Interim Management's Discussion and Analysis

Three month period ended March 31, 2015

The following discussion and analysis is effective as of May 11, 2015 and should be read together with the unaudited condensed consolidated interim financial statements of AgJunction Inc. ("AgJunction" or the "Company") for the three month period ended March 31, 2015 and the accompanying notes. Additional information relating to the Company, 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 and which is supplemental to the unaudited condensed consolidated interim financial statements and notes for the three month period ended March 31, 2015. 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 (AJX) and provides innovative hardware and software applications for precision agriculture worldwide. Prior to January 31, 2013, 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 restructured its operations 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.

Economic and Market Trends

Financial and Agriculture Markets

On February 18, 2015, the US Department of Agriculture ("USDA") reported net farm income is forecast to be $73.6 billion in 2015, down nearly 32 percent from 2014's forecast of $108.0 billion. The 2015 forecast was the lowest since 2009 and represented a drop of nearly 43 percent from the record high of $129.0 billion in 2013. Lower crop and livestock receipts, down a combined 6.3 percent, are the main drivers of the 2015 decrease in net farm income. Net cash income is forecast at $89.4 billion, down 22.4 percent from the 2014 forecast. Net cash income is projected to decline less than net farm income primarily because it reflects the sale of carryover stocks from 2014. Crop receipts are expected to decrease by $15.6 billion (7.9 percent) in 2015, led by a projected $6.7 billion decline in corn receipts and a $3.4 billion decline in fruit/nut receipts. Livestock receipts are forecast to decrease by $10.1 billion (4.9 percent) in 2015 largely due to lower milk prices. The implementation of new programs under the Agricultural Act of 2014 results in a projected 15 percent increase ($1.6 billion) in United States government payments. Total production expenses are forecast to increase by $2.5 billion (about 1 percent) in 2015, extending the upward movement in expenses for a sixth straight year.

The rate of growth in farm assets is forecast to slow in 2015 compared to recent years. The slowdown in growth is a result of lower net income leading to less capital investment, and a slight decline in farmland values. Farm sector debt is expected to increase 3.1 percent, well above the expected increase in the value of farm assets (0.4 percent). Most of the anticipated increase in debt is for non-real estate loans, with lower income spurring demand for operating funds. Despite the anticipated higher debt, the historically low levels of debt relative to assets and equity reaffirm the sector's relatively strong financial position despite 2 years of declining net farm income.

Management continues to view the fundamentals of its global agriculture markets to be positive over the long term, driven by the following key factors: population growth, limited arable land, the need for increased output, and a relatively low global penetration of precision agriculture technologies such as Global Navigation Satellite System (GNSS) and auto-steering.

Currency Markets

The Company's financial results are impacted by foreign currency volatility – particularly the Canadian/United States ("US") dollar exchange rate.

The Company sells products in US dollars. A portion of the Company's expenses are incurred in Canadian and Australian dollars. As a result, from a purely financial 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 average foreign exchange rate for first quarter of 2015 was $1.2405 Cdn/US, up 12% from $1.1033, the average first quarter of 2014 rate.

Canadian and US dollar exchange rates prevailing during 2013 and 2014 were as follows:

	Quarter Ended							
	Jun 30 2013	Sep 30 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014	Sep 30 2014	Dec 31 2014	Mar 31 2015
Quarterly average	$1.0231	$1.0386	$ 1.0494	$1.1033	$1.0905	$1.0890	$ 1.1356	$1.2405
Quarter end	$1.0512	$1.0285	$ 1.0636	$1.1053	$1.0670	$1.1208	$ 1.1601	$1.2683

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.

