



**AgJunction Inc.**

**Annual Information Form for the year ended**

**December 31, 2020**

**March 25, 2021**

## TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	1
GENERAL MATTERS	2
CORPORATE STRUCTURE	3
GENERAL DEVELOPMENT OF THE BUSINESS	4
SIGNIFICANT ACQUISITIONS	7
DESCRIPTION OF OUR BUSINESS	7
CAPITAL STRUCTURE	16
DIVIDEND POLICY	17
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER	17
MARKET FOR SECURITIES	17
DIRECTORS AND OFFICERS	18
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	20
INTERESTS OF EXPERTS	20
MATERIAL CONTRACTS	21
AUDITORS, TRANSFER AGENT AND REGISTRAR	21
AUDIT COMMITTEE INFORMATION	21
RISK FACTORS	22
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	32
ADDITIONAL INFORMATION	33

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form ("**Annual Information Form**") constitute 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" 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 Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to, but not limited to, the following:

- AgJunction's plans, strategies and focus and the benefits to be derived therefrom;
- timing for OEMs (as defined herein) and Value-Added Resellers to reinvest in development and testing;
- timing of new production releases for OEMs and Value-Added Resellers;
- the extension date of AgJunction's work from home mandate;
- the result of AgJunction's business continuity plan;
- the future of off-road machine automation;
- benefits of the Company's strategic partnerships;
- benefits of the Company's portfolio of off-road modules;
- benefits of the Company's modular approach;
- effectiveness of the Company's refined business strategy;
- new and emerging markets;
- customer adoption of technology and products;
- technological developments;
- expectations regarding the growth of autonomous driving capabilities;
- plans to develop existing and create new customer relationships;
- plans to invest in relationships with manufacturers and suppliers;
- expansion of the ecommerce sales globally;
- impact on the COVID-19 pandemic on the Company;
- sources of competition;
- expectations in respect of HandsFreeFarm.com;
- expectations with respect to the Whirl platform;
- opportunities to reduce customer costs;
- drivers of future success;
- market drivers of product innovation;
- adequacy of facilities;
- dividend policy;
- plans to invest resources in research and product development;
- focus on expansion and its anticipated effect on growth opportunities;
- opportunities to mitigate seasonality;
- competition from new market entrants;
- expectations regarding the ability to raise capital;
- statements and outlook relating to the agricultural industry; and
- research and capital expenditures programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of, but not limited to, the risk factors set forth below and elsewhere in this Annual Information Form:

- negative conditions in the agricultural, general economic and financial markets;
- seasonality of our business;

- inability to introduce new technology and new products in a timely manner;
- departure of key personnel;
- competition;
- reliance on key suppliers and third parties;
- availability of key supplies and components;
- the ongoing impact of the COVID-19 pandemic could impact our supply chain and our ability to receive products timely from our global suppliers;
- a prolonged economic downturn from the negative effects of COVID-19 could result in delay, reduction or loss of revenue;
- changes in the Global Navigation Satellite System ("GNSS") and other systems outside of our control;
- costs to purchase GNSS and other components could increase significantly;
- misappropriation of proprietary information;
- changes in income tax laws and other government regulations;
- political uncertainty, tariffs and other trade barriers;
- losses from credit exposures;
- product liability;
- incorrect assessments of the value of acquisitions;
- fluctuation in foreign exchange or interest rates;
- conflicts of interest;
- successful development of new and emerging markets that we serve;
- damage or loss of use of physical facilities;
- legal claims for the infringement of intellectual property and other claims;
- other legal risks;
- stock market volatility and market valuations;
- cyber security risks;
- impact on our business caused by epidemics and pandemics other than COVID-19; and
- other factors discussed under "Risk Factors".

With respect to forward-looking statements contained in this Annual Information Form, we have made assumptions regarding, among other things: future technological developments; availability of key supplies, components, services, networks and developments; the impact (and the duration thereof) that the COVID-19 pandemic will have on our business; 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; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; that AgJunction's future results of operations will be consistent with past performance and management expectations in relation thereto; the continued availability of capital at attractive prices to fund future capital requirements relating to existing assets and projects; ability to obtain financing on acceptable terms; future operating costs; that counterparties to material agreements will continue to perform in a timely manner; and that there are no unforeseen events preventing the performance of contracts.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide shareholders with a more complete perspective on AgJunction'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 Annual Information Form are expressly qualified by this cautionary statement. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Annual Information Form. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

## **GENERAL MATTERS**

This Annual Information Form contains company names, product names, trade names, trademarks, and service marks of AgJunction and other organizations, all of which are the property of their respective owners.

## CORPORATE STRUCTURE

AgJunction Inc. (the "**Company**", "**AJX**", "**AgJunction**", "**us**", "**we**", or "**our**", and where the context requires, also includes our predecessors and our subsidiaries) was incorporated as Canadian Systems International Inc. pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") on July 31, 1990. On October 26, 1992, the Company changed its name to Communication Systems International Inc. On June 21, 2000, the Company changed its name to CSI Wireless Inc. On May 9, 2007, the Company changed its name to Hemisphere GPS Inc. On May 24, 2013, the Company changed its name to AgJunction Inc.

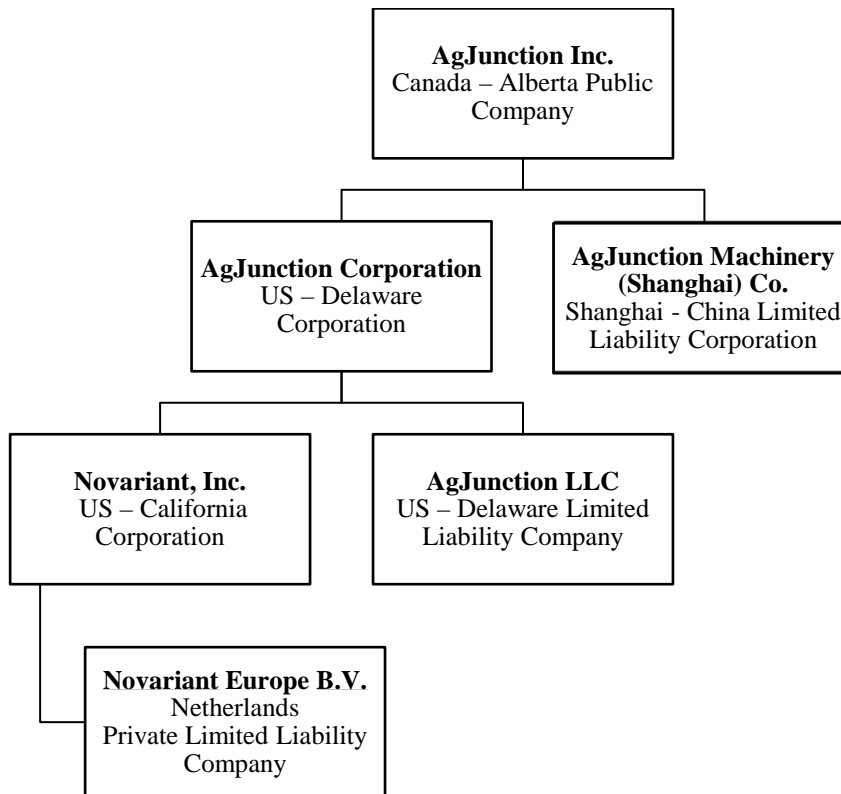
Effective April 30, 1996, the Company amended its articles to effect, among other things, a re-designation of the Company's Class A common shares to common shares of the Company ("**Common Shares**"), a stock split of the Common Shares on a 12,500 to 1 basis and to delete the "private company" share transfer restrictions. On May 23, 2013, the Company amended the "Other Provisions" contained in the articles of the Company to allow the Company to hold meetings of shareholders at any place within or outside of the Province of Alberta.

Our corporate office is located at 9105 E Del Camino Dr, #115, Scottsdale, Arizona, 85258. The Company's registered office is located at 2400, 525-8<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 1G1.

The Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "**AJX**".

### Inter-Corporate Relationships

The following chart sets forth, as of the date hereof, the name of each of our active subsidiaries and the jurisdiction of incorporation and laws of incorporation of each. Each of the subsidiary companies is a wholly-owned subsidiary of its parent.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Recent Developments

On March 11, 2021, we announced that the Arizona District Court has granted a 90-day stay to allow AgJunction and Ag Leader Technology Inc. ("**Ag Leader**") to participate in a non-binding mediation with respect to the matters being considered in the lawsuit the Company filed against AgLeader in November 2020. The 90-day stay was granted to allow the Company and AgLeader to engage in discussions that may lead to a resolution.

On March 2, 2021 we announced that the Company is joining the American Connection Project Broadband Coalition which advocates for public and private sector investment to bring high-speed internet infrastructure to areas that lack access.

On February 22, 2021, we announced we had been granted a reissued patent titled "Raster-based Contour Swathing for Guidance and Variable-Rate Chemical Application" from the U.S. Patent and Trademark Office. This invention concerns a ground facing optical sensor that detects the motion of an off-road vehicle over ground.

On January 25, 2021, we launched our new Generation 5 Flex Mechanical Drive Unit, MDU-G5 FLEX™. We previously introduced our MDU-G5 TORQUE autosteering system in March 2020. The "FLEX" can be easily moved between vehicles, is dust and water resistant and is designed for a wide variety of off-road machines, including agriculture vehicles such as tractors, combines and sprayers.

In March 2020, the World Health Organization declared the COVID-19 a global pandemic. COVID-19 has impacted the Company's financial results primarily as a result of delayed, reduced, or canceled partner development. Reductions in original equipment manufacturer ("**OEM**") research and development spending resulted in lower non-recurring engineering revenue, delayed integration of our products, delayed production release of new vehicles, and cancellation of some new vehicle releases altogether. Although OEMs and Value-Added Resellers invested in development programs and testing during the summer of 2020, they delayed, reduced, and canceled such development programs once COVID-19 resurged in the United States and Europe. Some OEM and Value-Added Resellers have started planning on reinvesting in development and testing starting in the second quarter of 2021, with some new production releases expected in late 2021. These incurred delays and cancellations may negatively impact revenues, profitability and cash flows for the Company as compared with historical results. The Company has taken proactive steps to prevent the spread of COVID-19 amongst employees. On March 16, 2020, the Company implemented a work from home policy for non-essential personnel, which has been extended through June 2021. The Company has also implemented a business continuity plan that may result in temporary higher inventory in order to mitigate supply chain risks caused by the COVID-19 pandemic.

### Three-Year History

This section discusses the major events or conditions that have influenced the general development of the Company over the last three completed financial years, as applicable, including significant acquisitions and dispositions that have occurred. All financial information referenced in this Annual Information Form is denominated in U.S. dollars, unless otherwise indicated.

#### *2020*

On December 2, 2020, we announced the signing of a supply agreement with a new Dutch OEM customer, Ploeger Oxbo Group BV ("**Ploeger**") to provide auto steering systems for their CM4240 self-propelled silage merging device. AgJunction and Ploeger are currently exploring applying the Company's autosteering systems to additional Ploeger vehicles.

On November 17, 2020, we filed a patent infringement and breach of contract lawsuit in the District of Arizona against Ag Leader. The lawsuit alleges that Ag Leader's products violate three of our patents related to automated machine control and that Ag Leader has breached the supply agreement between AgJunction and Ag Leader.

On October 28, 2020, we reported that the Company, through its wholly-owned subsidiary Novariant, Inc., has developed a customized modular automation system to support the precision agricultural applications of Komatsu Ltd.

("Komatsu"), a Japanese multi-national company whose business involves manufacturing agricultural, mining, construction and industrial equipment and machinery.

On October 21, 2020, we announced the release of the Wheelman<sup>®</sup> Pro HP ("**Wheelman Pro HP**") and Wheelman<sup>®</sup> Flex HP ("**Wheelman Flex HP**") autosteering systems. The Wheelman Pro HP and Wheelman Flex HP are a combination of AgJunction's Wheelman autosteering system and the new HPX-200 Smart Antenna and HPX-10 Precision GNSS correction services. The Wheelman Pro HP and Wheelman Flex HP help increase farmers' operational efficiencies and improve their bottom line through reduced equipment operating hours, input, labor, and fuel costs.

