Management's Discussion and Analysis

Year ended December 31, 2015

The following discussion and analysis is effective as of March 28, 2016 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 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 and provides innovative hardware and software applications for precision agriculture worldwide. In prior periods, the Company organized its activities along two primary segments: agriculture products and precision products for non-agriculture markets, however, as further described in this MD&A, the Company divested the precision products segment in 2013 to focus on its agriculture business. As a result, the non-agriculture activities of the Company are disclosed in the Company's consolidated financial statements, and this MD&A, as discontinued operations.

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 U.S. 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 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.

Acquisition and Restructuring

On October 16, 2015, the company announced the completion of the acquisition of Novariant, Inc. as well as the appointment of Dave Vaughn as the President and Chief Executive Officer. After an internal review of operations post transaction close and post integration of Novariant into AgJunction, a duplication of resources was identified. The duplication of resources coupled with continued low sales volumes in the agriculture industry led to the company announcing a reduction of work force targeted at 20% on December 30, 2015. This restructuring is expected to reduce annual operating costs by approximately $3.3 million going forward while a one-time restructuring charge of $0.5 million was incurred in 2015.

Economic and Market Trends

Agriculture Markets

Softening commodity prices and the strong US dollar resulted in weaker sales of new farm equipment throughout 2015. U.S. corn prices were approximately 10 per cent lower in 2015 over 2014 while U.S. soybean prices have decreased over 20 per cent. When commodity prices decline, farmers must cut costs, often choosing to retain existing equipment over choosing to purchase new equipment. As previously disclosed throughout 2014 and 2015, a slowdown in equipment sales was not unexpected. While new equipment sales have weakened, revenues from used equipment, parts and service have risen.

In February 2016, the US Department of Agriculture ("USDA") reported both net cash and net farm income are forecast to decline for the third consecutive year. Net cash farm income is forecast to fall by 2.5 percent in 2016, while net farm income is forecast to decline by 3 percent.

Per the USDA, cash receipts are expected to fall $9.6 billion or 2.5 percent, led by a $7.9 billion, or 4.3 percent, drop in animal/animal product cash receipts. Cash receipts related to vegetables, melons, and feed crops are also expected to decline. Net farm income is forecast to be $54.7 billion in 2016, down 2.5 percent from the 2015 forecast level. The 2016 forecast for net farm income would be the lowest since 2006 and a drop 56 percent from the record high of $123.3 billion in 2013.

Management continues to view the 2016 fundamentals of its global agriculture markets to be neutral to slightly down and positive in 2017 and beyond, 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 GNSS and autosteering.

Currency Markets

The Company's financial results are impacted by foreign currency volatility – particularly the Canadian/United States ("US") dollar exchange rate. The company's consolidated financial statements are presented in US dollars, which is also the company's functional currency.

The Company sells products in US dollars, however, a portion of the Company's expenses are incurred in Canadian and Australian dollars. As a result, from a purely financial reporting perspective, a stronger US dollar is positive for the Company's earnings and such expenses are lower when translated at a stronger US dollar foreign exchange rate. However, from a business perspective, the stronger US dollar relative to global currencies increases the net price of the Company's products to international customers as sales are made in US dollars – which could result in lower sales.

The US dollar was strengthened in relation to the Canadian dollar during 2015 as the average foreign exchange rate for 2015 was $1.2785 Cdn/US, up by 15.8% from the average 2014 rate of $1.1045.

Canadian and US dollar exchange rates prevailing during 2014 and 2015 were as follows:

	Quarter Ended							
	Mar 31 2014	Jun 30 2014	Sep 30 2014	Dec 31 2014	Mar 31 2015	Jun 30 2015	Sep 30 2015	Dec 31 2015
Quarterly average	$ 1.1033	$1.0905	$1.0890	$1.1356	$ 1.2411	$1.2294	$1.3094	$ 1.3346
Quarter end	$ 1.1053	$1.0670	$1.1208	$1.1601	$ 1.2683	$1.2474	$1.3394	$ 1.3840

These foreign exchange rates are sourced from the Bank of Canada. Quarterly averages are the average of the three months' average rate for the period. The quarter end rate is equal to the Bank of Canada Noon Day Rate on the last published day in the quarter.

Results of Operations

	Years Ended December 31		
(000's)	**2015**	**2014**	**2013**
Sales	$39,048	$44,810	$58,220
Gross margin	14,828	20,308	25,507
	38%	45%	44%
Expenses			
Research and development	6,728	7,102	8,671
Sales and marketing	5,403	6,193	8,579
General and administrative	8,433	7,730	5,425
Restructuring costs	–	–	248
	20,564	21,025	22,923
Operating (loss) income	(5,736)	(717)	2,584
Intangible asset impairment	4,714	–	–
Goodwill impairment	–	15,856	–
Foreign exchange (gain) loss	203	172	(283)
Interest and other income	(23)	(43)	(25)
(Gain) on sale of other assets, net of liabilities	(1,623)	–	–
(Gain) loss on sale of property, plant and equipment	132	(8)	147
Gain (loss) income before income taxes	(9,139)	(16,694)	2,745
Income tax expense (benefit)	–	(37)	100
Net (loss) income from continuing operations	(9,139)	(16,657)	2,645
(Gain) loss from discontinued operations (note a)	–	–	(2,531)
Comprehensive (loss) income	(9,139)	(16,657)	5,176
Earnings (loss) per common share:			
Basic and diluted	($0.11)	($0.23)	$0.08
Basic and diluted - Continuing operations	($0.11)	($0.23)	$0.04
Basic and diluted - Discontinued operations	$0.00	$0.00	$0.04

Selected Statement of Financial Position Information

	As of December 31		
	2015	**2014**	**2013**
Total assets	$61,366	$43,484	$63,951

NOTE:

(a) Discontinued operations include revenues less expenses for business components identified as discontinued operations in accordance with IFRS.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

Revenues

For the year ended December 31, 2015, revenues were $39.0 million representing a decrease of 12.9% from $44.8 million in 2014.

(000's)	2015	2014	Change
Agriculture	$ 39,048	$ 44,810	(13%)

Sales by geographic region

(000's)	2015	2014	Change
Americas	$ 15,760	$ 27,155	(42%)
APAC	4,274	2,531	69%
EMEA	19,014	15,124	26%
	$ 39,048	$ 44,810	(13%)

In 2015, revenue in the Americas declined by 42%, due to a decline in the agricultural market and related product demand. Sales in APAC and EMEA increased by 69% and 26%, respectively, due to strengthened OEM relationships.

Sales to customers in the Americas represented 40% of total revenues in 2015 (2014 - $61%). Sales in APAC represented 11% of total revenues in 2015 (2014 – 6%). EMEA sales represent 49% of 2015 total revenues, up from 34% in 2014.

Gross Margins

Gross margins were $14.8 million for the year, down by $5.5 million from gross margins of $20.3 million in 2014. Gross margins, as a percentage of revenue, were 38% in 2015 compared to 45% in 2014. This $5.5 million decrease in gross margin is a result of the decrease in sales and an increase in the inventory allowance year over year.

Expenses

Total operating expenses were $20.6 million in 2015, down by 2% or $0.4 million from $21.0 million in 2014.

Sales and marketing expenses were $5.4 million in 2015, down by 13% or $0.8 million from $6.2 million in 2014, due to reduced spending on external advertising.

Research and development expenditures of $6.7 million declined from $7.1 million in 2014 representing a decrease of $0.4 million or 6%.

General and administrative expenses for 2015 were $8.4 million compared to $7.7 million in 2014 representing an increase of $0.7 million or 9%. As reported in 2014, the Company incurred litigation costs of $1.8 million relating to a lawsuit the Company brought against a competitor believed to be infringing on the Company's proprietary software, however these legal costs were largely offset by current year transaction specific costs relating to the Novariant acquisition and other legal costs surrounding legal reviews of combined company synergies. Net of transaction specific costs in 2014 and 2015, the remaining difference of $0.6 million relates to increased compensation costs of key management personnel, of which $0.5 is non-recurring.

