.8 million in 2018. Gross profit as a percentage of Sales was 37.4% in 2019 compared to 36.9% in 2018 with the increase being attributable to sales mix.

Operating Expenses

Operating expenses totaled \$21.1 million in 2019, a decrease of \$4.6 million or 17.7% from \$25.7 million in 2018, reflecting the results of downsizing and overall expense reduction efforts during the year. A summary of expenses by line item follows.

Research and development expenses were \$6.1 million in 2019, a decrease of \$2.4 million or 28.4% from \$8.5 million in 2018. The decrease in 2019 compared to 2018 is primarily related to savings in compensation of \$1.7 million and facility and related costs of \$0.6 million related to the closure of the Brisbane facility.

Sales and marketing expenses of \$4.5 million decreased by \$2.6 million or 36.1% from \$7.1 million in 2018. This decrease is primarily related to savings in compensation of \$1.8 million, travel of \$0.4 million and marketing expense of \$0.3 million reflecting overall downsizing and expense reduction efforts undertaken during the year.

General and administrative expenses of \$10.5 million increased by \$0.4 million or 4.2% from \$10.1 million in 2018 and is primarily related to \$1.9 million in expenses incurred in closing the Brisbane, Australia and Fremont, California facilities. This one-time cost was offset by savings in legal of \$0.8 million, consulting of \$0.5 million and service fees of \$0.2 million.

Goodwill Impairment

In accordance with IFRS, goodwill must be assessed for impairment annually or more often if an event or circumstance indicates that impairment may have occurred. The Company has one cash generating unit (“CGU”) to evaluate for impairment.

Management completed the annual assessment of the carrying value of the goodwill reported in the Consolidated Statement of Financial Position at December 31, 2019 and 2018 and concluded that the goodwill balance associated with the Agriculture CGU of \$143 million was not impaired. Goodwill carried on the Company’s balance sheet arose in the course of the following Agriculture CGU acquisitions:

- Del Norte Technologies business assets – January 2006
- Beeline Technologies Pty Ltd. – December 2007
- AgJunction business assets – January 2012
- Novariant, Inc. – October 2015

The Company determined the fair value of the Agriculture CGU at December 31, 2019 and 2018 using a discounted cash flow model consistent with recognized valuation methods. The most significant assumptions underlying the model prepared by management included: revenue, revenue growth, gross profit, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions include estimates of future market share, competition, technological developments, interest rates, and market trends. The assumptions incorporated into the discounted cash flow model reflect management’s long-term view of the Company’s business and the markets in which it competes.

In formulating its conclusions, management also considered a variety of related information, including:

- Market capitalization;
- Seasonal factors impacting the Company’s share price at particular periods;
- the impact on share prices of reduced liquidity in the public markets, particularly in Canada;
- the expected impact of economic conditions on the Company’s long-term business activities.

As a result of this analysis management determined that no impairment in goodwill had occurred during the years ended December 31, 2019 and 2018.

Foreign Currency Risk Management

The Company has the ability to mitigate exposure to foreign currency risk created through the carrying of positive Canadian and Australian dollar working capital using certain approved financial instruments with a maximum notional value of US\$40 million which have the objective of offsetting this working capital exposure. There are no hedge contracts entered into during 2019 or 2018, nor outstanding at December 31, 2019 or 2018.

Interest, Foreign Exchange and Other Income

In 2019, the Company recorded net interest and other income of \$289 an increase of \$167 or 136.9% from \$122 in 2018. The Company earns interest income on cash balances and loan receivable which is offset by interest paid.

The Company incurred a foreign exchange gain of \$19 in 2019, compared to \$43 in 2018. Foreign exchange gains/losses reported in the Consolidated Statement of Profit or Loss arise primarily from the impact of the fluctuating Canadian dollar on the translation and settlement of Canadian dollar denominated working capital.

Loss on sale of property, plant and equipment

The Company recorded a net loss on the disposal of property, plant and equipment totaling \$50 in 2019 compared to a net gain of \$13 in 2018. The Company announced the closure of its Brisbane Australia and Fremont California offices on April 10, 2019 as a result of these closures, property, plant and equipment totaling \$0.4 million was disposed of during the year ended December 31, 2019. These disposals relate to assets no longer needed to support ongoing operations.

Gain on sale of divisions

On August 31, 2018, the Company completed the sale of certain assets and liabilities of its Outback Guidance (Outback) division to Hemisphere GNSS (HGNSS) for \$6.4 million. The transaction allows AgJunction to focus on its commitment to advancing off-road machine automation with our portfolio of flexible automation modules for developing configurable solutions for our customers.

The sale of Outback included the Outback Guidance® brand, the REBEL™ autosteering products, and the Company's Hiawatha, Kansas and Winnipeg, Canada facilities. HGNSS assumed the Company's relationships with the Outback independent dealer network, and the majority of the Company's former Outback workforce were transitioned to HGNSS.