On October 5, 2020, we announced the final settlement of the patent infringement lawsuit against Kubota Corporation ("**Kubota**"), which alleged that the tractor-maker's products violated three of our patents related to automated machine control and implement steering. Under the terms of the settlement, AgJunction granted Kubota a non-exclusive license in the U.S. and Canada to its extensive patent portfolio in exchange for undisclosed royalty payments from Kubota.

On September 8, 2020, we announced we had been awarded a new patent from the U.S. Patent and Trademark Office titled "Three-Dimensional Terrain Mapping", an invention which generates and utilizes three-dimensional terrain maps for vehicular control.

On September 3, 2020, we announced we had been awarded a new patent from the U.S. Patent and Trademark Office titled "Automated Multi-Vehicle Alignment Steering", an invention which helps farmers save time, resources and waste by automating grain collection during harvesting.

On July 29, 2020, we announced the release of eTurns<sup>™</sup>, an automated turn feature, which further expands the functionality of the Wheelman<sup>®</sup> product line, further demonstrating the portability of our software modules.

In March 2020, after completing an extensive evaluation of our business, AgJunction implemented a refined strategy which it believes best suits the evolving needs of its manufacturing and supplier customer base adapting to a rapidly transforming market. The three key priorities in AgJunction's refined strategy are: (1) refocus on manufacturing and supplier customers; (2) offering flexibility through modularization; and (3) disciplined capital resource management. See "*Description of Our Business – Business Strategy*".

On March 31, 2020, we launched our new Generation 5 High-Torque Mechanical Drive Unit, MDU-G5 TORQUE<sup>™</sup> which is a high-torque, weather-resistant autosteering solution designed for a wide variety of off-road machines, including agriculture vehicles such as tractors, combines and sprayers.

On March 23, 2020, we entered into agreements with GeoSurf Corporation ("**GeoSurf**") and Anhui Zhongke Intelligent Sense and Big Data Industrial Technology Research Institute Co. Ltd to provide precision agriculture solutions in the Asia-Pacific region. GeoSurf recently launched TaznaX<sup>™</sup>, a precision agricultural solution for rice and onion transplanters, making it the Company's first customer to integrate our Wheelman-based technology with the new Whirl<sup>™</sup> software features.

On March 18, 2020, we announced an agreement with Kubota to a 60-day stay in the patent infringement lawsuit we filed against the tractor-maker and several of its subsidiaries on August 30, 2019 in the Northern District of Georgia.

On March 11, 2020, we reported that we had been informed by Ag Leader, one of our largest customers that it will not be renewing its supply agreement with AgJunction when it expires at the end of 2020. While this resulted in a reduction of approximately \$1 million in revenue, the Company successfully hit its internal revenue forecast for 2020.

On January 31, 2020, we announced that, as a result of a review by our Board and senior leadership team of, among other things, the Company's strategy the Company had made the following management changes: M. Brett McMickell was appointed President and Chief Executive Officer and appointed to our Board and Deborah Mack was appointed Interim Chief Financial Officer, replacing Scott Steinman who departed as Chief Financial Officer. Further the Company announced the departure of Jeff Morris, Senior Vice President and Chief Marketing Officer. On May 15, 2020, we announced that Peter Newton was reappointed as Interim Chief Financial Officer of the Company, following the departure of Deborah Mack. Mr. Newton previously served as Interim Chief Financial Officer of the Company from May 11, 2019 to November 15, 2019.

2019

On December 5, 2019, we announced that Lori Ell, the Chair of our Board, was appointed Interim President and Chief Executive Officer, following the departure of David E. Vaughn as President and Chief Executive Officer.

On May 9, 2019, we announced a partnership with Swift Navigation, Inc. ("**Swift Navigation**") to combine our autosteering technology with the Duro® RTK GNSS receiver from Swift Navigation. Utilizing Swift Navigation's Duro® RTK GNSS receiver, AgJunction developed an aftermarket autosteering kit suitable for, and currently being sold in, the Asia-Pacific Region.

On April 10, 2019, we announced the future closings of our facilities in Fremont, California and Brisbane, Australia, as part of our ongoing consolidation strategy. Our facilities in California and Australia closed effective December 31, 2019. The closing of these facilities resulted in a 23% reduction in workforce at the end of 2019 and an approximate 10% decrease in our operating expenses.

On March 19, 2019, we announced the Whirl™ mobile app, an autosteering mobile app that eliminates the need for an expensive display. The Whirl mobile app is used to control Wheelman® products and is available for use on iOS and Android mobile devices.

On February 12, 2019, we announced the expansion of the Wheelman® product line to include Wheelman Flex, a portable version of Wheelman that can be moved easily between farm equipment, further reducing the overall cost of outfitting a farming operation with autosteering. Additionally, the Wheelman product line offers install kits to work on over 850 makes and models of existing farm equipment.

2018

On November 15, 2018, we closed the sale of our SATLOC® aerial guidance and flow control business to Texas Transland, LLC. The sale included all of the SATLOC assets and the SATLOC trademark.

On November 8, 2018, we announced the relocation of our corporate headquarters from Hiawatha, Kansas to Scottsdale, Arizona as part of our overall strategy to align our costs with our business strategy.

On September 4, 2018, we closed the sale of our Outback Guidance business and assets to Hemisphere GNSS, Inc. ("**Hemisphere**"), which included the sale of the Outback Guidance® brand, the REBEL™ autosteering products, and our Hiawatha, Kansas and Winnipeg, Canada facilities. As part of the transaction, we entered into a technology licensing agreement with Hemisphere whereby Hemisphere received a non-exclusive license to certain of our patents associated with the Outback business. The sale terms included a long-term royalty-bearing, license agreement with Hemisphere whereby Hemisphere receives a non-exclusive license to certain of our intellectual property used in other Hemisphere products.

On August 13, 2018, we introduced Wheelman®, a complete, do-it-yourself autosteering system for farm equipment for under \$4,000. Wheelman is available online and is designed to allow for installation in less than an hour on most equipment.

On April 12, 2018, we launched our online store, HandsFreeFarm.com, a web marketplace which provides low-cost precision agriculture solutions to U.S. farmers, opening a new market to smaller farms for our products. In conjunction with launching our online store, we released a new product, RANGER™ which is a complete low-cost GPS guidance solution.

On March 13, 2018, we entered into a bulk purchase order with a customer to deliver products for an aggregate purchase price of approximately \$55 million. Deliveries and payments under the purchase order occurred between July 1, 2018, and August 31, 2019.

On January 8, 2018, we launched REBEL™, an affordable, all-in-one autosteering solution that is simple-to-use and simple-to-buy. Launched under the Outback Guidance® brand, REBEL was the first step in AgJunction's commitment to expand the hands-free revolution to every farmer through its commitment to make autosteering more affordable. REBEL was later sold as part of the Outback Guidance transaction disclosed above.



On January 2, 2018, we filed a patent infringement lawsuit in the Western District of Texas against Raven Industries, Inc. ("**Raven**"). The lawsuit alleged that Raven products violated three of our patents related to automated mechanical steering, implement steering, and system calibration technologies. On July 11, 2018, we reached a mutually agreeable business solution with Raven, whereby Raven was granted a non-exclusive license to a significant portion of our extensive patent portfolio in exchange for upfront and ongoing royalty payments.

## **SIGNIFICANT ACQUISITIONS**

We did not complete any significant acquisitions during our most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

## **DESCRIPTION OF OUR BUSINESS**

### **General**

The Company believes that the future of off-road machine automation is in software modules and subscriptions. Off-road machines are increasingly complex with precision, safety, and levels of autonomy requirements. The Company assists customers in solving the challenges in off-road machine automation and multi-machine coordination by providing modular products that can be integrated individually or as complete system to provide varying levels of machine automation. The Company's products automate machine control to minimize operator involvement and enhance off-road operations. The Company is a global leader in the development, sale and licensing of off-road machine automation. The Company's products are critical components in over 30 of the world's leading precision agricultural manufacturers and solution providers and it holds over 200 patents and patents pending in vehicle automation worldwide. The Company markets its solutions under leading brand names including Novariant<sup>®</sup>, HandsFreeFarm<sup>®</sup>, Wheelman<sup>®</sup> and Whirl<sup>™</sup>. The Company is ISO 9001:2015 certified and continues to use the standards as its guidelines for success.

The Company's flexible modules enable customers to build machine automation into their vehicles and interface these products through our simple to use Whirl Mobile Application or through application programming interfaces ("**API**"). The Company's Whirl cloud infrastructure provides customers with cloud data storage, subscription management, over-the-air update management, and remote support. The Company's API allows customers to quickly develop their own products and customization around the Company's automation modules.

The Company's products offer precision guidance and positioning, autosteering and machine automation for off-road markets with broad application to farming operations, such as tilling, planting, spraying and harvesting. This requires substantial expertise in technologies like cloud computing; mobile application development; machine learning; situational awareness technologies like GNSS, LiDAR, radar, ultrasound; understanding hydraulics; various types of vehicle communication protocols and functional safety.

### **Industry Growth**

Agriculture is a rapidly transitioning off-road market that is becoming more automated, connected, and data driven. With new technological advancements in precision, automation, and machine learning, it is estimated that the average farmer will be able to produce enough food to feed 265 people on the same acreage.<sup>1</sup> Increasing connectivity in rural areas is necessary to revolutionize the way farming is done and unlock productivity, similar to the way that the internet has revolutionized other industries. It has been reported that, Agriculture could add an estimated \$500 billion to the global gross domestic product by 2030 through improved connectivity.<sup>2</sup> Many organizations, such as the American Connection Project and Alliance for Affordable Internet, are engaging with industry and governments to increase connectivity in rural areas.<sup>3,4</sup> In the U.S., the Federal Communications Commission received funding to connect over 5.2 million unserved homes and businesses in rural areas.<sup>5</sup> This push for rural connectivity is occurring in many

---

<sup>1</sup> [https://en.wikipedia.org/wiki/Precision\\_agriculture](https://en.wikipedia.org/wiki/Precision_agriculture)

<sup>2</sup> McKinsey & Co., "Agriculture's connected future: How technology can yield growth", October 9, 2020

<sup>3</sup> <http://americanconnectionproject.com/>

<sup>4</sup> <https://a4ai.org/>

<sup>5</sup> <https://docs.fcc.gov/public/attachments/DOC-368588A1.pdf>

countries globally. The agricultural market is in the early stages of productivity improvements from broadband connectivity.

Suppliers and manufactures are increasing the automation in their vehicles, which is a trend that parallels the growth in adoption of automation in the on-road market. Growth in autonomous-driving capabilities (SAE AD Level 2 or above) is forecasted to grow by 64 percent by 2025.<sup>6</sup> As prices for sensors decrease, the autonomous capabilities will be adapted for the off-road market. Autonomous capabilities include advanced driver assist and multi-vehicle coordination.

At the heart of precision agriculture is precision autosteering, and the majority of the 200,000 largest farms in the world (those greater than 1,000 acres/400 hectares) have adopted autosteering technology. The penetration into large farms and the adoption of autosteering in this segment has now created an opportunity to introduce such products to the world's 10 million smaller annual crop farms (between 10 – 1,000 acres/4 – 400 hectares), where autosteering is relatively rare due to the expense and complexity of other systems on the market.<sup>7</sup> As autosteering allows farmers to focus on farming, not steering, it reduces the dependence on expert labor and thus improves the efficiency of farm machinery and as a result crop yields and revenue and profits per acre.

The Company seeks to provide broader machine control to further enhance off-road operations. Customers have a growing need for simplifying increasingly complex machine control technology. Utilizing mobile devices, cloud computing, and edge computing, the Company seeks to create a better user experience in managing off-road equipment without the need to hire and maintain technical experts. Additionally, the Company is decreasing development time by offering modern API for rapid integration of our automation and supporting open data standards.

