Interim Management's Discussion and Analysis

Three month period ended March 31, 2019

The following discussion and analysis are effective as of May 6, 2019 and should be read together with our unaudited consolidated interim financial statements and accompanying notes for the three months ended March 31, 2019. 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 dollars unless otherwise stated.

Overview

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

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

Economic and Market Trends

Agriculture Markets

In March 2019, the US Department of Agriculture ("USDA") reported total farm cash receipts are projected to modestly increase through 2028, primarily due to increasing crop cash receipts reflecting steady domestic and international economic growth that supports longer term demand for U.S. agricultural products. Total farm production expenses are projected to decline modestly to $360 billion in 2019 due to lower expenditures on feed/livestock purchased. The USDA reports, global demand and trade for agricultural products are projected to continue rising through 2028/2029. Income growth is projected to remain strong, especially in many emerging and developing economies, giving strong impetus for sustained growth in demand and trade for agricultural products. The Company's revenues are directly correlated to the sales of new farm equipment which are influenced by the health of farm incomes; a leading indicator of the potential revenue trends for the Company.

Per the USDA, net farm income for 2019 is forecasted to increase by $8.4billion, or 12.1% over 2018. Cash receipts from crops are forecasted to increase by $2.2 billion in 2019 compared to the 2018 decrease of $0.5 billion over 2017.

Management views the 2019 fundamentals of its global agriculture markets to be growth neutral with new machine sales expected to remain flat to slightly up and existing field equipment sales to be slightly up. However, there are other factors creating uncertainty in the market, including a weak outlook for the China market and political pressures (tariffs and US government shutdown). In addition, the Company has benefited recently from revenue generated by a Bulk Purchase Order (BPO) signed in 2018, the sell-through of which will end mid-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 the following key factors: population growth, limited arable land, the need for increased output, and a relatively low global penetration of precision agriculture technologies such as Global Navigation Satellite Systems (GNSS) and autosteering. We also feel our product developments and eStore position us well to grow as the markets pick up.

Summary of Quarterly Results

(000's)	30-Jun 2017	30-Sep 2017	31-Dec 2017	31-Mar 2018	30-Jun 2018	30-Sep 2018	31-Dec 2018	31-Mar 2019
Sales	$13,341	$8,978	$9,889	$15,774	$13,776	$17,862	$17,103	$14,013
Gross profit	5,515	3,229	3,850	6,781	5,418	6,323	5,288	5,793
	41%	36%	39%	43%	39%	35%	31%	41%
Expenses:								
Research and development	1,861	1,752	2,514	2,979	3,008	1,343	1,157	1,752
Sales and marketing	1,960	2,117	1,796	2,165	1,984	1,857	1,090	1,357
General and administrative	2,218	2,418	2,529	2,679	2,757	2,471	2,196	2,608
	6,039	6,287	6,839	7,823	7,749	5,671	4,443	5,716
Operating income (loss)	(524)	(3,058)	(2,989)	(1,042)	(2,331)	652	845	47
Foreign exchange (gain) loss	(22)	43	(13)	(49)	28	(35)	13	(18)
Interest and other (income) loss	1	(20)	-	(5)	(5)	(20)	(92)	(60)
Loss (gain) on sale of property, plant and equipment	18	1	-	(4)	(9)	-	-	8
(Gain) on sale of divisions	-	-	-	-	-	(943)	(2,214)	-
	(3)	24	(13)	(58)	14	(998)	(2,293)	(70)
Net income (loss) before income taxes	(521)	(3,082)	(2,976)	(984)	(2,345)	1,650	3,138	116
Income tax expense (benefit)	19	-	(309)	-	-	-	(5)	1
Net income (loss)	(540)	(3,082)	(2,667)	(984)	(2,345)	1,650	3,143	115
Earnings (loss) per common share:								
Basic and diluted	($0.00)	($0.02)	($0.02)	($0.01)	($0.02)	$0.01	$0.03	$0.00
Weighted Average Diluted Shares	128,268	124,475	121,157	118,338	126,287	125,684	126,445	126,366