Summary of Quarterly Results

(000)	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30- Jun 2014	30- Sep 2014	31-Dec 2014	31-Mar 2015
Sales	$16,304	$11,438	$13,867	$14,929	$10,298	$9,618	$9,964	$12,096
Gross margin	7,013	5,205	5,541	6,850	5,492	3,928	4,037	5,524
	43%	46%	40%	46%	53%	41%	41%	46%
Expenses								
Research and development	2,325	1,676	2,382	1,963	1,643	1,860	1,636	1,512
Sales and marketing	2,280	1,945	2,004	1,700	1,545	1,529	1,419	1,531
General and administrative	1,422	1,531	929	1,869	2,773	1,456	1,631	1,854
Restructuring costs	69	18	5	-	-	-	-	-
	6,097	5,170	5,319	5,532	5,961	4,845	4,686	4,897
Operating income (loss) before undernoted items	916	35	222	1,318	(469)	(917)	(649)	627
Goodwill impairment	-	-	-	-	-	-	15,856	-
Foreign exchange (gain) loss	(222)	(30)	21	29	85	46	12	104
Interest and other (income) loss	3	(11)	(10)	(5)	-	(37)	(1)	(1)
(Gain) loss on sale of property, plant and equipment	-	-	147	10	(9)	(10)	-	-
	(219)	(41)	158	34	76	(1)	15,867	103
Income (loss) before income taxes	1,135	76	64	1,284	(545)	(916)	(16,516)	524
Income taxes (benefits)	-	44	56	21	42	(100)	-	-
Net income (loss) from continuing operations	1,135	32	8	1,263	(587)	(816)	(16,516)	524
Comprehensive income (loss)	-	-	-	-	-	-	-	-
Comprehensive income (loss) before discontinued operations	1,135	32	8	1,263	(587)	(816)	(16,516)	524
Comprehensive gain (loss) from discontinued operations	(913)	(29)	(1)	-	-	-	-	-
Comprehensive income (loss)	222	3	7	1,263	(587)	(816)	(16,516)	524
Earnings (loss) per common share:								
Basic and diluted	$0.00	$0.00	$0.00	$0.02	($0.01)	($0.01)	($0.23)	$0.01
Basic and diluted - Continuing operations	$0.02	$0.00	$0.00	$0.02	($0.01)	($0.01)	($0.23)	$0.01
Basic and diluted - Discontinued operations	($0.02)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Weighted Average Diluted shares	68,365	68,937	70,471	71,696	72,161	72,251	72,243	72,322

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

For the Quarter Ended

(000's)	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015
United States	$6,717	$4,295	$5,559	$6,489	$5,408	$4,347	$2,325	$3,864
Canada	3,721	1,969	996	971	1,892	1,431	1,857	910
Europe	3,593	3,191	4,295	6,203	2,168	1,956	4,717	5,180
Australia	448	248	221	335	242	104	236	153
Other	1,825	1,735	2,796	931	588	1,780	829	1,989
	$16,304	$11,438	$13,867	$14,929	$10,298	$9,618	$9,964	$12,096

Quarter Ended March 31, 2015 versus Quarter Ended March 31, 2014

Revenues

For the three months ended March 31, 2015 revenues were $12.1 million representing a decrease of 19.0% from $14.9 million for the same period of 2014.

(000's)	**Q1 2015**	**Q1 2014**	**Change**
Revenue	$ 12,096	$ 14,929	(19.0%)

United States and Canadian combined revenues were down by 36% from the first quarter of 2014. European revenues decreased 16% due to decreased demand from OEM customers. Sales to Australia decreased 54% while sales to other markets, including South America and Asia, increased 114%.

Sales by business unit for the first quarter of 2015 and 2014 are as follows:

(000's)	**Q1 2015**	**Q1 2014**	**Change**
Outback	$2,507	$ 2,585	(3.0%)
OEM	7,881	8,615	(8.5%)
Air	973	3,158	(69.2%)
Agronomy Services	735	571	28.7%
Total	$12,096	$ 14,929	(19.0%)

The quarter versus quarter decline relates largely to an overall market downturn within the Air product line. Strong sales in North America for the Agronomy Services product line resulted in an increase of 29% over the same period of 2014.