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 its annual assessment of the carrying value of the goodwill reported in the Consolidated Statement of Financial Position at December 31, 2015 and concluded that no impairment was necessary. In 2014, the Company recognized a goodwill impairment of $15.9 million.

The goodwill balance associated with the Agriculture cash generating unit (CGU) was $11.4 million at December 31, 2015. Goodwill carried on the Company's balance sheet arose in the course of the following Agriculture CGU acquisitions:

- Satloc business assets – March 1999
- Outback marketing and distribution assets – April 2005
- 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, 2015 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. 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.

Intangible Impairment

Based upon a review of intangible assets at year end, management determined the recoverability of certain research and development intangibles was not probable. Accordingly, the respective intangible assets were written down to the recoverable amount, resulting in an impairment charge of $4.7 million. The recoverable amount of the research and development intangible assets was determined based upon a review of current projects' status, future contractual reimbursements required to be paid to the Company, and planned, future orders of product to be created through completion of the respective development projects.

Acquisition Consideration

In October 2015, the Company issued 46,460,593 common shares and 2,830,433 restricted stock awards ("RSAs") for a total of 49,291,026 shares as consideration in the acquisition of Novariant, Inc. representing $24,900,841.

Foreign Currency Risk Management

The Company has transferred all manufacturing activities from the Calgary location to an external manufacturer effective January 31, 2013. In addition to the transfer, the closure of the Calgary office on June 30, 2013, significantly reduced the Company's foreign currency exchange exposure. The Company has the ability to mitigate exposure to foreign currency risk as the Board of Directors has approved the execution of financial instruments with a maximum notional value of US$40 million which have the objective of offsetting the exposure the Company faces by carrying positive Canadian and Australian dollar working capital. There are no hedge contracts outstanding at December 31, 2015 or 2014.

Interest and Foreign Exchange

In 2015, the Company recorded net interest and other income of $23 thousand compared to $43 thousand in 2014. The Company earns interest income on certain cash balances which is offset by interest paid.

The Company incurred a foreign exchange loss of $0.2 million in both 2015 and 2014. 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.

Income taxes

For the year ended December 31, 2015, no current income tax expense was recorded. For the year ended December 31, 2014, a $37 thousand income tax benefit was recognized.

In Canada, at the end of 2015, the Company has loss carry forwards of $8.2 million that can be used to reduce Canadian taxable income in future years, as well as investment tax credits in the amount of $2.2 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, CSI Wireless LLC, and Novariant, Inc. file as a combined entity for US federal tax purposes. At December 31, 2015, the Company has cumulative US net operating losses of $41 million that can be used to reduce US taxable income in future years, as well as $4.8 million of general business 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, 2015, the Company has losses of approximately $6 million available to reduce Australian taxable income in future years.

The Company does not recognize any deferred tax assets on its book.

Income (Loss)

In 2015, the Company realized loss from continuing operations of $9.1 million or $0.11 per share (basic and diluted), compared to loss from continuing operations of $16.7 million or $0.23 per share (basic and diluted) in 2014.

The Company realized a net loss of $9.1 million or $0.11 per share (basic and diluted) in 2015 compared to a net loss of $16.7 million or $0.23 per share (basic and diluted) in 2014.

Summary of Quarterly Results

(000)	31-Mar 2014	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015
Sales	$14,929	$10,298	$9,618	$9,964	$12,096	$7,741	$7,567	$11,644
Gross margin	6,850	5,492	3,928	4,037	5,524	3,245	3,297	2,762
	46%	53%	41%	41%	46%	42%	44%	24%
Expenses								
Research and development	1,963	1,643	1,860	1,636	1,512	896	1,424	2,896
Sales and marketing	1,700	1,545	1,529	1,419	1,531	1,235	945	1,692
General and administrative	1,869	2,773	1,456	1,631	1,854	1,689	1,727	3,163
	5,532	5,961	4,845	4,686	4,897	3,820	4,096	7,751
Operating income (loss)	1,318	(469)	(917)	(649)	627	(575)	(799)	(4,989)
Intangible asset impairment	–	–	–	–	–	–	–	4,714
Goodwill impairment	–	–	–	15,856	–	–	–	–
Foreign exchange (gain) loss	29	85	46	12	104	2	16	81
Interest and other (income) loss	(5)	–	(37)	(1)	(1)	(1)	(23)	2
(Gain) loss on sale of property, plant and equipment	10	(9)	(10)	–	–	39	(2)	95
(Gain) on sale of other assets, net of liabilities	–	–	–	–	–	(1,623)	-	-
	34	76	(1)	15,867	103	(1,583)	(9)	4,892
Income (Loss) before income taxes	1,284	(545)	(916)	(16,516)	524	1,008	(790)	(9,881)
Income taxes (benefits)	21	42	(100)	–	–	–	–	–
Net income (loss)	1,263	(587)	(816)	(16,516)	524	1,008	(790)	(9,881)
Earnings (loss) per common share:								
Basic and diluted	$0.02	($0.01)	($0.01)	($0.23)	$0.01	$0.01	($0.01)	($0.09)
Basic and diluted - Continuing operations	$0.02	($0.01)	($0.01)	($0.23)	$0.01	$0.01	($0.01)	($0.09)
Basic and diluted - Discontinued operations	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Weighted Average Diluted shares	71,696	72,161	72,251	72,243	72,322	72,331	72,322	122,829

Sales by region on a quarterly basis are as follows:

For the Quarter Ended

(000's)	31-Mar 2014	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015
Americas	$8,144	$7,746	$6,616	$4,648	$5,005	$3,992	$1,452	$5,311
APAC	569	317	1,045	599	1,910	364	1,092	908
EMEA	6,216	2,235	1,957	4,717	5,181	3,385	5,023	5,425
	$14,929	$10,298	$9,618	$9,964	$12,096	$7,741	$7,567	$11,644

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

1. A large component of the Company's agriculture-related revenue is derived from the North American markets which are subject to the seasonality of the agricultural buying season with the first half of the year being the strongest and the second half being the weakest. Initiatives to mitigate the seasonality include sales 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 OEM business. The OEM environment remains uncertain with variations of adoption from the regions.

Quarter Ended December 31, 2015 versus Quarter Ended December 31, 2014

Revenues

Revenues during the fourth quarter were as follows:

(000's)	Q4 2015	Q4 2014	Change
Agriculture	$ 11,644	$ 9,964	17%

Sales by region for the fourth quarter of 2015 and 2014 are as follows:

(000's)	Q4 2015	Q4 2014	Change
Americas	$ 5,311	$ 4,648	14%
APAC	908	599	52%
EMEA	5,425	4,717	15%
	$11,644	$ 9,964	17%

American revenues for the quarter were up 14% from 2014. The majority of the increase is the result of acquisition of Novariant. The increase in APAC and EMEA revenues of $0.3 million or 52% and $0.7 million or 15% from the comparative period is due to strong OEM sales.

Gross Margins

Gross margins in the fourth quarter of 2015 were $2.8 million (24%) compared to $4.0 million (41%) in the fourth quarter of 2014. The decrease in gross margin is largely attributed to increased inventory write-downs recorded in the fourth quarter of 2015.

Expenses

Operating expenses were $7.8 million in the fourth quarter up $3.1 million or 66% from $4.7 million in the fourth quarter of 2014.

Sales and marketing expenses of $1.7 million increased by $0.3 million (21%) from the fourth quarter of 2014.

Research and development were $2.9 million in the fourth quarter of 2015 representing an increase of $1.3 million or 81%. Of the increase in research and development expense quarter versus quarter, approximately $0.8 relates to increased compensation costs resulting from the fourth quarter acquisition of Novariant, Inc., $0.4 million relates to amortization of research and development intangibles, and $0.1 million relates to restructuring costs detailed above.

