Interim Management's Discussion and Analysis

Three and nine month periods ended September 30, 2014

The following discussion and analysis is effective as of November 13, 2014 and should be read together with the unaudited condensed consolidated interim financial statements of AgJunction Inc. ("AgJunction" or the "Company") for the three month and nine months period ended September 30, 2014 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 and nine months period ended September 30, 2014. 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

According to the USDA, "Net farm income is forecasted to be $113.2 billion in 2014, down 14 percent from 2013's forecast of $131.3 billion. The 2014 forecast would be the lowest since 2010, but would remain $25 billion above the previous 10-year average. Lower crop cash receipts, and, to a lesser degree, a change in the value of crop inventories and reduced government farm payments, drive the expected drop in net farm income. Net cash income is forecasted at $123 billion, down almost 6 percent from the 2013 forecast. Net cash income is projected to decline less than net farm income primarily because it reflects the sale of more than $10 billion in carryover stocks from 2013."

Additionally, USDA projects global economic growth to average 3.2 percent annually over the next decade, with stronger growth projected in developing countries, including China, India, and countries in Africa and Latin America. The U.S. economic growth is projected to average 2.6 percent over the next decade. "Steady global economic growth supports longer term gains in world food demand, global agricultural trade, and U.S. agricultural exports," according to the report. While prices for many of the major crops are projected to decline in the next few years, long-term growth in global demand, a low-valued U.S. dollar, and demand for biofuel, will hold prices for corn, oilseeds and other major crops above pre-2007 levels, according to the report.

Management continues to view the fundamentals of its global agriculture markets to be positive in the near to mid-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 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.

As a result of the transfer of manufacturing activities from the Calgary location to an external manufacturer effective January 31, 2013, and the closure of the Calgary office on May 31, 2013, the Company's exposure to the Canadian dollar has decreased dramatically.

The average foreign exchange rate for third quarter of 2014 was $1.0890 Cdn/US, up by 5% from the average 2013 rate of $1.0386.

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

	Quarter Ended							
	Dec 31 2012	Mar 31 2013	Jun 30 2013	Sep 30 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014	Sep 30 2014
Quarterly average	$ 0.9913	$1.0089	$1.0231	$1.0386	$ 1.0494	$1.1033	$1.0905	$1.0890
Quarter end	$ 0.9949	$1.0156	$1.0512	$1.0285	$ 1.0636	$1.1053	$1.0670	$1.1208

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)	31-Dec 2012	31-Mar 2013	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30- Jun 2014	30- Sep 2014
Sales	$10,155	$16,611	$16,304	$11,438	$13,867	$14,929	$10,298	$9,618
Gross margin	4,033	7,748	7,013	5,205	5,541	6,850	5,492	3,928
	40%	47%	43%	46%	40%	46%	53%	41%
Expenses								
Research and development	2,411	2,288	2,325	1,676	2,382	1,963	1,643	1,860
Sales and marketing	2,297	2,350	2,280	1,945	2,004	1,700	1,545	1,529
General and administrative	1,462	1,543	1,422	1,531	929	1,869	2,773	1,456
Restructuring costs	5,683	156	69	18	5	-	-	-
	11,853	6,337	6,097	5,170	5,319	5,532	5,961	4,845
Operating income (loss) before undernoted items	(7,820)	1,411	916	35	222	1,318	(469)	(917)
Goodwill impairment	21,000	-	-	-	-	-	-	-
Revaluation of contingent consideration	412	-	-	-	-	-	-	-
Foreign exchange (gain) loss	18	(52)	(222)	(30)	21	29	85	46
Interest and other (income) loss	-	(7)	3	(11)	(10)	(5)	-	(37)
(Gain) loss on sale of property, plant and equipment	-	-	-	-	147	10	(9)	(10)
	21,430	(59)	(219)	(41)	158	34	76	(1)
Income (Loss) before income taxes	(29,250)	1,470	1,135	76	64	1,284	(545)	(916)
Income taxes (benefits)	-	-	-	44	56	21	42	(100)
Net income (loss) from continuing operations	(29,250)	1,470	1,135	32	8	1,263	(587)	(816)
Comprehensive income (loss)	(91)	-	-	-	-	-	-	-
Comprehensive income (loss) before discontinued operations	(29,341)	1,470	1,135	32	8	1,263	(587)	(816)
Comprehensive gain (loss) from discontinued operations	(3,555)	3,474	(913)	(29)	(1)	-	-	-
Comprehensive income (loss)	(32,896)	4,944	222	3	7	1,263	(587)	(816)
Earnings (loss) per common share:								
Basic and diluted	($0.50)	$0.07	$0.00	$0.00	$0.00	$0.02	($0.01)	($0.01)
Basic and diluted - Continuing operations	($0.45)	$0.02	$0.02	$0.00	$0.00	$0.02	($0.01)	($0.01)
Basic and diluted - Discontinued operations	($0.05)	$0.05	($0.02)	$0.00	$0.00	$0.00	$0.00	$0.00
Weighted Average Diluted shares	65,832	67,076	68,365	68,937	70,471	71,696	72,161	72,251