Sales by geographic region on a quarterly basis are as follows:

For the Quarter Ended

(000's)	30-Jun 2017	30-Sep 2017	31-Dec 2017	31-Mar 2018	30-Jun 2018	30-Sep 2018	31-Dec 2018	31-Mar 2019
Americas	$7,085	$5,549	$5,540	$8,481	$6,761	$3,923	$2,269	$4,706
APAC	822	222	402	741	178	452	147	311
EMEA	5,434	3,207	3,947	6,552	6,837	13,487	14,687	8,996
	$13,341	$8,978	$9,889	$15,774	$13,776	$17,862	$17,103	$14,013

Quarterly 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 the bulk purchase order deliveries made the revenue in the second half of 2018 higher than the first half. Revenue in the first half of 2019 is expected to be higher than the second half due to the deliveries under the bulk purchase order. Initiatives to mitigate the seasonality include revenue efforts in the Southern Hemisphere which is generally counter-seasonal to the Northern Hemisphere agricultural seasons and strategies focused on increasing sources of recurring revenue.

2. The adoption of advanced technology as it relates to precision farming is transitioning from historically being an aftermarket business to an original equipment manufacturer (OEM) business. The outlook for the Company's products in the OEM channel remains uncertain based on the speed with which each region will adopt this model.

Quarter Ended March 31, 2019 versus Quarter Ended March 31, 2018

Management Summary

On March 13, 2018 the Company announced it has entered into a bulk purchase order 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 will continue through mid-2019.

Revenues

For the quarter ended March 31, 2019, revenues were $14 million representing a decrease of 11% over $15.8 million in the same period of 2018. This decrease is related to sales of business offset by shipments fulfilled under the bulk purchase order.

(000's)	**2019**	**2018**	**Change**
Agriculture	$ 14,013	$ 15,774	(11%)

Sales by geographic region

(000's)	2019	2018	Change
Americas	$ 4,706	$ 8,481	(45%)
APAC	311	741	(58%)
EMEA	8,996	6,552	37%
	$ 14,013	$ 15,774	(11%)

In the first quarter of 2019, revenue in the Americas decreased by $3.8 million or 45%, due to the sale of the Outback and Satloc businesses, in the second half of 2018, resulting in a year-over-year decrease of $3.4 million. Revenue in APAC saw a decrease of $0.4 million due to decreased demand in Australia and China. Revenue in the EMEA region saw an increase of $2.4 million due to increased sales in Germany related to the BPO.

Sales to customers in the Americas represented 34% of total revenues in the first quarter of 2019 compared to 54% in the first quarter of 2018. Sales in APAC represented 2% of total revenues in the first quarter of 2019 down from 5% in the first quarter of 2018. EMEA sales represent 64% of total revenues for the period, up from 42% in the same period in 2018. This increase is driven by shipments fulfilled under the bulk purchase order which was announced in March 2018.

Gross Profits

Gross profits were $5.8 million for the first quarter of 2019 compared to $6.8 million for 2018. Gross profits, as a percentage of revenue, were 41% in 2019 compared to 43% in 2018. The two percent decrease in gross profit over the same quarter of the prior year is attributed to increase in cost of the product mix sold reduced by favorability from the absorption of compensation costs allocated to cost of sales.

Expenses

Total operating expenses for the quarter were $5.7 million in 2019, down by 27% or $2.1 million from $7.8 million in 2018. A break out of expenses by line item follows.

Research and development expenditures of $1.8 million in 2019 decreased from $3.0 million in 2018 representing a decrease of $1.2 million or 41%. This decrease is related to cost savings in compensation resulting from the sale of business and project costs due to capitalization of internally developed intangible assets.

Sales and marketing expenses for the period were $1.4 million in 2019, down $0.8 million or 37% compared to $2.2 million in 2018. The decrease is related to cost savings in compensation costs resulting from the sale of business.