General and administrative expenses of $3.2 million increased $1.6 million from $1.6 million in the fourth quarter of 2014. Of the increase in general and administrative expense quarter versus quarter a majority of the increase relates to $0.6 million in increased compensation costs of key management personnel, $0.4 million in Novariant, Inc. transaction related costs, and $0.4 in restructuring costs detailed above.

Interest and Foreign Exchange

Interest and other income in the fourth quarter of 2014 was $1 thousand compared to a loss of $2 thousand in 2015.

The Company reported a foreign exchange loss in the fourth quarter of 2015 of $81 thousand, compared to a loss of $12 thousand in 2014. The foreign exchange losses arise primarily from the translation and settlement of non-US dollar monetary working capital.

Loss on Sale of Property, Plant and Equipment

In the 4th quarter of 2015, the Company disposed of fixed assets that were longer in use resulting in a loss of $95 thousand. There were no such disposals in the fourth quarter of 2014.

Income Taxes

The Company did not incur income tax expenses in the fourth quarter of 2015 or 2014.

Earnings (Loss)

In the fourth quarter of 2015, the Company generated net loss of $9.9 million or $0.09 per share (basic and diluted), compared to a net loss of $16.5 million or $0.23 per share (basic and diluted) in 2014.

Liquidity and Capital Resources

Working Capital

The Company held cash of $13.0 million at December 31, 2015 compared to $11.2 million at the end of 2014. Working capital was $26.7 million at December 31, 2015, up from $22.4 million at December 31, 2014.

Accounts receivable, net of allowance, at December 31, 2015 was $8.2 million versus $5.7 million at December 31, 2014. The Company employs established credit approval and regular account monitoring practices to mitigate the credit risk associated with accounts receivable. At December 31, 2015 and 2014, the Company had a reserve for potential bad debts totaling $185 thousand and $645 thousand, respectively.

Inventories consist of components, raw materials, work in process and finished goods related to the products sold by the Company. Inventory was $11.8 million at December 31, 2015 compared to inventory of $9.7million at December 31, 2014. 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.

The primary items impacting cash during the year were:

- Cash used in continued operations was $3.5 million compared to $2.9 million of cash inflow in 2014.
- In 2014, the company redeemed $8.1 million in term deposits, no such redemption occurred in 2015.
- Total tangible capital spending in 2015 was $0.4 million (2014 - $0.3 million). Property and equipment purchased during 2015 included primarily computer equipment, computer software, leasehold improvements and licenses.
- During 2015, the Company capitalized internally developed intangible net costs of $2.1 million (2014 - $2.6 million). These costs are incurred pursuant to a contract with a customer under which the customer is also making non-recurring engineering ("NRE") payments to the Company covering a portion of the costs. NRE payments received related to this development are netted against the capitalized costs and totaled $1.9 million in 2015 and $1.3 million in 2014.
- In association with the acquisition of Novariant, Inc. in the fourth quarter of 2015, cash increased $3.6 million.
- In association with the divestiture of the Company's agronomy services division in the second quarter of 2015, cash increased $2.4 million.

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 effect 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 US$40 million which have the objective of offsetting the foreign exchange exposure. In 2015 and 2014, the Company entered financial instruments which are settled for cash using the following reference foreign exchange rates:

- Canadian dollar - Bank of Canada noon day rate
- Australian dollar - 11AM US Fed fixed rate

There are no outstanding financial instruments in 2015 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 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 leasehold improvements.

During 2015, the Company invested $0.4 million in property and equipment (2014 - $0.3 million). Capital additions included computer equipment and software, furniture and fixtures, 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:

- Outback marketing and distribution assets – April 2005
- Del Norte Technologies business assets – January 2006
- Beeline Technologies Pty Ltd. – December 2007
- Novariant, Inc. – October 2015

During 2015, intangible asset additions of $0.3 million represent the costs associated with the development of products and technology under contract as described earlier in this MD&A, net of reimbursements. In association with the Novariant transaction, $11.7 million in technology related intangible assets were acquired. Intangible assets disposed of in connection with the sale of the Company's agronomy services division amounted to $1.7, relating to technology and customer relationships. In 2015, based upon a review of intangible assets, the company determined the recoverability of certain Research and development intangibles was not probable which resulted in a write off of $4.7 million.

Goodwill

The Company carried goodwill of $11.4 million at December 31, 2015. For the purpose of impairment testing, goodwill is allocated to the Company's Agriculture cash generating unit (CGU).

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, 2015 and concluded goodwill was not impaired.

The Company determined the value of the CGU as December 31, 2015 using "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. 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.

Borrowings and Credit Facilities

In February 2014, the Company entered in to 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 1.0%.

Share Capital

At March 28, 2016, there were 123,405,391 common shares and 6,969,283 stock options outstanding.

During 2015, no stock options were exercised whereas, during 2014, 337,471 stock options were exercised for cash proceeds of $249 thousand.

In October 2015, the Company issued 46,460,593 common shares and 2,830,433 RSAs for a total of 49,291,026 shares as consideration in the acquisition of Novariant, Inc. representing $24,900,841.

Contractual Obligations

The following table quantifies the Company's contractual obligations as of December 31, 2015:

Contractual Obligations (000's)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 5,970	$ 5,970	$ –	$ –	$ –
Finance lease	1	1	–	–	–
Operating leases	2,604	445	942	672	545
	$ 8,575	$ 6,416	$ 942	$ 672	$ 545

Subsequent Events

The Company evaluated subsequent events through March 28, 2016, the date the consolidated financial statements were available to be issued and has determined that there were no subsequent events through the evaluation date which merit disclosure.

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 December 31, 2015, 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 not profitable for the full 2015 year, nor during the years ended December 31, 2001, 2002, 2003, 2005, 2006, 2007, 2009, 2010, 2011, 2012 and 2014. The Company was profitable in 2004, 2008, and 2013.

   It is possible that losses will occur in any of the four quarters of 2016 and that a loss could be realized for the full 2016 year. This could arise from the impact of current negative macro-economic conditions, or the Company could fail to execute on its business plan. Future revenues, gross margins 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 2008, 2013, 2014, and 2015 results in lower relative US dollar expenses for the Company when compared to a weaker US dollar. The US dollar continues to strengthen compared to other relevant currencies in the first quarter of 2016.

   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 strengthening US dollar, as was seen during 2015 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 2016 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 2016, the Company could realize lower-than-expected revenues in the impacted market areas.

4. *Dependence on Key Personnel and Consultants*
The Company's success is largely dependent upon the performance of personnel and key consultants. The unexpected loss or departure of any key officers, employees or consultants 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 GPS 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 GPS 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 global navigation satellite systems ("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.

In addition to reliance of satellite signals, the sale of the non-agricultural business included the sale of the GNSS operations. The sale agreement provided for a three-year supply agreement ending in January, 2016, in which the price of services is fixed. The contract is currently under negotiations. There are multiple companies which provide GNSS services which mitigates the risk of dependence.

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. 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.

10. *Availability of Key Suppliers*

The Company is reliant upon certain key suppliers for raw materials and components, 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, 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.

AgJunction currently sources GNSS components exclusively from Hemisphere GNSS, the Canadian subsidiary of Beijing UniStrong Science & Technology Co. Ltd. ("Hemisphere") under a supply agreement that expired on January 31, 2016. AgJunction both re-sells the GNSS components to customers in the agriculture sector and embeds them in its precision steering solutions for the agriculture market. Following completion of the Merger, AgJunction intends to commenced discussions with Hemisphere for similar arrangements beyond January 31, 2016. To date no final agreement has been reached, and discussions continue. Should AgJunction be unable to negotiate similar terms, AgJunction's cost to purchase GNSS components from Hemisphere is expected to increase to the price charged to Hemisphere's best customer less an agreed discount percentage in accordance with the terms of the supply agreement and such price increase could be significant.

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 revenue.

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. *Conflicts of Interest*

Certain directors of the Company are engaged and will continue to be engaged in the design, manufacture and marketing of electronic products, and situations may arise where the directors may be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the Alberta Business Corporations Act ("ABCA") which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

16. *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.