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

For the Quarter Ended

(000's)	31-Dec 2012	31-Mar 2013	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30-Jun 2014	30-Sep 2014
United States	$5,927	$8,761	$6,717	$4,295	$5,559	$6,489	$5,408	$4,347
Canada	1,412	2,247	3,721	1,969	996	971	1,892	1,431
Europe	1,536	3,655	3,593	3,191	4,295	6,203	2,168	1,956
Australia	483	401	448	248	221	335	242	104
Other	797	1,547	1,825	1,735	2,796	931	588	1,780
	$10,155	$16,611	$16,304	$11,438	$13,867	$14,929	$10,298	$9,618

Quarter Ended September 30, 2014 versus Quarter Ended September 30, 2013

Revenues

For the three months ended September 30, 2014 revenues were $9.6 million representing a decrease of 15.9% from $11.4 million for the same period of 2013.

(000's)	**Q3 2014**	**Q3 2013**	**Change**
Revenue	$ 9,618	$ 11,438	(15.9%)

United States and Canadian combined revenues were down by 8% from the third quarter of 2013. European revenues decreased 39% due to decreased demand from OEM customers. Sales to Australia and other markets, including South America and Asia, decreased 58% and increased 3%, respectively, as global commodity prices have decreased significantly from 2013.

Sales by business unit for the third quarter of 2014 and 2013 are as follows:

(000's)	**Q3 2014**	**Q3 2013**	**Change**
Outback	$3,030	$ 4,028	(24.8%)
OEM	4,644	5,476	(15.2%)
Air	1,389	1,236	12.4%
Agronomy Services	555	698	(20.5%)
Total	$9,618	$ 11,438	(15.9%)

The declines relate to an overall market downturn within the Outback, OEM and Cloud product lines. Strong sales in the North and South America for the Air product line resulted in an increase of 12% over the same period of 2013.

Gross Margins

Gross margins of $3.9 million for the quarter were $1.3 million lower than the same quarter of 2013 while gross margins, as a percentage of revenue, were 41% during the quarter compared to 46% in 2013. The change is due to a decrease in sales volume, change in sales mix, which are partially offset by a decrease in the estimated warranty reserve for certain product lines sold in 2013.

Expenses

Total operating expenses for the quarter were $4.8 million compared to $5.2 million in 2013, a reduction of 6%. Research and development expenditures of $1.9 million, increased by $0.2 million, or 11%, compared to $1.7 million during the third quarter of 2013, due to a decrease in non-recurring engineering ("NRE") projects that are capitalized. Sales and marketing expenses of $1.5 million, declined by $0.4 million, or 21%, compared to $1.9 million during the third quarter of 2013, due to several cost saving initiatives and efficiencies realized through the restructuring. General and administrative expenses were $1.5 million for the quarter compared to $1.5 million in 2013.

Other

During the quarter, the Company realized a foreign exchange loss of $45 thousand compared to a gain of $30 thousand during the same quarter in 2013.

