Interim Management's Discussion and Analysis

Three and six month periods ended June 30, 2020

(Expressed in U.S. dollars)

AgJunction Inc.
Management's Discussion and Analysis
Three and six month period ending June 30, 2020

The following discussion and analysis are effective as of August 12, 2020 and should be read together with our unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2020. Additional information related to AgJunction Inc., including the Company's Annual Information Form, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com. All amounts stated in this Management Discussion and Analysis ("MD&A") are in US dollars unless otherwise stated.

COVID-19

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. There is significant uncertainty as to the likely effects of this outbreak which may, among other things, impact our supply chain and may negatively impact the global agriculture market. The Company was negatively affected by supply chain disruptions last quarter; however, factors resulting in the disruptions have been improving resulting in increased throughput. Due to COVID-19, OEM's are reducing R&D spending and delaying new product releases. The overall impact to the Company depends on the duration of these delays.

On March 16, 2020 the Company imposed a mandatory work from home mandate for non-essential personnel and restricted business travel. The health and safety of our employees, along with continuing to provide exceptional service to our partners and customers, remains our top priority. We are following all protocols issued by the government at local, state and federal levels. While the COVID-19 virus has not had a material impact on our business at this time, we are unable to quantify the potential impact this pandemic may have on our future financial performance.

Overview

References throughout this document to AgJunction or the "Company" all refer to AgJunction Inc. and its subsidiaries.

AgJunction is a public company listed on the Toronto Stock Exchange that provides innovative hardware and software solutions for precision agriculture worldwide.

Economic and Market Trends

Agriculture Markets

The financial condition and confidence of farmers are factors impacting the Company's sales volume and product mix. Harvest yields and the level of crop exports impacting farmers' financial condition and confidence. The United States Department of Agriculture (USDA) has updated their Fiscal Year 2020 forecast on June 1, 2020. There is now a lowered expectation of exports for agriculture down $3 billion since the February forecast resulting in an expected $136.5 billion. Cotton export forecasts were reduced $1 billion, while corn is down $500 million, and wheat is reduced $300 million. Additionally, agricultural imports for 2020 have been reduced $2.3 billion from February's forecast.

The USDA is working with the U.S. Secretary of Agriculture on updating the Coronavirus Food Assistance Program (CFAP). The CFAP is funding that was set aside to aid farmers to help offset price declines of more than 5% and increased marketing costs. The program allocated $16 billion for direct payments to farmers ($6.4 billion) and ranchers ($9.6 billion) with another $3 billion in food

product purchases for distribution. Producers will be compensated for 85% of the price loss. The other part of the payment calculation is derived from losses from April 15 through the next two quarters, for which producers will be compensated 30% of expected losses.

The Conveyor Equipment Manufacturers Association ("CEMA"), European Agricultural Machinery Association and their member companies reported in April 2020 production capacity utilization is only at 83% of the level before COVID-19. Of the companies reporting shortages, 88% of them are on the supplier side. In addition, distribution partners are able to run business at only 66% of the level before COVID-19. CEMA also reported fewer survey participants (20% instead of 30% one month ago) anticipate a decline in turnover of 20% or more.

Based on the economic and market trends, management anticipates increasing challenges in the global agriculture markets for late 2020 through early 2021. Global growth is expected to be slightly up with the negative impact from delayed releases of new machines and postponed R&D being somewhat offset by higher than expected online sales. In addition, the Company benefited recently from revenue generated by the Bulk Purchase Order (BPO) signed in 2018 and completed during the quarter ended September 30, 2019.

Although the market remains uncertain, management's outlook remains positive. Overall growth will continue to be driven by population growth, limited arable land, and relatively low global penetration of machine automation solutions for precision agriculture and other off-road applications.

