

Consolidated Financial Statements of  
AgJunction, Inc.



Years ended December 31, 2020 and 2019

(Expressed in U.S. dollars)

## **MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING**

Management of AgJunction Inc. (“AgJunction” or the “Company”) is responsible for the preparation and the presentation of the consolidated financial statements and related information published in the annual report. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The preparation of the financial information necessarily requires the use of some estimates and judgments, such as selection and application of accounting principles appropriate to the circumstances and with due consideration to materiality. Where appropriate, management seeks and receives guidance in these matters from external legal, accounting and other advisors.

To ensure the reliability of the consolidated financial statements, management relies on the Company’s system of internal controls. Management identified a control affecting research and development cost capitalization that was not operating effectively, resulting in corrections to the previously issued quarterly financial information. The control environment has been enhanced in this area to eliminate this control issue. The accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded, and its financial records are reliable.

Management continuously monitors and adjusts the Company’s internal controls and management information systems to accommodate a changing environment while ensuring financial integrity.

The Board of Directors is responsible for overseeing management’s responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee which is comprised entirely of independent directors.

The Audit Committee meets periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management’s Discussion and Analysis, the consolidated financial statements and the external auditors’ report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

Management also recognizes its responsibility for ensuring that the Company, at all times, conducts its affairs in an ethical manner, conforming to all applicable laws and regulations, and in accordance with the highest standards of personal and corporate conduct.

Peter Newton  
Interim Chief Financial Officer  
March 24, 2021

Brett McMickell  
President & Chief Executive Officer  
March 24, 2021



RSM US LLP

## Independent Auditor's Report

To the Shareholders of AgJunction, Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the consolidated financial statements of AgJunction, Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the related consolidated statements of profits and loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in the United States of America, together with those of Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audits of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Technology Impairment Analysis*

As described in Note 3 and Note 11 to the financial statements, as a result of the economic effects of COVID-19, management determined that sufficient indicators existed to trigger the performance of an interim impairment analysis of its technology intangibles of approximately \$10 million. Accordingly, the Company performed an impairment analysis over technology intangibles by assessing the carrying amount of the asset compared to the value in use as of March 31, 2020. The Company concluded no asset impairment as of March 31, 2020.

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The technology intangibles impairment analysis was determined to be significant to our audit because the balance of the technology intangibles is material to the financial statements and the analysis is complex, highly judgmental and dependent upon assumptions. As such, auditing management's impairment analysis required a high degree of auditor judgment, subjectivity and an increased audit effort, including the use of valuation experts over significant assumptions, including future revenue growth, gross margin, operating expenses, weighted average cost of capital and capital expenditures, where minor changes to those assumptions have a significant effect on the estimated recoverable amount when calculating the value in use.

Our audit procedures related to management's technology intangible impairment analysis included the following, among others:

- We evaluated the reasonableness of management's estimates of future revenue growth, gross margin, operating expenses and capital expenditures by comparing the projections with the Company's historical results and to industry information.
- With the assistance of our valuation experts, we evaluated the reasonableness of management's valuation methodology and assumptions over the weighted average cost of capital by comparing them to external market data.

#### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, included in the Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of this auditor's report. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the United States of America and Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bradley J. Homant.



Bradley J. Homant

*RSM US LLP*

RSM US LLP  
2375 E. Camelback Road, Suite 300, Phoenix, AZ 85016

March 24, 2021

**AgJunction Inc.**

## Consolidated Statements of Financial Position

As of December 31, 2020, and 2019

(Expressed in U.S. thousand dollars, except in shares and per share data)

	December 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 5)	\$ 6,773	\$ 17,248
Accounts receivable, net (note 6)	2,051	2,793
Current portion of notes receivable, net (note 8)	320	320
Inventories (note 7)	8,694	3,743
Contract assets, net	7	-
Prepaid expenses and deposits	781	819
	<u>18,626</u>	<u>24,923</u>
Notes receivable, less current portion, net (note 8)	1,002	760
Property, plant and equipment, net (note 9)	950	1,314
Right-of-use assets (note 10)	661	1,020
Intangible assets, net (note 11)	9,957	10,333
Goodwill	143	143
	<u>\$ 31,339</u>	<u>\$ 38,493</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,901	\$ 3,540
Provisions (note 12)	352	826
Current portion of lease liability (note 10)	368	429
Current portion of deferred revenue (note 3(u))	1,288	935
	<u>4,909</u>	<u>5,730</u>
Deferred revenue, less current portion (note 3(u))	2,425	3,298
Lease liability, net of current portion (note 6)	334	702
Total liabilities	<u>7,668</u>	<u>9,730</u>
Shareholders' equity:		
Share capital (note 13)	23,495	148,495
Equity reserve	5,103	4,890
Accumulated deficit	(4,927)	(124,622)
	<u>23,671</u>	<u>28,763</u>
	<u>\$ 31,339</u>	<u>\$ 38,493</u>

See accompanying notes to consolidated financial statements.

**AgJunction Inc.**

## Consolidated Statements of Profit or Loss

Years ended December 31, 2020 and 2019

(Expressed in U.S. thousand dollars, except in shares and per share data)

	December 31, 2020	December 31, 2019
Revenue (note 16)	\$ 16,307	\$ 39,246
Cost of sales	8,316	24,561
Gross Profit	7,991	14,685
	49.0%	37.4%
Expenses:		
Research and development	4,797	6,077
Sales and marketing	2,153	4,535
General and administrative	6,245	10,529
Total Operating Expenses	13,195	21,141
Operating loss	(5,204)	(6,456)
Interest and other income	(94)	(289)
Foreign exchange (gain) loss, net	56	(19)
Loss on sale of property, plant and equipment (note 9)	139	50
Total Other (Income) Expenses	101	(258)
Net loss before income taxes	(5,305)	(6,198)
Income tax (note 17)	-	-
Net loss	\$ (5,305)	\$ (6,198)
Loss per share:		
Basic and diluted (loss) per share (note 15)	\$ (0.04)	\$ (0.05)

See accompanying notes to consolidated financial statements.



**AgJunction Inc.**

## Consolidated Statements of Changes in Equity

Years ended December 31, 2020 and 2019

(Expressed in U.S. thousand dollars, except in shares and per share data)

	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at January 1, 2019	\$ 148,475	\$ 4,892	\$ (118,424)	\$ 34,943	119,085
Net (loss)	-	-	(6,198)	(6,198)	-
Share-based payment transactions (note 3(m))	-	(2)	-	(2)	-
Exercise of stock options to purchase common shares (note 3(m))	-	-	-	-	5
Exercise of non-vested restricted share awards (note 3(m))	20	-	-	20	45
Cancellation of non-vested restricted share awards (note 3(m))	-	-	-	-	(2,062)
Balance at December 31, 2019	\$ 148,495	\$ 4,890	\$ (124,622)	\$ 28,763	117,073
Net (loss)	-	-	(5,305)	(5,305)	-
Share-based payment transactions (note 3(m))	-	213	-	213	-
Issue of restricted stock awards, net of cancellations (note 3(m))	-	-	-	-	4,019
Reduction in stated capital (note 3(m))	(125,000)	-	125,000	-	-
Balance at December 31, 2020	\$ 23,495	\$ 5,103	\$ (4,927)	\$ 23,671	\$ 121,092

See accompanying notes to consolidated financial statements.