Gross Margins

Gross margins of $5.5 million for the quarter were $1.3 million lower than the same quarter of 2014 while gross margins, as a percentage of revenue, remained consistent at 46%. Gross margin as a percentage remained consistent due to a change in sales mix from the first quarter of 2014 to the first quarter of 2015.

Expenses

Total operating expenses for the quarter were $4.9 million compared to $5.5 million in 2014, a reduction of 11%. Research and development expenditures of $1.5 million, decreased by $0.5 million, or 23%, compared to $2.0 million during the first quarter of 2014, due to an increase in non-recurring engineering ("NRE") projects that are capitalized. Sales and marketing expenses of $1.5 million, declined by $0.2 million, or 10%, compared to $1.7 million during the first quarter of 2014, due to several cost saving initiatives and efficiencies which are still being realized as a result of the restructuring which took place over 2013 and 2014. General and administrative expenses were $1.9 million in the first quarter of both 2014 and 2015.

Other

During the quarter, the Company realized a foreign exchange loss of $104 thousand compared to a loss of $29 thousand during the same quarter in 2014.

Income Taxes

During the quarter, the Company did not recognize any income tax benefit or expense, versus the $21 thousand of income tax expense recognized in the first quarter of 2014, which related to estimates surrounding alternative minimum tax in the US.

Income (Loss)

In the first quarter of 2015, the Company realized net income from continuing operations of $0.5 million or $0.01 per share (basic and diluted), compared to net income from continuing operations of $1.3 million or $0.02 per share (basic and diluted) in the first quarter of 2014.

Total Comprehensive Income (Loss)

The Company realized total comprehensive income of $0.5 million in the first quarter of 2015 compared to total comprehensive income of $1.3 million in the comparable quarter of 2014.

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

Revenue for the first quarter of 2015 of $12.1 million was up 21% from revenue of $10.0 million in the fourth quarter of 2014.

(000's)	**Q1 2015**	**Q4 2014**	**Change**
Revenue	$12,096	$ 9,964	21.4%

Per the sales by geographic region on page 5, North American revenues for the quarter increased $0.6 million (14%) from the fourth quarter of 2014. The increase is the result of seasonality in the North American market. The increase in European revenues of $0.5 million (10%) from the previous quarter is due to a slight increase in demand from OEM customers. Revenues from Australia decreased from the fourth quarter of 2014 by $83 thousand (35%). Other revenues increased $1.2 million (140%) from the prior quarter due to strong sales in China during the first quarter of 2015.

Sales by business unit for the first quarter of 2015 and fourth quarter of 2014 are as follows:

(000's)	Q1 2015	Q4 2014	Change
Outback	$2,507	$1,706	47.0%
OEM	7,881	5,998	31.4%
Air	973	1,560	(37.6%)
Agronomy Services	735	700	5.0%
Total	$12,096	$ 9,964	21.4%

Revenues for the Outback product lines increased by 47% due to expected seasonality of the North American markets. The increase in revenue of 31% for OEM is related to increasing demand in certain geographical segments, specifically China. The reduction in sales of 38% for Air in the current quarter is due to an overall market downturn within the Air product line. Agronomy Services results were slightly higher, 5% increase compared to the previous period.

Gross Margins

Gross margins in the first quarter of 2015 were $5.5 million (46%), compared to $4.0 million (41%) in the fourth quarter of 2014. The majority of the gross margin increase, in both dollars and as a percentage, is due to increased sales volumes between the two quarters along with a change in sales mix.

Expenses and Other

Operating expenses were $4.9 million in the first quarter of 2015, up $0.2 million or 4%, from $4.7 million in the fourth quarter of 2014. Research and development expenses decreased by $0.1 million compared to the fourth quarter of 2014. Sales and marketing expenses increased by $0.1 million compared to the fourth quarter of 2014. General and administrative expenses increased by $0.2 million from the fourth quarter of 2014, largely related to legal and other fees incurred in connection with the Company's potential acquisition of Novariant Inc., which was publicly announced on March 16, 2015.