By offering a more approachable user experience through an ecommerce platform, the Company sees the smaller farm market as an untapped opportunity to help all farmers prosper with precision agriculture. The Company established first mover advantage, by providing the benefits of our extensive experience with developing advanced systems, into a self-installed generic platform (Wheelman<sup>®</sup> and Whirl<sup>™</sup>) delivered through an ecommerce marketplace (Handfreefarm.com).

## **Business Strategy**

In 2020 the Company implemented a strategy to provide a portfolio of flexible modules for customers through two primary channels: direct channel and indirect channel. The Company's strategy involves three key priorities:

1. Focus on manufacturing and supplier customers;
2. Offering flexibility through modularization and online subscriptions; and
3. Disciplined capital resource management.

The Company's first priority is growing its indirect channel through sales to manufacturers and suppliers. Focusing on manufacturers and suppliers is intended to provide long-term sustainable growth designed to drive shareholder value. An increasing amount of automation is being built into vehicles, so it is critical that the Company focus on providing value for manufactures. The Company believes that its modular products provide an advantage in meeting the needs for the increasing demand for automation. In the Company's view, most manufacturers and suppliers do not want to develop complete automation systems by themselves due to the complexity of such systems, specialized skill sets required, and rapid changes in the market. Accordingly, the Company believes that manufacturers and suppliers will seek partners to help them deploy automated applications to market quickly and fill in technology gaps that they do not possess. The Company believes its portfolio of flexible off-road modules allow manufacturers to deploy technology faster in their effort to meet rapidly changing customer needs. Using the Company's API, manufacturers and suppliers can quickly integrate automation modules and customize the implementation to fit their unique needs.

The second key refinement in the Company's corporate strategy is to meet its customer's demands by providing flexibility through modularization, API and online subscriptions. The Company offers its hardware and software

---

<sup>6</sup> McKinsey & Co., "Private autonomous vehicles: The other side of the robo-taxi story", December 1, 2020

<sup>7</sup> <http://ageconsearch.tind.io/record/249773/err-217.pdf>

functionality as individual modules in addition to offering complete automation solutions to its customers. The Company's modules are designed from inception with flexibility allowing each module to be seamlessly integrated into the Company's customer's systems. By doing so, the intention is to reduce cost, expand saleability and improve the customer experience. In addition, the Company's strong patent protected portfolio of products and solutions in advanced path planning, headland automation, implement control and predictive algorithms, gives it a competitive advantage versus others who lack such patent protected solutions and products. The Company has also developed a powerful cloud platform and mobile applications with Whirl™ that provide connectivity to cloud data storage, subscription management, over-the-air update management, and remote support. The Whirl platform supports subscriptions and in-application purchases rather than traditional unlocks or hardware purchases.

The Company believes that its modular approach enables it to support a wide range of customers from large manufacturers to small farmers. Our flexible capabilities allow us to provide entry-level systems through ecommerce and fully autonomous platforms for manufacturers. The flexibility of the Whirl platform was recently demonstrated by the Company's release of headland turns, eTurns™, in our Wheelman® systems. This functionality was pushed out to existing Wheelman customers through an over-the-air update. Additionally, the Company is now supporting subscription services through Whirl™ for the Wheelman systems HP series, Wheelman Flex HP and Wheelman Pro HP. The Company's ability to provide this level of flexibility and integrated support enables it to partner with a wider range of manufacturers.

Discipline of capital resource management is the Company's third key priority. In 2019, the Company completed several important internal priorities that were designed to set the Company up for success going forward, including right sizing the organization and consolidating all facilities to the Company's current corporate headquarters in Scottsdale, Arizona. Consolidating the Company's development allows the Company to reduce costs, increases access to key skillsets, and increases the agility of the Company's development team. The Company is now seeing the benefits of these important changes. In 2020, the Company significantly reduced spending by focusing on regions and technologies with the highest growth potential.

The Company regionalized its sales and customer support to significantly provide faster and more localized support globally. Regional general managers are now in place in North America, Europe, the Middle East and Africa ("EMEA") and Asia-Pacific ("APAC") regions. Sales representatives and field service engineers in those regions report directly to the Company's regional general managers. By aligning the Company's sales and customer service teams regionally, the Company has been able to provide better customer responsiveness and a better response to regional markets. The Company has identified many potential customers that are interested in the Company's capabilities and have a need for flexible modules, including solutions outside of autosteering such as obstacle detection and implement control. The Company is currently at various stages of onboarding with these potential customers. The announcement of the Company's agreements with Komatsu, Ploeger, and GeoSurf are examples of the success of this strategy.

The Company's direct-to-consumer channel, HandsFreeFarm.com, provides direct connection to end users and allows the Company to rapidly develop and test new functionality and subscriptions. Having a direct channel to farmers provides the Company with agility that would not be possible working exclusively through its indirect channel. The Company is beginning to see the benefits from this investment in its Wheelman products and its Whirl platform through accelerating growth in the ecommerce channel and adoption in the indirect channel. The Company is now increasing the capabilities of the Whirl platform and expanding ecommerce sales outside of the United States. In July 2020, the Company expanded sales through its ecommerce platform to Canada. The Company believes that the expansion of ecommerce sales will be similarly successful in other regions globally. Development of additional functionality and capabilities on the Whirl platform supports both the direct-to-farmer channel and the indirect channel. The Company is currently expanding the functionality of Whirl to better meet the needs of farmers. By focusing on adding value to the end-user, the farmer, the Company will be positioned to provide manufacturers with this value adding functionality.

The Wheelman products at HandsFreeFarm.com are viewed by the Company as another channel for our overall modularization approach as the Whirl platform was designed with modularization in mind. In 2020, the Company announced that GeoSurf launched a precision agricultural solution for rice and onion transplanters based upon the Company's Wheelman® technology and Whirl cloud infrastructure. The Company's engineering team has developed features in Whirl cloud specifically for manufactures and suppliers, such as support access to their customers with over-the-air updates. GeoSurf is the Company's first customer to utilize its Wheelman platform and new Whirl cloud

features. The Company believes that the Whirl platform will continue to attract suppliers and manufacturers because of its ability to support cloud data storage, subscription management, over-the-air update management and improved customer service.

The Company's refined strategy of building and providing modules for our customers takes advantage of the Company's technical foundation and provides us with a competitive advantage in a rapidly transforming market. By positioning the Company as a partner to manufacturers and suppliers, the Company provides advanced automation that is flexible to customer needs. As the Company continues to identify new customers and meet their evolving needs, the Company intends to further invest in research and development to continue producing state of the art technology that aligns with the Company's strategy. The combination of the Company's personnel, intellectual property portfolio, balance sheet and technological capabilities support the Company's refined strategy which is designed to grow the Company and provide value to shareholders.

### **Off-Road Modular Automation**

The Company provides a portfolio of software and hardware automation modules for off-road vehicles. This portfolio includes native iOS and Android mobile applications integrated with a cloud-hosted infrastructure along with other innovative modules to provide a wide range of automation, such as navigation, guidance, obstacle avoidance, path planning, headland management, and machine control to empower our customers to automate their systems. The Company's product portfolio supports its direct-to-farmer and indirect channel strategies.

#### *Indirect Channel Modules:*

For the indirect channel, the Company services the unique requirements of strategic manufactures and suppliers seeking to standardize with the Company's automation across their product line as well as manufacturers and suppliers new to machine control who want to automate their existing equipment.

For manufacturers and suppliers, the Company's platform includes modular hardware and software that can be integrated through API or with direct support from the Company. Modular hardware and software can be used individually or combined to meet the specific needs of the manufacture or supplier. The Company's modular architecture allows for rapid customization to meet customers' specific requirements and provide them with a unique competitive advantage.

The Company's flexible software modules with API provide manufactures and suppliers with a wide-range of functionality, such as autosteering, path planning, headland management, turning and visualization. In addition to these software modules, the Company also offers manufacturers and suppliers access to the Whirl mobile applications and cloud infrastructure. Manufacturers and suppliers utilizing the Whirl platform gain access to the wide range of cloud-enabled features, such as cloud data storage, over-the-air update, and remote support.

The Company also provides four hardware product categories for suppliers and manufactures that can be used to distribute or implement its software modules:

- **Wheelman® "white-label"** easy to use autosteering platform for manufacturers and suppliers. Wheelman products are easy to integrate with nearly any off-road vehicle with a steering wheel. They connect to the Whirl mobile application, which allows for user account management, subscriptions management, over-the-air updates, cloud storage, and remote management. The Whirl mobile application can be configured and rebranded to match the manufacturers and suppliers' standards. Whirl mobile application connects to the Whirl cloud infrastructure, which can run third-party software or connect to third-party cloud services.
- **Electronic Control Units ("ECU")** are used to run the Company's software automation and are suitable for vehicle integration by manufacturers and suppliers. The award-winning ECU-S1 family support modules for autosteering, hydraulic control, machine learning, diagnostic system and sensor fusion. The ECU-S1 family includes support for over 1,000 install kits and a variety of GNSS inputs.
- **Mechanical Drive Units ("MDU")** electronic steering actuators support retrofit autosteering. The MDU-G4, MDU-G5 High Torque, and MDU-G5 Flex steering actuators allow manufacturers and suppliers to

integrate autosteering on vehicles that do not have manufacturing autosteering interfaces. The MDU-G4 and MDU-G5 Flex are designed for flexibility and allows users to move the actuator from vehicle-to-vehicle. The MDU-G5 High Torque provides additional torque for vehicles without hydraulic assist. The MDU-G5 High Torque and MDU-G5 Flex allow manufactures to use the Wheelman actuators with the award-winning capability of the ECU-S1 family.

- **Third-Party Hardware**, such as terminals, GNSS, and kits, are provided to support manufacturers' and suppliers' requirements. While the Company does not believe that this third-party hardware provides any competitive advantage, it may be required by some manufacturers and suppliers to run the Company's software modules. The Company procures hardware from third parties that meet the needs of off-road applications and provides integrated systems to its customers.

#### *Direct Channel Products:*

Products sold through HandsFreeFarm.com need to be simple-to-use, easy-to-install, reliable, and remotely supportable. The products available on HandsFreeFarm.com were designed with these requirements in mind.

**Wheelman® autosteering systems** (Wheelman Pro, Wheelman Flex, Wheelman Pro HP, and Wheelman Flex HP) and our Whirl software allow farmers to accurately automatically steer farm equipment. These products are sold directly to farmers, and deliver a complete, affordable do-it-yourself autosteering system that can be ordered online and installed in less than an hour on most equipment. The Wheelman autosteering systems are powered by our Whirl mobile app. The Whirl mobile application provides a simple user interface to the Wheelman autosteering systems, collects and stores farming data, and informs farmers about their farming efficiency. The Whirl mobile applications are a free download for iOS and Android devices and allows farmers to use their existing smart devices (phone, tablet, etc.) as the display for an inexpensive solution or it can be run on a ruggedized terminal. The Whirl mobile applications provide farmers with flexibility to meet their unique needs. Near the end of 2020, the Company offered its first subscription service, the HPX-10 satellite correction service, through its direct channel for its Wheelman Pro HP and Wheelman Flex HP products.

#### **Research and Product Development and Specialized Skills and Knowledge**

The focus of the Company's research and development team is the expansion of our modular automation products through developing new software functionality, cloud applications, and hardware. The Company believes that the future is in its software modules; however, many customers require hardware to run the Company's software modules. We believe that our research and product development capabilities are critical factors contributing to our success and are primary barriers to potential competitors' entry into the off-road manufacturing and supplier markets. Accordingly, we intend to continue investing significant resources in research and product development to further develop connected modular automation working toward the production of modules to support driverless autonomy.