17. *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.

18. *Physical Facilities*
The Company has facilities in several different locations, as well as 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.

19. *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.

20. *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.

21. *Foreign Private Issuer Status*
As of June 30, 2014, AgJunction determined that a majority of its outstanding shares were held directly or indirectly by U.S. 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 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.

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, 2015. 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 have conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2015 for all locations consolidated in the financial statements with the exception of the recently acquired Novariant, Inc. subsidiary which was acquired on October 15, 2015 and therefore scoped out of the evaluation. The Novariant operations represent sales of $3.2 million, loss from continuing operations of $1.4 million, net loss of $1.4 million, current assets of $6.7 million, non-current assets of $12.4 million, and current liabilities of $1.7 million. 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; 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.

Consolidated Financial Statements of

AgJunction®

Years ended December 31, 2015 and 2014

(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.

Mike Manning

Michael Manning
Sr. Vice President & Chief Financial Officer
March 28, 2016

David E Vaughn

Dave Vaughn
President & Chief Executive Officer
March 28, 2016

RSM

RSM US LLP

Independent Auditor's Report

The Shareholders
AgJunction Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AgJunction Inc. (the Company), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of profit or loss, changes in equity and cash flows for the year then ended and the related notes to the consolidated financial statements, (collectively, financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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. 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 entity'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 of the financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AgJunction Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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Other Matter
The financial statements of the Company, as of and for the year ended December 31, 2014, were audited by other auditors whose report dated March 16, 2015 expressed an unmodified opinion on those statements.

RSM US LLP

Kansas City, Missouri
March 28, 2016

AgJunction Inc.

Consolidated Statements of Financial Position

(Expressed in U.S. dollars)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents (note 5)	$ 13,047,777	$ 11,223,755
Accounts receivable, net (note 6)	8,222,606	5,665,108
Inventories (note 7)	11,800,917	9,692,923
Prepaid expenses and deposits	975,018	947,931
	34,046,318	27,529,717
Property, plant and equipment (note 10)	3,484,406	2,808,052
Intangible assets (note 11)	12,391,146	7,772,064
Goodwill (note 23)	11,444,419	5,374,519
	$ 61,366,289	$ 43,484,352
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,970,427	$ 2,795,216
Provisions (note 12)	995,938	302,987
Current portion of deferred revenue	342,095	2,016,183
Current portion of finance lease obligation (note 13)	1,160	13,918
	7,309,620	5,128,304
Deferred revenue	203,223	343,245
Finance lease obligation (note 13)	–	1,160
	7,512,843	5,472,709
Shareholders' equity:		
Share capital (note 14)	147,929,647	122,467,464
Equity reserve	4,669,173	5,150,466
Accumulated deficit	(98,745,374)	(89,606,287)
	53,853,446	38,011,643
	$ 61,366,289	$ 43,484,352

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Profit or Loss
Years ended December 31, 2015 and 2014
(Expressed in U.S. dollars)

	2015	2014
Sales (note 18)	$ 39,048,487	$ 44,809,579
Cost of sales	24,220,178	24,501,704
Gross profit	14,828,309	20,307,875
Expenses:		
Research and development	6,728,512	7,102,281
Sales and marketing	5,403,375	6,192,903
General and administrative	8,432,772	7,729,475
	20,564,659	21,024,659
Operating (loss)	(5,736,350)	(716,784)
Intangible assets impairment (note 11)	4,713,670	–
Goodwill impairment (note 23)	–	15,856,000
Foreign exchange loss, net	203,486	172,064
Interest and other income	(23,608)	(42,675)
(Gain) loss on sale of property, plant and equipment (note 10)	132,408	(8,175)
(Gain) on sale of other assets, net of liabilities (note 9)	(1,623,219)	–
Net (loss) before income tax (recovery)	(9,139,087)	(16,693,998)
Income tax (recovery) (note 19)	–	(37,350)
Net (loss)	$ (9,139,087)	$(16,656,648)
Loss per share:		
Basic and diluted (loss) per share (note 17)	$ (0.11)	$ (0.23)

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Changes in Equity
Years ended December 31, 2015 and 2014
(Expressed in U.S. dollars)

	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at January 1, 2014	$ 121,096,751	$ 6,091,297	$ (72,949,639)	$ 54,238,409	69,805,628
Net (loss)	–	–	(16,656,648)	(16,656,648)	–
Issue of common shares for business acquisition, net of share issue cost (note 14)	1,007,000	(1,007,000)	–	–	2,178,964
Share-based payment transactions	–	180,882	–	180,882	–
Stock options exercised	249,000	–	–	249,000	337,471
Transfer from equity reserve on exercise of stock options	114,713	(114,713)	–	–	–
Balance at December 31, 2014	122,467,464	5,150,466	(89,606,287)	38,011,643	72,322,063
Net (loss)	–	–	(9,139,087)	(9,139,087)	–
Issue of common shares and restricted stock awards for business acquisition, (note 8)	24,900,841	–	–	24,900,841	49,291,026
Share-based payment transactions	–	80,049	–	80,049	–
Issue of restricted stock awards (note 14)	561,342	(561,342)	–	–	1,216,130
Balance at December 31, 2015	$ 147,929,647	$ 4,669,173	$ (98,745,374)	$ 53,853,446	122,829,219

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Cash Flows
Years ended December 31, 2015 and 2014
(Expressed in U.S. dollars)

	2015	2014
Cash flows from (used in) operating activities:		
Net (loss)	$ (9,139,087)	$ (16,656,648)
Items not involving cash:		
Depreciation (note 10)	558,810	579,897
Amortization (note 11)	941,799	1,031,814
Share-based payment transactions (note 14)	80,049	180,882
Allowance on trade receivables (note 6)	50,625	109,467
Net realizable value write down of inventory (note 7)	1,547,743	56,530
(Gain) loss on disposal of property, plant and equipment (note 10)	132,408	(8,175)
(Gain on sale of other assets, net of liabilities (note 9)	(1,623,219)	–
Intangible assets impairment, net of amortization (note 11)	4,713,670	–
Goodwill impairment (note 23)	–	15,856,000
Change in non-cash operating working capital, net of effects of business combination:		
Accounts receivable	(1,121,544)	5,353,120
Inventories	88,895	291,359
Prepaid expenses and deposits	181,452	(239,442)
Accounts payable and accrued liabilities	366,900	(2,522,213)
Provisions	544,792	(493,331)
Deferred revenue	(931,688)	(574,457)
Income taxes refunded (paid)	59,000	(64,435)
Cash flows from (used in) operating activities	(3,549,395)	2,900,368
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(13,918)	(23,004)
Interest received (paid), net	2,426	42,675
Issuance of share capital	–	249,000
	(11,492)	268,671
Cash used in discontinued operations	–	(162,388)
Cash flow from (used in) financing activities	(11,492)	106,283
Cash flows from (used in) investing activities:		
Redemption of short-term investments	–	8,100,751
Proceeds from the sales of property, plant and equipment	5,351	65,141
Purchase of property, plant and equipment (note 10)	(413,109)	(278,433)
Intangible asset addition (note 11)	(2,130,380)	(2,646,833)
R&D expense reimbursement (note 11)	1,875,795	1,332,200
Payment of acquisition consideration (note 8)	–	(400,000)
Proceeds from sale of division (note 9)	2,422,916	–
Cash acquired in business acquisition (note 8)	3,624,336	–
Cash flow from investing activities	5,384,909	6,172,826
Increase in cash position	1,824,022	9,179,477
Cash and cash equivalents, beginning of year	11,223,755	2,044,278
Cash and cash equivalents, end of year	$ 13,047,777	$ 11,223,755

See accompanying notes to consolidated financial statements.

1. Reporting entity:

AgJunction Inc. (the "Company") is a company domiciled in Canada. The primary office is located at 2207 Iowa Street, Hiawatha, Kansas. The Company is a publicly traded company listed on the Toronto Stock Exchange under the ticker symbol "AJX". The consolidated financial statements of the Company as at and for the years ended December 31, 2015 and 2014 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The Company is primarily involved in the design, marketing and sale of precision Global Positioning System ("GPS") products and technologies. The consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2016.