Summary of Quarterly Results

(000's)	30-Sep 2018	31-Dec 2018	31-Mar 2019	30-Jun 2019	30-Sep 2019	31-Dec 2019	31-Mar 2020	30-Jun 2020
Sales	$ 17,862	$ 17,103	$ 14,013	$ 13,301	$ 8,641	$ 3,291	$ 5,201	$ 4,601
Gross Profit	6,323	5,288	5,763	4,624	2,787	1,511	2,943	1,856
	35.4%	30.9%	41.1%	34.8%	32.3%	45.9%	56.6%	40.3%
Expenses:								
Research and development	1,343	1,157	1,752	1,984	1,901	440	1,197	1,356
Sales and marketing	1,857	1,090	1,357	1,285	1,186	707	840	302
General and administrative	2,471	2,196	2,608	2,099	2,233	3,589	1,601	1,758
	5,671	4,443	5,717	5,368	5,320	4,736	3,638	3,416
Operating income (loss)	652	845	46	(744)	(2,532)	(3,225)	(695)	(1,560)
Interest and other (income) loss	(20)	(92)	(60)	(61)	(83)	(85)	(59)	(19)
Foreign exchange (gain) loss	(35)	13	(18)	(39)	86	(48)	28	4
Loss (gain) on sale of property, plant and equipment	-	-	8	37	(9)	14	-	-
(Gain) on sale of divisions	(943)	(2,214)	-	-	-	-	-	-
	(998)	(2,293)	(70)	(63)	(6)	(119)	(31)	(15)
Net income (loss) before income taxes	1,650	3,138	116	(681)	(2,527)	(3,106)	(664)	(1,545)
Income tax expense (benefit)	-	(5)	1	1	(2)	-	-	-
Net income (loss)	1,650	3,143	115	(682)	(2,525)	(3,106)	(664)	(1,545)
Earnings (loss) per common share:								
Basic and diluted	$ 0.01	$ 0.03	$ -	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.01)	$ (0.01)
Weighted Average Diluted Shares	*125,684*	*126,445*	*126,366*	*125,952*	*120,280*	*122,047*	*117,117*	*120,543*

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

For the Quarter Ended

(000,s)	30-Sep 2018	31-Dec 2018	31-Mar 2019	30-Jun 2019	30-Sep 2019	31-Dec 2019	31-Mar 2020	30-Jun 2020
Americas	$ 3,923	$ 2,269	$ 4,706	$ 3,021	$ 2,790	$ 3,036	$ 4,016	$ 3,807
APAC	452	147	311	17	181	95	494	268
EMEA	13,487	14,687	8,996	10,263	5,670	160	691	526
	$ 17,862	$ 17,103	$ 14,013	$ 13,301	$ 8,641	$ 3,291	$ 5,201	$ 4,601

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

1. A large component of the Company's revenue is derived from the North American agriculture markets which are subject to the seasonality of the global agricultural buying season with substantial variations and product mix sold during the year. Normally this leads to the first half of the year being stronger and the second half being weaker, however during 2018 the BPO deliveries resulted in the second half of the year ending higher than the first half reversing the historical trend. Initiatives to mitigate the Company's seasonality include revenue efforts in the Southern Hemisphere which is counter-seasonal to the Northern and strategies focused on increasing sources of recurring revenue.

On March 13, 2018 the Company announced it received into a BPO with a customer to supply its steering solutions products to a customer for an aggregate purchase price of approximately $55 million. Deliveries and payments under the BPO began July 1, 2018 and ended in August 2019.

Additionally, the sale of the Outback Guidance and SATLOC® aerial guidance and flow control divisions resulted in reduced revenue in the Americas region during the third and fourth quarters of 2018.

2. The adoption of advanced technology as it relates to precision farming is transitioning from historically being an aftermarket business to a manufacturer and supplier business. The outlook for the Company's products includes uncertainty regarding the speed with which each region will adopt autosteering and automation.

Quarter Ended June 30, 2020 versus Quarter Ended June 30, 2019

Revenues

For the quarter ended June 30, 2020, revenues were $4.6 million representing a decrease of 65.4% compared to $13.3 million in the same quarter of 2019. The decrease is primarily related to shipments fulfilled under the BPO during the second quarter of 2019 totaling $9.8 million.