Our research and development team includes individuals with specialized skills in the following disciplines, among others: electrical engineering, mobile application design, machine learning, vision engineering, mechanical design, system architecture, software design, simulation engineering, and cloud computing. Although the availability of these resources is limited, we have not experienced significant difficulties accessing and retaining individuals with the necessary skill and knowledge required for our research and development activities.

In response to the COVID-19 pandemic, the Company has aggressively focused on reducing operational, administrative, and general expenses. We did this without sacrificing our research and development budget. We are driving for growth when the market recovers and positioning ourselves to take advantage of the growing need for off-road automation.

#### **Intellectual Property and Intangible Properties**

We have developed a significant portfolio of intellectual property, including trade secrets, technology, product designs, software, patents, trademarks, and brand names, among others. As of December 31, 2020, on a consolidated basis, we hold over 200 patents and patents pending in the USA, Canada, Europe and Australia in addition to a few other international filings.

In 2020, we were awarded a new patent from the U.S. Patent and Trademark Office titled "Three-Dimensional Terrain Mapping", an invention which generates and utilizes three-dimensional terrain maps for vehicular control, and a second patent titled "Automated Multi-Vehicle Alignment Steering", an invention which helps farmers save time, resources, and waste by automating grain collection during harvesting.

### **Marketing, Sales and Distribution**

Our strategy for sales and distribution of our flexible modular automation modules is through manufacturers and suppliers or direct-to-farmer through our ecommerce platform at HandsFreeFarm.com.

The Company serves global markets through its distribution channels. Of its 2020 sales, 73% (2019 – 34%) occurred in North America, 19% (2019 – 64%) occurred in EMEA, 8% (2019 – 2%) occurred in the APAC region, including Australia and India. From a customer's perspective, the primary benefits provided by our products are increased accuracy in navigation, improvements in productivity, reduced fatigue, increased safety and savings in costs and time. For example, in farming applications, the Company's autosteering products result in savings to users through reduced overlap and reduced driver fatigue. In addition, its products can be used in conjunction with precision farming techniques focused on improved efficiency, productivity and yields such as "strip-till" farming which requires highly accurate planting and application of fertilizer and other chemicals. Significant cost savings can be achieved by using these types of precision farming techniques.

In 2020, the Company's direct channel served customers in the U.S. and Canada through its ecommerce platform, HandsFreeFarm.com.

### **Market Conditions**

Sales in the Company's direct channel are affected by U.S. net farm income and farmer sentiment toward capital investment. According to the latest reports from the United States Department of Agriculture ("USDA") on February 5, 2021, forecasted inflation-adjusted net farm income is forecasted to decrease by 9.7% in 2021.<sup>8</sup> This forecasted decrease comes after increasing 44.2% in 2020, which was the highest level since 2013. The average net cash farm income is forecasted to decrease 6.2% to \$91,800 per farm in 2021. Contributing to the 2021 forecasted declines is a forecasted increase of 2.5% increase in production expenses over the course of 2021, but a forecasted decrease in direct Government farm payments are driving most of the forecasted declines. Despite the forecasted downturn in 2021 net farm income, Purdue's Farm Capital Investment Index, which is a measure of farmer willingness to buy equipment, is at a record high of 93, as of January 21, 2021, which is more than double its April 2020 value.<sup>9</sup> The high Farm Capital Investment Index indicates farmers optimism in investing in equipment purchases using the increased net farm income from 2020.

In addition to income and sentiment, the continued expansion of rural broadband in the U.S. provides an indication of the growing market for the Company's cloud-based products and services. According to the USDA, 25% of U.S. farms have no access to the internet.<sup>10</sup> On January 7, 2021, the USDA Reconnect Program is investing another \$4.6 million in funding for rural broadband development in the U.S.<sup>11</sup>

Sales in the Company's indirect channel are related to overall agricultural production growth and more directly by manufacturing sales in the regions in which the Company operates. The Company's biggest markets by sales are North America and Europe.

---

<sup>8</sup> USDA Economic Research Service, "Highlights from the February 2021 Farm Income Forecast", February 5, 2021, <https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast/>

<sup>9</sup> Purdue University, CME Group, Ag Economy Barometer, February 2, 2021, <https://ag.purdue.edu/commercialag/ageconomybarometer/wp-content/uploads/2021/02/January-2021-Ag-Economy-Barometer.pdf>

<sup>10</sup> USDA, *Farm Computer Usage and Ownership*, August 2019

<sup>11</sup> USDA Press, Press Release No. 0003.21, January 7, 2021

Global agriculture production is reported on by the OECD Food and Agriculture Organization (FAO) of the United Nations. In the OECD-FAO report titled, *OECD-FOA Agriculture Outlook 2020-2029*, agricultural and fishery production will grow globally by 1.4% per year over the decade. Approximately 85% of global crop output growth will come from yield improvements primarily resulting from increased global adoption of precision agricultural technology.<sup>12</sup> Countries are creating policies to increase adoption of precision agricultural technology and creating a food security plan.

North America farm tractor and combine sales are showing a significant year-over-year increase in sales for the month of January 2021.<sup>13, 14</sup> The Association of Equipment Manufacturers (AEM) reported that for the month of January 2021, total farm tractor sales were up by 24.7% and 39.0% year-over-year for the U.S. and Canada, respectively. Self-propelled combines sales were reported up 76.8% and 52.2% year-over-year for the U.S. and Canada, respectively.

Europe's agriculture machinery market is covered by the Conveyor Equipment Manufacturers Association ("**CEMA**"), European Agricultural Machinery Association. In January 2021, CEMA reported that the general business climate forecast for Europe is increasing with incoming orders significantly increasing from December 2020.<sup>15</sup> They also reported that dealer stock levels are considered to be below average across most EU markets.

Although demand for agricultural machinery is strong in North America and Europe, the Company anticipates challenges in the indirect-to-farmer channel will carry on through mid-2021 due to the delayed release of new machines and postponed research and development in our indirect business channel. Although the indirect channel will be challenging, the Company expects strong demand for ecommerce sales due to strong farmer net income, positive farmer statement, and strong sales of new tractors in North America.

Although the factors driven by the effects of COVID-19 have had a negative overall impact on the Company's financial results and may negatively impact financial results through 2021, the economic drivers for long-term growth remain strong. Long-term growth is being driven by population growth, limitations on arable land, increases in rural connectivity, relatively low global penetration of machine automation solutions for precision agriculture, and other untapped off-road applications. The Company is committed to advancing off-road machine automation with our portfolio of flexible automation modules for developing configurable solutions for our customers.

## Competition

We have competitors in each of our target markets and expect competition to intensify as acceptance and awareness of machine control technology increases. Among our largest competitors are Trimble, Inc. ("**Trimble**") and Topcon Positioning Systems, Inc. ("**Topcon**"). Trimble's products currently address the survey and mapping, tracking and communications, navigation, precision agriculture, construction, and military systems markets. Topcon and Trimble offer products with similar functionality to those of the Company. In addition to the previously mentioned competitors, smaller competitors such as FJ Dynamics have entered the market and we expect to face competition from new market entrants over time.

The Company's direct and indirect channels position the Company favorably versus our traditional competitors. Historically, the clear return-on-investment for autosteering has led to wide adoption by the 200,000 large farm operators who can justify the high price and can deal with the complexity by paying for on premises technical support. The Company's direct channel provides an opportunity for us to bring autosteering to up to 10 million more farmers globally that are underserved today.

---

<sup>12</sup> OECD/FAO (2020), OECD-FAO Agricultural Outlook 2020-2029, FAO, Rome/OECD Publishing, Paris, <https://doi.org/10.1787/1112c23b-en>

<sup>13</sup> Association of Equipment Manufacturers, *AEM United States Ag Tractor and Combine Report January 2021*, January 2021

<sup>14</sup> Association of Equipment Manufacturers, *AEM Canada Ag Tractor and Combine Report January 2021*, January 2021

<sup>15</sup> CEMA, *January 2021 – Industry in Europe meanwhile clearly booming*, January 18, 2021, [https://www.cema-agri.org/images/pdf/business-barometer/2021-01\\_CEMA\\_Business\\_Barometer\\_Report.pdf](https://www.cema-agri.org/images/pdf/business-barometer/2021-01_CEMA_Business_Barometer_Report.pdf)

For the direct market, the introduction of Wheelman® products puts automation in reach economically to 1 million more U.S. farmers. Unlike our competitors who depend on expensive dealer channels with limited reach to sell their complex products, the Company sells Wheelman® through its ecommerce platform at HandsFreeFarm.com.

For the indirect channel, the Company's flexible automation modules allow its technology to be readily integrated into manufacturer's and supplier's products. Unlike our competitors who require manufacturers to purchase complete systems, the Company's modular architecture allows its customers to adopt and integrate the automation that they need to provide a competitive product to market.

## **Manufacturing**

We utilize outsourced manufacturing partners in lower cost regions in the procurement of materials per our specification, applying highly skilled labour and best in class manufacturing practices to manufacture, test and directly ship products to our customers. We utilize our third-party logistics facilities for some product configuration activities as needed and utilize outsourced service and repair centers in South America, the Commonwealth of Independent States, Australia, Europe and North America.

Our operations organization provides production engineering services internally and for our external manufacturing partners. This means that our products can be manufactured at the highest level of quality and test coverage while ensuring that technical production problems are corrected and averted, and alternative production methodologies are introduced to remain competitive. In addition, vendor and subcontractor qualifications are reviewed by the operations group whilst test engineering provides test methodologies, equipment and software and guides our internal engineering and our external manufacturing partners in achieving specifications and ensuring product integrity. We carefully select, classify, and qualify our suppliers. Achieving multiple supply sources for all components used in our assemblies is our ultimate and desired goal, and is evaluated on a regular basis, but currently is not available in all circumstances. However, we do apply various risk mitigation solutions in dealing with single sourced components.

The continued utilization of our Enterprise Resource Planning system has assisted us to improve the effectiveness and efficiency of our operations, including inventory management and manufacturing. In addition, we have undertaken several initiatives focused on improving our effectiveness in quality, procurement, inventory management, design cost, product life-cycle management, among others.

### *Optimize Product Cost:*

We will continue to aggressively pursue opportunities to reduce costs through product design, manufacturing efficiencies, procurement, and logistics strategies, with an objective to balance functionality, performance and quality with customer needs.

### *Enhance Manufacturing Quality and Capacity:*

All manufacturing activities have been outsourced to trusted partners that procure materials and manufacture our products to our specification. These outsourcing partners carry the highest level of quality certifications required by us and expected by our customers. This strategy allows us to reduce costs, gives us flexibility to both increase and decrease capacity according to demand and continue to provide a high-level of continuous process and quality improvements.

### *Quality Certification: ISO 9001:2015*

In respect to our internal quality process and procedures, the Company is ISO 9001:2015 certified for our facility in Scottsdale, Arizona, confirming our commitment to improving customer satisfaction in all aspects of its operations. The Company received ISO 9001:2015 certification in 2020 from an accredited registrar that performs assessments of management systems against requirements of national and international standards for quality. The ISO 9001:2015 certification is applicable to all facets of the Company's operations – design, development, production and distribution of its modular hardware and software.



## **Facilities**

The Company conducts operations from its leased facility in Scottsdale, Arizona where we assemble certain of our products, carry out research and development, sales and marketing, and finance and administration activities.

## **Cyclicality**

The cyclical nature and competitiveness of the industry in which we sell and distribute our products may influence the Company's ability to generate revenue and earnings. Our business tends to peak during the first six months of the year, drop off significantly in the third quarter and then demand for our products and services increases again in the fourth quarter. This volatility can create fluctuating demand for our products and services, which can have an adverse effect on the Company's business, financial condition, cash flow and results of operations.

## **Personnel**

At December 31, 2020, we had 55 employees in total, with 21 in research and development, 11 in sales and marketing, 11 in operations and 12 in administrations. At December 31, 2020, we had 6 contractors in total working in various divisions.