Income Taxes

During the quarter, the Company recognized an income tax benefit of $100 thousand related to a reversal of previously recognized alternative minimum tax. The Company recognized income taxes of $44 thousand for the third quarter of 2013.

Income (Loss)

In the third quarter of 2014, the Company realized a net loss from continuing operations of $0.8 million or ($0.01) per share (basic and diluted), compared to net income from continuing operations of $32 thousand or $0.00 per share (basic and diluted) in the third quarter of 2013.

Discontinued Operations

In the third quarter of 2013, the company reported a net loss from discontinued operations of $29 thousand related to the sale of the non-agricultural assets and the Calgary geographical area of operations closure.

Total Comprehensive Income (Loss)

The Company realized a total comprehensive loss of $0.8 million in the third quarter of 2014 compared to total comprehensive income of $3 thousand in the comparable quarter of 2013.

Quarter Ended September 30, 2014 versus Quarter Ended June 30, 2014

Revenue for the third quarter of 2014 of $9.6 million was down 7% from revenue of $10.3 million in the second quarter of 2014.

(000's)	**Q3 2014**	**Q2 2014**	**Change**
Revenue	$9,618	$ 10,298	(6.6%)

Per the sales by geographic region on page 5, North American, United States and Canada, revenues for the quarter decreased $1.5 million (21%) from the second quarter of 2014. The decrease is the result of seasonality in addition to expected softness in the North American market. The decrease in European revenues of $0.2 million (10%) from the previous quarter is due to a decrease in demand from OEM customers. Revenues from Australia decreased from the second quarter of 2014 by $0.1 million (57%). Other increased $1.2 million (203%) from the prior quarter due to strong sales in South America and China during the third quarter of 2014.

Sales by business unit for the third quarter of 2014 and second quarter 2014 are as follows:

(000's)	Q3 2014	Q2 2014	Change
Outback	$3,030	$3,640	(16.8%)
OEM	4,644	4,036	15.1%
Air	1,389	2,064	(32.7%)
Agronomy Services	555	558	(0.5%)
Total	$9,618	$ 10,298	(6.6%)

Revenues for the Outback product lines declined by 17% due to expected seasonality of the North American markets. The increase in revenue of 15% for OEM is related to increasing demand in certain geographical segments, specifically China. The reduction in sales of 33% for Air in the current quarter is due to expected seasonality. Agronomy Services results were slightly lower, 1% decline compared to the previous period.

Gross Margins

Gross margins in the third quarter of 2014 were $3.9 million (41%), compared to $5.5 million (53%) in the second quarter of 2014. The majority of the gross margin decrease, in dollars and as a percentage, is due to lower sales volumes between the two quarters along with a change in sales mix, both are partially offset by a decrease in the estimated warranty reserve for our Outback and Air product lines in the prior quarter.

Expenses and Other

Operating expenses were $4.8 million in the third quarter, down $1.2 million or 19%, from $6.0 million in the second quarter of 2014. Research and development expenses decreased by $0.2 million compared to the second quarter of 2014. Sales and marketing expenses were flat from the second quarter of 2014. General and administrative expenses decreased by $1.3 million from the second quarter of 2014 related to the Company incurring litigation cost in the prior quarter for a lawsuit brought against a competitor believed to be infringing on the Company's propriety software and intellectual property rights. The infringement does not involve our steering patent portfolio.

Income Taxes

The Company reversed previously recognized income taxes in the third quarter of 2014 totaling $100 thousand, compared to $42 thousand income tax expense in the second quarter of 2014, related to United States alternative minimum taxable income.

Nine Months Ended September 30, 2014 versus Nine Months Ended September 30, 2013

Revenue

For the nine months ended September 30, 2014 revenues were $34.8 million representing a decrease of 21% from $44.4 million for the same period of 2013.