General and administrative expenses for the first quarter of 2019 were $2.6 million compared to $2.7 million in 2018 representing a decrease of $0.1 million or 3%. This decrease is related to cost savings in compensation, resulting from the sale of business, and reduced consultant and service costs for phase 2 of ERP Implementation.

Interest, Foreign Exchange, and Other Income

In the first quarter of 2019, the Company recorded net interest and other income of $58 thousand compared to income of $5 thousand in the first quarter of 2018. The Company earns interest income on certain cash balances which is offset by interest paid.

During the quarter, the Company realized a foreign exchange gain of $18 thousand compared to a gain of $49 thousand during the same quarter in 2018. Foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar working capital.

Income Tax Benefit

The Company recognized $1 thousand in income tax for the quarter ended March 31, 2019. No income tax was recognized during the same quarter of 2018.

Net Income (Loss)

In the first quarter of 2019, the Company realized net income from continuing operations of $0.1 million or nil per share (basic and diluted), compared to a net loss from continuing operations of $1.0 million or ($0.01) per share (basic and diluted) in the first quarter of 2018.

Liquidity and Capital Resources

Working Capital

The Company held cash of $20.1 million at March 31, 2019 compared to $21.4 million at December 31, 2018. Working capital was $26.2 million, up from $26.7 million at December 31, 2018.

The primary items impacting working capital during the three-month period were:

- Cash generated from continuing operations was $0.7 million in the three months ended March 31, 2019 compared to cash used of $3.5 million for the same period in 2018.
- Inventory was $5.0 million at March 31, 2019 versus $5.7 million at December 31, 2018. Inventories consist of components, work in process and finished goods related to the products sold by the Company.
- Prepayments and deposits at March 31, 2019 were $1.4 million versus $1.3 million at December 31, 2018.
- Accounts payable and accrued expenses at March 31, 2019 were $6.0 million versus $8.5 million at December 31, 2018. The decrease of $2.5M is due to timing and volume of shipments within the respective quarters.

The Company obtained an operating line of credit with its bank for $3.0 million in February 2014. As of March 31, 2019, the full line of credit was available.

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, revenues 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 September 30, 2018, 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 revenue. Any expenses directly relating to warranty claims are expected to offset the provision in period.
6. The Company assesses, at inception of a contract, whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:
   - the contract involves the use of an identified asset (explicitly or implicitly), and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution right, then the asset is not identified;
   - the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
   - the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
     - the Company has the right to operate the asset; or
     - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

   This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

   At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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, 2018. Based on its evaluation, the certifying officers concluded that our internal controls over financial reporting were effective as of that date.

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;
- processes implemented to mitigate weaknesses in internal controls;
- 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 GPS network and other systems outside of our control;

- misappropriation of proprietary information;
- legal claims for the infringement of intellectual property and other claims;
- incorrect assessments of the value of acquisitions;
- fluctuation in foreign exchange or interest rates;
- uncertainties in the global economy;
- negative conditions in general economic and financial markets;
- reliance on key suppliers;
- availability of key supplies and components;
- dependence on major customers;
- losses from credit exposures;
- product liability;
- damage or loss of use of physical facilities;
- stock market volatility and market valuations;
- conflicts of interest;
- changes in income tax laws and other government regulations; and
- the 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; future operating costs; that there are no unforeseen events preventing the performance of contracts; the cost of expanding AgJunction'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.

Condensed Consolidated Interim Financial Statements of

AgJunction®

Three month period ended March 31, 2019

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

Condensed Consolidated Statements of Financial Position
(Expressed in U.S. dollars)