## **Anticipated Changes in the Business**

As at the date hereof and other than as disclosed herein, we do not anticipate that any material change in our business will occur during the balance of the 2021 financial year. See "*General Development of the Business*" and "*Recent Developments*".

## **Foreign Operations**

A large component of the Company's revenue is derived from Canadian, EMEA and APAC agriculture markets which are subject to the seasonality of the agricultural buying season. Initiatives to mitigate the Company's seasonality include revenue efforts in the Southern Hemisphere which is counter-seasonal to the Northern Hemisphere agricultural seasons and strategies focused on increasing sources of recurring revenue.

## **Dependence on Key Suppliers**

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

In March 2020, the World Health Organization declared the COVID-19 virus outbreak a global pandemic. While there continues to be uncertainty as to the ultimate effects of the pandemic, it has, among other things, resulted in some disruptions in the supply chain and a prolonged delay in resumption of operations by one or more key suppliers, and negatively impacted the global agriculture market overall. For instance, COVID-19, has caused some of our OEM partners to delay or cancel the release of new vehicles, thereby delaying the integration of our products and resulting in the Company postponing certain supply agreements with these OEM partners. The ongoing effects of COVID-19 continue to threaten our supply chain through material shortages and manufacturing stoppages. The Company has increased its inventory to combat the continued uncertainty caused by the COVID-19 global pandemic See "*Risk Factors – Epidemics and Pandemics*".

## **Reorganizations**

As at the date hereof and other than as disclosed herein, there have been no material reorganizations of the Company and or any of our subsidiaries within the three most recently completed financial years or proposed for the current financial year. See "*General Development of the Business*".

## **CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of Common Shares, an unlimited number of first preferred shares, issuable in series (the "**First Preferred Shares**") and an unlimited number of second preferred shares, issuable in series ("**Second Preferred Shares**"). As at March 24, 2021, an aggregate of 121,091,881 Common Shares, no First Preferred Shares and no Second Preferred Shares were issued and outstanding.

The following is a summary of the rights, privileges, restrictions, and conditions attaching to each class of shares.

### **Common Shares**

The holders of Common Shares are entitled to one vote at all meetings of our shareholders except at meetings of which only holders of a specified class of shares are entitled to vote. The holders of Common Shares are entitled to receive, subject to the prior rights and privileges attaching to any other class of our shares, such dividends as may be declared by us. Holders of Common Shares are entitled upon any liquidation, dissolution or winding-up of the Company, subject to the prior rights and privileges attaching to any other class of shares of the Company, to receive the remaining property and assets of the Company.

### **First Preferred Shares**

Our Board may at any time and from time-to-time issue First Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Currently, the Company has no outstanding First Preferred Shares.

The First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series with respect to accumulated dividends and return of capital. The First Preferred Shares shall be entitled to a preference over the Second Preferred Shares and the Common Shares and over any other shares of the Company ranking junior to the First Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs.

The rights, privileges, restrictions, and conditions attaching to the First Preferred Shares as a class may be added to, changed, or removed but only with the approval of the holders of the First Preferred Shares given as specified in our articles.

### **Second Preferred Shares**

Our Board may at any time and from time-to-time issue Second Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Currently, the Company has no outstanding Second Preferred Shares.

The Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series with respect to accumulated dividends and return of capital. The Second Preferred Shares shall be entitled to a preference over the Common Shares and over any other shares of the Company ranking junior to the Second Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs.

The rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Second Preferred Shares given as specified in our articles.

### Prior Sales

During the year ended December 31, 2020, the Company did not issue any securities, other than 4,318,000 Common Shares under the restricted share plan of the Company.

### DIVIDEND POLICY

We have not paid any dividends on the Common Shares during the last three financial years. The future payment of dividends will be determined by the Board and will depend on the financial needs of the Company to fund future growth, the general financial condition of the Company, capital expenditure requirements, potential acquisition opportunities, debt position and other conditions that the Board may consider relevant at such future time, including the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including capital expenditure requirements, general and administrative costs and foreign exchange rates.

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To our knowledge, as of March 24, 2021, the only Common Shares held in escrow or subject to contractual restriction on transfer are the following:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares (restricted shares <sup>(1)</sup> )	4,271,000	3.5%

Note:

- (1) These Common Shares are issued to directors, officers and other service providers of ours and are subject to vesting and risk of forfeiture under the terms of our restricted share plan.

### MARKET FOR SECURITIES

Our Common Shares are listed and posted for trading on the TSX under the symbol "AJX".

The following table shows the price range and trading volume of the Common Shares as reported by the TSX for the periods indicated:

Period	High (Cdn\$)	Low (Cdn\$)	Volume
<b>2020</b>			
January	0.365	0.275	313,020
February	0.32	0.23	275,417
March	0.26	0.055	13,522,729
April	0.26	0.105	1,475,157
May	0.22	0.165	721,144
June	0.235	0.195	222,243
July	0.37	0.24	632,704
August	0.335	0.27	305,593
September	0.48	0.33	1,024,023
October	0.56	0.405	1,993,419
November	0.61	0.435	1,740,244

<b>Period</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>	<b>Volume</b>
December	0.59	0.45	1,798,467
<b>2021</b>			
January	0.58	0.50	1,703,753
February	0.56	0.43	653,399
March 1 to 24	0.56	0.41	505,355

## **DIRECTORS AND OFFICERS**

The names, provinces/states and countries of residence, positions with the Company and principal occupation during the last five-years of the directors and officers of the Company as at March 24, 2021 are set out below and in the case of directors, the period each has served as a director of the Company.

Name, State/Province and Country of Residence	Position	Principal Occupation During the Last Five-Years
Scott B. Edmonds <sup>(1)(2)(3)</sup> British Columbia, Canada	Director since December 2016 and Chair of the Audit Committee and Compensation Committee	Chief Financial Officer at Stemcell Technologies Inc. since March 2020. Mr. Edmonds has served on a variety of public company boards since the early 2000's as well as acting as the CEO of Photon Control Inc. (TSX:PHO) and prior to that, CEO of Webtech Wireless Inc. (TSX:WEW). Earlier in his career he spent ten years with The Walt Disney Company in France and Asia and qualified as a Chartered Accountant. He holds a BBA in Finance, has completed the Executive Development Program at the Kellogg School and holds an ICD.D designation from the Institute of Corporate Directors.
Lori S. Ell <sup>(1)(2)(3)</sup> Alberta, Canada	Director since December 2016 and Chair of the Board since December 2019	Interim President and Chief Executive Officer from December 5, 2019 to January 30, 2020. President of Growing Ideas, a business consulting practice located in Calgary, Alberta. From 2004 to 2012, Ms. Ell was the President of Agristar Inc., an agri-food manufacturing company. Prior thereto, Ms. Ell was CFO for Quortech Solutions Ltd. a technology company. Ms. Ell is a Certified Public Accountant, holds a Bachelor of Management degree, and holds an ICD.D designation from the Institute of Corporate Directors. Ms. Ell sits on the board of directors for the Calgary Co-op and Sawridge Group. She is a director on two Canadian Federal Departmental Audit Committees – Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada.
Jonathan W. Ladd <sup>(3)</sup> New Hampshire, USA	Director since October 2015 and Chair of the Corporate Governance Committee since December 2018	Independent Business Consultant, a Board Member and Senior Strategic Advisor for AgJunction from October 2015 to January 31, 2020. Director of Novariant Inc. from October 2012 to October 2015. Prior thereto, over 35 years of senior management experience in the GPS/GNSS and wireless industries, including Chief Executive Officer and Chair at Brilliant Telecommunications, President and Chief Executive Officer at NovAtel Inc., senior executive positions at Thales Navigation, Magellan Inc. and Ashtech Inc. and board positions at Hemisphere GNSS Inc., Trusted Positioning Inc., Nexteq Navigation Corporation, RF Monolithics and Ashtech A/O.
Jose F. Suarez <sup>(1)(2)</sup> California, USA	Director since October 2015	Managing Director of Patricia Industries (formerly, Investor Growth Capital, Inc.). Prior thereto, based in Investor Growth

Name, State/Province and Country of Residence	Position	Principal Occupation During the Last Five-Years
Dr. M. Brett McMickell, Ph.D. Arizona, USA	Director, President and Chief Executive Officer since January 31, 2020	<p>Capital, Inc.'s Asian office managing a broad range of investments both in the public markets and in privately negotiated situations.</p> <p>President and Chief Executive Officer since January 31, 2020, prior thereto Senior Vice President and Chief Operating Officer since September 30, 2019 and prior thereto Senior Vice President of Global Product Development since August of 2017. Prior to joining AgJunction, Dr. McMickell served as Senior Director of Engineering in charge of Actuation Systems at Honeywell Aerospace. He brings experience from leading electrical, software, and mechanical system development companies. He was awarded the American Institute of Aeronautics and Astronautics (AIAA) Lawrence Sperry Award for his achievement in the advancement of small satellite technology. Dr. McMickell holds a Masters in Business Administration in Global Management from the Thunderbird School of Global Management. He received his Master's in Science and PhD in Aerospace and Mechanical Engineering from the University of Notre Dame. He also received a Bachelor of Science in Mechanical Engineering from the University of Utah.</p>
Bobac A. Barjesteh Colorado, USA	Executive Vice President and General Counsel since January 2020	<p>Executive Vice President and General Counsel since January 2020 and prior thereto Vice President, Mergers and Acquisitions, Intellectual Property and General Counsel (US) of AgJunction since January of 2016. Prior to joining AgJunction, Mr. Barjesteh served as Managing Director and Chief Legal Officer with ClaroVia Technologies LLC from November 2012 to December 2015. Other roles included executive and management positions at 3M Company and Arthur Anderson LLC.</p>
Peter F.M. Newton Alberta, Canada	Interim Chief Financial Officer since May 15, 2020	<p>Interim Chief Financial Officer since May 15, 2020 and prior thereto Interim Chief Financial Officer of the Company from May 11, 2019 to September 24, 2019. Prior to joining AgJunction, Mr. Newton served as Chief Financial Officer for a number of private equity owned construction, manufacturing and mining companies as well as the Canadian Chief Financial Officer of BoartLongyear Inc. where he successfully contributed to restructuring the initial unprofitable business unit into a company worth over \$1.4 billion as part of an initial public offering of the global entity. Mr. Newton is qualified as a Chartered Accountant and brings over 25 years of financial management experience in over 17 countries.</p>

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.

Our directors will hold office until the next annual general meeting of our shareholders or until each director's successor is appointed or elected pursuant to the ABCA.

As of March 24, 2021, our directors and officers as a group, beneficially owned or controlled or directed, directly or indirectly, 20,688,629 Common Shares or approximately 17.1% of the issued and outstanding Common Shares.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No current director or executive officer of the Company has, within the last ten years prior to the date of this document, been a director, chief executive officer or chief financial officer of any issuer (including the Company) that: (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days; or (ii) was subject to an order that was issued, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of an issuer, and which resulted in the issuer being subject to a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer of the issuer.

No current director or executive officer or security holder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, been a director or executive officer of any company (including the Company) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

No current director or executive officer or security holder holding a sufficient number of securities of the Company to affect materially the control of the Company has, within the last ten years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

No current director or executive officer or security holder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

The directors and officers of the Company may, from time to time, be involved in the business and operations of other issuers, in which case a conflict may arise. See "*Risk Factors*".

The ABCA provides that in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of our directors or executive officers, any person or company who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company. See "*Directors and Officers*".

### **INTERESTS OF EXPERTS**

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a

filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations* by us during, or related to, our most recently completed financial year other than RSM US LLP, AgJunction's auditors appointed on April 8, 2015. RSM US LLP has confirmed that it is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

In addition, neither RSM US LLP, nor any director, officer or employee of RSM US LLP, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

## **MATERIAL CONTRACTS**

As of December 31, 2020, we have no material contracts in place that were entered into outside of the ordinary course of business.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

RSM US LLP, 2375 E Camelback Road, Suite 300, Phoenix, Arizona are the auditors of the Company.