In connection with the sale of Outback, the Company wrote off \$693 of intangible assets related to the Outback division that no longer had any future value to the Company. This \$693 was included in the calculation of the gain on sale of division. A gain on the sale of division of \$1.5 million was recognized and is reported on the December 31, 2018 Consolidated Statements of Profit or Loss.

On November 15, 2018, the Company completed the sale of certain assets and liabilities of its SATLOC® aerial guidance and flow control division to Texas Transland, LLC ("Transland") for cash of \$1.5 million and a note receivable of \$1.4 million. The note is payable in five equal annual installments over a five year period commencing December 2018. The note is carried at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. Interest income relating to the Satloc note, calculated using the effective interest method in 2019 was \$178. As with the Outback sale, this transaction allows the Company to focus on its commitment to advancing off-road machine automation with our portfolio of flexible automation modules for developing configurable solutions for our customers. A gain on the sale of division in the amount of \$1.7 million, was recognized and is reported on the December 31, 2018 Consolidated Statements of Profit or Loss.

Income taxes

As of December 31, 2019, the Company has Canadian tax loss carry forwards of \$11.8 million that can be used to reduce Canadian taxable income in future years, as well as research and development in the amount of \$2.3 million that can be used to reduce Canadian federal taxes otherwise payable in future years.

The Company's US operating subsidiaries, AgJunction Corporation, AgJunction LLC and Novariant, Inc. file as a combined entity for US federal tax purposes. At December 31, 2019, the Company has cumulative US net operating losses of \$54.2 million that can be used to reduce US taxable income in future years, as well as \$5.8 million of research and development tax credits that can be used to reduce federal taxes otherwise payable in future years.

The Company's Australian subsidiaries, AgJunction Pty Ltd. and AgJunction AUS Pty Ltd., file as a combined entity for Australian income tax purposes. At December 31, 2019, the Company has losses of approximately \$6.9 million available to reduce Australian taxable income in future years.

The Company does not recognize or carry any deferred tax assets on its financial statements.

Income (Loss)

(000's)	31-Mar 2018	30-Jun 2018	30-Sep 2018	31-Dec 2018	31-Mar 2019	30-Jun 2019	30-Sep 2019	31-Dec 2019
Sales	\$ 15,774	\$ 13,776	\$ 17,862	\$ 17,103	\$ 14,013	\$ 13,301	\$ 8,641	\$ 3,291
Gross Profit	6,781	5,418	6,323	5,288	5,763	4,624	2,787	1,511
	43.0%	39.3%	35.4%	30.9%	41.1%	34.8%	32.3%	45.9%
Expenses:								
Research and development	2,979	3,008	1,343	1,157	1,752	1,984	1,901	440
Sales and marketing	2,165	1,984	1,857	1,090	1,357	1,285	1,186	707
General and administrative	2,679	2,757	2,471	2,196	2,608	2,099	2,233	3,589
	7,823	7,749	5,671	4,443	5,717	5,368	5,320	4,736
Operating income (loss)	(1,042)	(2,331)	652	845	46	(744)	(2,532)	(3,225)
Foreign exchange (gain) loss	(49)	28	(35)	13	(18)	(39)	86	(48)
Interest and other (income) loss	(5)	(5)	(20)	(92)	(60)	(61)	(83)	(85)
Loss (gain) on sale of property, plant and equipment	(4)	(9)	-	-	8	37	(9)	14
(Gain) on sale of divisions	-	-	(943)	(2,214)	-	-	-	-
	(58)	14	(998)	(2,293)	(70)	(63)	(6)	(119)
Net income (loss) before income taxes	(984)	(2,345)	1,650	3,138	116	(681)	(2,527)	(3,106)
Income tax expense (benefit)	-	-	-	(5)	1	1	(2)	-
Net income (loss)	(984)	(2,345)	1,650	3,143	115	(682)	(2,525)	(3,106)
Earnings (loss) per common share:								
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ 0.01	\$ 0.03	\$ -	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted Average Diluted Shares	118,338	126,287	125,684	126,445	126,366	125,952	120,280	122,047

In 2019, the Company generated a net loss of \$6.2 million or (\$0.05) per share (basic and diluted), compared to net income of \$1.5 million or \$0.01 per share (basic and diluted) in 2018.

Summary of Quarterly Results

Sales by region on a quarterly basis are as follows:

For the Quarters Ended

(000,s)	31-Mar 2018	30-Jun 2018	30-Sep 2018	31-Dec 2018	31-Mar 2019	30-Jun 2019	30-Sep 2019	31-Dec 2019
Americas	\$ 8,481	\$ 6,761	\$ 3,923	\$ 2,269	\$ 4,706	\$ 3,021	\$ 2,790	\$ 3,036
APAC	741	178	452	147	311	17	181	95
EMEA	6,552	6,837	13,487	14,687	8,996	10,263	5,670	160
	\$ 15,774	\$ 13,776	\$ 17,862	\$ 17,103	\$ 14,013	\$ 13,301	\$ 8,641	\$ 3,291

Quarterly revenue results have varied during the past eight quarters due, in part, to the following factors:

1. A large component of the Company's revenue is derived from North American and EMEA agriculture markets which are subject to the seasonality of the agricultural buying season. Normally this leads to the first half of the year being the strongest and the second half being the weakest, however during 2018 the BPO deliveries generated revenue in the second half of the year higher than the first half reversing the historical trend. Initiatives to mitigate the Company's seasonality include revenue efforts in the Southern Hemisphere which is counter-seasonal to the Northern Hemisphere agricultural seasons and strategies focused on increasing sources of recurring revenue.