**AgJunction Inc.**

## Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(Expressed in U.S. thousand dollars, except in shares and per share data)

	2020	2019
Cash flows used in operating activities:		
Net (loss) income	\$ (5,305)	\$ (6,198)
Items not involving cash:		
Depreciation (note 9)	705	1,216
Amortization (note 11)	2,096	1,677
Share-based payment transactions (note 13)	213	(2)
Allowance loss on trade receivables (note 6)	-	3
Recovery (write down) of reserve for slow moving and obsolete inventories (note 7)	-	(363)
(Gain) loss on disposal of property, plant and equipment (note 9)	140	50
Change in operating working capital:		
Accounts receivable (note 6)	242	5,712
Inventories (note 7)	(4,951)	2,363
Contract assets	(7)	243
Prepaid expenses and deposits	38	467
Accounts payable and accrued liabilities	(639)	(4,960)
Provisions (note 12)	(474)	(173)
Contract liabilities	-	(180)
Deferred revenue	(519)	(934)
Cash flows (used in) provided by operating activities:	(8,461)	(1,079)
Cash flows used in financing activities:		
Issue of share capital (note 13)	-	20
Interest payments on notes receivable	-	6
Interest payments on lease liabilities (note 10)	(43)	(66)
Paycheck Protection Program Loan proceeds	1,540	-
Paycheck Protection Program Loan repayment	(1,540)	-
Principal payments on lease liabilities (note 10)	(386)	(654)
Cash flows (used in) provided by financing activities:	(429)	(694)
Cash flows used in investing activities:		
Principal payments received on notes receivable (note 8)	258	259
Purchase of property, plant and equipment (note 9)	(123)	(612)
Intangible asset addition, net (note 11)	(1,720)	(2,024)
Cash flows (used in) provided by investing activities:	(1,585)	(2,377)
Decrease in cash and cash equivalents	(10,475)	(4,150)
Cash and cash equivalents, beginning of period	17,248	21,398
Cash and cash equivalents, end of period	\$ 6,773	\$ 17,248

See accompanying notes to consolidated financial statements.

## **AgJunction Inc.**

### Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019

(Expressed in U.S. thousand dollars, except where noted)

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#### **1. Reporting entity:**

AgJunction Inc. (the "Company") is a publicly traded company listed on the Toronto Stock Exchange under the ticker symbol "AJX", domiciled in Canada with its primary office located at 9150 E. Del Camino Drive, Suite 115, Scottsdale, Arizona. AgJunction Inc. is a leading provider of innovative hardware and software solutions for precision agriculture worldwide. The Company holds fundamental steering and machine control patents and its autosteering and machine control solutions are critical components in over 30 of the world's leading precision Ag manufacturers and solution providers. The consolidated financial statements of the Company as of and for the years ended December 31, 2020 and 2019 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2021.

In March 2020, the World Health Organization declared the COVID-19 a global pandemic. COVID-19 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 mandate 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.

The COVID-19 pandemic continues to create uncertainty in future financial performance due to factors such as: uncertainty around governmental policies (health, monetary, and fiscal), supply disruptions, delays and cancellations of customer programs, continued travel restrictions and geopolitical tensions in the regions in which we do business. We are unable to quantify all potential impacts this pandemic may have on our future financial performance.

#### **2. Basis of preparation:**

##### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 2

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

## 2. Basis of preparation (continued):

### (b) Basis of measurement:

The consolidated financial statements have been prepared on the going concern and historical cost basis except for non-derivative financial assets at fair value through profit and loss.

### (c) Functional and presentation currency:

These consolidated financial statements are presented in United States dollars, the Company's functional currency.

### (d) Reclassification of Prior Year Presentation:

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

### (e) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Some of the significant estimates and assumptions used in preparing the consolidated financial statements are as follows:

#### (i) Allowance for doubtful accounts (note 6):

The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay balances owing to the Company. This allowance is determined based on a review of customers, historical experience and economic circumstances.

#### (ii) Deferred tax assets (note 17):

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and other tax assets, to the extent future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses and other tax assets can be utilized. Changes in the timing of the reversals of temporary differences and potential changes of the income tax rates applicable in future years could result in significant differences between the estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

#### (iii) Goodwill impairment (note 21):

The Company has a single cash-generating unit ("CGU"), the agricultural business unit which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Goodwill impairment is determined by assessing the recoverable amount of the assets or CGU to which the asset relates. The recoverable amount of an asset or CGU is the greater of fair value less cost to sell and the value in use.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 3

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

## 2. Basis of preparation (continued):

Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one CGU. The value in use of the CGU is determined using a “discounted cash flow” model, consistent with recognized valuation methods. The most significant assumptions underlying the model prepared by Management include revenues, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions include estimates of future market share, competition, technological developments, interest rates, and market trends. Assumptions incorporated into the discounted cash flow model reflect Management’s long-term view of the Company’s business and the markets in which it competes.

Impairment losses are measured as the difference between the carrying amount of the goodwill and its recoverable amount. The Company did not recognize an impairment loss on goodwill for the years ended December 31, 2020 and 2019.

### (iv) Inventory obsolescence (note 7):

Inventory is measured at the lower of cost or net realizable value. The Company evaluates inventory based on movement over an 18 month period classifying inventory as active, slow-movement or zero-movement. Items classified as zero-movement are deemed obsolete and are estimated to have no value. Items classified as slow-moving are valued based on historical cost recovery rates.

### (v) Provisions (note 12):

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

### (vi) Share-based payments (note 13):

Share-based payments are measured at fair value at the date of grant. Fair value is measured by using a Black Scholes option pricing model, taking into account the terms and conditions upon which the equity instruments were granted as well as management’s best estimate of the expected life of such share options. The following inputs are utilized in determining the fair value of share-based payments: The Company’s share price at issuance; share option exercise price; weighted average volatility; interest rate; and expected life.

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 4

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

## 3. Significant accounting policies (continued):

### (a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company transactions, balances and unrealized gains or losses on inter-company transactions have been eliminated upon consolidation. AgJunction LLC (formerly Hemisphere GPS LLC), AgJunction AUS Pty Ltd. (formerly Hemisphere AUS Pty Ltd.), Novariant, Inc., and AgJunction Machinery (Shanghai) Ltd. are wholly owned operating subsidiaries of the Company.

### (b) Foreign currency translation:

Under IFRS, functional currency of each entity in the Company is determined separately in accordance with the indicators as per International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates, and should be measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Based on IAS 21, the functional currency of the Company and its subsidiaries is determined to be the United States dollar.

Foreign currency transactions denominated in other than United States dollars are translated into the functional currency on the following basis:

- (i) Monetary assets and liabilities are translated at the rates of exchange prevailing at statement of financial position date.
- (ii) Non-monetary assets, liabilities and related depreciation expenses that are measured at historical cost are translated using the exchange rate at the date of the transaction.
- (iii) Income and expenses for each statement of profit or loss presented are translated at average exchange rates during the month in which they are recognized.