(000's)	2020	2019	Change
Agriculture	$ 4,601	$ 13,301	-65.4%

Sales by geographic region

(000's)	2020	2019	Change
Americas	$ 3,807	$ 3,021	26.0%
APAC	268	$ 17	1476.5%
EMEA	526	$ 10,263	-94.9%
	$ 4,601	$ 13,301	-65.4%

In the second quarter of 2020, revenues in the Americas increased by $0.8 million or 26.0% due to higher demand in the United States. Revenue in APAC increased by $0.3 million due to increased demand in Japan and China. Revenue in the EMEA region declined from second quarter of 2019 to second quarter of 2020 by $9.6 million or 94.9% due primarily to the completion of the BPO. Revenue in the second quarter of 2019 included $9.8 million in revenue generated from the BPO which was partially offset by other sales.

Sales to customers in the Americas represented 82.7% of total revenues in the second quarter of 2020 compared to 22.7% in the second quarter of 2019. Sales in APAC represented 5.8% of total revenues in the second quarter of 2020 an increase from 0.1% in the second quarter of 2019. EMEA sales represented 11.4% of total revenues for the quarter, a decrease from 77.2% in the same period in 2019.

Gross Profits

Gross profits were $1.9 million for the second quarter of 2020 compared to $4.6 million for 2019. Gross profits, as a percentage of revenue, were 40.3% in 2020 compared to 34.8% in 2019. The

increase in gross profit margin over the same quarter of the prior year is attributed to a result of lower margins on the BPO during 2019 as well as slightly lower manufacturing costs due to streamlining processes.

Expenses

Total operating expenses for the quarter were $3.4 million in 2020, down by 36.4% or $2 million from $5.4 million in 2019. A breakout of expenses by line item follows.

Research and development expenditures of $1.4 million during the second quarter of 2020 decreased from $2 million in the same quarter of 2019 representing a decrease of $0.6 million or 31.7%. This decrease is related primarily to compensation cost savings resulting from the closure of the Brisbane facility.

Sales and marketing expenses during the second quarter of 2020 were $0.3 million, down $1 million or 76.5% compared to $1.3 million in the same quarter of 2019. The decrease is primarily related to compensation cost savings due to departmental consolidation.

General and administrative expenses for the second quarter of 2020 were $1.8 million compared to $2.1 million in 2019 representing a decrease of $0.3 million or 16.3%. This decrease is related to cost savings in compensation and reduced facility costs related to the closure of our Brisbane, Australia and Fremont, California facilities.

Interest, Foreign Exchange, and Other Income

In the second quarter of 2020, the Company recorded net interest and other income of $19 thousand compared to income of $61 thousand in the second quarter of 2019. The Company earns interest income on certain cash balances which is offset by interest paid.

During the quarter, the Company realized a foreign exchange loss of $4 thousand compared to a gain of $39 thousand during the same quarter in 2019. Foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar working capital.

The Company announced the closure of its Brisbane Australia office on April 10, 2019 and as a result of this closure, property, plant and equipment totaling $37 thousand was disposed of during the quarter ended June 30, 2019.

Income Tax Benefit

The Company recognized no income tax for the quarter ended June 30, 2020. Income tax of $1 thousand was recognized during the same quarter of 2019.

Net (Loss) Income

In the second quarter of 2020, the Company realized a net loss from continuing operations of $1.5 million or ($0.01) per share (basic and diluted), compared to net loss from continuing operations of $0.7 million or $0.01 per share (basic and diluted) in the second quarter of 2019.

Six Months Ended June 30, 2020 versus June 30, 2019

Revenues

For the six month period ended June 30, 2020, revenues were $9.8 million representing a decrease of 64.1% over $27.3 million for the same period of 2019. This decrease is related to $18.4 million shipments fulfilled under the BPO during the first half of 2019.