($000s)	March 31, 2019 (unaudited)	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 20,062	$ 21,398
Accounts receivable, net	8,415	8,508
Current portion of notes receivable, net	320	320
Inventories	4,997	5,743
Contract assets, net	58	58
Prepaid expenses and deposits	1,424	1,286
	35,276	37,313
Contract assets, net	185	185
Notes receivable, less current portion, net	1,017	1,083
Property, plant and equipment, net	1,472	1,434
Right-of-use assets (note 7)	1,650	-
Intangible assets, net	9,788	9,689
Goodwill	143	143
	$ 49,531	$ 49,847
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,962	$ 8,500
Provisions (note 5)	1,234	999
Contract liabilities, net	257	84
Current portion of lease liability (note 7)	588	-
Current portion of deferred revenue	1,072	1,048
	9,113	10,631
Contract liabilities, net	96	96
Deferred revenue, less current portion	4,054	4,177
Lease liability, net of current portion (note 7)	1,070	-
Total liabilities	14,333	14,904
Shareholders' equity:		
Share capital (note 3)	148,475	148,475
Equity reserve	5,032	4,892
Accumulated deficit	(118,309)	(118,424)
	35,198	34,943
	$ 49,531	$ 49,847

* The December 31, 2018 balance sheet figures have been derived from the audited consolidated financial statements as of that date.

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Profit or Loss

Three months ended March 31, 2019 and 2018
(Unaudited - expressed in U.S. dollars)

($000s)	March 31, 2019	March 31, 2018
Revenue (note 4)	$ 14,013	$ 15,774
Cost of sales	8,250	8,993
Gross Profit	5,763	6,781
Expenses:		
Research and development	1,752	2,979
Sales and marketing	1,357	2,165
General and administrative	2,608	2,679
	5,716	7,823
Operating Income (loss)	47	(1,042)
Foreign exchange (gain) loss, net	(18)	(49)
Interest and other income	(60)	(5)
(Gain) loss on sale of property, plant and equipment	8	(4)
	(70)	(58)
Net Income (loss) before income taxes	116	(984)
Income tax	1	-
Net Income (loss)	$ 115	$ (984)
Earnings per share:		
Basic and diluted loss per share	$ -	$ (0.01)

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Changes in Equity

($000s)	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at January 1, 2018	$ 146,896	$ 5,805	$(119,888)	$ 32,813	116,879
Net loss	-	-	(984)	(984)	-
Share-based payment transactions (note 3(c))	-	162	-	162	-
Issue of restricted share awards, net (note 3(c))	190	(190)	-	-	339
Balance at March 31, 2018 (unaudited)	$ 147,086	$ 5,777	$(120,872)	$ 31,991	117,218
Balance at January 1, 2019	$ 148,475	$ 4,892	$(118,424)	$ 34,943	119,085
Net income	-	-	115	115	-
Share-based payment transactions	-	140	-	140	-
Cancellation of non-vested restricted share awards	-	-	-	-	(102)
Balance at March 31, 2019 (unaudited)	$ 148,475	$ 5,032	$ (118,309)	$ 35,198	118,983

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Three months ended March 31, 2019 and 2018
(Unaudited - expressed in U.S. dollars)

($000s)	2019	2018
Cash flows (used in) operating activities:		
Net Income (loss)	$ 115	$ (984)
Items not involving cash:		
Depreciation	263	177
Amortization	297	319
Share-based payment transactions (note 3(c))	140	162
Gain on trade receivables	-	(53)
Write down of inventory to net realizable value	(304)	(195)
(Gain) loss on disposal of property, plant and equipment	8	(4)
Change in operating working capital:		
Accounts receivable	93	(3,685)
Inventories	1,050	(129)
Contract assets	-	(180)
Prepaid expenses and deposits	(138)	(200)
Accounts payable and accrued liabilities	(2,539)	996
Provisions (note 5)	235	81
Contract liabilities	173	259
Deferred revenue	(99)	(20)
Cash flows (used in) from operating activities:	(705)	(3,456)
Cash flows from (used in) financing activities:		
Principal payments on lease liabilities	(148)	-
Cash flows from (used in) financing activities:	(148)	-
Cash flows used in investing activities:		
Principal payments on notes receivable	66	-
Proceeds from the sale of property, plant and equipment	-	37
Purchase of property, plant and equipment	(153)	(254)
Intangible asset addition, net	(396)	-
Cash flows used in investing activities:	(483)	(217)
Decrease in cash position	(1,336)	(3,673)
Cash and cash equivalents, beginning of period	21,398	13,893
Cash and cash equivalents, end of period	$ 20,062	$ 10,220

See accompanying notes to condensed consolidated interim financial statements.