(000's)	YTD 2014	YTD 2013	Change
Revenue	$ 34,845	$ 44,353	(21.4%)

Revenue for all business units for the period declined for the nine month period ending September 30, 2014 compared to the same period in 2013. Revenue in North America, including the United States and Canada, was down by 26%. European revenue was down by 1%. Australia and Other revenue declined by 38% and 35%, respectively, as the drop in global commodity prices is having an impact on purchasing.

Revenue for the Outback product line was down by 45%. Weak demand from current customers in the second and third quarters dragged OEM results 10% lower, while strong results from Air products in the first and third quarters held revenue at 4% higher over the comparable period. Agronomy Services results slipped in the second and third quarters resulting in a 22% decline from the comparable period due to a decrease in software development sales.

(000's)	YTD 2014	YTD 2013	Change
Outback	$ 9,255	$ 16,722	(44.7%)
OEM	17,296	19,124	(9.6%)
Air	6,611	6,357	4.0%
Agronomy Services	1,683	2,150	(21.7%)
Total	$ 34,845	$ 44,353	(21.4%)

Gross Margin

Gross margin for the nine months ended September 30, 2014 was $16.3 million (47%), compared to $20.0 million (45%) in the same period in 2013. The majority of the gross margin decrease is due to the decrease in overall revenue year-over-year. The higher gross margin percentage is due to a change in sales mix, partially offset by a decrease in the estimated warranty reserve for our Outback and Air product lines noted in the second quarter.

Expenses

Operating expenses of $16.3 million for the nine months ended September 30, 2014 have decreased by $1.3 million, or 7% from the same period of 2013. Research and development expenditures of $5.5 million, declined by $0.8 million, or 13%, compared to $6.3 million during 2013, due to a focus on NRE projects that are capitalized. Sales and marketing expenses of $4.8 million, declined by $1.8 million, or 27%, compared to $6.6 million during 2013, due to lower compensation costs partly associated with the corporate restructuring, as well as lower advertising and marketing costs. General and administrative expenses of $6.1 million, increased by $1.6 million, or 36%, compared to $4.5 million during 2013, related to the Company incurring litigation cost for a lawsuit brought against a competitor believed to be infringing on the Company's propriety software and intellectual property rights. In 2013, restructuring costs totaled $0.2 million related to the closure of our Calgary facility.

Other

On January 31, 2013, the Company sold the business assets associated with its non-agricultural operations to the Canadian subsidiary of Beijing UniStrong Science and Technology Co. Ltd. for a total purchase price of $14.9 million. As part of the transaction the Company transferred $9.4 million of net assets to UniStrong and incurred $1.1 million in transaction-related costs resulting in a gain on the sale of $4.4 million.

In the first nine months of 2014, the Company realized a foreign exchange loss of $0.2 million compared to a gain of $0.3 million realized in 2013.

Income (Loss)

In the first nine months of 2014, the Company realized a net loss from continuing operations of $0.1 million or $0.00 per share (basic and diluted), compared to a net income from continuing operations of $2.6 million or $0.04 per share the same period of 2013.

Discontinued Operations

For the nine months ended September 30, 2013, the company reported a net income from discontinued operations of $2.5 million related to the sale of the non-agricultural assets and the Calgary geographical area of operations closure.

Comprehensive Income (Loss)

The Company realized a total comprehensive loss of $0.1 million in the first nine months of 2014 compared to a total comprehensive income of $5.2 million in the previous period.

Liquidity and Capital Resources

Working Capital

The Company held cash of $11.3 million at September 30, 2014 compared to $2.0 million at the end of 2013. Working capital was $23.3 million, up from $22.9 million at December 31, 2013. The primary items impacting the cash balance during the year were:

- The Company did not hold short-term investments at September 30, 2014 versus $8.1 million at December 31, 2013
- Accounts receivable at September 30, 2014 was $5.1 million versus $11.2 million at December 31, 2013.
- Inventories consist of components, work in process and finished goods related to the products sold by the Company. Inventory was $11.1 million at September 30, 2014 compared to inventory of $10.0 million at December 31, 2013.
- Cash generated from continued operations was $2.4 million compared to an outflow of $1.4 million in of September 30, 2013. There was no impact from discontinued operations in 2014; discontinued operating activities used $3.0 million of cash during 2013.
- Acquisition consideration paid for the 2012 acquisition of the AgJunction business included $0.4 million in 2014 and $0.5 million in 2013. The Company repaid the loan outstanding with Export Development Canada (EDC) using $1.1 million of cash during the first quarter of 2013. Loan payments of $0.6 million were also paid against the Company's operating line of credit balance during the first quarter 2013.
- Total tangible capital spending in the nine month ended of 2014 was $0.2 million (2013 - $0.5 million).
- During the nine months ended of 2014, the Company capitalized internally developed intangible costs of $2.1 million (2013 - $1.9 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 September 30, 2014, 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 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*.

   In the 3rd quarter of 2014, management noted the Company had a triggering event due to the market capitalization of the outstanding shares being below the Company's book value for a period of time during the quarter and as of September 30, 2014. In accordance with IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*, management performed an impairment test and reviewed comparable public company transactional information, relative earnings information for comparable companies, and internal projections, which did not result in an impairment of long-lived assets or goodwill as of September 30, 2014.
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 September 30, 2014, 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 <u>Certification of Disclosure in Issuer's Annual and Interim Filings</u> ("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 International Financial Reporting Standards.

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released Internal Control - Integrated Framework: 2013, which is an update to the internal control framework previously issued in 1992. The Company will transition to the updated framework during the transition period which extends to December 15, 2014, after which, the 1992 Framework will be considered superseded by the 2013 Framework. Management is currently assessing the impact of this transition and will report any significant changes to the Company's internal controls over financial reporting that may result.

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.

There were no changes in disclosure controls or internal control over financial reporting that occurred during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. For further discussion of internal controls over financial reporting, refer to the Company's annual Management's Discussion and Analysis for the year ended December 31, 2013.

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 and nine months ended September 30, 2014

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

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

	September 30, 2014 (Unaudited)	December 31, 2013*
Assets		
Current assets:		
Cash and cash equivalents	$ 11,272,554	$ 2,044,278
Short-term investments	–	8,100,751
Accounts receivable, net of bad debt provisions of $614,991 and $803,410 as of September 30, 2014 December 31, 2013, respectively	5,097,988	11,170,370
Inventories	11,099,713	10,040,812
Prepayments and deposits	939,662	708,489
	28,409,917	32,064,700
Property, plant and equipment	2,899,021	3,166,482
Intangible assets	7,525,347	7,489,245
Goodwill	21,230,519	21,230,519
	$ 60,064,804	$ 63,950,946
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,321,646	$ 5,381,864
Provisions (note 7)	382,304	796,318
Deferred revenue	1,384,790	2,439,317
Finance lease	12,759	19,978
Current portion of acquisition consideration	–	400,000
Collateralized borrowing	–	162,388
	5,101,499	9,199,865
Deferred revenue	462,490	494,568
Finance Lease	5,799	18,104
Shareholders' equity:		
Share capital (note 3)	122,467,464	121,096,751
Equity reserve	5,117,045	6,091,297
Accumulated deficit	(73,089,493)	(72,949,639)
	54,495,016	54,238,409
	$ 60,064,804	$ 63,950,946

See accompanying notes to condensed consolidated interim financial statements.