Exchange differences resulting from the settlement of foreign currency transactions and the gain or loss due to remeasurement of assets and liabilities held in foreign currencies are recognized directly in the “foreign exchange (gain) loss, net” line item of the consolidated statement of profit or loss in the period in which incurred.

### (c) Financial instruments:

#### (i) Non-derivative financial assets:

The Company initially recognizes trade and other receivables and deposits on the date they originate. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 5

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets not held at amortized cost into the following categories: financial assets at fair value through profit or loss ("FVTPL") or held-to-maturity financial assets and receivables.

Financial assets at fair value through profit or loss ("FVTPL"):

Financial assets designated as FVTPL are stated at fair value with the gain or loss recognized in the consolidated statement of profit or loss. The net gain or loss recognized incorporates any interest earned on the financial asset.

Held-to-maturity financial assets:

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The Company classifies short-term investments as held-to-maturity financial assets.

The Company's financial assets measured at amortized cost include cash, trade and other receivables, notes receivable and prepaid assets.

Accounts Receivables:

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period.

Trade receivables are defined as receivables to the Company resulting from credit sales to its customers and/or suppliers. The Company elected to apply the practical expedient to trade receivables which do not have a significant financing component as the expected term is less than one year on trade receivables. The Company evaluates the potential for credit loss using an Expected Credit Loss (ECL) model which categorizes trade and notes receivable in one of three credit stages at initial recognition. The Company has chosen to apply the practical expedient to accounts and notes receivable items with low credit risk.

The Company has classified trade receivables and other receivables as accounts receivable. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 6

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

Notes Receivable:

Notes Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The Company excludes adjustment for potential credit loss from the effective interest method calculation because credit losses are evaluated and reserved against independently. Any impairment resulting from an evaluation is reserved for in accordance with the company's reserve policy. The Company evaluates the potential for credit loss using an Expected Credit Loss (ECL) model which categorizes accounts and notes receivable in one of three credit stages at initial recognition.

(ii) Non-derivative financial liabilities:

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date that they are originated. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire. The Company has classified accounts payable and accrued liabilities as non-derivative financial liabilities.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(d) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand. The cash on hand is denominated in Canadian dollars (CDN \$), United States dollars (US \$), Australian dollars (AUS \$), Chinese Yuan (RMB ¥) and Euros (EUR €). The Company holds cash on hand with Canadian, United States, Australian and Chinese chartered banks.

(e) Revenue recognition:

The Company has three categories of revenue from contracts with customers including sales to customers, non-recurring engineering ("NRE") and royalty revenue.

Revenue generated from the sale of equipment and extended warranty programs is based on product sales prices is determined based on cost of component parts, shipping, assembly labor and market conditions. The Company may include variable consideration in contracts with customers which could include volume or other discounts and/or the right of return. Volume and other discounts are determined by company policy and sales and marketing promotions.



# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 7

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

When a customer has the right to return a product, the Company will ship a new product to the customer or will refund the purchase price. Revenue from the sale of equipment is recognized when control passes to the customer (shipment) and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances are recorded at the time control passes to the customer (shipment) and are based upon contract terms and anticipated claims. Revenue from sale of software relates mainly to perpetual licenses, which provide the customer with the right to use the licensed products.

Revenues from the sale of extended service programs are recorded as deferred revenue at the time the extended service is invoiced and are recognized on a pro-rata basis over the extended service period.

The Company recognizes sales-based or usage-based royalty revenue when the Company satisfies its performance obligations, as identified in the agreement, over the contractual term. Royalty revenue is located within the Revenue line of the Consolidated Statements of Profit or Loss.

NRE agreements fall into one of three categories, software upgrades, equipment prototype design ("hardware"), and feature code development. The contract price is determined based on material and labor costs incurred to develop and/or build the product and company resources, including facility and storage, used or allocated to the product.

Revenue generated from software upgrade NRE is recognized upon delivery of the software upgrade to the customer. Revenue generated from equipment prototype design and feature code development NRE is initially deferred and later recognized on a pro-rata basis as new equipment or feature codes connected with those NRE agreements are purchased.

Costs related to NRE agreements under all three categories are capitalized as a contract asset as the expenses are incurred, not to exceed contractual NRE billings. Capitalized expenses include amounts paid to external vendors as well as internal labor costs. Contract assets related to software upgrades are fully expensed upon delivery of the software upgrade to customers. Contract assets related to equipment prototype design and feature code development are expensed on a pro-rata basis as new equipment or feature codes connected with those NRE agreements are purchased. This requires an estimate of future sales of related hardware and feature codes. Capitalized expenses related to these NRE agreements are represented as net contract assets on the Consolidated Statements of Financial Position and total \$7 as of December 31, 2020 and Nil in 2019.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 8

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

Revenue by Source	2020	2019
Product Sales to Customer	\$ 14,661	\$ 37,370
Royalty	1,115	1,116
NRE	531	760
Total Revenue	\$ 16,307	\$ 39,246

Deferred royalty revenue is represented as net of current and long-term Deferred Revenue on the Consolidated Statements of Financial Position and total \$3,713 and \$4,233 as of December 31, 2020 and 2019, respectively. The Company received payments for royalties of \$1,361 in the current year, which has been classified as cash flows from operations.

(f) Inventories:

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price less estimated costs of completion and selling expenses. Cost, which is based on the most recent purchase order price, includes expenditures incurred in acquiring stock and bringing it to its existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of overheads attributable to manufacturing, based on normal operating capacity.

(g) Property, plant and equipment:

Property, plant and equipment is measured at cost less accumulated depreciation and impairments. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

The carrying amounts of property, plant and equipment are depreciated from the date of acquisition to their estimated residual value over the estimated useful lives of the assets.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges.

Depreciation is charged from the date of acquisition of an asset and is provided at the following annual rates:

Assets	Method	Rate
Buildings and leasehold improvements	straight-line	4 – 20 years
Computer equipment and software	declining balance	30%
Office and production equipment	declining balance	20% - 30%
Licenses and other assets	straight-line	2 – 10 years

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 9

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

(h) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and impairments. The carrying value of intangible assets is amortized over the estimated useful lives based on management's best estimates. Estimates of the useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining amortization charges.

Assets	Rate
Trademarks and brands	20 years
Technology	5 – 10 years
Internally developed intangibles	3 – 5 years

(i) Goodwill:

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that such carrying value may be impaired.

The Company has a single CGU, the agricultural business unit, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes based on the Company's primary reporting format determined in accordance with IFRS 8, Operating Segments.

(j) Impairment:

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the assets or CGU to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of fair value less cost to sell and the value in use.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 10

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

An impairment loss is measured as the difference between the carrying amount of the goodwill and its recoverable amount. Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one cash generating unit, relevant multiples, and peer transactions. Value in use is determined using a detailed discounted cash flow analysis using management's estimates, including a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognized in respect of the CGU are allocated first to reduce the carrying amount of any goodwill of the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Where intangible assets have been allocated to the CGU and part of the operation within the CGU is disposed of, the intangible assets associated within the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Intangible assets disposed of in such cases are measured based on the relative values of the operation disposed of and the portion of the CGU retained.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, an impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount and an impairment loss is reversed, however, the increased carrying amount shall not exceed the carrying value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

#### (k) Research and development:

Expenditures on research activities are recognized under the Research and Development line item in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

An internally generated intangible asset arising from product development is recognized only when the company can demonstrate all of the following conditions are met:

- (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale
- (ii) its intention to complete the intangible asset and use or sell it
- (iii) its ability to use or sell the intangible asset
- (iv) if the intangible asset will generate probable future economic benefits
- (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 11

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

- (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development

Internally generated intangible assets are amortized on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Capitalized expenses include the cost of material, direct labor, direct overhead and outsourcing costs directly attributable to preparing the asset for its intended use.