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 109, 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 condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2019 and 2018 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The condensed consolidated financial statements were authorized for issue by the Board of Directors on May 6, 2019.

2. Basis of preparation and presentation:

(a) These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IAS 34, *Interim Financial Reporting.*

These interim financial statements follow the same accounting policies and methods of application as set out in the consolidated financial statements for the year ended December 31, 2018, except as noted in 2(b) for adoption of new accounting pronouncements. These statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(b) Recently adopted accounting pronouncements

IFRS 16, *Leases*

The Company adopted the new standard effective January 1, 2019. The Company applied IFRS 16 with a date of initial application of January 1, 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and

IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 7.

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to apply the practical expedient to assess which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases, at the date of initial application. Contracts that were not identified

2. Basis of preparation and presentation (continued):

as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on condensed consolidated statement of financial position.

The Company applied recognition exemptions to leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"). For leases of other assets, which were classified as operating under IAS 17, the Company recognized right-of-use assets and lease liabilities.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019. At transition, right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the short term lease exemption not to recognize right-of-use assets at the date of initial application.
- Applied the low value lease exemption not to recognize right-of-use assets at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, 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. This standard did not have a significant impact on the Company's financial results.

2. Basis of preparation and presentation (continued):

(c) *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 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 Non-Recurring Engineering (NRE) agreements fall into one of three categories, software upgrades, equipment prototype design (“hardware”), and feature code development. 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 represented as net contract assets on the Condensed Consolidated Statements of Financial Position and total $243 as of March 31, 2019. 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 located within the Revenue line of the Condensed Consolidated Statements of Profit or Loss. Royalty revenue recognized in the period ending March 31, 2019 totals $271. Deferred royalty revenue is represented in deferred revenue on the Condensed Consolidated Statements of Financial Position and totals $4,985 as of March 31, 2019.

3. Share capital:

(a) Authorized:

An unlimited number of common shares and an unlimited number of both first and second preferred shares, issuable in series, are authorized.

(b) Issued:

Issued share capital consists of 118,982,897 common shares at $148.5 million.

(c) During the three months ended March 31, 2019, the Company recorded $106 (2018 – $92) as share based compensation expense relating to options and $34 (2018 - $70) relating to restricted share awards for total compensation expense of $140 (2018 - $162).

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

Three month period ended:

(Share price in CAD)	March 31, 2019			March 31, 2018		
	Number Options		Weighted average exercise price	Number options		Weighted average exercise price
Total options outstanding, beginning of period	7,313	$	0.55	7,409	$	0.62
Granted	–		–	–		–
Exercised	–		–	–		–
Expired or cancelled	–		–	–		–
Share options outstanding, end of period	7,313	$	0.55	7,409	$	0.62

(Share price in CAD)	Options outstanding				Options exercisable		
Range of exercise prices outstanding	Number outstanding at March 31, 2019	Weighted average remaining contractual life (months)		Weighted average exercise price	Number exercisable at March 31, 2018		Weighted average exercise price
$0.50 – 1.00	7,313	25	$	0.55	7,363	$	0.62
$1.01 – 1.12	–	–	$	–	46	$	1.12
$0.50 – 1.12	7,313	25	$	0.55	7,409	$	0.62

3. Share capital:

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

Three month period ended:

(Share price in CAD)	March 31, 2019			March 31, 2018		
	Number RSAs		Weighted average grant price	Number RSAs		Weighted average grant price
Total RSAs outstanding, beginning of period	3,525	$	0.76	2,280	$	0.53
Granted	–		–	339		0.71
Vested	(197)		0.58	(577)		0.52
Expired or cancelled	(102)		0.73	(40)		0.58
RSAs outstanding, end of period	3,226	$	0.77	2,002	$	0.57

The restricted share awards outstanding as of March 31, 2019 have a weighted average remaining vesting life of 25 (2018 – 20) months.