* The December 31, 2013 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

(Unaudited – expressed in U.S. dollars)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Sales	$ 9,618,155	$ 11,437,654	$ 34,845,174	$ 44,352,769
Cost of sales	5,689,507	6,232,257	18,574,774	24,386,751
	3,928,648	5,205,397	16,270,400	19,966,018
Expenses:				
Research and development	1,860,051	1,675,842	5,465,992	6,289,327
Sales and marketing	1,529,253	1,945,319	4,773,841	6,574,891
General and administrative	1,456,534	1,530,703	6,098,376	4,495,856
Restructuring costs	–	18,287	–	244,226
	4,845,838	5,170,151	16,338,209	17,604,300
Operating income (loss)	(917,190)	35,246	(67,809)	2,361,718
Foreign exchange gain (loss)	(45,491)	29,912	(159,730)	304,029
Interest and other income	36,760	11,161	42,160	15,359
Gain on disposal of property, plant and equipment	9,783	–	8,175	–
	1,052	41,073	(109,395)	319,388
Income (loss) before income taxes	(916,138)	76,319	(177,204)	2,681,106
Income taxes (benefit) (note 12)	(100,339)	43,953	(37,350)	43,953
Net income (loss) from continuing operations	(815,799)	32,366	(139,854)	2,637,153
(Gain) loss from discontinued operations, net of tax (note 5)	–	29,004	–	(2,531,782)
Net income (loss)	(815,799)	3,362	(139,854)	5,168,935
Other comprehensive income	–	–	–	–
Total comprehensive income (loss)	$ (815,799)	$ 3,362	$ (139,854)	$ 5,168,935
Earnings per share:				
Basic and diluted income (loss) per share	$ (0.01)	$ 0.00	$ 0.00	$ 0.08
Basic and diluted income (loss) per share from continuing operations	$ (0.01)	$ 0.00	$ 0.00	$ 0.04
Basic and diluted income (loss) per share from discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.04

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, 2012	119,341,668	7,182,124	(78,125,725)	48,398,067	66,404,215
Comprehensive income	–	–	5,168,935	5,168,935	–
Issue of common shares for business acquisition, net of share issue cost	1,007,000	(1,007,000)	–	–	2,723,705
Share-based payment transactions (note 3(c))	–	114,389	–	114,389	–
Stock options exercised	245,504	–	–	245,504	344,310
Transfer from equity reserve on exercise of stock options	108,154	(108,154)	–	–	–
Balance at September 30, 2013 (unaudited)	$ 120,702,326	$ 6,181,359	$ (72,956,790)	$ 53,926,895	69,472,230
Balance at December 31, 2013	121,096,751	6,091,297	(72,949,639)	54,238,409	69,805,628
Comprehensive income	–	–	(139,854)	(139,854)	–
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))	–	147,461	–	147,461	–
Stock options exercised	249,000	–	–	249,000	337,471
Transfer from equity reserve on exercise of stock options	114,713	(114,713)	–	–	–
Balance at September 30, 2014 (unaudited)	$ 122,467,464	$ 5,117,045	$ (73,089,493)	$ 54,495,016	72,322,063

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Nine months ended September 30, 2014 and 2013
(Unaudited - expressed in U.S. dollars)

	2014	2013
Cash flows from (used in) operating activities:		
Net income (loss) from continuing operations	$ (139,854)	$ 2,637,153
Items not involving cash:		
Depreciation	438,259	489,842
Amortization	773,909	772,896
Share-based payment transactions	147,461	114,389
Allowance on trade receivables	61,990	381,136
Net realizable value write down of inventory	142,734	829,114
Gain on disposal of property, plant and equipment	(8,175)	–
	1,416,324	5,224,530
Change in non-cash operating working capital:		
Accounts receivable	6,010,392	(1,438,462)
Inventories	(1,201,635)	2,244,282
Prepaid expenses and deposits	(231,173)	(112,706)
Accounts payable and accrued liabilities	(2,164,018)	(1,875,863)
Provisions	(414,014)	(2,350,891)
Deferred revenue	(1,086,605)	(148,300)
Income taxes paid	103,800	–
	1,016,747	(3,681,940)
Cash used in discontinued operations (note 5)	–	(2,964,469)
Cash flows from (used in) operating activities	2,433,071	(1,421,879)
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(19,524)	(52,184)
Bank loan repayment (note 8)	–	(550,000)
Repayment of debt (note 8)	–	(1,140,699)
Issue of share capital	249,000	245,504
	229,476	(1,497,379)
Cash used in discontinued operations (note 5)	(162,388)	(299,464)
Cash flow from (used in) financing activities	67,088	(1,796,843)
Cash flows from (used in) investing activities:		
Acquisition of short-term investments (note 2(e))	–	(8,000,000)
Proceeds from redemption of short-term investments	8,061,686	–
Interest received, net of bank charges	39,065	–
Proceeds from sale of property, plant and equipment	63,208	–
Purchase of property, plant and equipment	(225,831)	(489,700)
Intangible asset addition	(2,064,791)	(1,899,088)
R&D expense reimbursement	1,254,780	1,429,466
Payment of acquisition consideration (note 9)	(400,000)	(500,000)
Proceeds from sale of assets, net of cost (note 6)	–	13,810,736
Cash flows from investing activities	6,728,117	4,351,414
Increase in cash position	9,228,276	1,132,692
Cash and cash equivalents, beginning of year (note 2(e))	2,044,278	2,645,605
Cash and cash equivalents, end of period	$ 11,272,554	$ 3,778,297