Income Taxes

The Company did not recognize any income tax expense or benefits in either the first quarter of 2015 or the fourth quarter of 2014.

Liquidity and Capital Resources

Working Capital

The Company held cash of $10.8 million at March 31, 2015 compared to $11.2 million at the end of 2014. Working capital was $24.1 million, up from $22.4 million at December 31, 2014. The primary items impacting working capital during the year were:

- Accounts receivable at March 31, 2015 was $6.5 million versus $5.7 million at December 31, 2014.
- Inventories consist of components, work in process and finished goods related to the products sold by the Company. Inventory of $9.7 million remained unchanged at both March 31, 2015 and December 31, 2014.
- Cash generated from continuing operations was $0.4 million compared to $3.9 million in the first quarter of 2014.
- Acquisition consideration paid for the 2012 acquisition of the AgJunction business was $0.4 million in 2014; no such payment was made in 2015.
- Total tangible capital spending in the three month period ended March 31, 2015 was $43 thousand (2014 - $92 thousand).

- During the first quarter of 2015, the Company capitalized internally developed intangible costs of $0.8 million (2014 - $0.6 million). These costs are incurred pursuant to a contract with a customer under which the customer is also making NRE payments to the Company covering a portion of the costs.

The Company has obtained an operating line of credit with its bank for $3 million in February 2014. At March 31, 2015, the full line of credit was available.

Critical Accounting Policies and Estimates

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

The following new standards, interpretations, amendments and improvements to existing standards issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee ("IFRIC") were adopted as of January 1, 2014 without any material impact to the Company's Financial Statements: IAS 36, *Recoverable Amount Disclosure for Non-Financial Assets* and IFRIC Interpretation 21*, Levies*. The following standard issued by the IASB on May 28, 2014 is currently being assessed by the Company: IFRS 15, *Revenue from Contracts with Customers.*

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. 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 amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company has one cash generating unit, the agricultural business unit which represents the lowest level within the Company at which goodwill is monitored for internal management purposes based on the Company's primary reporting format determined in accordance with IFRS 8, *Operating Segments*.
4. The Company evaluates its deferred tax assets for all deductible temporary differences, carry-forward of unused tax losses and other tax assets. To the extent that it is probable that such assets will be utilized to offset future taxable profit, those assets are recognized and reported in the Consolidated Statement of Financial Position. At March 31, 2015, there are no such balances reported in the Consolidated Statement of Financial Position.
5. The Company accrues reserves for product warranty expenses for the repair or replacement of defective products sold. The warranty reserve is based on an assessment of the historical experience of the Company and a weighting of all possible outcomes against their associated probabilities. If the Company suffers a decrease in the quality in its products, an increase in warranty reserve may be required.

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: 1992 released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, Management has conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2014. 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 AgJunction’s product lines; the impact of increasing competition; the nature and outcome of legal proceedings; the continuity of existing business relationships; conditions in general economic and financial markets; and our ability to obtain financing on acceptable terms.

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

Condensed Consolidated Interim Financial Statements of

AgJunction®

Three month period ended March 31, 2015

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

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

	March 31, 2015 (Unaudited)	December 31, 2014*
Assets		
Current assets:		
Cash and cash equivalents	$ 10,774,141	$ 11,223,755
Accounts receivable, net of bad debt provisions of $298,901 and $645,059 as of March 31, 2015 December 31, 2014, respectively	6,479,153	5,665,108
Inventories	9,714,635	9,692,923
Prepayments and deposits	759,702	947,931
Assets held for sale (note 8)	1,729,606	–
	29,457,237	27,529,717
Property, plant and equipment	2,682,141	2,808,052
Intangible assets	6,698,549	7,772,064
Goodwill	5,374,519	5,374,519
	$ 44,212,446	$ 43,484,352
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,612,204	$ 2,795,216
Provisions (note 6)	295,969	302,987
Deferred revenue	496,683	2,016,183
Finance lease	11,599	13,918
Liabilities held for sale (note 8)	933,208	–
	5,349,663	5,128,304
Deferred revenue	300,955	343,245
Finance Lease	–	1,160
Shareholders' equity:		
Share capital (note 3)	122,467,464	122,467,464
Equity reserve	5,176,906	5,150,466
Accumulated deficit	(89,082,542)	(89,606,287)
	38,561,828	38,011,643
	$ 44,212,446	$ 43,484,352