#### (l) Earnings per share:

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of ordinary shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of ordinary shares in issue during the period plus the weighted average number of dilutive potential shares resulting from share options where the inclusion of these would not be antidilutive.

#### (m) Share-based payments:

The Company awards share options to certain directors, officers, employees, consultants and agents of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. Share options are measured at fair value at the date of grant. Fair value is measured by using the Black Scholes option pricing model, taking into account the terms and conditions upon which the equity instruments were granted and also based on management's best estimate of the expected life of such share options. The fair value of such awards is expensed over the vesting period with a corresponding increase in reserve under equity. Upon exercise of share options, proceeds received are credited to share capital. Upon cancellation of RSAs, the fair value expense of such awards is reversed in the period of cancellation.

The Company has a restricted share award ("RSA") plan. The Company may award RSAs to certain directors, officers, and employees of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. RSAs are measured at fair value at the date of grant, taking into account the terms and conditions upon which the equity instruments were granted and also based on management's best estimate of the expected life of such restricted share awards.

Based on a specified period of service, RSAs under this plan vest over a period of one to four years and the fair value of such awards is expensed over the vesting period with a corresponding increase in reserve under equity. From their issue date, the holders of RSAs have voting rights and are entitled to dividends equivalent to common shareholders.

As of December 31, 2020, 3,182 (2019 – 399) RSAs were held by senior management and certain members of the Board of Directors.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 12

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

#### (n) Income taxes:

Income taxes comprise both current tax and deferred tax. Income tax is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity. Current income tax is the tax expected to be payable on the taxable profit for the period, using tax rates enacted or substantively enacted by the reporting date.

Deferred taxes are recognized on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and other tax assets, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses and other tax assets can be utilized. Deferred tax is calculated using the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and laws enacted, or substantively enacted, by the reporting date.

#### (o) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Provisions for obsolete inventory are based on management's best estimates which consider a variety of factors that may affect the carrying values of inventories. These factors include, but are not limited to, market demand, technology and design changes. A provision for warranty is recognized when the underlying products and services are sold. Warranty provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Where the time effect of money is material, significant provision balances are discounted to current values using appropriate pre-tax discount rates. The unwinding of the discount is recorded as finance cost under general and administrative expenses.

#### (p) Vacation pay:

Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at period end.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 13

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

#### (q) Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

#### (r) Leased assets and lease liabilities:

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 14

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

The lease liability is subsequently measured at amortized cost using the effective interest method, and is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. The Company has elected not to separate non-lease components associated with leased property and account for the lease and associated non-lease components as a single lease component.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including a storage unit, combines, and a postage meter. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets that do not meet the definition of investment property are classified as Right-of-use assets in the condensed consolidated statement of financial position.

Leases of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

#### (s) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

The operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company sells its products within the Agriculture market and reports associated revenue and expense under this one business segment.



# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 15

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

### 3. Significant accounting policies (continued):

#### (t) Restructuring costs:

A provision for restructuring is recognized when it is material, and the restructuring plans have been approved and announced before the reporting date. Restructuring costs are recognized in the consolidated statement of profit or loss within operating income (loss). These costs mainly involve the outsourcing of manufacturing costs, termination and severance benefits, legal and consulting fees, redundancy costs and scrapping of property and equipment as well as other costs that are directly related to the restructuring plan and that provide no benefit to the ongoing operations.

### 4. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (a) Derivatives:

The fair value of forward exchange contracts is based on their listed market price, if available. There were no derivatives held as of December 31, 2020 and 2019.

#### (b) Share-based payment transactions:

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience of forfeiture rates), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

#### (c) Notes Receivable:

The fair value of notes receivable is measured at amortized value.

#### (d) Goodwill:

Refer to note 21.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 16

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

## 5. Cash and cash equivalents:

	December 31, 2020	December 31, 2019
Cash on hand		
US \$	\$ 6,600	\$ 16,747
AUS \$	-	492
Other currencies	173	9
<b>Cash and cash equivalents</b>	<b>\$ 6,773</b>	<b>\$ 17,248</b>

## 6. Accounts receivable:

	December 31, 2020	December 31, 2019
Trade	\$ 1,943	\$ 1,535
Other receivable	177	1,314
Allowance for doubtful accounts	(69)	(56)
<b>Total Accounts Receivable</b>	<b>\$ 2,051</b>	<b>\$ 2,793</b>

The other receivable line items above includes income tax receivable of \$159 for the year ended December 31, 2019 which related to refundable alternative minimum tax credits paid in prior years. Due to legislation passed on December 22, 2017, the realization of these credits became probable and accordingly, a receivable was recorded.

## Aging of receivables that are past due but not impaired

	December 31, 2020	December 31, 2019
1 to 30 days	\$ 8	\$ 65
31 to 60 days	352	50
61 to 90 days	16	-
Over 90 days	474	337
	<b>\$ 850</b>	<b>\$ 452</b>

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 17

Years ended December 31, 2020 and 2019  
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## 6. Accounts receivable (continued):

### Reconciliation of changes in the allowance for doubtful accounts:

	December 31, 2020	December 31, 2019
Balance beginning of year	\$ 56	\$ 53
Provisions	21	35
Accounts receivable written off (recovered)	(8)	(32)
	\$ 69	\$ 56

## 7. Inventories:

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

	December 31, 2020	December 31, 2019
Finished Goods	\$ 4,056	\$ 1,768
Raw Materials	4,638	1,975
	\$ 8,694	\$ 3,743

During the year ended December 31, 2019, the Company recorded recovery of finished goods and raw materials to net realizable value in the amount of \$363 which was recognized in the cost of sales line item of the consolidated statement of profit or loss.

## 8. Notes Receivable:

On November 15, 2018, the Company closed the sale of certain assets and liabilities of its SATLOC® aerial guidance and flow control business to Texas Transland, LLC ("Transland") for cash of \$1,480 and a note receivable of \$1,422. The note is payable in equal installments over a five year period commencing December 2018. The note is carried at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. Interest income relating to the Satloc note, calculated using the effective interest method is \$178.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 18

Years ended December 31, 2020 and 2019  
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## 8. Notes Receivable (continued):

During the year ended December 31, 2020, the Company determined amounts due from a royalty agreement and note receivable entered into in July 2018 would be received more than 12 months from the balance sheet date. Historically, amounts associated with the note were classified as Current Assets, and included in accounts receivable, as it was management's assessment that amounts would be received within 12 months from the date of the balance sheet. Management assessment of estimated payment dates have changed due to the impacts of the COVID-19 pandemic resulting in a reclassification from Current Assets to Notes receivable. The amount outstanding of \$500 at December 31, 2020 represents the final payment due in 2024. Payments on the note may be made prior to 2024 if certain targets are met in agreement with the royalty agreement.