On March 13, 2018 the Company announced it has entered into a BPO with a customer to supply its steering solutions products to the customer for an aggregate purchase price of approximately \$55 million. Deliveries and payments under the purchase order began July 1, 2018 and ended in August 2019.

Additionally, the sale of the Outback Guidance and SATLOC® aerial guidance and flow control divisions resulted in reduced revenue in the Americas region during the third and fourth quarters of 2018.

2. The adoption of advanced technology as it relates to precision farming is transitioning from historically being an aftermarket business to a manufacturer and supplier business. The outlook for the Company's products includes uncertainty regarding the speed with which each region will adopt autosteering and automation.

Quarter Ended December 31, 2019 compared to Quarter Ended December 31, 2018

Revenue

Revenue in the fourth quarter were as follows:

	2019	2018	Change
Agriculture	\$ 3,291	\$ 17,103	-80.8%

Revenue by region for the fourth quarter of 2019 and 2018 are as follows:

	2019	2018	Change
Americas	\$ 3,036	\$ 2,269	33.8%
APAC	95	147	-35.4%
EMEA	160	14,687	-98.9%
	\$ 3,291	\$ 17,103	-80.8%

In the fourth quarter of 2019, sales in the Americas increased by 33.8% or \$0.8 million versus the same quarter of 2018. The increased demand in the United States generated the higher sales in the fourth quarter of 2019 compared to the same quarter in 2018 and was primarily the result of sales in the direct to consumer channel. Sales in APAC decreased by 35.4% driven by timing in shipments to China offset by higher demand in Japan. Sales in the EMEA region decreased 98.9% or \$14.5 million due to decreased demand in Germany due to the completion of the BPO.

Sales to customers in the Americas represented 92.3% of total Sales in the fourth quarter of 2019 compared to 13.3% in the fourth quarter of 2018. APAC sales represented 2.9% of total Sales in the fourth quarter of 2019, an increase from 0.9% for the same period in 2018. EMEA sales accounted for 4.8% of fourth quarter 2019 total Sales, down from 85.8% in the same period in 2018.

Gross profit

Gross profit in the fourth quarter of 2019 was \$1.5 million, a decrease of \$3.8 million or 71.4% from gross profit of \$5.3 million in the fourth quarter of 2018. The decrease in gross profit over the prior year was driven by the decrease in revenue directly attributed to the sales under the BPO which completed during the quarter ended September 30, 2019.

Operating Expenses

Operating expenses were \$4.7 million in the fourth quarter of 2019, up \$0.3 million or a 6.6% increase from \$4.4 million in the fourth quarter of 2018. A detailed discussion of operating expenses by financial statement line item follows.

Research and development expenses totaled \$0.4 million in the fourth quarter of 2019 compared to \$1.2 million in the fourth quarter of 2018, a decrease of \$0.8 million or 62.0%. The decrease in the fourth quarter of 2019 compared to 2018 is primarily related to internally developed intangible assets that were capitalized at a higher rate during the fourth quarter of 2019 compared to the fourth quarter of 2018 as well as savings in compensation and facility related costs related to the closure of the Brisbane facility.

Sales and marketing expenses of \$0.7 million in the fourth quarter of 2019 decreased by \$0.4 million or 35.1% from \$1.1 million in 2018 related to decreases in activities resulting from lower compensation costs, consultant costs and recruitment expense.

General and administrative expenses of \$3.6 million in the fourth quarter of 2019 increased by \$1.4 million or 63.4% from \$2.2 million in the fourth quarter of 2018. This increase of \$1.4 million is primarily related to site closure costs of \$1.0 million offset by lower compensation costs, consultant costs and recruitment expense.

Interest and Foreign Exchange

The Company recognized interest and other income in the fourth quarter of 2019 and 2018 of \$0.1 million.

The Company reported a foreign exchange gain in the fourth quarter of 2019 of \$48, compared to a loss of \$13 in 2018. The foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar monetary working capital.

Loss on sale of property, plant and equipment

The Company incurred a loss on the sale and/or disposal of property, plant and equipment in the fourth quarter of 2019 of \$14 (2018 - nil). The Company announced the closure of its Brisbane Australia and Fremont California offices on April 10, 2019 as a result of these closures, property, plant and equipment totaling \$0.1 million was disposed of during the quarter ended December 31, 2019.