Computershare Trust Company of Canada, 800, 324 – 8<sup>th</sup> Avenue S.W., Calgary, Alberta, is the Transfer Agent and Registrar of the Company.

## **AUDIT COMMITTEE INFORMATION**

Our audit committee (the "**Audit Committee**") is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Audit Committee is composed of three external, independent directors. All three are financially literate, meaning they are able to read and understand financial statements that present a breadth and level of complexity at accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of AgJunction. The Audit Committee's Charter is available in Appendix "A" to this Annual Information Form.

### **Audit Committee Members**

*Scott B. Edmonds, Vancouver, British Columbia*

Mr. Edmonds has over 30 years' experience in various operational, strategic and financial leadership roles in both large and small companies in Canada, Europe and Asia and currently is an independent consultant and corporate director who has served on a variety of public company boards since the early 2000's. Mr. Edmonds is currently the Chief Financial Officer at Stemcell Technologies Inc. and was formerly the Chief Executive Officer of two high tech hardware companies, Photon Control Inc. (TSX:PHO) and Webtech Wireless Inc. (TSX:WEW) and spent ten years with The Walt Disney Company in France and Asia. Mr. Edmonds is qualified as a Chartered Accountant, holds a BBA in Finance, has completed the Executive Development Program at the Kellogg School of Management and holds an ICD.D designation from the Institute of Corporate Directors.

*Lori S. Ell, Calgary, Alberta*

Ms. Ell has over 25 years of broad-based executive experience working with multi-billion dollar, start-up, and mid-market companies in diverse industries including oil & gas, technology, and food manufacturing. Her most recent position is President of Growing Ideas, a business consulting practice located in Calgary, Alberta. From 2004 to 2012, Ms. Ell was the President of Agristar Inc., an agri-food manufacturing company. Prior thereto, Ms. Ell was Chief Financial Officer for Quortech Solutions Ltd. a technology company. Ms. Ell is a Certified Public Accountant, holds a Bachelor of Management degree, and holds an ICD.D designation from the Institute of Corporate Directors. Ms. Ell sits on the board of directors for the Calgary Co-op and Sawridge Group. She is a director on two Canadian Federal Departmental Audit Committees – Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada.

Jose F. Suarez, Atherton, California

Jose Suarez is the managing director of Patricia Industries (formerly, Investor Growth Capital, Inc.). Prior thereto, Mr. Suarez was based in Investor Growth Capital, Inc.'s Asian office managing a broad range of investments both in the public markets and in privately negotiated situations.

### **Pre-approval Policies and Procedures – Audit and Non-Audit Services**

We have adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by RSM US LLP as set forth in the Audit Committee charter, which is reproduced in Appendix "A" to this Annual Information Form. The Audit Committee has approved the provision of a specified list of audit and permitted non-audit services that the Audit Committee believes to be typical, reoccurring or otherwise likely to be provided by RSM US LLP during the current fiscal year. The list of services is sufficiently detailed as to the particular services to be provided to ensure that the Audit Committee knows precisely what services it is being asked to pre-approve and it is not necessary for any member of management to make a judgment as to whether a proposed service fits within pre-approved services.

### **Auditor Service Fees**

The following fees are for services provided by RSM US LLP for the years ended December 31, 2019 and December 31, 2020.

<u>Type of Service Provided</u>	<u>Year ended December 31, 2019</u>	<u>Year ended December 31, 2020</u>
Audit and Quarterly Review Fees	\$220,763	\$182,175
Tax Fees (compliance related)	\$70,000	\$78,000
All Other Fees	\$14,000	\$0
Total	<u>\$304,763</u>	<u>\$260,175</u>

Audit and quarterly review fees consist of fees for the audit of the Company's annual financial statements, including the aggregate fees billed for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements, which include services that are normally provided in connection with statutory and regulatory filings or engagements and include fees related to the application of International Financial Reporting Standards. Tax Fees consist of the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice, and tax planning. There were no Audit Related Fees paid in 2019 and 2020. All Other Fees listed for the year ended December 31, 2019, relate to adoption of new IFRS standards.

### **RISK FACTORS**

The following is a summary of certain risk factors relating to our business. The information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. An investment in the Common Shares of the Company involves a significant degree of risk. Prospective investors should carefully consider the following factors, together with other information contained in this Annual Information Form.

#### **Dependence on Farming Operations**

Our end-user customer (farmers) face constant risk in their farming operations. The uncertainties inherent in weather, yields, prices, government policies, global markets, and other factors that impact farming can cause wide swings in farm income and impact their ability to buy our products. There are five general types of risk related to farmers: production risk, price or market risk, financial risk, institutional risk, and human or personal risk.

Production risk derives from the uncertain natural growth processes of crops and livestock. Weather, disease, pests, and other factors affect both the quantity and quality of commodities produced. Price or market risk refers to uncertainty about the prices producers will receive for commodities or the prices they must pay for inputs. The nature of price risk varies significantly from commodity to commodity. Financial risk results when the farm business borrows



money and creates an obligation to repay debt. Rising interest rates, the prospect of loans being called by lenders, and restricted credit availability are also aspects of financial risk. Institutional risk results from uncertainties surrounding government actions. Tax laws, regulations for chemical use, rules for animal waste disposal, and the level of price or income support payments are examples of government decisions that can have a major impact on the farm business.

### **Seasonality of Business**

The industry in which we sell and distribute our products is seasonal and cyclical in nature, which causes our quarterly results and our cash flow to fluctuate during the year. Our business tends to peak during the first six months of the year, drop off significantly in the third quarter and then demand for our products and services increases again in the fourth quarter. This volatility can create fluctuating demand for our products and services, which can have an adverse effect on the Company's business, financial condition, cash flow and results of operations.

### **Epidemics and Pandemics**

Pandemics, epidemics, or outbreaks of an infectious disease in the U.S. or worldwide, including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu or any other similar illnesses could have an adverse impact on the Company's results, business, financial condition or liquidity.

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak a global pandemic. The outbreak has spread globally and continues to impact worldwide economic activity. The COVID-19 pandemic has negatively impacted the Canadian, U.S., and global economies; disrupted Canadian, U.S., and global supply chains; disrupted financial markets; contributed to a decrease in interest rates; resulted in ratings downgrades, credit deterioration and defaults in many industries; forced the closure of many businesses, led to loss of revenues, increased unemployment and bankruptcies; and necessitated the imposition of quarantines, physical distancing, business closures, travel restrictions, and sheltering-in-place requirements in Canada, the U.S., and other countries. If the pandemic is prolonged, including through subsequent waves, or if additional variants of COVID-19 emerge which are more transmissible or cause more severe disease, or if other diseases emerge with similar effects, the adverse impact on the economy could worsen. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following this COVID-19 pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour may also have adverse impacts on the Company's results, business, financial condition or liquidity, for a substantial period of time.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of the pandemic due to:

- the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by workers becoming infected with COVID-19, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites;
- slowdown or stoppage in production resulting in delays in the development and release of new products and an inability to fulfill orders;
- suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations;
- reduced cash flows resulting in less funds from operations being available to fund capital expenditure or research and development budgets;
- reduced revenue as a result of OEM partners delaying or cancelling the release of new vehicles;
- counterparties being unable to fulfill their contractual obligations on a timely basis or at all; and
- the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted because of unpredictable financial markets and/or a change in market fundamentals.

The COVID-19 pandemic has also created additional operational risks for the Company, including the need to provide enhanced safety measures for its employees and customers; comply with rapidly changing regulatory guidance; address the risk of, attempted fraudulent activity and cybersecurity threat behaviour; and protect the integrity and

functionality of the Company's systems, networks, and data as the Company's employees work remotely. The Company is also exposed to human capital risks due to issues related to health and safety matters, and other environmental stressors because of measures implemented in response to the COVID-19 pandemic, as well as the potential for a significant proportion of the Company's employees, including key executives, to be unable to work effectively, because of illness, quarantines, sheltering-in-place arrangements, government actions or other restrictions in connection with the pandemic.

The extent to which the COVID-19 pandemic continues to impact the Company's results, business, financial condition, or liquidity will depend on future developments in the U.S. and globally, including the development and widespread availability of efficient and accurate testing options, and effective treatment options or vaccines. Despite the approval of certain vaccines by the regulatory bodies in Canada and the U.S., the ongoing evolution of the development and distribution of an effective vaccine also continues to raise uncertainty.

### **Dependence on New Products**

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

The software industry is characterized by rapidly changing customer preferences which require us to address multiple delivery platforms, new mobile devices, and cloud computing. Life cycles of software products can be short, and this can exacerbate the risks associated with developing new products. The introduction of third-party solutions embodying new, disruptive technologies and the emergence of new industry standards could make our existing and future software solutions and other products obsolete or non-competitive. If we are not able to develop software and other solutions that address the increasingly sophisticated needs of our customers, or if we are unable to adapt to new platforms, technologies or new industry standards that impact our markets, our ability to retain or increase market share and operating results could be materially adversely affected.

### **Dependence on Key Personnel**

Our success is largely dependent upon the performance of key personnel. The unexpected loss or departure of any of the key officers or employees could be detrimental to our future operations. Our success will depend, in part, upon our ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high in the precision steering and machine control industry. There can be no assurance that we will be able to engage the services of such personnel or retain our current personnel. Investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of our management.

### **Competition**

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

### **Third-Party Dependence**

Many of our products rely on signals from satellites and other ground support systems that we do not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the GNSS and/or the growth of current and additional market opportunities, which would

adversely affect our results of operations and customer satisfaction may suffer which may result in loss of customers as well as litigation. In addition, there is no assurance that the U.S. government will remain committed to the operation and maintenance of GPS satellites over a long period of time; or, that the policies of the U.S. government for the commercial use of GPS without charge will remain unchanged. Our products are dependent on radio frequency spectrum and products may be subject to harmful interference from modified spectrum uses or intentional jamming.

We are also largely dependent on the ability of farmers and agricultural subcontractors known as custom operators to purchase agricultural equipment, which includes our products. Agricultural income levels are affected by agricultural commodity prices and input costs. As a result, changes in commodity prices that reduce agricultural income levels could have a negative effect on the ability of growers and their contractors to purchase our products.

### **Availability of Key Suppliers**

We are reliant upon certain key suppliers for raw materials and components and no assurances can be given that we will not experience delays or other difficulties in obtaining supplies, because of trade disputes, disruptions caused by the COVID-19 pandemic or other matters. Flextronics International Europe B.V. currently supplies more than 80% of the raw materials used by us, the raw materials used in certain operations are available only through a limited number of vendors. Hemisphere GNSS Inc., and Flextronics Technologies Corporation provide over 10% of our direct material purchases used in our operations. Although we believe there are alternative suppliers for most of our key requirements, if our current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in the manufacture or distribution of existing products could have a material adverse effect on our results of operations and our financial condition. Further, unusual supply disruptions, such as disruptions caused by natural disasters, could cause suppliers to invoke "force majeure" clauses in their supply agreements, causing shortages of material. Success in offsetting higher raw material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly. If we are not able to fully offset the effects of material availability and costs, financial results could be adversely affected.

We consume significant amounts of raw materials, the costs of which reflect in certain instances market prices for natural gas, oil and other market forces. These prices are subject to worldwide supply and demand as well as other factors beyond our control. Although we are sometimes able to pass such price increases to our customers, significant variations in the cost of raw materials can affect our operating results from period to period.

### **Intellectual Property**

The industry in which we operate has many participants that own, or claim to own, proprietary intellectual property. In past years we have received, and may receive in the future, claims from third parties alleging that the Company has infringed the intellectual property rights of others and we have and may in the future commence lawsuits against others whom the Company believes are infringing upon its rights. Determination of the rights to intellectual property is very complex and costly litigation may be required to establish if we have violated the intellectual property rights of others or if others have violated the Company's intellectual property rights. The Company's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Company's favour. In the event of an adverse outcome as a defendant in any such litigation, the Company may, among other things, be required to: (a) pay substantial damages and third party litigation costs; (b) cease the development, use, sale or importation of products that infringe upon other patented intellectual property; (c) expend significant resources to develop, license or acquire non-infringing intellectual property; (d) discontinue products incorporating infringing technology; (e) obtain licences to the infringing intellectual property; and/or (f) incur legal and other costs. The Company may not be successful in such development or acquisition, or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Company's business and financial results.