## 9. Property, plant and equipment:

	Building and leasehold improvements	Computer equipment and software	Office and production equipment	Licenses and other assets	Total
Balance at December 31, 2019	\$ 117	\$ 645	\$ 1,869	\$ 25	\$ 2,656
Additions	19	55	49	-	123
Transfers	-	-	-	-	-
Disposals	(1)	(285)	(305)	(24)	(615)
Balance at December 31, 2020	\$ 135	\$ 415	\$ 1,613	\$ 1	\$ 2,164
<b>Accumulated depreciation</b>					
Balance at December 31, 2019	\$ 91	\$ 336	\$ 901	\$ 14	\$ 1,342
Depreciation	15	74	256	2	347
Transfers	-	-	-	-	-
Disposals	-	(222)	(238)	(15)	(475)
Balance at December 31, 2020	\$ 106	\$ 188	\$ 919	\$ 1	\$ 1,214
<b>Carrying amount</b>					
Balance at December 31, 2019	\$ 26	\$ 309	\$ 968	\$ 11	\$ 1,314
Balance at December 31, 2020	\$ 29	\$ 227	\$ 694	\$ -	\$ 950

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 19

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

## 9. Property, plant and equipment (continued):

	Building and leasehold improvements	Computer equipment and software	Office and production equipment	Licenses and other assets	Total
Balance at December 31, 2018	\$ 182	\$ 796	\$ 1,589	\$ 24	\$ 2,591
Additions	-	109	502	1	612
Transfers	-	-	-	-	-
Disposals	(65)	(260)	(222)	-	(547)
Balance at December 31, 2019	\$ 117	\$ 645	\$ 1,869	\$ 25	\$ 2,656
<b>Accumulated depreciation</b>					
Balance at December 31, 2018	\$ 133	\$ 447	\$ 862	\$ 13	\$ 1,455
Depreciation	23	97	219	1	340
Transfers	-	-	-	-	-
Disposals	(65)	(208)	(180)	-	(453)
Balance at December 31, 2019	\$ 91	\$ 336	\$ 901	\$ 14	\$ 1,342
<b>Carrying amount</b>					
Balance at December 31, 2018	\$ 49	\$ 349	\$ 727	\$ 11	\$ 1,136
Balance at December 31, 2019	\$ 26	\$ 309	\$ 968	\$ 11	\$ 1,314

During 2020 and 2019, the Company disposed of fixed assets no longer required for the ongoing operations of the business for a loss of \$140 and a loss of \$50, respectively, as noted in the consolidated statement of profit or loss.

## 10. Leases:

The Company leases assets including office space, printers, copiers, security system, and a mailing system. Information about leases for which the Company is a lessee is presented below.

	Office Space	Equipment	Total
Balance at January 1, 2020	\$ 962	\$ 58	\$ 1,020
Lease Additions	-	-	-
Depreciation change for the period	(333)	(25)	(358)
Balance, December 31, 2020	\$ 629	\$ 33	\$ 661

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 20

Years ended December 31, 2020 and 2019  
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## 10. Leases (continued):

	2020	2019
Maturity analysis - contractual undiscounted cash flows		
Less than one year	\$ 393	\$ 472
One to five years	345	738
Total undiscounted lease liabilities at December 31	\$ 738	\$ 1,210
Current	\$ 368	\$ 429
Non-current	334	702
Lease liabilities included in the statement of financial position at December 31	\$ 702	\$ 1,131

### Amounts recognized in profit or loss

	2020	2019
Interest on lease liabilities	\$ 43	\$ 66
Depreciation of right-of-use asset	358	832
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	5	1
Total amount recognized in profit and loss	\$ 406	\$ 899

### Amounts recognized in the statement of cash flows

	2020	2019
Total cash outflow for leases	\$ 429	\$ 654

### Real estate leases

The Company leases office space typically for periods of 3-7 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some leases require the Company to make payments that relate to the property taxes levied on the lessor and utility charges paid by the lessor.

Some leases of office space contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include the extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Company does not expect to exercise any extension options.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 21

Years ended December 31, 2020 and 2019  
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## 10. Leases (continued):

### Lease cancellation

The company announced the closure of its Brisbane, Australia and Fremont, California facilities on April 10, 2019. The company had five leases, three facility leases and two printer leases, which are associated with closure of the Fremont and Brisbane facilities. The Company retained use and access to the Fremont office facility through the lease expiration date of June 30, 2020 all other leases associated with the closure of the Brisbane and Fremont locations were terminated as of December 31, 2019.

Upon lease termination, fees associated with the lease cancellation, such as negotiation costs, relocation costs or termination penalties including costs associated with returning the asset in a contractually specified condition or contractually specified location are the responsibility of the lessee.

### Other leases

The Company leases printers, a security system and a mailing system, with lease terms of 1 to 4.5 years. In some cases, the Company has options to purchase the assets at the end of the contract term; in other cases, it guarantees the residual value of the leased assets at the end of the contract term.

The Company monitors the use of these assets and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets. The Company does not have any residual value guarantees as of December 31, 2020.

The Company also leases a storage unit, postage meter and security system with contract terms no longer than 3 years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

## 11. Intangible assets:

The Company incurs research and development expenses during the general course of business to enhance existing products by increasing and/or extending the functionality and/or performance of existing products or to create new products.

During 2020, the Company capitalized \$1,720 in development costs (2019 - \$2,024). This capitalization is captured on the Intangible assets line under the assets section on the Consolidated Statements of Financial Position. Amortization of \$2,096 (2019 - \$1,677) is included within the Research and development line within the Consolidated Statements of Profit or Loss.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 22

Years ended December 31, 2020 and 2019  
(Expressed in U.S. thousand dollars, except where noted)

## 11. Intangible assets (continued):

	Total
Balance at December 31, 2019	\$ 16,982
Internally development intangibles	1,720
Balance at December 31, 2020	\$ 18,702

### Accumulated amortization

Balance at December 31, 2019	\$ 6,649
Amortization	2,096
Balance at December 31, 2020	\$ 8,745

### Carrying amount

Balance at December 31, 2019	\$ 10,333
Balance at December 31, 2020	\$ 9,957

	Total
Balance at December 31, 2018	\$ 14,958
Internally development intangibles	2,024
Balance at December 31, 2019	\$ 16,982

### Accumulated amortization

Balance at December 31, 2018	\$ 4,972
Amortization	1,677
Balance at December 31, 2019	\$ 6,649

### Carrying amount

Balance at December 31, 2018	\$ 9,986
Balance at December 31, 2019	\$ 10,333



# AgJunction Inc.

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Years ended December 31, 2020 and 2019  
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## 12. Provisions:

	Warranty	Restructuring	Total
<b>Balance at December 31, 2019</b>	\$ 826	\$ 200	\$ 1,026
Provisions made during the year	659	-	659
Provisions used during the year	(1,133)	(200)	(1,333)
<b>Balance at December 31, 2020</b>	\$ 352	\$ -	\$ 352

  

	Warranty	Restructuring	Total
<b>Balance at December 31, 2018</b>	\$ 999	\$ -	\$ 999
Provisions made during the year	194	1,948	2,142
Provisions used during the year	(367)	(1,748)	(2,115)
<b>Balance at December 31, 2019</b>	\$ 826	\$ 200	\$ 1,026

The provision for warranties relates mainly to products sold during the years ended December 31, 2020, and 2019. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

In February 2019, the Company identified performance issues with a single model of a high-volume product which is produced under an OEM supply agreement. The Company immediately halted production and shipment of the product and conducted a Root Cause Analysis which determined that a single connector could fail in certain circumstances once the product was put into use in the field. Based on management's estimate of remediation costs per unit, a warranty provision of \$422 was recorded as of December 31, 2018 which related to units that had shipped in 2018 and have been or could be impacted. During the quarter ended March 2019 an additional \$77 provision was recorded for warranty costs related to units that were manufactured and shipped late 2018 and in 2019.