Gain on sale of divisions

On August 31, 2018, the Company completed the sale of certain assets and liabilities of its Outback Guidance (Outback) division to Hemisphere GNSS (HGNSS) for \$6 million. The sale of Outback includes the Outback Guidance® brand, the REBEL™ autosteering products, and AgJunction's Hiawatha, Kansas and Winnipeg, Canada facilities. A gain on the sale of division in the amount of \$1.5 million, was recognized and is reported on the Consolidated Statement of Profit or Loss for the year ended December 31, 2018.

On November 15, 2018, the Company closed the sale of certain assets and liabilities of its SATLOC® aerial guidance and flow control division to Texas Transland, LLC ("Transland") for cash of \$1.5 million and a note receivable of \$1.4 million. Interest income relating to the Satloc note, calculated using the effective interest method is \$178. The note is payable in equal installments over a five year period commencing December 2018. A gain on the sale of division in the amount of \$1.7 million, was recognized and is reported on the Consolidated Statement of Profit or Loss for the year ended December 31, 2018.

Income taxes

The Company recognized an income tax benefit of \$5 for the fourth quarter of 2018 related to adjustments in foreign jurisdictions, no such expense was recorded in the same period of 2019.

Income (Loss)

In the fourth quarter of 2019, the Company generated a net loss of \$3.1 million or \$0.03 per share (basic and diluted), compared to net income of \$3.1 million or \$0.03 per share (basic and diluted) in 2018. The fourth quarter of 2018 included a \$2.2 million gain on sale of divisions.

Liquidity and Capital Resources

Working Capital

The Company held cash of \$17.2 million at December 31, 2019 compared to \$21.4 million at the end of 2018. Working capital was \$19.2 million at December 31, 2019, a decrease of \$7.5 million from \$26.7 million at December 31, 2018. Cash and working capital balances at December 31, 2018 included proceeds from the sale of assets.

Accounts receivable, net of allowance, at December 31, 2019 was \$2.8 million compared to \$8.5 million at December 31, 2018 with the decrease primarily attributable to the completion of sales under the BPO. The Company's standard terms on accounts receivable are net 30 though programs offering extended terms may be executed throughout the year in order to promote sales. The Company employs established credit approval

and regular account monitoring practices to mitigate the credit risk associated with accounts receivable. At December 31, 2019 and 2018, the Company had a reserve for accounts receivable totaling \$56 and \$53, respectively.

Inventories consist of components, raw materials, work in process and finished goods related to the products sold by the Company. Inventory was \$3.7 million at December 31, 2019 compared to inventory of \$5.7 million at December 31, 2018. The Company reviews inventory movement on a quarterly basis using the previous eighteen (18) months history to make adjustments to the net realizable value of the total inventory.

Provisions for warranties on products sold are generally recorded based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. In February 2019, the Company identified performance issues with a single model of a high-volume product which is produced under an OEM supply agreement. A Root Cause Analysis determined that a single connector could fail in certain circumstances once the product was put into use in the field. Based on management's estimate of remediation costs per unit, an additional warranty provision of \$422 was recorded as of December 31, 2018 which related to units that had shipped in 2018 and have been or could be impacted. During the quarter ended March 2019 an additional \$77 provision was recorded for warranty costs related to units that were manufactured and shipped late 2018 and in 2019. Provisions at December 31, 2019 were \$0.8 million versus \$1.0 million at December 31, 2018.

The primary items impacting cash during the year were:

- Cash used in continuing operations was \$1.1 million for 2019 compared to cash generated of \$2.1 million in 2018. Of this \$3.2 million change, \$7.7 million relates to the difference between the 2019 net loss compared to net income in 2018, \$3.2 million of which resulted from the gain on sale of Outback and SATLOC, \$6.1 million relates to the increase in deferred revenue, \$7.8 million relates to use of accounts payable and accrued liabilities, offset by \$10.2 million change in accounts receivable, \$0.8 million change in prepaids and \$4.1 million change in inventory and included in the change in net loss 2019 compared to 2018 includes \$3.2 million resulting from the gain on sale of the Outback and SATLOC divisions.
- Cash used in financing activities was \$0.7 million compared to \$- million in 2018. During 2019 cash used of \$0.7 million included principal payments on leases.
- Cash used in investing activities was \$2.4 million compared to cash from investing activities of \$5.4 million in 2018. This increase is primarily due to proceeds from the sale of the divisions of \$7.8 million which closed in 2018.
- Accounts receivable at December 31, 2019 was \$2.8 million versus \$8.5 million at December 31, 2018. This decrease in accounts receivable is attributed to collections on sales made under the PBO which concluded in August 2019.
- Inventory was \$3.7 million at December 31, 2019 versus \$5.7 million at December 31, 2018. This decrease in inventory relates to improved inventory management including direct shipments from the vendor to the customer.
- Accounts payable and accrued liabilities at December 31, 2019 were \$3.5 million versus \$8.5 million at December 31, 2018. This decrease in accounts payable is attributed to close out of the BPO which concluded in August 2019.
- Total tangible capital spending was \$0.6 million and \$0.8 million in 2019 and 2018, respectively. Property and equipment purchased during 2019 included primarily computer equipment, computer software, production equipment and patents.