(000's)		2020		2019	Change
Agriculture	$	9,802	$	27,314	-64.1%

Sales by geographic region

(000's)		2020		2019	Change
Americas	$	7,823	$	7,726	1.3%
APAC		762		329	131.6%
EMEA		1,217		19,259	-93.7%
	$	9,802	$	27,314	-64.1%

In the first half of 2020, revenue in the Americas increased by $97 thousand or 1.3%. Revenue in APAC saw an increase of $0.4 million or 131.6% due to increased demand in Japan and China. Revenue in the EMEA region decreased to $1.2 million from $19.3 million, down $18.1 million or 93.7% over the same period of 2019, due to decreased sales related to the BPO.

Sales to customers in the Americas represented 79.8% of total revenues during the six months ended June 30, 2020 compared to 28.3% in the corresponding period of 2019. Sales in APAC represented 7.8% of total revenues during the six months ended June 30, 2020 up from 1.2% in the corresponding period of 2019. EMEA sales represent 12.4% of total revenues for the period, down from 70.5% in the same period in 2019. This decrease is driven by shipments fulfilled under the BPO which ended in August 2019.

Gross Profits

Gross profits for the first half of 2020 were $4.8 million compared to $10.4 million for the first half of 2019 with the decline reflecting the drop in revenue and the lower gross profits generated by the BPO. Gross profits, as a percentage of revenue, were 49.0% in 2020 compared to 38.0% in 2019. The increase in gross profit resulted from the lower margin BPO ending during the second half of 2019 and decreased compensation costs allocated to cost of sales as a result of ongoing cost control efforts

Expenses

Total operating expenses for the six months ended June 30, 2020 were $7.1 million, down by 36.4% or $4.0 million from $11.1 million in 2019. A breakdown of expenses by line item follows.

Research and development expenditures for the six months ended June 30, 2020 of $2.6 million decreased from $3.7 million over the same period in 2019 representing a decrease of $1.1 million or 31.7%. This decrease is related to compensation cost savings resulting from the sale of businesses.

Sales and marketing expenses for the six month period ended June 30, 2020 were $1.1 million, down $1.5 million or 56.8% compared to $2.6 million in the same period of 2019. The decrease is related to cost savings in compensation costs resulting from the consolidation of departments.

General and administrative expenses for the six months ended June 30, 2020 were $3.4 million compared to $4.7 million in the same period of 2019 representing a decrease of $1.3 million or 28.6%. This decrease is related to cost savings in compensation, resulting from the consolidation of departments, and reduced consultant expenditures.

Interest, Foreign Exchange, and Other Income

In the first half of 2020, the Company recorded net interest and other income of $78 thousand compared to $121 thousand in the first half of 2019. The Company earns interest income on certain cash balances which is offset by interest paid.

During the six months ended June 30, 2020, the Company realized a foreign exchange loss of $32 thousand compared to a gain of $57 thousand during the same period in 2019. Foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar working capital.

The Company realized a loss on sale of property, plant and equipment of $45 thousand during the six months ended June 30, 2019.

Income Tax Benefit

The Company recognized no income tax for the six month period ended June 30, 2020. Income tax of $2 thousand was recognized during the same period of 2019.

Net Income (Loss)

In the six month period ended June 30, 2020, the Company realized a net loss of $2.2 million or ($0.02) per share (basic and diluted), compared to a net loss of $0.6 million or nil per share (basic and diluted) in the first half of 2019.

Paycheck Protection Program Loan

On April 30, 2020, 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 April 30, 2020, the Company received $1.54 million under the Federal Government’s Small Business Paycheck Protection Program (“PPP”). In response to additional guidance issued by the SBA on April 23, 2020 that cast doubt on the ability of public companies to qualify for loans under the PPP, the Company fully repaid the PPP Note on May 11, 2020.

Share Capital

Following approval 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.

Liquidity and Capital Resources

Working Capital

The Company held cash of $14.8 million at June 30, 2020 compared to $17.2 million at December 31, 2019. Working capital was $17.2 million, decreased from $19.2 million at December 31, 2019.