See accompanying notes to condensed consolidated interim financial statements.

* The December 31, 2014 balance sheet figures have been derived from the audited consolidated financial statements as of that date.

AgJunction Inc.

Condensed Consolidated Statements of Comprehensive Income and Loss

Three months ended March 31, 2015 and 2014
(Unaudited - expressed in U.S. dollars)

	2015	2014
Sales	$ 12,096,140	$ 14,928,593
Cost of sales	6,572,576	8,078,937
	5,523,564	6,849,656
Expenses:		
Research and development	1,512,097	1,962,570
Sales and marketing	1,530,841	1,699,537
General and administrative	1,853,928	1,868,838
	4,896,866	5,530,945
Operating income	626,698	1,318,711
Foreign exchange loss	103,922	28,905
Interest and other income	(969)	(5,068)
Loss on disposal of property, plant and equipment	–	10,273
	102,953	34,110
Income before income taxes	523,745	1,284,601
Income tax expense	–	21,289
Net income from continuing operations	523,745	1,263,312
Other comprehensive income	–	–
Total comprehensive income	$ 523,745	$ 1,263,312
Earnings per share:		
Basic and diluted income per share	$ 0.01	$ 0.02

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Changes in Equity

(Expressed in U.S. dollars)

	Share capital	Equity reserve	Accumulated Deficit	Total equity	Number of shares
Balance at December 31, 2013	$ 121,096,751	$ 6,091,297	$ (72,949,639)	$ 54,238,409	69,805,628
Comprehensive income	–	–	1,263,312	1,263,312	–
Issue of common shares for business acquisition, net of share issue cost (note 3(b))	1,007,000	(1,007,000)	–	–	2,178,964
Share-based payment transactions (note 3(c))	–	49,449	–	49,449	–
Stock options exercised	192,090	–	–	192,090	246,377
Transfer from equity reserve on exercise of stock options	89,924	(89,924)	–	–	–
Balance at March 31, 2014 (unaudited)	$ 122,385,765	$ 5,043,822	$ (71,686,327)	$ 55,743,260	72,230,969
Balance at December 31, 2014	$ 122,467,464	$ 5,150,466	$ (89,606,287)	$ 38,011,643	72,322,063
Comprehensive income	–	–	523,745	523,745	–
Issue of common shares for business acquisition, net of share issue cost	–	–	–	–	–
Share-based payment transactions (note 3(c))	–	26,440	–	26,440	–
Stock options exercised	–	–	–	–	–
Transfer from equity reserve on exercise of stock options	–	–	–	–	–
Balance at March 31, 2015 (unaudited)	$ 122,467,464	$ 5,176,906	$ (89,082,542)	$ 38,561,828	72,322,063

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Three months ended March 31, 2015 and 2014
(Unaudited - expressed in U.S. dollars)