Foreign Currency Risk Management Program

The Company has adopted the US dollar as the reporting and measurement currency under IFRS. As a result, fluctuations in the foreign exchange rates affect Canadian dollar and Australian dollar denominated operating expenses - giving rise to foreign currency gains and losses.

The Board of Directors has approved the execution of financial instruments with a maximum notional value of \$40 million which have the objective of offsetting the foreign exchange exposure.

There are no outstanding financial instruments in 2019 as the Company has mitigated a significant portion of our foreign exchange risk with the sale of the non-agriculture operations and closing of the Calgary, Canada office.

Property and Equipment

The Company's property and equipment is comprised of computer hardware and software, equipment for production and research purposes and furniture and fixtures, vehicles and building and leasehold improvements.

During 2019, the Company invested \$0.6 million in property and equipment (2018 - \$0.8 million). Capital additions included computer equipment and software, production equipment, vehicles and patents.

Intangible Assets

Intangible assets include assets acquired through acquisition including trademarks and brands, customer relationships, marketing and distribution assets and technology as well as internally developed technology. The Company's acquired intangible assets derive from the following acquisitions:

- Del Norte Technologies business assets – January 2006
- Beeline Technologies Pty Ltd. – December 2007
- Novariant, Inc. – October 2015

Intangible asset additions comprised internally developed intangible assets of \$2.0 million and \$1.8 million for the year ended December 31, 2019 and 2018, respectively.

Goodwill

The Company carried goodwill of \$0.1 million at December 31, 2019 and 2018. For the purpose of impairment testing, goodwill is allocated to the Company's Agriculture cash generating unit (CGU).

The Company determined the value of the agriculture CGU as of December 31, 2019 using a "discounted cash flow" model, consistent with recognized valuation methods. The most significant assumptions underlying the model prepared by management include: Sales, Sales growth, gross profit, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions include estimates of future market share, competition, technological developments, interest rates, and market trends. The assumptions incorporated into the discounted cash flow model reflect management's long-term view of the Company's business and the markets in which it competes.

In accordance with IFRS, goodwill is assessed for impairment annually, or more often if an event or circumstance indicates that an impairment may have occurred. Management completed its annual assessment of the carrying value of the goodwill reported in the Consolidated Statement of Financial Position as of December 31, 2019 using the discounted cash flow model detailed above and determined goodwill totaling \$0.1 million was not impaired.

Borrowings and Credit Facilities

In February 2014, the Company entered into an agreement for a credit facility, which provides up to a maximum of \$3 million operating line of credit. No amount has been drawn from the facility. The operating line of credit is secured by a commercial security agreement covering all accounts and general intangibles and bears interest at the bank's prime rate minus 0.5%. The operating line of credit matures May 14, 2020. The agreement also includes an accordion loan feature, with an additional \$3 million line of credit at the sole discretion of the lender. The interest rate on the accordion loan is the bank's prime rate minus 0.5%, and if enacted would carry an unused commitment fee of 0.2% per annum.

In addition, in September 2018 in order to secure inventory purchases made by our major supplier in connection with the BPO, the company entered into an irrevocable declining balance standby letter of credit (SBLC) with an initial balance of \$3 million. The SBLC letter of credit expired on July 31, 2019.

Share Capital

At December 31, 2019, there were 117.1 million common shares, 0.6 million restricted stock awards, and 2.9 million stock options outstanding.

During 2019, 5 thousand stock options were exercised; there were no stock options exercised during 2018.

There were no RSAs granted during 2019 and 2.9 million RSAs were exercised or cancelled. The company granted 1.9 million RSAs, net of cancellations in 2018.

Contractual Obligations

The following table quantifies the Company's contractual obligations as of December 31, 2019:

	Within 1 year	1 to 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 3,534	\$ -	\$ -
Operating Leases	429	702	-
	\$ 3,963	\$ 702	\$ -

Subsequent Events

The Company evaluated subsequent events through March 23, 2020, the date the consolidated financial statements were available to be issued and has determined the following subsequent event merit disclosure.

On January 31, 2020, the Company announced the following management changes: M. Brett McMickell was appointed President and Chief Executive Officer and appointed to the Board and Deborah Mack was appointed Interim Chief Financial Officer

On March 10, 2020, the Company reported that it was informed by one of its largest customers that the customer will not be renewing their supply agreement with AgJunction when it expires at the end of 2020. The Company does not expect this to impact the financial results for 2020.

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. There is significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our supply chain and may negatively impact the global agriculture market. At the current time, we are unable to quantify the potential impact this pandemic may have on our future financial statements.

Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The preparation of these financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses. These estimates are based on Management's historical experience and various other assumptions that are believed by Management to be reasonable under the circumstances. Such assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

1. The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay balances owing to the Company. This allowance is determined based on a review of specific customers, historical experience and economic circumstances.
2. Inventories are carried at the lower of cost and net realizable value. Provisions for excess or obsolete inventory are recorded based on Management's assessment of the estimated net realizable value of component, work in process, and finished goods inventory.