We license the software, technologies and intellectual property underlying some of our software from third parties. These third-party licenses may not continue to be available to us on commercially reasonable terms, or at all, and the software and technologies may not be appropriately supported, maintained, or enhanced by the licensors. Some of our software licenses are subject to annual renewals at the discretion of the licensors. In some cases, if we were to breach a provision of these license agreements, the licensor could terminate the agreement immediately. The loss of licenses

to, or inability to support, maintain and enhance, any such third-party software or technology could result in increased costs, or delays in software releases or updates, until such issues have been resolved. This could have a material adverse effect on our business, financial condition, results of operations, cash flows and future prospects.

We also incorporate open source software into our products. Although we monitor our use of open source software, the terms of many open source licenses have not been interpreted by U.S. and Canadian courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to market or sell our products or to develop new products. In that case, we could be forced to seek licenses from third parties in order to continue offering our products, to disclose and offer royalty-free licenses in connection with our own source code, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could materially adversely affect our business.

## **Climate Change**

AgJunction is committed to responsibly managing the regulatory and physical impacts of climate change on its business. It is not possible to predict with certainty the impact of climate change or the regulatory responses to it, on our business although we recognize that they could be significant. The most direct impacts are likely to be increased financial and regulatory burdens on industries to which AgJunction's products are sold, which could impact demand for our products. Furthermore, AgJunction's products are sold to participants in farming industries in regions which are vulnerable to the effects of climate change, including long-term changes in temperature levels and water availability. If climate change has a significantly negative impact on farming industries in the regions in which we operate, it may have a material adverse effect on our business and financial results. Demand for our products in those regions may be materially adversely affected and the costs of shifting our operational focus to new regions with a larger customer base may be substantial, if such regions can be found at all. It is too soon for us to predict with any certainty the ultimate impact of climate change or additional regulation regarding it, either directionally or quantitatively, on our overall business, results of operations or financial condition.

Further, our suppliers and customers are subject to increasingly stringent environmental laws and regulations in the countries in which they operate. These regulations govern, among other things, emissions into the air, discharges into water, the use, handling and disposal of hazardous substances, waste disposal and the remediation of soil and groundwater contamination. The costs of compliance with these or any other current or future environmental regulations may be significant. For example, several countries have adopted more stringent environmental regulations regarding emissions into the air, and it is possible that new emissions-related legislation or regulations will be adopted in connection with concerns regarding such emissions. The regulation of emissions from certain stationary or mobile sources could result in additional costs to us in the form of taxes or emission allowances, facilities improvements, and energy costs, which would increase our operating costs through higher utility, transportation and materials costs. Increased input costs, such as fuel and fertilizer, and compliance-related costs also could impact retail customer operations and demand for our equipment. Because the impact of any future environmental legislative, regulatory or product standard requirements on our global businesses and products is dependent on the timing and design of mandates or standards, we are unable to predict or quantify its potential impact currently.

## **Government Regulation**

Our products are subject to government regulation in the regions in which we operate. Although we believe that we have obtained the necessary approvals for the products that we currently sell, we may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change, or we may not be able to obtain regulatory approvals from countries in which we may desire to sell products in the future.

## **Credit Risk**

We have an increasing exposure to credit risk related to trade balances owing from customers. In the normal course of business, we monitor the financial condition of our customers and review the credit history of new customers to establish credit limits. We establish an allowance for doubtful accounts that corresponds to the credit risk of our customers, historical trends, and economic circumstances. Losses could be realized by us if customers default on their balances owing. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Company being unable to collect

all or portion of any money owing from such parties. Any of these factors could materially adversely affect the Company's financial and operational results.

### **Technology Risk**

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

Further, technological advancements across off-road automation are undergoing massive transformations because of digitization, creating market dynamics that are difficult to predict and keep pace with. The first technology trend shaping the next agricultural revolution is farm robotics. Robotics are improving, and their viability is being explored across the agricultural value chain, from planting to harvesting, to meat processing and grocery logistics. John Deere spent a significant amount of money last year to acquire Blue River Technology Inc., a start-up company making robots capable of identifying unwanted plants and spraying them with high-precision herbicide, reducing input costs and increasing efficiency.

The second technology trend shaping the next agricultural revolution is remote sensing. A myriad of remote sensing techniques, from in-field sensors to drones to satellite imagery, are allowing farmers to view their crops from multiple perspectives. With advances in computing and sensor technology, farmers can now get access to high-cadence, broad area coverage with field-level detail. All these provide farmers up-to-date information in real-time, so changes can be made accordingly to their crops. The final technology trend shaping the next agricultural revolution is machine learning and analytics which is being used to mine data for trends in every sector, and agriculture is no exception. These can be applied before seed planting with plant breeders. Machine learning can predict which traits and genes will be best for crop production, giving farmers the best breed for their location and climate. At the field-level, machine learning techniques that use satellite data to distinguish between crops, like corn and soy, providing valuable information for crop insurance, logistics, and commodity markets. The intersection of robotics and data from an increasingly connected farm will accelerate this trend even further.

Our software products are highly technical and complex and, when deployed, may contain errors, defects or security vulnerabilities. We must develop our products to keep pace with the rapidly changing market, and we have a history of introducing new products. Products and services as sophisticated as ours could contain undetected errors or defects, especially when first introduced or when new models or versions are released. Such occurrences could result in damage to our reputation, lost revenue, diverted development resources, increased customer service and support costs, warranty claims, and litigation. Errors, viruses, or bugs may be present in software or hardware that we acquire or license from third parties and incorporate into our products or in third party software or hardware that our customers use in conjunction with our products. Our customers' proprietary software and network firewall protections may corrupt data from our products and create difficulties in implementing our solutions. Changes to third party software or hardware that our customers use in conjunction with our software could also render our applications inoperable. Any errors, defects or security vulnerabilities in our products or any defects in, or compatibility issues with, any third party hardware or software or customers' network environments discovered after commercial release could result in loss of revenues or delay in revenue recognition, loss of customers, theft of trade secrets, data or intellectual property and increased service and warranty cost, any of which could adversely affect our business, financial condition, and results of operations. Undiscovered vulnerabilities in our products alone or in combination with third party hardware or software could expose them to hackers or other unscrupulous third parties who develop and deploy viruses, and other malicious software programs that could attack our products. Actual or perceived security vulnerabilities in our products could harm our reputation and lead some customers to return products, to reduce or delay future purchases, or use competitive products.

### **Radio Frequency Spectrum Risks**

Some of our hardware modules depends on satellite signals and on terrestrial communication bands. International allocations of radio frequency are made by the International Telecommunications Union ("ITU"), a specialized

technical agency of the United Nations. The ITU's allocations are governed by radio regulations that have treaty status and which may be subject to modification every two to three-years by the World Radio Communication Conference. Each country regulates how each band is used in the country. In the United States, the Federal Communications Commission ("FCC") and the National Telecommunications and Information Administration share responsibility for radio frequency allocations and spectrum usage regulations.

Any ITU or local reallocation of radio frequency bands, including radio frequency band segmentation and sharing of spectrum, or other modifications of the permitted uses of relevant frequency bands, may materially and adversely affect the utility and reliability of our products and have significant negative impacts on our customers, both of which could reduce demand for our products. For example, the FCC is currently considering proposals to repurpose spectrum adjacent to the GPS bands for terrestrial broadband wireless operations throughout the United States. If the FCC implements such proposals, or similar proposals, terrestrial broadband wireless operations could create harmful interference to GPS receivers within range of such operations and impose costs to retrofit or replace affected receivers.

Many of our products use other radio frequency bands, such as the public land mobile radio bands, together with the GNSS signal, to provide enhanced GNSS capabilities, such as real-time kinematics precision. Continued access to these non-GNSS radio frequencies is essential to provide enhanced GNSS products to our customers. In addition, transmissions and emissions from other services and equipment operating in adjacent frequency bands or in-band may impair the utility and reliability of our products. Any regulatory changes in spectrum allocation or in allowable operating conditions could have a material adverse effect on our business, results of operations, and financial condition.

Other countries, including China and India, are in the process of creating their own GNSS systems. The European community has developed an independent radio navigation satellite system, known as Galileo, which is scheduled to be fully operational in 2020. National or European authorities may provide preferential access to signals to companies associated with their markets, including our competitors, which could harm our competitive position. Use of non-U.S. GNSS signals may also be subject to FCC waiver requirements and to restrictions based upon international trade or geopolitical considerations. If we are unable to develop timely and competitive commercial products using these systems, or obtain timely and equal access to service signals, this could result in lost revenue. These authorities may also adopt protectionist measures favoring national companies who make use of their GNSS systems, to the detriment of AgJunction products using the U.S. GPS system, which would harm our business.

### **Future Acquisitions**

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

To the extent acquisitions occur, we expect to realize strategic and other benefits as a result of such acquisitions and expansions including, among other things, the opportunity to extend our reach in the agricultural industry and provide our customers with a wider range of products and services. However, it is impossible to predict with certainty whether, or to what extent, these benefits will be realized. Further, there can be no assurance that AgJunction will be able to identify, acquire, develop, or profitably manage additional products, or successfully integrate any acquired business, products, or technologies into our business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. Our ability to increase the scope, or change the nature of, our operations or acquire or develop additional businesses may be impacted by the cost of capital and access to credit.

Acquisitions and expansions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, unanticipated market dynamics in new agricultural markets, added political and economic risk in other jurisdictions, risks associated with new market development outside of North America, and legal liabilities, some or all of which could have a material adverse effect on AgJunction's performance. In emerging markets, some of these (and other) risks can be greater than they might be elsewhere. In addition, there can be no assurance that an increase in the scope or a change in operations at existing facilities or that acquired, or newly developed businesses, products, or technologies will achieve anticipated revenues and income. There is a risk that some or all of the expected benefits will fail to materialize or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of AgJunction.

### **Proprietary Protection**

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

### **Additional Funding Requirements**

The Company's cash flow from its operations may not be sufficient to fund its ongoing activities at all times and from time to time, the Company may require additional financing in order to carry out its activities. Failure to obtain financing on a timely basis could cause the Company to miss certain acquisition opportunities and reduce or terminate its operations. Due to global economic and political volatility, the Company may from time to time have restricted access to capital and increased borrowing costs.

To the extent that external sources of capital become limited, unavailable, or available on onerous terms, the Company's ability to make capital investments and maintain existing operations may be impaired, and its assets, liabilities, business, financial condition and results of operations may be affected materially and adversely as a result. In addition, the future development of the Company's business may require additional financing and there are no assurances that such financing will be available or, if available, will be available upon acceptable terms. Alternatively, any available financing may be highly dilutive to existing shareholders.

### **Foreign Currency Exchange Rate Fluctuations**

Sales of our products are transacted primarily in U.S. dollars. Expenses are incurred in U.S. dollars, Australian dollars, Canadian dollars, Chinese RMB and European euro and currencies of non-European Union members, and as a result, we are exposed to risk associated with those currency fluctuations.

The majority of our sales are denominated in U.S. dollars. A stronger U.S. dollar, compared to the currencies of countries where AgJunction is selling its products, makes our products more expensive to customers in those countries. As a result, a strengthening U.S. dollar could have a negative impact on sales to such countries. As our operations are expanding with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than U.S. dollars, thus exposing us to additional foreign currency risk.