	2015	2014
Cash flows from (used in) operating activities:		
Net income from continuing operations	$ 523,745	$ 1,263,312
Items not involving cash:		
Depreciation	131,810	150,086
Amortization	257,763	257,955
Share-based payment transactions	26,440	49,449
Allowance on trade receivables	58,458	91,325
Net realizable value write down (gain) of inventory	129,001	(28,230)
Loss on disposal of property, plant and equipment	–	10,273
	1,127,217	1,794,170
Change in non-cash operating working capital:		
Accounts receivable	(872,503)	4,100,522
Inventories	(192,739)	(1,946,295)
Prepaid expenses and deposits	188,229	10,257
Accounts payable and accrued liabilities	844,208	248,289
Provisions	(7,018)	100,236
Deferred revenue	(655,802)	(379,784)
Income taxes paid	–	(62,100)
	(695,625)	2,071,125
Cash used in discontinued operations (note 5)	–	–
Cash flows from (used in) operating activities	431,592	3,865,295
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(3,479)	(4,852)
Interest received, net of bank charges	–	39,065
Issue of share capital, net	–	192,090
	(3,479)	226,303
Cash used in discontinued operations (note 5)	–	(162,388)
Cash flow from (used in) financing activities	(3,479)	63,915
Cash flows used in investing activities:		
Proceeds from redemption of short-term investments	–	8,011,021
Purchase of property, plant and equipment	(43,445)	(91,679)
Intangible asset addition	(834,282)	(643,362)
R&D expense reimbursement	–	169,504
Payment of acquisition consideration (note 7)	–	(400,000)
Cash flows from investing activities	(877,727)	7,045,484
Increase (decrease) in cash position	(449,614)	10,974,694
Cash and cash equivalents, beginning of year	11,223,755	2,044,278
Cash and cash equivalents, end of period	$ 10,774,141	$13,018,972

See accompanying notes to condensed consolidated interim 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 condensed consolidated interim financial statements of the Company as of March 31, 2015, and for the three month periods ended March 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 condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 11, 2015.

2. Basis of preparation and presentation:

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

These interim financial statements follow the same accounting policies and methods of application as set out in the consolidated financial statements for the year ended December 31, 2014, except for the recently adopted accounting pronouncements, which are discussed in note 2(b). These statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

(b) Recently adopted accounting pronouncements

In May 2013, the IASB issued amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The amended standard was adopted as of January 1, 2014 and has been applied prospectively. The Company determined the amendments to IAS 36 do not have a material impact on the financial results of the Company.

In May 2013, the IASB issued IFRIC Interpretation 21, *Levies.* The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation.

The interpretation was adopted as of January 1, 2014. The Company determined the interpretation does not have a material impact on the financial results of the Company.

2. Basis of preparation and presentation (continued):

(c) New standards 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, 2017, with early adoption permitted under IFRS. The Company is currently assessing the impact of the standard on financial results.

(d) 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).

As of March 31, 2015 and December 31, 2014, the carrying values of all financial assets and liabilities approximate fair value.

3. 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 72,322,063 common shares at $122,467,464 as of March 31, 2015. In February of 2014, the Company issued 2,178,964 common shares to settle the remaining consideration related to the 2012 acquisition of AgJunction. See note 7.

(c) During the three month period ended March 31, 2015, the Company recorded $26,440 (2014 – $49,449) as stock based compensation expense.

3. Share capital (continued):

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

Three month period ended (expressed in Canadian dollars, except number of shares):

	March 31, 2015		March 31, 2014	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Total options outstanding, beginning of period	1,944,903	$ 0.82	3,522,435	$ 1.03
Granted	–	–	–	–
Exercised	–	–	(246,377)	0.86
Cancelled/Expired	(50,468)	0.93	(510,499)	1.57
Stock options outstanding, end of period	1,894,435	$ 0.82	2,765,559	$ 0.95

4. Sales concentration (in thousands):

Sales by business unit:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Outback	$ 2,507	$ 2,585
OEM	7,881	8,615
Air	973	3,158
Agronomy Services	735	571
	$ 12,096	$ 14,929

Sales by geographic region:

	Three months ended March 31, 2015	Three months ended March 31, 2014
United States	$ 3,864	$ 6,489
Canada	910	971
Europe	5,180	6,203
Australia	153	335
Other	1,989	931
	$ 12,096	$ 14,929

5. Discontinued operations:

On September 5, 2012, the Company initiated a corporate restructuring with three priorities: (1) to focus on the Company's core agricultural business, (2) to streamline and simplify the organization, and (3) to improve its market-driven innovation capabilities. In connection with this restructuring program, Management initiated the sale of its non-Agriculture activities, including the Precision Products operating segment. In addition, the Company commenced initiatives to discontinue internal manufacturing activities and to relocate the Company's headquarters from Calgary to Hiawatha, Kansas, which was finalized on June 30, 2013.