3. The Company performs the required test for goodwill impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In performing the required test, Management determines the recoverable amount, which is the greater of the fair value less cost to sell and value in use. An impairment loss would be measured as the difference between the carrying amount of the goodwill and its recoverable amount. Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one cash generating unit, relevant multiples, and peer transactions. Value in use is determined using a detailed discounted cash flow analysis using management's estimates.
4. The Company evaluates its deferred tax assets and recognizes deferred tax assets to the extent there is available taxable income. At December 31, 2019, the Company did not recognize any deferred tax assets on the Consolidated Statement of Financial Position.
5. The Company accrues reserves for product warranty expenses as it relates to the repair or replacement of defective products sold in the current period. The warranty reserve is based on historical information of warranty claims compared to sales. Any expenses directly relating to warranty claims are expected to offset the provision in period.

Business and Market Risks

The nature of the Company's business gives rise to certain risks that may impact future financial results. In addition to risks described elsewhere in this report, the Company identifies the following risks to currently be the most significant:

1. Financial Results

The Company was unprofitable for the 2019 fiscal year as well as unprofitable during the years ended December 31, 2001 to 2019 except for during the years ended December 31, 2004, 2008, 2013 and 2018.

It is possible that losses will occur in any of the four quarters of 2020 and that a loss could be realized for the full 2020 year. This could arise from the impact of current negative macro-economic conditions, or the Company could fail to execute on its business strategy. Future sales, gross profit and expenses are subject to many factors beyond the Company's control, including:

- the liquidity and business plan execution of customers;
- general industry conditions;
- the rate of acceptance of the Company's products;
- new technologies in the marketplace;
- the development and timing of the introduction of new products;
- price and product competition from competitors;
- the product mix of the Company's sales;
- possible delays in shipment of the Company's products;
- possible delays or shortages in component supplies;
- other risk factors described in this MD&A; and
- other risk factors not foreseen at this time.

2. Foreign Currency Valuation Fluctuations

Sales of the Company's products are transacted primarily in US dollars. Expenses are incurred in US dollars, Canadian dollars and Australian dollars, and as a result, the Company is exposed to risk associated with US, Canadian and Australian dollar fluctuations. A strengthening in the US dollar relative to the Canadian dollar, as was seen in 2018 and 2019 results in lower relative US dollar expenses for the Company when compared to a weaker US dollar. With the sale of the Outback business, the bulk of the Canadian dollar based expenses were eliminated.

The Company denominates a large majority of its sales in US dollars. A stronger US dollar, compared to the currencies of countries where the Company is selling its products, makes the Company's products more expensive to customers in those countries. As a result, a strong US dollar, as was seen during 2018 could have a negative impact on sales to such countries. As the Company expands with increased global sales, it is expected that it may be necessary to transact a larger volume of sales in foreign currencies other than US dollars, thus exposing the Company to additional foreign currency risk.

3. *General Economic and Financial Market Conditions*

Changes in regional conditions in market and business environments could have a negative impact on the Company's 2020 performance. The Company's agricultural product sales have typically been affected to some extent each year by changes in growing season due to drought, commodity prices affecting net farm income, and other conditions in certain markets. For example, a drought was seen for several years in significant regions in Australia which has negatively impacted sales of agriculture guidance products in that market. Should negative weather conditions arise in any of the Company's key markets in 2020, the Company could realize lower-than-expected Sales in the impacted market areas.

4. *Dependence on Key Personnel*

The Company's success is largely dependent upon the performance of key personnel. The unexpected loss or departure of any key officers or employees could be detrimental to the future operations. The success of the Company will depend, in part, upon the ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high in the Precision Agriculture industry. There can be no assurance that we will be able to engage the services of such personnel or retain our current personnel.

5. *Competition*

The Company is competing in a highly competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. Many of our competitors may have greater financial, technical, sales, production and marketing resources. We compete with companies that also have established customer bases and greater name recognition. This may allow competitors to respond more quickly to the autosteering market and to better implement technological developments. There is no assurance that the Company will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or increased operating expenses.

6. *Third Party Dependence*

Many of the Company's products rely on signals from satellites, and other ground support systems, that it does not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the GNSS and/or the growth of current and additional market opportunities, which would adversely affect our results of operations. In addition, there is no assurance that governments will remain committed to the operation and maintenance of GNSS satellites over a long period of time or that the policies of governments for the commercial use of GNSS satellites without charge will remain unchanged.

7. *Dependence on New Products*

The Company must continue to make significant investments in research and development to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development-stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If the Company is unable to successfully define, develop and introduce competitive new products, and enhance existing products, future results would be adversely affected.