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 at and for the three and nine month periods ended September 30, 2014 and 2013 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 November 13, 2014.

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, 2013, 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, 2013.

(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 Instrument

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 September 30, 2014 and December 31, 2013, the carrying values of all financial assets and liabilities approximate fair value.

(e) Reclassifications

Certain prior year amounts have been reclassified for presentation purposes. To conform to the current period cash flow presentation, $8,000,000 previously classified as cash and cash equivalents was moved to short-term investments.

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. In February 2014, the Company issued 2,178,964 common shares to settle the remaining consideration related to the 2012 acquisition of AgJunction. See note 9.

(c) During the nine months ended September 30, 2014, the Company recorded $147,461 (2013 – $114,389) 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):

	September 30, 2014		September 30, 2013	
	Number options	Weighted average exercise price (CAD)	Number options	Weighted average exercise price (CAD)
Total options outstanding, beginning of period	2,261,768	$ 0.83	4,762,953	$ 1.15
Grant	–	–	–	–
Exercised	(12,625)	0.72	(238,748)	0.74
Expired	(31,283)	0.83	(291,418)	0.93
Stock options outstanding, end of period	2,217,860	$ 0.83	4,232,787	$ 1.18

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

	September 30, 2014		September 30, 2013	
	Number options	Weighted average exercise price (CAD)	Number options	Weighted average exercise price (CAD)
Total options outstanding, beginning of period	3,522,435	$ 1.03	5,010,750	$ 1.08
Grant	–	–	840,950	2.07
Exercised	(337,471)	0.81	(344,310)	0.73
Expired	(967,104)	1.57	(1,274,603)	1.47
Stock options outstanding, end of period	2,217,860	$ 0.83	4,232,787	$ 1.18

4. Sales concentration (in thousands):

Sales by business unit:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Outback	$ 3,030	$ 4,028	$ 9,255	$ 16,722
OEM	4,644	5,476	17,296	19,124
Air	1,389	1,236	6,611	6,357
Agronomy Services	555	698	1,683	2,150
	$ 9,618	$ 11,438	$ 34,845	$ 44,353

Sales by geographic region:

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
United States	$ 4,347	$ 4,295	$ 16,244	$ 19,773
Canada	1,431	1,969	4,294	7,937
Europe	1,956	3,191	10,327	10,439
Australia	104	248	681	1,097
Other	1,780	1,735	3,299	5,107
	$ 9,618	$ 11,438	$ 34,845	$ 44,353

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, see note 6. 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.

(Unaudited - expressed in U.S. dollars)

5. Discontinued operations (continued):

Three month period ended:

	September 30, 2014	September 30, 2013
Sales	$ –	$ –
Cost of sales	–	–
	–	–
Expenses:		
Research and development	–	–
Sales and marketing	–	–
General and administrative	–	29,004
	–	29,004
Operating loss before under noted items	–	(29,004)
Foreign exchange loss	–	–
Interest and other income	–	–
	–	–
Results from operating loss	–	(29,004)
Comprehensive loss from discontinued operations	$ –	$ (29,004)

For the three months ended September 30, 2013, the Company incurred additional costs related to the closure of the Calgary office.