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, which is also 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:

(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 specific customers, historical experience and economic circumstances.

2. Basis of preparation (continued):

(ii) Deferred tax assets (note 19):

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.

(iii) Goodwill impairment (note 23):

After the 2013 sale of the precision business, the Company only has one 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.

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

(v) Provisions (note 12):

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

2. Basis of preparation (continued):

Information about critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

(vi) Recovery of deferred development costs:

Development costs associated with research activities are capitalized when certain conditions as outlined in note 3 (k) are met. Recoverability of capitalized development costs is assessed based upon contractual reimbursements required to be paid to the Company for meeting contractual project milestones. Also considered in the Company's recovery assessment are contractual and planned orders of product which is created through completion of the development project.

(vii) Share-based payments

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 stock options. The following inputs are utilized in determining the fair value of share-based payments: Company stock price at issuance; stock option exercise price; weighted average volatility; interest rate; and expected life.

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. (formerly Hemisphere AUS Pty Ltd.) and Novariant, Inc. (acquired on October 15, 2015) are wholly owned operating subsidiaries of the Company.

3. Significant accounting policies (continued):

(b) Foreign currency translation:

Under IFRS, functional currency of each entity in the Company is determined separately in accordance with the indicators as per 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 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 loss (gain)” 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.

3. Significant accounting policies (continued):

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity financial assets, loans 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. The Company has classified cash and cash equivalents as FVTPL.

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.

Loans and receivables:

Loans and 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 loans and 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 has classified accounts receivable and other receivable as loans and 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.

(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.

3. Significant accounting policies (continued):

(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 consists of cash on hand. The cash on hand is denominated in Canadian dollars (CDN $), United States dollars (US $), Australian dollars (AUS $), New Zealand dollars (NZD $), Euros (EUR €), British Pounds (GBP £), and Hungarian Forints (HUF Ft). The Company holds cash on hand with Canadian charter banks, United States chartered banks, Australian chartered banks and European chartered banks.

(e) Short-term investments:

Short-term investments consist of term-deposits with original maturities greater than three months but less than twelve months.

(f) Revenue recognition:

The Company generates revenue from the sale of equipment, agronomy software services and extended warranty programs (note 18). Revenue from the sale of equipment is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances at the time of shipment 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.

Agronomy software service revenue is recognized when any associated services are not essential to the functionality of the software and when the following conditions are met: 1) the amount of revenue can be measured reliably; 2) it is probable that the economic benefits associated with the transaction will flow to the entity; 3) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and 4) the costs associated with the transaction can be measured reliably. Revenue is recognized on a pro-rata basis over the service period. On April 1, 2015, the Company sold the net business assets associated with its Agronomy Services division (note 9).

3. Significant accounting policies (continued):

(g) 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 a weighted average, includes expenditures incurred in acquiring stock and bringing it to its existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads attributable to manufacturing, based on normal operating capacity.

(h) 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:

Assets	Method	Rate
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

(i) 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.

3. Significant accounting policies (continued):

Assets	Rate
Trademarks and brands	20 years
Customer relationships	5 years
Marketing and distribution assets	5 years
Technology	5-10 years

(j) 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 only has one 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.

(k) 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 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 cash-generating units 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 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, 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.

3. Significant accounting policies (continued):

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.

(l) Research and development:

Expenditures on research activities are recognized under research and development expenses in the period in which they are incurred. An internally generated intangible asset arising from product development is recognized only if all of the following conditions are met: the Company intends to and has sufficient resources to complete development and to use or sell the asset; it is probable that the asset created will generate future economic benefits; the development cost of the asset can be measured reliably; and the product from which the asset arises meets the IFRS criteria for technical and commercial feasibility. 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.

(m) 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.

3. Significant accounting policies (continued):

(n) Share-based payments:

The Company awards stock options to certain directors, officers, employees, key consultants and agents of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. Stock 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 stock options. The fair value of such awards is expensed over the vesting period with a corresponding increase in reserve under equity. Upon exercise of stock-options, proceeds received are credited to share capital.

In 2014, the Company adopted a restricted stock unit (“RSU”) plan. The Company may award RSUs to certain directors, officers, employees, key consultants and agents of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. No RSUs were awarded in 2015 or 2014.

In 2015, the Company adopted a restricted stock 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.

As of December 31, 2015, 4,046,563 RSAs were held by senior management as well as certain members of the Board of Directors.

Throughout 2014, an Employee Stock Purchase Plan (“ESP”) was in place for employees of AgJunction. Under the ESP plan, employees had the option to purchase shares in the Company at market price monthly and offer employees matching shares at of rate of 50% up to a maximum of 4% of gross salary. The Company recognized the matched shares as an expense over the period of 12 months of applicable employment condition. As of December 31, 2014, the Company terminated the ESP plan. The employees participating in the plan were awarded all employer matched shares which immediately vested upon termination of the plan.

(o) Income taxes:

Income tax comprises 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.

3. Significant accounting policies (continued):

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.

(p) 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.

(q) 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.

(r) 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, then they are discounted to their present value.

3. Significant accounting policies (continued):

(s) Leased assets:

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.

Payments made under operating leases are recognized in the consolidated statement of profit or loss on a straight line basis over the term of the lease.

(t) 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.

(u) 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 outsource manufacturing costs, termination and severance benefits, legal and consulting fees, redundancy costs and scrapping of property and equipment as well as other costs that are directly related to the restructuring plan and that provide no benefit to the ongoing operations.

(v) Assets held for sale:

Non-current assets, or disposal groups comprised of assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through their continuing use. This condition is considered to be met when the asset or group of assets are available for immediate sale in its present condition. Once classified as held-for-sale, intangible assets and property and equipment are no longer amortized or depreciated.

3. Significant accounting policies (continued):

(w) Discontinued operations:

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(x) Initial adoption of new standards and interpretations:

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of January 1, 2015. The nature and effect of the changes are explained below:

(i) Amendments to IFRS 2, *Share-based Payment:*

In December 2013, the IASB issued amendments to IFRS 2, *Share-based Payment*. The amendment redefines "vesting condition" and "market condition" as well as adds definitions for "performance condition" and "service condition". The amendment clarifies that period for performance targets must not extend beyond the end of a service period, though the performance target period may star earlier. The amendment also clarifies that share-based payments previously recognized as an expense may be reversed when, for any reason, an employee does not meet a service condition.

The Company applied the amendments to IFRS 2 in disclosing share-based payments. The impact of adoption was immaterial.

(y) New standards and interpretations not yet adopted:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers.* The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted under IFRS. The Company is currently assessing the impact of the standard on financial results.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted under IFRS. This standard is not expected to have a significant impact on the Company's financial results.

3. Significant accounting policies (continued):

In January 2016, the IASB issued IFRS 16, *Leases*, which requires major revisions in the way lessees currently account for leases under IFRS 17, *Leases*. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, *Revenue from Contracts with Customers*, has also been applied. The Company is currently assessing the impact of the standard on financial results.

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. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). There were no derivatives held as of December 31, 2015 and 2014.

(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.

(c) Goodwill:

Refer to note 23.