(d) The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model. The following assumptions were used in determining the fair value of the March 2018 RSA 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.

There were no stock options or RSA grants during the quarter ended March 31, 2019.

4. Revenue concentration:

Revenue by business unit:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Agriculture	$ 14,013	$ 15,774

Revenue by geographic region:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Americas	$ 4,706	$ 8,481
Asia-Pacific (APAC)	311	741
Europe, the Middle East, and Africa (EMEA)	8,996	6,552
	$ 14,013	$ 15,774

Payment terms associated with revenue recognized in each period shown above are normally 30 days from invoice date, however some payment terms are extended up to 90 days.

5. Provisions:

	Warranty
Balance at December 31, 2018	$ 999
Provisions made during the period	296
Provisions used during the period	(61)
Balance at March 31, 2019	$ 1,234

6. Related party transactions:

In 2016, Jonathan Ladd, a member of the Board was engaged by the Company to act as a Senior Strategic Advisor to the CEO at an hourly rate plus 800 thousand options as share-based compensation whereby the options vest equally over a 48-month period.

For the period January 1, 2019 through March 31, 2019, the Company incurred short term compensation expense in the amount of $39 ($35 in the same period of 2018) for duties performed by Mr. Ladd as well as $13 ($10 in the same period of 2018) in travel and other business-related expenses associated with this service agreement. These expenses are located within the General and administrative line item of the Condensed Consolidated Statement of Profit or Loss. Of these

6. Related party transactions (continued):

expenses, $32 were unpaid as of March 31, 2019, and are located within the Accounts payable and accrued liabilities line item of the Condensed Consolidated Statement of Financial Position.

The options issued to Mr. Ladd in connection to his role as Senior Strategic Advisor had a fair value of $144 (209 CAD) as of the options' grant date, January 18, 2016. Related share-based compensation expense recognized within the General and administrative line item of the Condensed Consolidated Statement of Profit or Loss for the three month period presented totals $4 (5 CAD). The grant date fair value of the options granted was estimated by using the Black-Scholes call option pricing model. The following assumptions were used in determining the fair value: Company stock price at issuance; stock option exercise price; weighted average volatility of 49%; interest rate of 0.63%; and expected life of 4.0 years.

The terms and conditions of this transaction were no more favorable than those available, or which might reasonably be expected to be available, in similar arrangements with non-key management personnel related to the Company on an arm's length basis.

7. Leases:

The Company recognizes 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 interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount 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

7. Leases (continued):

- 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 measured at amortized cost using the effective interest method. It 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 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.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in the statement of financial position as Right of Use assets.

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 postage meter. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

Right-of-use assets

	Office Space	**Equipment**	**Total**
Balance, January 1, 2019	$1,750	$56	$1,806
Depreciation charge for the period	(151)	(5)	(156)
Balance, March 31, 2019	$1,599	$51	$1,650

Other than initial recognition under IFRS 16, there were no additions to the right-of-use assets during 2019.

7. Leases (continued):

Lease liabilities

	2019
Maturity analysis – contractual undiscounted cash flows	
Less than one year	653
One to five years	1,136
Total undiscounted lease liabilities at March 31	1,789
Lease liabilities at initial application	1,806
Lease liabilities included in the statement of financial position at March 31	1,658
Current	588
Non-current	1,070

Amounts recognized in profit or loss

	2019
Interest on lease liabilities	14
Variable lease payments not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Expenses relating 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 the lease liability	2

Amounts recognized in the statement of cash flows

	2019
Total cash outflow for leases	162

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 or sales that the Company makes at the leased office space in the period. 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

7. Leases (continued):

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.

	Lease liabilities recognized (discounted)	**Potential future lease payments not included in lease liabilities (discounted)**	**Historical rate of exercise of extension options**
Office space	-	-	-

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 March 31, 2109

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.

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 income. 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.