During the fourth quarter of 2020 an agreement was reached with a third-party company that had supplied previous warranty work in which they agreed to absorb all remaining warranty issues related to this issue and any other warranty issues with this product.

## 13. Share capital:

### (a) Authorized:

Unlimited common shares

Unlimited first preferred shares, issuable in series

Unlimited second preferred shares, issuable in series

### (b) Issued:

Issued share capital consists of 121,092 common shares at \$23,495.

### (c) Par value:

No par value.

# AgJunction Inc.

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Years ended December 31, 2020 and 2019  
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## 13. Share capital (continued):

- (d) As approved by the shareholders at the Company's Annual General Meeting held on June 4, 2020, the stated capital of the Company's common shares was reduced to \$23,495 effective June 4, 2020. The reduction of share capital was applied to the deficit which was reduced by \$125,000.
- (e) The Company has a share option plan, whereby options to purchase common shares may be issued at market price to directors, officers, employees, key consultants and agents of the Company subject to certain terms and conditions. The Company also has a restricted share award plan, whereby common shares may be issued at market price to directors, officers, and employees of the Company subject to certain terms and conditions. The Company's shareholders have approved the combined issuance of total share options and restricted share awards with a rolling maximum limit equal to 13% of outstanding common shares. Share options granted vest over a period of two to five years and expire at various dates through to 2020. Restricted share awards granted vest over a period of one to four years and have no expiration date.
- (f) During the year ended December 31, 2020, the Company recorded (\$9) (2019 – \$64) as share-based compensation expense relating to options and a reduction to share based compensation of \$224 related to cancellation of RSA's in 2020 (2019 - \$62).
- (g) The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model. There were no option grants in 2020 or 2019.

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

Twelve Months Ended (share price in CAD)	December 31, 2020		December 31, 2019	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Total options outstanding, beginning of period	2,878	\$ 0.55	7,313	\$ 0.55
Granted	-	-	-	-
Exercised	-	-	(5)	0.50
Expired or cancelled	(504)	0.59	(4,430)	0.53
Share options outstanding, end of period	2,374	\$ 0.37	2,878	\$ 0.55

# AgJunction Inc.

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Years ended December 31, 2020 and 2019  
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## 13. Share capital (continued):

(share price in CAD)	Options outstanding			Options exercisable	
	Number outstanding at December 31, 2020	Weighted average remaining contractual	Weighted average exercise price	Number exercisable at December 31, 2020	Weighted average exercise price
Range of exercise prices outstanding					
\$0.50 - \$1.00	2,374	11	\$ 0.37	1,944	\$ 0.39

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

### Twelve Months Ended

(share price in CAD)	December 31, 2020		December 31, 2019	
	Number of RSAs	Weighted average grant price	Number of RSAs	Weighted average grant price
Total RSAs outstanding,				
beginning of period	589	\$ 0.81	3,525	\$ 0.76
Granted	4,318	0.53	-	-
Exercised	(157)	0.37	(874)	0.70
Expired or cancelled	(479)	0.61	(2,062)	0.74
RSAs outstanding,				
end of period	4,271	\$ 0.57	589	\$ 0.81

The restricted share awards outstanding as of December 31, 2020 have a weighted average remaining vesting life of 55 months and vest over the years 2020 through 2025.

# AgJunction Inc.

Notes to the Consolidated Financial Statements, page 26

Years ended December 31, 2020 and 2019  
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## 14. Expenses by nature from continuing operations:

Operating results include the following items:

	2020	2019
Salaries and employee benefits	\$ 7,791	\$ 11,175
Defined contribution expenses	133	\$ 323
Share based payment expenses	(79)	\$ 1,348
Directors fees, cash portion	195	\$ 174
Amortization and depreciation expense	2,800	\$ 2,692
Consulting expenses	269	\$ 257
Travel and related expenses	70	\$ 164
Software, information technology and licensing expenses	822	\$ 872
Legal expenses	808	\$ 472
Lease payments recognized as expense	75	\$ 89
Advertising and promotional expenses	134	\$ 389
Insurance expense	220	\$ 314
Communication expenses	55	\$ 97
External audit fees	200	\$ 357
Public company expenses	157	\$ 339
Other corporate overhead expenses	1,082	\$ 1,036
Inventories recognized as costs of sales	4,753	\$ 19,787
Site Closure Expenses	-	\$ 1,948
Other costs of sales	2,026	\$ 3,868
	\$ 21,511	\$ 45,701

## 15. Earnings (Loss) per share

The calculation of basic and diluted loss per share from operations was based on the earnings (loss) attributable to ordinary shareholders of (\$5,305) (2019 – loss of \$6,198).

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

	2020	2019
Opening balance January 1	117,948	119,085
Issue (forfeitures) of restricted share awards, net	3,144	(1,137)
	121,092	117,948

# AgJunction Inc.

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Years ended December 31, 2020 and 2019  
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## 15. Earnings (Loss) per share (continued):

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

	2020	2019
Opening balance January 1	117,948	119,085
Issue (forfeitures) of restricted share awards, net	3,144	(1,137)
Effect of dilutive share options not exercised	-	-
	121,092	117,948

At December 31, 2020, 3,432 share options (2019 – 7,209) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

## 16. Entity-wide disclosure:

Revenue by operating segment:

(000's)	2020	2019
Agriculture	\$ 16,307	\$ 39,246

Revenue by geographic region:

(000's)	2020	2019	Change
Americas	\$ 11,851	\$ 13,554	(12.6%)
APAC	1,436	582	146.7%
EMEA	3,020	25,110	(88.0%)
	\$ 16,307	\$ 39,246	(58.4%)

Two customers each individually account for over 10 percent of Company total revenue. One customer approximates 10% or \$1,592 (2019 - 62% or \$24,062) of total revenue and is included in the EMEA geographic region. The other customer approximates 49% or \$7,910 (2019 - 25% or \$9,803) of total revenue and is included in the Americas geographic region

Non-current assets by geographic region:

	2020	2019
Americas	\$ 12,213	\$ 13,570
	\$ 12,213	\$ 13,570

# AgJunction Inc.

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Years ended December 31, 2020 and 2019  
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## 17. Income taxes:

The Company is taxable in multiple jurisdictions, each with varying tax rates, tax regulations, and tax structures. This results in a blended effective income tax rate. Accordingly, the income tax expense recorded on the Consolidated Statements of Profit or Loss varies from the amount that would be computed by applying the combined Canadian Federal and Provincial income tax rate of 24% (2019 – 25%). The Rate Reconciliation schedule below summarizes these differences.