(Expressed in U.S. dollars)

5. Cash and cash equivalents:

In US$

	December 31, 2015	December 31, 2014
Cash on hand		
CDN $	$ 638	$ 72,398
US $	12,538,945	11,069,530
AUS $	392,397	68,796
NZD $	83,441	13,031
EUR €	26,519	–
GBP £	135	–
HUF Ft	5,702	–
Cash and cash equivalents	$ 13,047,777	$ 11,223,755

6. Accounts receivable:

	December 31, 2015	December 31, 2014
Trade	$ 7,025,614	$ 5,711,892
Other receivable	1,381,590	598,275
Allowance for doubtful accounts	(184,598)	(645,059)
	$ 8,222,606	$ 5,665,108

Aging of receivables that are past due but not impaired:

	December 31, 2015	December 31, 2014
0 to 30 days	$ 1,399,738	$ 99,236
31 to 60 days	45,626	728,174
61 to 90 days	68,945	–
Over 90 days	129,440	61,366
	$ 1,643,749	$ 888,776

Reconciliation of changes in the allowance for doubtful accounts:

	December 31, 2015	December 31, 2014
Balance beginning of year	$ 645,059	$ 803,410
Provisions	50,625	109,467
Accounts receivable written off	(511,086)	(267,818)
	$ 184,598	$ 645,059

(Expressed in U.S. dollars)

7. Inventories:

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

	December 31, 2015	December 31, 2014
Finished goods	$ 9,550,769	$ 8,298,183
Raw materials	2,017,978	1,391,577
Work in process	232,170	3,163
	$ 11,800,917	$ 9,692,923

During the year ended December 31, 2015, the Company recorded write-downs of finished goods and raw materials to net realizable value in the amount of $1,547,743 (2014 – $56,530) which was recognized in the cost of sales line item of the consolidated statement of profit or loss.

8. Business Combinations:

In February 2014, the Company issued 2,178,964 common shares valued at $1,007,000, net of issuance costs based on closing stock price and paid $400,000 in cash to settle the remaining portion of the consideration related to the 2012 acquisition.

On March 16, 2015, the Company announced it had entered into a definitive agreement with Novariant, Inc. ("Novariant") to acquire all of its outstanding stock in exchange for shares in the Company. The merger was approved by AgJunction shareholders on September 30, 2015 and closed on October 15, 2015. The results from Novariant operations from October 16, 2015 through December 31, 2015 are included in the Company's operating results.

The completion of the merger gained AgJunction a preeminent position in automated steering and machine control technologies through combining product portfolios and forming the agriculture industry's most comprehensive intellectual property portfolio. The merger also enhanced the Company's research and development capabilities.

(Expressed in U.S. dollars)

8. Business Combinations (continued):

Fair value of net assets acquired consist of:

Cash and cash equivalents	$ 3,624,336
Accounts receivable	1,548,005
Inventories	3,789,957
Prepaid expenses and deposits	208,539
Property, plant and equipment	997,360
Intangible assets	11,670,000
Goodwill	6,069,900
Accounts payable and accrued liabilities	(2,983,690)
Deferred revenue	(23,566)
Net assets acquired	$ 24,900,841

Consideration consisted of:

Shares issued (46,460,593 Common; 2,830,433 RSAs; 49,291,026 Total)	$ 24,900,841

Accounts receivable of $1,548,005 consist of gross contractual accounts receivable of $1,628,078 less $80,073 which represents the best estimate of amounts not expected to be collected.

The intangible asset acquired was technology and has an estimated useful life of ten years.

Goodwill generated as a result of the Novariant transaction represents intangible assets which did not qualify for separate recognition such as Novariant's trademarks, customer portfolio, and assembled workforce. The goodwill will not be deductible for tax purposes.

Summarized results of Novariant operations from October 16, 2015 to December 31, 2015 are as follows:

Sales	$ 3,198,553
Cost of sales	2,496,039
Gross profit	702,514
Expenses	1,302,713
Operating (loss)	(600,199)
Foreign exchange loss, net	2,872
Interest and other expense	1,308
Net (loss)	$ (604,379)

Inventory acquired as part of the Novariant acquisition was adjusted up to fair value in purchase accounting. Accordingly, fair valued Novariant inventory sold over the period October 16, 2015 to December 31, 2015 required a release of the fair value step up in inventory in the amount of $622,771 which is included within the Cost of sales line above. Adjusting for this release, Novariant realized net income of $18,392.

(Expressed in U.S. dollars)

9. Sale of agronomy services operations:

On April 1, 2015, the Company sold the net business assets associated with its Agronomy Services operations to EFC Systems for cash of $2.4 million. The Company's Agronomy Services operations provided a cloud-based data management software platform and wireless hardware to the Company's Outback customers, or precision agriculture retailers and growers.

Effect of sale on financial position:

	Total
Intangible assets	$ 1,650,034
Property, plant and equipment	37,546
Inventories	45,325
Assets sold	1,732,905
Deferred revenue	(905,988)
Vacation payable	(27,220)
Liabilities transferred	(933,208)
Assets sold, net of liabilities transferred:	$ 799,697
Proceeds	$ 2,422,916
Gain on sale	$ 1,623,219

(Expressed in U.S. dollars)

10. Property, plant and equipment:

Cost

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2014	2,676,863	1,305,432	1,664,551	1,208,378	6,855,224
Additions (reimbursements)	33,066	193,838	68,712	117,493	413,109
Business acquisition	77,660	721,060	198,640	–	997,360
Disposals	(151,411)	(596,003)	(213,516)	(17,720)	(978,650)
Balance at December 31, 2015	$ 2,636,178	$ 1,624,327	$ 1,718,387	$ 1,308,151	$ 7,287,043

Accumulated depreciation

Balance at December 31, 2014	1,170,007	955,355	1,114,414	807,396	4,047,172
Depreciation	162,204	134,030	131,635	130,941	558,810
Disposals	(148,037)	(478,316)	(172,149)	(4,843)	(803,345)
Balance at December 31, 2015	$ 1,184,174	$ 611,069	$ 1,073,900	$ 933,494	$ 3,802,637

Carrying amount

Balance at December 31, 2014	$ 1,506,856	$ 350,077	$ 550,137	$ 400,982	$ 2,808,052
Balance at December 31, 2015	$ 1,452,004	$ 1,013,258	$ 644,487	$ 374,657	$ 3,484,406

(Expressed in U.S. dollars)

10. Property, plant and equipment (continued):

Cost

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2013	2,684,186	1,297,384	1,822,594	1,075,314	6,879,478
Additions (reimbursements)	(7,323)	69,989	82,703	133,064	278,433
Disposals	–	(61,941)	(240,746)	–	(302,687)
Balance at December 31, 2014	$ 2,676,863	$ 1,305,432	$ 1,664,551	$ 1,208,378	$ 6,855,224

Accumulated depreciation

Balance at December 31, 2013	1,009,199	896,564	1,155,960	651,273	3,712,996
Depreciation	160,808	115,613	147,353	156,123	579,897
Disposals	–	(56,822)	(188,899)	–	(245,721)
Balance at December 31, 2014	$ 1,170,007	$ 955,355	$ 1,114,414	$ 807,396	$ 4,047,172

Carrying amount

Balance at December 31, 2013	$ 1,674,987	$ 400,820	$ 666,634	$ 424,041	$ 3,166,482
Balance at December 31, 2014	$ 1,506,856	$ 350,077	$ 550,137	$ 400,982	$ 2,808,052

During 2015 and 2014, the Company disposed of fixed assets no longer required for the ongoing operations of the business for a loss of $132,408 and a gain of $8,175, respectively, noted in the consolidated statement of profit or loss.