The primary items impacting working capital during the six month period were:

- Cash used in continuing operations was $1.7 million in the six months ended June 30, 2020 compared to $1.2 million for the same period in 2019.
- Accounts receivable was $3.5 million at June 30, 2020 versus $2.8 million at December 31, 2019.
- Prepayments and deposits at June 30, 2020 were $0.7 million versus $0.8 million at December 31, 2019.
- Accounts payable and accrued expenses at June 30, 2020 were $4.4 million versus $3.5 million at December 31, 2019.

The Company has an operating line of credit with its bank for $3.5 million, as of June 30, 2020, the full line of credit was available.

Critical Accounting Policies and Estimates

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

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

1. The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay balances owing to the Company. This allowance is determined based on a review of specific customers, historical experience and economic circumstances.
2. Inventories are carried at the lower of cost and net realizable value. Provisions for excess or obsolete inventory are recorded based on Management's assessment of the estimated net realizable value of component, work in process, and finished goods inventory.
3. The Company performs the required test for goodwill impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In performing the required test, Management determines the recoverable amount, which is the greater of the fair value less cost to sell and value in use. An impairment loss would be measured as the difference between the carrying amount of the goodwill and its recoverable amount. Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one cash generating unit, relevant multiples, and peer transactions. Value in use is determined using a detailed discounted cash flow analysis using management's estimates.
4. The Company evaluates its deferred tax assets and recognizes deferred tax assets to the extent there is available taxable income. At June 30, 2020, the Company did not recognize any deferred tax assets on the Condensed Consolidated Statement of Financial Position.

5. The Company accrues reserves for product warranty expenses as it relates to the repair or replacement of defective products sold in the current period. The warranty reserve is based on historical information of warranty claims compared to sales. Any expenses directly relating to warranty claims are expected to offset the provision in period.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing disclosure controls and internal controls over financial reporting as defined in National Instrument 52-109
Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company is currently under the Internal Control - Integrated Framework: 2013 released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, Management has conducted an evaluation of the effectiveness of our internal controls over financial reporting as of June 30, 2020. Based on its evaluation, the certifying officers concluded that our internal controls over financial reporting were effective as of that date.

Forward-Looking Information

The information in the Management's Discussion and Analysis ("MD&A") contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- financial results;
- new and emerging markets;
- impact of market conditions;
- forecast net farm income;
- changes in foreign currency rates;
- losses available to reduce future taxable income;
- customer adoption of technology and products;
- implementation of International Financial Reporting Standards;

- technological developments;
- expectations regarding the ability to raise capital; and
- research and capital expenditures programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- competition;
- departure of key personnel or consultants;
- inability to introduce new technology and new products in a timely manner;
- changes in the Global Navigation Satellite System (“GNSS”) and other systems outside of our control;
- costs to purchase GNSS and other components could increase significantly;
- the spread of COVID-19 outbreak could impact our supply chain and our ability to receive products timely from our global suppliers;
- A prolonged economic downturn from the negative effects of COVID-19 virus could result in reduction or loss of revenue,
- misappropriation of proprietary information;
- legal claims for the infringement of intellectual property and other claims;
- other legal risks;
- incorrect assessments of the value of acquisitions;
- successful development of new and emerging markets that we serve;
- fluctuation in foreign exchange or interest rates;
- uncertainties in the global economy;
- negative conditions in general economic and financial markets;
- reliance on key suppliers and third parties;
- availability of key supplies and components;
- dependence on major customers;
- losses from credit exposures;
- product liability;
- damage or loss of use of physical facilities;
- cyber-security risks;
- stock market volatility and market valuations;
- conflicts of interest;
- changes in income tax laws and other government regulations;
- political uncertainty and tariffs; and
- other factors discussed under "Business and Market Risks".

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: future technological developments; availability of key supplies, components, services, networks and developments; future exchange rates; the cost of expanding the Company’s product lines; the impact of increasing competition; the nature and outcome of legal proceedings; the continuity of existing business relationships; conditions in general economic and financial markets; and our ability to obtain financing on acceptable terms.

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