8. *Intellectual Property*

The industry in which the Company operates has many participants that own, or claim to own, proprietary intellectual property. The Company has received, and may receive, claims from third parties claiming that the Company has infringed on their intellectual property rights. Determination of the rights to intellectual property is very complex, and costly litigation may be required to establish if the Company has violated the intellectual property rights of others. Also, a competitor might infringe on the Company's proprietary intellectual property forcing the Company to pursue litigation to defend its ownership of that proprietary intellectual property. As a result of such claims, the Company could be subject to losses arising from product injunctions, awards for damages and third party litigation costs, requirements to

license intellectual property, legal expenses, diversion of Managements' time and attention, and other costs.

9. *Government Regulation*

The Company's products are subject to government regulation in the United States, Canada and other regions in which we operate. Although the Company believes that it has obtained the necessary approvals for the products that it currently sells, it may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or the Company may not be able to obtain regulatory approvals from countries in which it may desire to sell products in the future. In addition, the China market has been impacted the last few years by regulatory changes, and US/China trade relations are currently strained due to tariff impositions, which has weakened farm incomes in the US.

10. *Availability of Key Suppliers*

The Company is reliant upon certain key suppliers for raw materials, components and manufacturing services, and no assurances can be given that we will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes, financial failures impacting suppliers, COVID-19 or from a variety of other potential issues. The raw materials used in certain operations are available only through a limited number of vendors. Although the Company believes there are alternative suppliers for most of its key requirements, if current suppliers are unable to provide the necessary raw materials or fail to deliver products in the quantities required on a timely basis, then the related delays in the manufacture or distribution of products could have a material adverse effect on the Company's results of operations and its financial condition.

11. *Credit Risk*

The Company has an increasing exposure to credit risk related to trade balances owing from customers. In the normal course of business, the Company monitors the financial condition of its customers and reviews the credit history of new customers to establish credit limits. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances. Losses could be realized by the Company if customers default on their balances owing.

12. *Technology Risk*

The Company's success may depend in part on our ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. The Company's products embody complex technology that may not meet those standards, changes and preferences. The Company may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause the Company to be unable to recover significant research and development expenses and could reduce its Sales.

13. *Future Acquisitions*

The Company may seek to expand its business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favorable terms, or that the acquired operations can be profitably operated or integrated into the Company. In addition, any internally generated growth experienced by the Company could place significant demands on Management, thereby restricting or limiting the Company's available time and opportunity to identify and evaluate potential acquisitions. To the extent Management is successful in identifying suitable companies or products for acquisition, the Company may deem it necessary or advisable to finance such acquisitions through the issuance of Common Shares, securities convertible into Common Shares, debt financing, or a combination thereof. In such cases, the issuance of Common Shares, Preferred Shares or convertible securities could result in dilution to the holders of Common Shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain assets, impeding the Company's ability to obtain bank financing, decreasing its liquidity, and adversely affecting its ability to declare and pay dividends to its shareholders.

14. Proprietary Protection

The Company's success will depend, in part, on its ability to obtain patents, maintain trade secrets and unpatented know-how protection, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent its rights. The Company relies on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect its proprietary information. There can be no assurance that the steps taken will prevent misappropriation of its proprietary rights. The Company's competitors also could independently develop technology similar to its technology. Although the Company does not believe that its products or services infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company, or that any such assertions or prosecutions will not materially adversely affect its business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defense thereof, which could have a material adverse effect on its business.

15. Product Liability

The sale and use of the Company's products entail risk of product liability. Although the Company has product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

16. New and Emerging Markets

Many of the markets for the Company's products are new and emerging. The Company's success will be significantly affected by the outcome of the development of these new markets.

17. Physical Facilities

The Company consolidated its operational locations to one facility during 2019 however the Company continues to hold component inventory, finished goods and capital assets at third-party manufacturing facilities. Tangible property at each location is subject to risk of fire, earthquake, flood, and other natural acts of God. In the event of such acts, there could be delays in production and shipments of product due to both the loss of inventory and/or capacity to produce.

18. Legal Risks

In common with other companies, the Company is subject to legal risks related to operations, contracts, relationships and otherwise under which it may be served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement costs and other costs as well as significant time and distraction of Management and employees – which could negatively impact the Company's ability to execute its business plans. Management believes the Company carries appropriate insurance coverage to sufficiently mitigate related financial risk.

19. Technology Failures or Cyber-Attacks

We rely on information technology systems to process, transmit and store electronic information. In addition, a significant portion of internal communications, as well as communication with customers and suppliers depends on information technology. Further, certain of our products depend upon GPS and other systems through which our products interact with government computer systems and other centralized information sources. We are exposed to the risk of cyber incidents in the normal course of business. Cyber incidents may be deliberate attacks for the theft of intellectual property or other sensitive information or may be the result of unintentional events. Like most companies, our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. Further, attacks on centralized information sources could affect the operation of our products or cause them to malfunction. We have technology security initiatives and disaster recovery plans in place to mitigate our risk to these vulnerabilities, but these measures may not be adequate or implemented properly to ensure that our operations are not disrupted. Potential consequences of a material cyber incident include damage to our reputation, litigation and increased cyber security protection and remediation costs. Such consequences could adversely affect our results of operations.