(Expressed in U.S. dollars)

11. Intangible assets:

Cost

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2014	$ 2,144,370	$ 571,000	$ 9,434,460	$ 12,149,830
Internally developed	–	–	2,130,380	2,130,380
R&D expense reimbursement	–	–	(1,875,795)	(1,875,795)
Sale of division	–	(203,185)	(1,446,849)	(1,650,034)
Intangible assets impairment	–	–	(5,093,100)	(5,093,100)
Business acquisition	–	–	11,670,000	11,670,000
Balance at December 31, 2015	$ 2,144,370	$ 367,815	$ 14,819,096	$ 17,331,281

Accumulated amortization

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2014	$ 1,046,108	$ 330,614	$ 3,001,044	$ 4,377,766
Amortization	93,935	37,201	810,663	941,799
Intangible assets impairment	–	–	(379,430)	(379,430)
Balance at December 31, 2015	$ 1,140,043	$ 367,815	$ 3,432,277	$ 4,940,135

Carrying amount

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2014	$ 1,098,262	$ 240,386	$ 6,433,416	$ 7,772,064
Balance at December 31, 2015	$ 1,004,327	$ –	$ 11,386,819	$ 12,391,146

Cost

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2013	$ 2,144,370	$ 571,000	$ 8,119,827	$ 10,835,197
Internally developed	–	–	2,646,833	2,646,833
R&D expense reimbursement	–	–	(1,332,200)	(1,332,200)
Balance at December 31, 2014	$ 2,144,370	$ 571,000	$ 9,434,460	$ 12,149,830

Accumulated amortization

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2013	$ 946,699	$ 219,326	$ 2,179,927	$ 3,345,952
Amortization	99,409	111,288	821,117	1,031,814
Balance at December 31, 2014	$ 1,046,108	$ 330,614	$ 3,001,044	$ 4,377,766

Carrying amount

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2013	$ 1,197,671	$ 351,674	$ 5,939,900	$ 7,489,245
Balance at December 31, 2014	$ 1,098,262	$ 240,386	$ 6,433,416	$ 7,772,064

(Expressed in U.S. dollars)

11. Intangible assets (continued):

Amortization of $809,769 and $132,030 is included within the Research and development and Sales and marketing line items, respectively, within the Consolidated Statements of Profit or Loss. Based upon a review of intangible assets at year end, management determined the recoverability of certain research and development intangibles was not probable as discounted future cash flow analysis were less than the carrying amount of the intangible assets, which resulted in an impairment charge of $4,713,670 as noted above. This impairment charge is included in the Intangible assets impairment line item within the Consolidated Statements of Profit or Loss.

12. Provisions:

	Warranty	Restructuring	Total
Balance at December 31, 2014	$ 302,987	$ –	$ 302,987
Provisions made during the year	554,011	467,847	1,021,858
Provisions used	(328,907)	–	(328,907)
Balance at December 31, 2015	$ 528,091	$ 467,847	$ 995,938

The provision for warranties relates mainly to products sold during the years ended December 31, 2013, 2014 and 2015. 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 three years.

The provision for restructuring relates to a targeted workforce reduction of 20% planned for 2016 which was announced by the Company on December 30, 2015. This reduction and related restricting provision relates to an internal review of operations post Novariant acquisition and post integration of Novariant into AgJunction, whereby a duplication of resources was identified.

13. Finance lease:

The Company has certain equipment under capital lease expiring through 2016. Estimated lease payments are as follows:

	2015	2014
2015	$ –	$ 13,918
2016	1,160	1,160
Minimum lease payments	1,160	15,078
Less: interest portion	–	–
Net minimum lease payments	1,160	15,078
Less: current portion	1,160	13,918
Long term portion	$ –	$ 1,160

13. Finance lease (continued):

Principal and interest payments on leased equipment during the year was approximately $13,918.

14. 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 122,829,219 common shares at $147,929,647.

(c) In February 2014, the Company issued 2,178,964, common shares to settle the consideration of the 2012 acquisition related to the second 12-month measure period (see note 8).

(d) The Company has a stock 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 stock 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 stock options and restricted stock awards with a rolling maximum limit equal to 13% of outstanding common shares. Stock options granted vest over a period of two to five years and expire at various dates through to 2018. Restricted stock awards granted vest over a period of one to four years and have no expiration date.

(e) In October 2015, the Company issued 46,460,593 common shares and 2,830,433 RSAs for a total of 49,291,026 shares as consideration in the acquisition of Novariant, Inc. Refer to note 8 for additional information regarding the transaction including net assets acquired.

During the year, the Company recorded $52,619 (2014 – $180,882) as stock based compensation expense relating to options and $27,430 (2014 - $0) relating to restricted stock awards for total compensation expense of $80,049 (2014 - $180,882).

(Expressed in U.S. dollars)

14. Share capital (continued):

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

(Share price in CAD)	December 31, 2015			December 31, 2014		
	Number Options		Weighted average exercise price	Number options		Weighted average exercise price
Total options outstanding, beginning of period	1,944,903	$	0.82	3,522,435	$	1.03
Granted	3,040,327		0.60	–		–
Exercised	–		–	(337,471)		0.81
Expired	(550,405)		0.93	(1,240,061)		1.42
Stock options outstanding, end of period	4,434,825	$	0.66	1,944,903	$	0.82
Exercisable at year end	1,150,909	$	0.66	1,005,463	$	0.79

(Share price in CAD)	Options outstanding				Options exercisable		
Range of exercise prices outstanding	Number outstanding at December 31, 2015	Weighted average remaining contractual life (months)		Weighted average exercise price	Number exercisable at December 31, 2015		Weighted average exercise price
$0.60 – 1.00	4,072,827	48	$	0.62	969,912	$	0.65
1.01 – 1.12	361,998	36		1.12	180,997		1.12
$0.60 – 1.12	4,434,825	47	$	0.66	1,150,909	$	0.72

(Expressed in U.S. dollars)

14. Share capital (continued):

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

(Share price in CAD)	December 31, 2015		December 31, 2014	
	Number RSAs	Weighted average grant price	Number RSAs	Weighted average grant price
Total RSAs outstanding, beginning of period	–	$ –	–	$ –
Granted	4,046,563	0.63	–	–
RSAs outstanding, end of period	4,046,563	$ 0.63	–	$ –
Exercisable at year end	–	$ 0.63	–	$ –

The restricted stock awards outstanding as of December 31, 2015 have a weighted average remaining contractual life of 20 months. None were exercisable as of December 31, 2015.

(f) The grant date fair value of stock options granted is estimated by using the Black-Scholes call option pricing model with the following weighted average assumptions for the 2015 grants: Company stock price at issuance; stock option exercise price; weighted average volatility of 54%; interest rate of 0.68%; and expected life of 4.0 years. The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model with the following assumptions for the 2015 grants: Company stock price at issuance; weighted average volatility of 57%; interest rate of 0.52%; and expected life of 1.0 year.

15. Operating leases:

The Company is committed to annual minimum operating lease payments, excluding tenant-operating costs, of:

	December 31, 2015	December 31, 2014
Within 1 year	$ 445,322	$ 513,861
1 to 5 years	1,613,700	671,514
After 5 years	544,640	–
Total	$ 2,603,662	$ 1,185,375

(Expressed in U.S. dollars)

15. Operating leases (continued):

The Company leases a number of buildings for its operations under operating leases. The leases typically run for a period of 5-10 years, with an option to renew the lease after that date. Lease payments are increased in certain situations to reflect market conditions. Lease payments recognized as an expense during the year amount to $639,044 (2014 – $795,570).

16. Expenses by nature from continuing operations:

Operating results include the following items:

	2015	2014
Salaries and employee benefits	$ 13,630,369	$ 11,511,149
Defined contribution expenses	295,907	285,455
Share based payment expenses	80,049	180,882
Amortization and depreciation expense	1,500,609	1,611,711
Inventories recognized as expense	18,693,841	20,657,742
	$ 34,200,775	$ 34,246,939

17. Loss per share:

The calculation of basic and diluted (loss) income per share from operations was based on the loss attributable to ordinary shareholders of $9,139,087 (2014 – loss of $16,656,648).

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

	2015	2014
Opening balance January 1	72,322,063	69,805,628
Effect of stock options exercised	–	282,437
Issue of common shares	10,641,607	1,904,355
Ending balance December 31	82,963,670	71,992,420

At December 31, 2014, the conversion of 1,199,898 stock options resulted in additional common shares of 251,065 that are included in the calculations of basic and diluted loss per share. No stock options were exercised in 2015. At December 31, 2015, 1,394,498 stock options (2014 – 745,005) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

18. Entity-wide disclosure:

Sales by operating segment (in thousands):

	2015	2014
Agriculture	$ 39,048	$ 44,810

Sales by geographic region (in thousands):

	2015	2014
Americas	$ 15,760	$ 27,155
Asia-Pacific (APAC)	4,274	2,531
Europe, the Middle East, and Africa (EMEA)	19,014	15,124
	$ 39,048	$ 44,810

In 2015, the Company noted one customer approximates 34% or $13,121,886 of total revenue included in the EMEA geographic region information above. In 2014, the Company noted one customer approximates 28% or $12,652,000 of total revenue included in the EMEA geographic region information above.