Results of discontinued operations:

	March 31, 2015	March 31, 2014
Sales	$ –	$ –
Cost of sales	–	–
	–	–
Expenses:		
Research and development	–	–
Sales and marketing	–	–
General and administrative	–	–
	–	–
Operating loss before under noted items	–	–
Foreign exchange loss	–	–
Interest and other income	–	–
	–	–
Results from operating income	–	–
Gain on sale of assets	–	–
Gain (loss) from discontinued operations, net of tax	$ –	$ –

(Unaudited - expressed in U.S. dollars)

5. Discontinued operations (continued):

Cash flows from discontinued operations:

		March 31, 2015		March 31, 2014
Cash flows from (used in) operating activities:				
Net loss from discontinued operations	$	–	$	–
Items not involving cash:				
Gain on sale of assets		–		–
		–		–
Change in non-cash operating working capital:				
Accounts receivable		–		–
Inventories		–		–
Prepaid expenses and deposits		–		–
Provisions		–		–
		–		–
Cash flows used in financing activities:				
Payment of uncollectible collateralized borrowing		–		(162,388)
	$	–	$	(162,388)

6. Warranty provision:

		Total
Balance at December 31, 2014	$	302,987
Provisions made during the period		46,347
Provisions used during the period		(53,365)
Balance at March 31, 2015	$	295,969

7. Business combination:

In February 2014, the Company issued 2,178,964 common shares and paid $400,000 in cash to settle the remaining portion of the consideration related to the 2012 acquisition of AgJunction.

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.

Novariant provides advanced steering solutions for precision agriculture and is based in Silicon Valley.

(Unaudited - expressed in U.S. dollars)

7. Business combination (continued):

The transaction is subject to a number of conditions, including receipt of a permit from the California Commissioner of Corporations following a hearing held to consider the terms of the transaction, approval of the shareholders of Novariant, approval of the shareholders of AgJunction, and receipt of customary regulatory approvals, including the approval of the Toronto Stock Exchange.

Under the terms of the definitive agreement, which has been unanimously approved by the boards of directors of both companies, upon closing of the transaction, Novariant shareholders will own 40% of the Company's fully-diluted shares.

8. Assets held for sale, net:

In March 2015, the Company actively marketed the sale of its business assets associated with its Agronomy Services operations to the Tennessee Corporation, EFC Systems, Inc. ("EFC Systems"). Certain assets and liabilities associated with the Agronomy Services operations up for sale and classified as assets held for sale as of March 31, 2015 are as follows:

		Total
Intangible assets	$	1,650,034
Property, plant and equipment		37,546
Inventory		42,026
Assets held for sale		1,729,606
Deferred revenue		(905,988)
Vacation payable		(27,220)
Liabilities held for sale		(933,208)
Assets held for sale, net:	$	796,398

9. Seasonality of operations:

The Company's revenues are derived from agricultural markets in the United States, Canada, Europe, Australia, South America and Asia. As a result, the Company's revenues are subject to seasonality associated with the heaviest buying season of such markets which takes place during the first and fourth quarters of the calendar year.

10. Related party transactions:

In February 2014, AgJunction engaged a company 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 is a board member of AgJunction.

10. Related party transactions (continued):

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.

11. Subsequent events:

On April 1, 2015, the Company sold the 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.

		Total
Proceeds	$	2,422,916
Assets held for sale, net (note 8)		(796,398)
Estimated gain on sale:	$	1,626,518