Rate reconciliation of effective tax rate:

	2020	2019
Expected income tax (recovery)	\$ (1,326)	\$ (1,547)
Increase (decrease) resulting from:		
Change in unrecognized deferred tax assets	1,188	1,304
Prior period adjustments	-	(553)
Permanent differences	-	635
Effective tax rate differences by jurisdictions	138	161
Recognition of previously unrecognized deferred tax assets	-	-
Income tax (recovery)	\$ -	\$ -

A rate of 21 percent was used in the Company's 2020 and 2019 US income tax and net operating loss calculations.

Unrecognized deferred tax assets and liabilities:

No portion of the Company's net deferred tax assets has been recorded in these consolidated financial statements. The components are as follows:

# AgJunction Inc.

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Years ended December 31, 2020 and 2019  
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## 17. Income taxes (continued):

(000's)	Asset (Liability)					Total
	Canada	United States	Australia	China		
December 31, 2020						
Net operating losses	\$ 3,393	\$ 15,087	\$ 2	\$ 4		\$ 18,486
Research and development tax pools	2,312	5,753	-	-		8,065
Right of Use Asset	-	(260)	-	-		(260)
Lease Liability	-	288	-	-		288
Goodwill	-	1,297	-	-		1,297
Intangibles	-	(597)	-	-		(597)
Reserves	-	1,833	-	-		1,833
Deferred Revenue	-	857	-	-		857
Inventory	-	139	-	-		139
Other	-	120	-	-		120
	\$ 5,705	\$ 24,517	\$ 2	\$ 4		\$ 30,228

December 31, 2019	Asset (Liability)					Total
	Canada	United States	Australia	China		
Net operating losses	\$ 2,949	\$ 14,623	\$ 2,077	\$ 4		\$ 19,653
Research and development tax pools	2,312	5,753	-	-		8,065
Right of Use Asset	-	(260)	-	-		(260)
Lease Liability	-	288	-	-		288
Goodwill	-	1,297	-	-		1,297
Intangibles	-	(597)	-	-		(597)
Reserves	-	935	-	-		935
Deferred Revenue	-	857	-	-		857
Inventory	-	139	-	-		139
Other	58	46	-	-		104
	\$ 5,319	\$ 23,081	\$ 2,077	\$ 4		\$ 30,481

The net operating loss carry-forwards as of December 31, 2020 reflected in the unrecognized deferred tax assets will expire as follows:

(000's)	Net operating losses	
<b>United States:</b>		
2023	\$	346
2024		526
2025 and beyond		55,653
Total	\$	56,525
<b>Canada:</b>		
2030 and beyond	\$	12,520
<b>Australia:</b>		
No expiry date	\$	7,578

# AgJunction Inc.

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## 18. Financial instruments and financial risk management:

The Company is exposed to various financial risks through its financial instruments. The nature of these instruments and the Company's operations expose the Company to the following risks:

### (a) Credit risk:

Credit risk reflects the risk that the Company may be unable to collect amounts due to the Company from customers for its products or for other transactions that may be entered into by the Company. The extent of the risk depends on the credit quality of the party from which the amount is due.

The Company employs established credit approval and monitoring practices to mitigate this risk, including reviewing the creditworthiness of new customers to establish credit limits, monitoring customer payment performance and, where considered appropriate, reviewing the financial condition of its existing customers and other debtors. This allowance is determined based on a review of customers, historical experience and economic circumstances.

### (b) Interest rate risk:

The Company is exposed to interest rate risk on cash balances or term deposits earning interest income and to the extent that it may draw on its operating line of credit or carry other forms of debt which calculate interest as a function of variable interest rates. At December 31, 2020, the Company does not carry material liabilities that are exposed to variable interest rates.

### (c) Liquidity risk:

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the Company's ability to meet commitments to creditors.

The Company manages its liquidity risks by carrying a target level of cash by maintaining a conservative capital structure, by prudently managing its credit risks and by maintaining sufficient capacity within its credit facilities to meet any near-term liquidity requirements.

Approximate remaining contractual obligations at year end:

	Within 1 year	1 to 5 years	After 5 years
Accounts payable and accrued liabilities	\$ 2,901	\$ -	\$ -
Operating Leases	368	334	-
	<b>\$ 3,269</b>	<b>\$ 334</b>	<b>\$ -</b>

### (d) Foreign exchange risk:

The Company is exposed to foreign exchange risk primarily in the following ways:

- i. Cash flow – A significant portion of the Company's revenues and expenses are denominated in US dollars, however certain of its expenses are denominated in Canadian dollars and Australian dollars.



# AgJunction Inc.

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## 18. Financial instruments and financial risk management (continued):

- ii. Working capital – The Company has a US dollar measurement or functional currency. As a result, the Company is exposed to foreign exchange risk for working capital items denominated in Canadian dollars, Australian dollars, and Euros. At year end, working capital denominated in Canadian dollars was \$416 (530 CAD). A 1% change in Canadian to US dollar exchange rate will impact net income by approximately \$4. At year end, working capital denominated in Australian dollars, Euros, and Chinese Yuan was not material.

The Company does not use forward contracts for trading or speculative purposes. Foreign exchange contracts are recorded at fair value with changes in fair value recognized through earnings and are included in “Foreign exchange gain (loss)” in the consolidated statement of profit or loss. There were no foreign exchange contracts outstanding at December 31, 2020.

### (e) Fair value of financial instruments:

The Company classifies its financial instruments measured at fair value using a fair value hierarchy defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company records cash and cash equivalents at fair value each reporting period by using “Level 1” under fair value hierarchy.

As of year end, carrying values of financial assets and liabilities approximate fair value.

## 19. Capital management:

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern so that it can continue to seek to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity and through the monthly review of financial results and business expectations. The Company considers the shareholders’ equity to be the capital of the Company.

Based upon the dynamic nature of the technology markets that the Company engages in, and the low level of tangible assets required, the capital strategy is to carry a very low level of debt (including capital lease). As of December 31, 2020, the Company does not have covenants that require a maximum debt to equity ratio, and the ratio of debt to equity has not exceeded 5% at year-end in each of the last five years.

# AgJunction Inc.

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## 19. Capital management (continued):

In February 2014, the Company entered into an agreement for a credit facility, which provides up to a maximum of \$3,500 in an operating line of credit. The available line of credit is defined by the borrowing base limit. The operating line of credit has been renewed annually and currently bears interest at the bank's prime rate minus 1.0%. The operating line of credit matures on May 14, 2021. No amount has been drawn from the facility in any year.

Where considered appropriate by Management and/or the Board of Directors, the Company may incur and carry long-term debt from time to time as a result of expansion activities, including acquisitions.

## 20. Related party transactions:

The Company has related party relationships with its subsidiaries, key management personnel, and Board of Directors. Key management personnel include the Company's Chief Executive Officer, Chief Financial Officer and the top four senior officers for 2020 and 2019.