Non-current assets by geographic region (in thousands):

	2015	2014
Americas	$ 27,196	$ 15,810
Asia-Pacific (APAC)	124	145
	$ 27,320	$ 15,955

19. Income taxes:

Rate reconciliation of effective tax rate:
Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial income tax rate of 25% (2014 – 25%) to earnings before income tax as follows:

	2015	2014
Expected income tax (recovery)	$ (2,284,772)	$ (4,321,162)
Increase (decrease) resulting from:		
Change in unrecognized deferred tax assets	3,114,223	5,321,235
Nondeductible expenses	308,782	780,769
Effective tax rates differences by jurisdictions	(1,138,233)	(1,780,842)
Impact of review and update of prior years' tax filings	–	(37,350)
Income tax (recovery)	$ –	$ (37,350)

(Expressed in U.S. dollars)

19. Income taxes:

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:

	Asset (Liability)			
December 31, 2015	Canada	United States	Australia	Total
Net operating losses	$ 2,051,576	$ 15,247,914	$ 1,759,920	$ 19,059,410
Research and development tax pools	2,173,067	5,752,873	–	7,925,940
Property and equipment	58,246	254,505	482	313,233
Share issue costs	16,654	–	–	16,654
Goodwill	–	1,972,525	–	1,972,525
Intangibles	(16,321)	(1,850,067)	–	(1,866,388)
Reserves	81,629	2,762,771	159,210	3,003,610
Deferred revenue	–	82,904	–	82,904
Inventory	–	1,199,290	–	1,199,290
Charitable contributions	–	524	–	524
Section 481 adjustments	–	(400,102)	–	(400,102)
Related party accrued interest	–	143,350	–	143,350
Unrealized foreign exchange loss	–	73	–	73
AMT credits	–	304,822	–	304,822
	$ 4,364,851	$ 25,471,382	$ 1,919,612	$ 31,755,845

	Asset (Liability)			
December 31, 2014	Canada	United States	Australia	Total
Net operating losses	$ 2,330,643	$ 8,047,501	$ 2,143,725	$ 12,521,869
Research and development tax pools	2,512,405	4,803,021	–	7,315,426
Property and equipment	29,457	227,311	14,825	271,593
Share issue costs	42,181	–	–	42,181
Goodwill	–	2,855,788	–	2,855,788
Intangibles	(20,599)	1,648,364	–	1,627,765
Reserves	122,324	1,198,943	112,025	1,433,292
Deferred revenue	–	95,075	–	95,075
Inventory	–	759,484	–	759,484
Charitable contributions	113	854	–	967
Section 481 adjustments	–	(786,915)	–	(786,915)
AMT credits	–	304,822	–	304,822
Stock option expense	84,021	16,333	–	100,354
	$ 5,100,545	$19,170,581	$ 2,270,575	$ 26,541,701

(Expressed in U.S. dollars)

19. Income taxes (continued):

The net operating loss carry-forwards as of December 31, 2015 reflected in the unrecognized deferred tax assets will expire as follows:

	Net operating losses
United States:	
2023	$ 346,000
2024	553,000
2025 and beyond	40,084,000
	$ 40,983,000
Canada:	
2028 and beyond	$ 8,206,000
Australia:	
No expiry date	$ 5,954,000

20. 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 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 forms of debt which calculate interest as a function of variable interest rates. At December 31, 2015, the Company does not carry material liabilities that are exposed to variable interest rates.

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

(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 on its consolidated statement of financial position, 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	$ 5,970,427	$ –	$ –
Finance lease (note 13)	1,160	–	–
Operating leases (note 15)	445,322	1,613,700	544,640
	$ 6,416,909	$ 1,613,700	$ 544,640

(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, Euros, British Pounds and Hungarian Forints. At year end, working capital denominated in Canadian dollars was $1,344,635. A 1% change in Canadian to US dollar exchange rate will impact net income by approximately $13,446. At year end, working capital denominated in Australian dollars, Euros, British Pounds, and Hungarian Forints was not material.

The Company has the ability to mitigate exposure to foreign currency risk as the Board of Directors has approved the execution of financial instruments with a maximum notional value of US$40 million which have the objective of offsetting the exposure the Company faces by carrying positive Canadian and Australian dollar working capital.

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

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, 2015.

(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 approximates fair value.

21. 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, 2015, 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 four years. As of year-end, the Company’s debt consisted of capital leases in the amount of $1,160.

(Expressed in U.S. dollars)

21. Capital management (continued):

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.

22. Related party transactions:

The Company has related party relationships with its subsidiaries and key management personnel. Key management personnel include the Board of Directors, the Company's Chief Executive Officer, Chief Financial Officer and the top four senior officers for 2015 and 2014.

Key management personnel compensation:

	2015	2014
Salaries and benefits	$ 2,329,720	$ 1,650,241
Stock options benefits	35,428	–
	$ 2,365,148	$ 1,650,241

The Board of Directors and Executive Officers participate in the Company's stock option and restricted stock unit programs (note 14). During 2015, 3,040,327 options and 4,046,563 RSAs were granted to such persons. Stock options outstanding for key management personnel as of December 31, 2015 totaled 3,453,486 (2014 – 1,542,307). Restricted stock awards outstanding for key management personnel as of December 31, 2015 totaled 3,869,661. There were no RSAs outstanding for key management personnel at the end of 2014.

Key management personnel transactions:

As of December 31, 2015, key management personnel and their related parties control 27.6% (2014 – 22.01%) of the voting shares of the Company.

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

In February 2014, AgJunction engaged one of these companies considered to be a related party to provide research and training to the Company's employees related to developing technology. The engaged company's CEO was a board member of AgJunction at the time the transaction occurred. 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 transactions with non-key management personnel related to the companies on an arm's length basis. The transaction value related to these services approximates $30,000. In 2015, the Company did not engage or transact business with any companies in which key management personnel have control or significant influence.

(Expressed in U.S. dollars)

23. Goodwill impairment testing:

The Company carried goodwill of $11,444,419 at December 31, 2015. 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 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, 2015 and concluded goodwill was not impaired in 2015. Accumulated goodwill impairment losses since company inception total $36,856,000, of which $15,856,000 was recorded in 2014.

With regards to the 2014 goodwill impairment, the Company determined the recoverable amount, the greater of net fair value less cost to sell and value in use, was less than the carrying amount. Accordingly, an impairment loss was recorded for the difference between the carrying amount of the goodwill and its recoverable amount.

The value in use of the CGU as of December 31, 2014 was determined using a "discounted cash flow" model, consistent with recognized valuation methods. The process of determining the recoverable amount is subjective and required management to exercise significant judgments and assumptions. The most significant assumptions underlying the model prepared by Management included: revenues, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions included estimates of future market share, competition, technological developments, interest rates, and market trends. The assumptions incorporated into the discounted cash flow model reflected Management's long-term view of the Company's business and the markets in which it competed at the time the analysis was performed.

The discounted cash flows were projected for a period of six years and assumed revenue growth of approximately 5% per year for the first five years, declining to an annual revenue growth estimate of 3.2% in the sixth year, with a terminal value at the end of the projection period developed based on the annual revenue growth rate of 3.2%. Management used a post-tax discount rate of 16.5%, which was an estimate of the weighted average cost of capital of the Company.

Opening balance, January 1, 2015	$ 5,374,519
Novariant acquisition	6,069,900
Ending balance, December 31, 2015	$ 11,444,419

24. Subsequent events:

The Company evaluated subsequent events through March 28, 2016, the date the consolidated financial statements were available to be issued and has determined that there were no subsequent events through the evaluation date which merit disclosure.