(Unaudited - expressed in U.S. dollars)

5. Discontinued operations (continued):

Nine month period ended:

	September 30, 2014	September 30, 2013
Sales	$ –	$ 1,094,554
Cost of sales	–	969,843
	–	124,711
Expenses:		
Research and development	–	344,998
Sales and marketing	–	348,424
General and administrative	–	1,167,493
	–	1,860,915
Operating loss before under noted items	–	(1,736,204)
Foreign exchange loss	–	141,325
Interest and other income	–	–
	–	141,325
Results from operating income	–	(1,877,529)
Gain on sale of assets (Note 6)	–	4,409,311
Comprehensive gain from discontinued operations	$ –	$ 2,531,782

Cash flows from discontinued operations (nine months ended):

	September 30, 2014	September 30, 2013
Cash flows from (used in) operating activities:		
Net income (loss) from discontinued operations	$ –	$ 2,531,782
Items not involving cash:		
Gain on sale of assets	–	(4,409,311)
	–	(1,877,529)
Change in non-cash operating working capital:		
Accounts receivable	–	107,100
Inventories	–	(1,096,883)
Prepaid expenses and deposits	–	(65,045)
Collateralized borrowing	–	(27,421)
Provisions	–	(4,691)
	–	(2,964,469)
Cash flows used in financing activities:		
Payment of uncollectible collateralized borrowing	(162,388)	(299,464)
	$ (162,388)	$ (3,263,933)

(Unaudited - expressed in U.S. dollars)

6. Sale of precision business unit:

On January 31, 2013, the Company sold the business assets associated with its non-agricultural operations to the Canadian subsidiary of Beijing UniStrong Science & Technology Co. Ltd. for cash proceeds of $14.96 million. This transaction included the Company's Precision Products portfolio and related infrastructure.

Effect of sale on the financial position:	
Fixed assets	$ 1,383,168
Intangibles	668,754
Accounts receivable	2,631,907
Inventory	4,647,860
Prepaid and deposits	65,045
Other	4,691
Total assets	$ 9,401,425
Proceeds	$ 14,960,000
Costs	(1,149,264)
Net proceeds	$ 13,810,736
Gain on sale of assets	$ 4,409,311

7. Warranty provision:

Balance at December 31, 2013	$ 796,318
Provisions made during the period	611,369
Provisions used or adjusted during the period	(1,025,383)
Balance at September 30, 2014	**$ 382,304**

Through the third quarter of 2014, the Company noted warranty claims are below management's expectations resulting in a decrease in the provision of $642,718.

8. Debt

In 2012, the Company entered into a loan agreement with Export Development Canada (EDC) to finance the acquisition of AgJunction from GVM Inc. Pursuant to the loan agreement, EDC financed $1,500,000 of the purchase price and would finance $500,000 of each of the payments that may be payable in February 2013 and 2014. In February 2013, the loan was paid in full and the facility was terminated. As of September 30, 2014 and December 31, 2013, the Company does not have debt outstanding.

9. 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.

10. Seasonality of operations:

A large portion of the Company's revenues are derived from agricultural markets in the Northern Hemisphere. As a result, the Company's revenues are subject to seasonality associated with the heaviest buying season of such markets which takes place in the first half of the calendar year.

11. 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 Chairman and CEO is a board member of AgJunction. 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.

12. Income taxes:

Income taxes are the taxes expected to be payable based on the Company's best estimate of income subject to the United States' alternative minimum tax. During the three months ended September 30, 2014, the Company recognized an income tax benefit of $100,339 related to a reversal of previously recognized alternative minimum tax.

13. Goodwill and long-lived assets:

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*.

In the 3rd quarter of 2014, management noted the Company had a triggering event due to the market capitalization of the outstanding shares being below the Company's book value for a period of time during the quarter and as of September 30, 2014.

13. Goodwill and long-lived assets (continued):

In accordance with IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*, management performed an impairment test and reviewed comparable public company transactional information, relative earnings information for comparable companies, and internal projections, which did not result in an impairment of long-lived assets or goodwill as of September 30, 2014.