Key management personnel and Board member compensation:

	2020	2019
Salaries and benefits	\$ 1,168	\$ 2,471
Share based compensation	168	129
	\$ 1,336	\$ 2,600

The Board of Directors and Executive Officers participate in the Company's share option and restricted stock unit programs (note 13). During 2020, 3,103 RSAs and no options were granted to such persons (2019 – RSAs or no options). Share options outstanding for key management personnel and Board members as of December 31, 2020 totaled 2,374 (2019 – 2,774). Restricted share awards outstanding for key management personnel and Board members as of December 31, 2020 totaled 3,182 (2019 - 399).

Key management personnel and Board member transactions:

As of December 31, 2020, key management personnel, board members and entities to which certain board members are related, controlled 1.6% (2019 – 1.2%) of the voting shares of the Company.

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

In December 2019, Lori Ell, a director was engaged as Interim Chief Executive Officer following the departure of the Company's then CEO at a rate of \$20,000 CAD per month. This arrangement was terminated on January 29, 2020.

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## 20. Related party transactions (continued):

In 2016, Jonathan Ladd, a director was engaged by the Company to act as a Senior Strategic Advisor to the then CEO. For the period January 1, 2018 through January 31, 2020, the Company incurred short term compensation expense in the amount of \$10 (2019 – \$81) for duties performed by Mr. Ladd as well as \$2 (2019 – \$22) in travel and other business related expenses associated with this service agreement.

The terms and conditions of the transactions with Mr. Ladd and Ms. Ell were no more favorable than those available, or which might reasonably be expected to be available, in similar arrangements with arm's length service providers.

## 21. Goodwill:

The Company carried goodwill of \$143 at December 31, 2020. For the purpose of impairment testing, goodwill is allocated to the Company's only cash generating unit (CGU), the agriculture CGU. In accordance with IFRS, goodwill is assessed for impairment at least annually, and more often if an event or circumstance indicates an impairment may have occurred.

At December 31, 2020, the closing price of the Company's common shares was \$0.56 (CAD) per share or \$0.44 (USD) per share. As such, total market value of the Company's common shares was \$52,211 (USD) which was above the Company's total equity prior to impairment charges, of \$23,671 (USD). While this information indicates recoverability, management tested goodwill for impairment as of December 31, 2020 for reasons described below.

Continued decline of the Agriculture industry in the near term was factored into the discounted cash flow model via beginning sales base and lower growth rates than those used in prior year's goodwill impairment estimates which impacted estimated future cash flows. Management believes the estimates and assumptions used in the impairment assessment are reasonable and in line with available market information but notes variations in such assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

As of December 31, 2020, the Company assessed goodwill for impairment using a discounted cash flow model in order to determine value in use. The most significant assumptions underlying the model prepared by management include: revenue, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, capital expenditures, estimates of future market share, competition, technological developments, interest rates and market trends. The assumptions incorporated into the discounted cash flow model reflect management's long-term view of the company's business and the market in which it competes. The discount rate used in management's analysis as of December 31, 2020 was 16.3%. Management's value in use assessment as of December 31, 2020 concluded goodwill totaling \$143 was not impaired.

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## 22. Quarterly financial information restatement:

The Company identified errors during the quarter ended December 31, 2020 related to research and development expense and capitalized development costs. This resulted in reductions to research and development expenses and increases in capitalized development costs in the quarters ended March 31, 2020 and June 30, 2020 of \$143 and \$246, respectively, and to increase research and development expenses and reduce capitalized development costs for the quarter ended September 30, 2020 of \$389. The revisions have no impact on the financial statements as of and for the year ended December 31, 2020. Future quarterly filings will be revised to reflect these corrections.

(000's)	Three Months Ended March 31, 2020		Three Months Ended June 30, 2020		Three Months Ended September 30, 2020	
	As reported	As restated	As reported	As restated	As reported	As restated
	<i>Income statement effects:</i>					
Research and development expenses	\$ 1,197	\$ 1,054	\$ 1,356	\$ 1,110	\$ 861	\$ 1,250
Total operating expense	3,638	3,495	3,416	3,170	2,724	3,113
Operating (loss)	(695)	(552)	(1,560)	(1,314)	(825)	(1,214)
Net loss before income taxes	(664)	(521)	(1,545)	(1,299)	(868)	(1,257)
Net loss	(664)	(521)	(1,545)	(1,299)	(868)	(1,257)
Basic and diluted (loss) per share	\$ (0.01)	\$ -	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

(000's)	Three Months Ended March 31, 2020		Six Months Ended June 30, 2020		Nine Months Ended September 30, 2020	
	As reported	As restated	As reported	As restated	As reported	As restated
	<i>Income statement effects:</i>					
Research and development expenses	\$ 1,197	\$ 1,054	\$ 2,553	\$ 2,164	\$ 3,414	\$ 3,414
Total operating expense	3,638	3,495	7,054	6,665	9,778	9,778
Operating (loss)	(695)	(552)	(2,255)	(1,866)	(3,080)	(3,080)
Net loss before income taxes	(664)	(521)	(2,209)	(1,820)	(3,077)	(3,077)
Net loss	(664)	(521)	(2,209)	(1,820)	(3,077)	(3,077)
Basic and diluted (loss) per share	\$ (0.01)	\$ -	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.02)
<i>Cash Flow effects:</i>						
Net (loss)	\$ (664)	\$ (521)	\$ (2,209)	\$ (1,820)	\$ (3,077)	\$ (3,077)
Cash flows used in operating activities	(530)	(387)	(1,677)	(1,288)	(5,702)	(5,702)
Intangible asset additions, net	(370)	(513)	(627)	(1,016)	(1,403)	(1,403)
Cash Flows used in investing activities	\$ (944)	\$ (1,087)	\$ (523)	\$ (912)	\$ (1,290)	\$ (1,290)

(000's)	March 31, 2020		June 30, 2020		September 30, 2020	
	As reported	As restated	As reported	As restated	As reported	As restated
	<i>Balance sheet effects:</i>					
Intangible assets, net	\$ 10,042	\$ 10,185	\$ 9,858	\$ 10,247	\$ 10,132	\$ 10,132
Accumulated deficit	\$ (125,286)	\$ (125,143)	\$ (1,831)	\$ (1,442)	\$ (2,699)	\$ (2,699)

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## **23. Subsequent events:**

The Company evaluated subsequent events through March 24, 2021, the date the consolidated financial statements were available to be issued and has determined the following subsequent event merit disclosure.

On February 24, 2021, the Company entered into a Paycheck Protection Program Loan (the "PPP Note") sponsored by the Small Business Administration (the "SBA") through the company's bank. The PPP Note was issued pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). On February 24, 2021, the Company received \$1,466 under the Federal Government's Small Business Paycheck Protection Program ("PPP"). The PPP loan bears an interest rate of 1% and matures on February 17, 2026.

The Company agreed to a customer's request to participate in non-binding mediation in the lawsuit the Company filed against the farm machinery distributor in November of 2020. On March 10, 2021, the Arizona District Court granted a 90-day stay to allow the parties to participate in the mediation and otherwise engage in discussions that could lead to a resolution of this matter.