### **Political Uncertainty and Tariffs**

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During its tenure, the former American federal administration withdrew the United States from the Trans-Pacific Partnership and passed sweeping tax reform, which,

among other things, significantly reduced U.S. corporate tax rates and affected the competitiveness of other jurisdictions. The former U.S. administration also took action to reduce regulation, which affected relative competitiveness of other jurisdictions.

In addition, the United States Mexico Canada Agreement (the "USMCA"), which replaced the former North American Free Trade Agreement ("NAFTA") was ratified on July 1, 2020 and may impact the Company's business.

The newly inaugurated Biden administration in the U.S. has indicated that it will roll-back certain policies of the former administration. While it is unclear which other legislation or policies of the former Trump administration will be rolled-back and if such rollbacks will be a priority of the new administration in light of the ongoing COVID-19 pandemic, any future actions taken by the new U.S. administration could have a negative impact on the Canadian and U.S. economy and on the businesses, financial conditions, results of operations and the valuation of companies, including the Company.

In addition to the changing political landscape in the United States, the impact of the United Kingdom's exit from the European Union are slowly emerging and some impacts may not become apparent for some time. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. Conflict and political uncertainty also continue to progress in the Middle East. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement, it could have an adverse effect on the Company's ability to market its products internationally, increase costs for goods and services required for the Company's operations, reduce access to skilled labour and negatively impact the Company's business, operations, financial conditions and the market value of the Common Shares.

There remains uncertainty related to the trade talks between the United States and China. Depending upon the outcome of those negotiations, tariffs may be imposed by the Chinese government on goods originating from that country. This could have a negative impact on the United States and in particular, our industry.

#### **Rollout of Direct-to-Farmer Products through Online Store**

There can be no assurance that HandsFreeFarm.com will continue to be operate efficiently or retain customer acceptance at expected levels. This risk is magnified by the Company's refined business strategy whereby AgJunction is focusing its resources on expanding its market outreach to manufacturers and suppliers through its indirect-to-farmer products, with less emphasis on its online store. If we are unable to continue to enhance existing products, and effectively market them on HandsFreeFarm.com our future results would be adversely affected.

#### **Conflicts of Interest**

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

#### **Product Liability and Warranty Claims**

The sale and use of our products entail risk of product liability and warranty claims. Although we have product liability insurance, there is no assurance that such insurance will be sufficient to cover all potential liability and warranty claims or will continue to be available on reasonable terms.

#### **New and Emerging Markets**

Many of the markets for our products are new and emerging. Our success will be significantly affected by the outcome of the development of these new markets.



## **Physical Facilities**

In addition to our facility in Scottsdale, Arizona, we have component inventory, finished goods and capital assets at a number of third-party manufacturing facilities. Tangible property at each location is subject to risk of fire, earthquake, flood and other natural acts of God. In the event of such events or acts, there could be delays in production and shipments of product due to both the loss of inventory and/or capacity to produce.

## **Litigation**

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from property damage, property taxes, patent infringement and contract disputes). The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse affect on the Company's financial condition.

## **Volatility of Market Price of Common Shares**

The market price of our Common Shares may be volatile. This volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by us or by our competitors, along with a variety of additional factors, including, without limitation, those set forth in this "*Risk Factors*" section or in the section titled "*Special Note Regarding Forward Looking Statements*".

## **Dilution**

We may make future acquisitions or enter into financings or other transactions involving the issuance of Common Shares of the Company which may be dilutive to current and future holders of our Common Shares.

## **Forward Looking Information May Prove Inaccurate**

Shareholders and prospective investors are cautioned not to place undue reliance on forward looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on risks, assumptions and uncertainties are found in the section "*Special Note Regarding Forward Looking Statements*".

## **Breach of Confidentiality**

While discussing potential business relationships or other transactions with third parties, the Company may disclose confidential information relating to the business, operations or affairs of this Company. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Company at competitive risk and may cause significant damage to its business. The harm to the Company's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Company will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

## **Income Taxes**

The Company files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada), the *Internal Revenue Code* (U.S.) and all other applicable provincial/state tax legislation.

However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Company, such reassessment may have an impact on current and future taxes payable.

### **Technology Failures or Cyber-Risks**

We rely on information technology systems to process, transmit and store electronic information. In addition, a significant portion of internal communications, as well as communication with customers and suppliers depends on information technology. Further, certain of our products depend upon GPS and other systems through which our products interact with government computer systems and other centralized information sources. The Company is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach and destruction or interruption of the Company's information technology systems by third parties or insiders. Cyber risks may be deliberate attacks for the theft of intellectual property or other sensitive information or may be the result of unintentional events. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations, disruption to our business activities or our competitive position. Further, the ongoing COVID-19 pandemic has increased the number of cyber-attacks on companies including COVID-19 phishing emails, malware-embedded mobile apps that purport to track infection rates and targeting of vulnerabilities in remote access platforms as many companies continue to operate with work from home arrangements.

The Company maintains policies and procedures that address and implement employee protocols with respect to electronic communications and electronic devices and conducts annual cyber-security risk assessments. The Company has also implemented new information technology solutions to protect Company information and systems due to employees working remotely during the COVID-19 pandemic. The Company also employs encryption protection of its confidential information on all computers and systems. Despite the Company's efforts to mitigate cyber attacks through education and training, cyber phishing activities and targeted malware attacks remain a serious problem that may damage its information technology infrastructure. The Company applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however, these controls may not be adequate or implemented properly to prevent cyber security breaches and to ensure that our operations are not disrupted. Potential consequences of a material cyber incident include damage to our reputation, litigation and increased cyber security protection and remediation costs. The significance of any such event is difficult to quantify but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition, and results of operations. The Company conducts annual network penetration testing of all systems, and then takes actions based on received results. The Company maintains cyber risk insurance to limit financial losses related to a cyber breach.

It is also possible that unauthorized access to customer data or confidential information may be obtained through inadequate use of security controls by customers, vendors, or business partners. Efforts to prevent bad actors from disrupting our services or otherwise accessing our systems are expensive to develop, implement, and maintain. Such efforts require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated and may limit the functionality of, or otherwise negatively impact, our service offering and systems.

### **Growth Management**

The Company may be subject to growth related risks including pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this potential growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

We are not aware of any proceeding that involves a claim for damages, exclusive of interest and costs, of more than 10% of our current assets. We are not aware of any (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority in the year ended December 31, 2020; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be

considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2020.

### **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, as applicable, is contained in our information circular for the most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in our financial statements and management discussion and analysis for the year ended December 31, 2020, which are available on SEDAR at [www.sedar.com](http://www.sedar.com) and are set forth in our 2020 Annual Report. Documents affecting the rights of security holders, along with additional information relating to us, may also be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## APPENDIX "A"

### AUDIT COMMITTEE MANDATE

1. **Establishment of Audit Committee:** The board of directors (the "**Board**") hereby establishes a committee to be called the Audit Committee (the "**Committee**").
2. **Membership:** The Committee shall be composed of three members or such greater number as the Board may from time to time determine, of whom the majority shall be "independent" directors as defined in National Instrument 52-110 – *Audit Committees*. Members shall be appointed periodically from among the members of the Board.
3. **Mandate:** The Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities relating to the following:
  - (a) gain reasonable assurance that risk management, Board risk oversight and internal control systems are in place and monitor their effectiveness, including those risks that could affect the reliability of financial reporting;
  - (b) the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
  - (c) the independence, selection, compensation, and performance of the Corporation's external auditors;
  - (d) adequate communication among the external auditors, management and the Board, including the resolution of disagreements between management and the external auditors regarding financial reporting;
  - (e) compliance with legal and regulatory requirements; and
  - (f) ensure that effective procedures are in place for the anonymous submission, receipt, retention and treatment of complaints and concerns regarding accounting, internal control and auditing matters.
4. **Authority:** The Committee has the authority to:
  - (a) conduct any investigation appropriate to fulfilling its responsibilities;
  - (b) recommending to the Board, the Corporation's quarterly financial results and related documents, including the quarterly press releases and MD&A prior to their release;
  - (c) have direct access to the external auditors as well as anyone in the organization; and
  - (d) retain, at the Corporation's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.
5. **Duties and Responsibilities**
  - (a) **Accounting Policies:**
    - (i) review the appropriateness of accounting policies to ensure completeness and acceptability with IFRS as part of the approval of the financial statements;
    - (ii) review with management and the external auditor any significant changes to the Corporation's accounting policies that might be material to financial reporting prior to their

adoption; and

- (iii) review with management and the external auditor the extent to which changes or improvements in financial or accounting practices, as previously reported to the audit committee, have been implemented.

**(b) Financial Information and Reporting:**

- (i) review the Corporation's annual audited financial statements and related documents, including the press release and MD&A, prior to filing or distribution and recommend their approval by the Board. Review should include discussion with management and external auditors of significant issues regarding accounting policies, practices, and significant management estimates and judgments;
- (ii) review with financial management and the external auditors, and approve, the Corporation's quarterly financial results and related documents, including the quarterly press releases and MD&A, prior to the public release;
- (iii) review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas; and
- (iv) review issues related to liquidity, plans for treasury operations, all material off-balance-sheet transactions, contingent liabilities and transactions with related parties.

**(c) External Auditor:**

- (i) following completion of the annual audit, review separately with each of management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;
- (ii) facilitate the resolution of any significant disagreements among management and the external auditors in connection with the preparation of the financial statements;
- (iii) the external auditors are ultimately accountable to the Committee and the Board, as representatives of the shareholders. The Committee shall be responsible for the selection, appointment, compensation, retention, termination and oversight of the external auditors and in such regard recommend to the board the nomination of the external auditor for approval by the shareholder;
- (iv) on an annual basis, the Committee should review and discuss with the external auditors all significant relationships they have with the Corporation that could impair the auditors' independence;
- (v) review the external auditors' audit plan - discuss and approve audit scope, staffing, locations, reliance upon management, and general audit approach;
- (vi) approve all non-audit services to be provided to the Corporation by the external auditors' firm, prior to such services being performed;
- (vii) meet regularly with the external auditors in the absence of management to determine that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- (viii) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present or former auditors;

- (ix) when there is to be a change in external auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
- (x) ensure the significant findings and recommendations made by the external auditors and management's proposed responses are received, discussed and appropriately acted on.

**(d) Internal Controls:**

- (i) periodically, in consultation with management and external auditors, consider the effectiveness of internal and disclosure controls as they relate to the Corporation's financial reporting processes. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures; and
- (ii) approve the Chair of the Board expenses to ensure compliance with the Corporation's expense policy.

**(e) Risk Oversight:**

- (i) review risk management policies and procedures of the Corporation, including litigation and insurance coverage;
- (ii) review enterprise risk and in doing so, recognizing the responsibilities delegated to other committees by the Board and understanding that the other committees may emphasize specific risk monitoring through their respective activities;
- (iii) review the development and implementation of appropriate systems to identify, monitor and mitigate significant business risks; and
- (iv) endeavour to implement an effective system for the Board to approve, in conjunction with executive management, risk tolerances and appetites for strategic objectives.

**(f) Laws & Regulations:**

- (i) on at least an annual basis, review with the Corporation's counsel any legal matters that could have a significant impact on the organization's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies; and
- (ii) Review the status of the Corporation's tax returns and those of its subsidiaries.

**(g) Personnel:**

- (i) annually consider and satisfy itself of the appropriateness of the expertise and experience of the CFO and the adequacy of the resources of the finance function; and
- (ii) review financial and accounting personnel succession planning within the organization.

**(h) Other:**

- (i) annually review the Committee's Mandate;
- (ii) periodically assess the effectiveness of the Committee against its Mandate and report the results of the assessment to the Board;

- (iii) annually review a summary of all related party transactions and potential conflicts of interest;
- (iv) review the confidential, anonymous submission of employees of the Corporation, received from the whistleblowing hotline, of concerns regarding questionable accounting, internal accounting controls, or audit matters; and
- (v) perform any other activities consistent with this Mandate, the Corporation's By-laws, and governing laws that the Board or Auditor Committee determines are necessary or appropriate.