20. *Foreign Private Issuer Status*

As of June 30, 2014, AgJunction determined that a majority of its outstanding shares were held directly or indirectly by US residents. As a result, AgJunction lost its “foreign private issuer” status effective January 1, 2015 as defined in Rule 3b-4 of the Securities and Exchange Act of 1934. AgJunction however continues to be governed by Canadian securities laws and reporting obligations and is not required to register with the Securities and Exchange Commission or make any filings under the Securities and Exchange Act of 1934.

21. *Business Focus*

AgJunction Inc. is a global leader of advanced guidance, autosteering, and machine automation solutions for precision agriculture and other off-road applications. Its technologies are critical components in over 30 of the world’s leading precision Ag manufacturers and solution providers and it holds over 200 fundamental steering and machine control patents and patents pending. AgJunction markets its solutions under leading brand names including Novariant®, Wheelman™, and Whirl™ and is committed to advancing off-road machine automation with our portfolio of flexible automation modules for developing configurable solutions for our customers.

The Company’s products and software solutions offer advanced accurate guidance and positioning, autosteering and machine control systems for the agriculture markets and are used throughout a farming operation during tilling, planting, spraying and harvesting. These products and software solutions enable an off-road machine to precisely follow pre-planned path and then control the vehicle along the path with little additional input from the operator. This requires a substantial expertise in technologies like GNSS, position and motion sensors, situational awareness technologies like lidar, radar and cameras etc., understanding hydraulics and machine control, and various types of vehicle communication protocols.

On August 31, 2018, the Company closed the sale of certain assets and liabilities of its Outback Guidance (Outback) divisions and on November 15, 2018, the Company closed the sale of the assets and liabilities of its SATLOC® aerial guidance and flow control division. These transactions will allow AgJunction to focus on its core strategy to grow the market for off-road vehicle automation.

On January 31, 2020, the Company announced a plan to implement a refined strategy in which the Company will deliver flexible automation modules that integrate seamlessly into our customers’ systems. The refined strategy will deliver long term value and extraordinary service to our customers as well as maximize shareholder value.

Disclosure Controls and Procedures

Our Management is responsible for establishing and maintaining adequate disclosure controls and procedures for the Company. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed with securities regulatory authorities is recorded, processed, summarized and reported within prescribed time periods and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of, and with the participation of, our Management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under applicable securities laws and regulations is recorded, processed, summarized, and reported within the time periods specified thereby.

It should be noted that while the Company’s Chief Executive Officer and Chief Financial Officer believe that the Company’s disclosure controls and procedures have been designed with the objective to provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal controls over financial reporting would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in

decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. We considered these limitations during the development of our disclosure controls and procedures and will periodically re-evaluate them to ensure they provide reasonable assurance that such controls and procedures are effective.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing disclosure controls and internal controls over financial reporting as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company is currently under the Internal Control - Integrated Framework: 2013 released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, Management has conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2019 for all locations consolidated in the financial statements and has concluded there are no concerns regarding internal controls.

Forward-Looking Information

The information in the Management's Discussion and Analysis ("MD&A") contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

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

- financial results;
- new and emerging markets;
- impact of market conditions;
- forecast net farm income;
- changes in foreign currency rates;
- losses available to reduce future taxable income;
- customer adoption of technology and products;
- implementation of International Financial Reporting Standards;
- technological developments;
- expectations regarding the ability to raise capital; and
- research and capital expenditures programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- competition;
- departure of key personnel or consultants;

- inability to introduce new technology and new products in a timely manner;
- changes in the Global Navigation Satellite System (“GNSS”) and other systems outside of our control;
- costs to purchase GNSS and other components could increase significantly;
- the spread of COVID-19 outbreak could impact our supply chain and our ability to receive products timely from our global suppliers;
- A prolonged economic downturn from the negative effects of COVID-19 virus could result in reduction or loss of revenue,
- misappropriation of proprietary information;
- legal claims for the infringement of intellectual property and other claims;
- other legal risks;
- incorrect assessments of the value of acquisitions;
- successful development of new and emerging markets that we serve;
- fluctuation in foreign exchange or interest rates;
- uncertainties in the global economy;
- negative conditions in general economic and financial markets;
- reliance on key suppliers and third parties;
- availability of key supplies and components;
- dependence on major customers;
- losses from credit exposures;
- product liability;
- damage or loss of use of physical facilities;
- cyber-security risks;
- stock market volatility and market valuations;
- conflicts of interest;
- changes in income tax laws and other government regulations;
- political uncertainty and tariffs; and
- other factors discussed under "Business and Market Risks".

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: future technological developments; availability of key supplies, components, services, networks and developments; future exchange rates; the cost of expanding the Company’s product lines; the impact of increasing competition; the nature and outcome of legal proceedings; the continuity of existing business relationships; conditions in general economic and financial markets; and our ability to obtain financing on acceptable terms.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders and readers with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.