Condensed Consolidated Interim Financial Statements of

AgJunction®

Three month period ended March 31, 2020

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

Condensed Consolidated Statements of Financial Position
(Unaudited - expressed in U.S. thousand dollars)

	March 31, 2020 (unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 15,648	$ 17,248
Accounts receivable, net	4,059	2,793
Current portion of notes receivable, net	320	320
Inventories	3,544	3,743
Prepaid expenses and deposits	650	819
	24,221	24,923
Notes receivable, less current portion, net	693	760
Property, plant and equipment, net	1,447	1,535
Right-of-use assets (note 7)	930	1,020
Intangible assets, net	10,042	10,112
Goodwill	143	143
	$ 37,476	$ 38,493
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,433	$ 3,540
Provisions (note 4)	916	826
Current portion of lease liability (note 7)	393	429
Current portion of deferred revenue	887	935
	5,629	5,730
Deferred revenue, less current portion	3,123	3,298
Lease liability, net of current portion (note 7)	612	702
Total liabilities	9,364	9,730
Shareholders' equity:		
Share capital	148,495	148,495
Equity reserve	4,903	4,890
Accumulated deficit	(125,286)	(124,622)
	28,112	28,763
	$ 37,476	$ 38,493

* The December 31, 2019 balance sheet figures have been derived from the audited consolidated financial statements as of that date.

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.
Condensed Consolidated Statements of Profit or Loss

Three months ended March 31, 2020 and 2019
(Unaudited - expressed in U.S. thousand dollars)

	March 31, 2020	March 31, 2019
Revenue (note 4)	$ 5,201	$ 14,013
Cost of sales	2,258	8,250
Gross Profit	2,943	5,763
Expenses:		
Research and development	1,197	1,752
Sales and marketing	840	1,357
General and administrative	1,601	2,608
	3,638	5,716
Operating (loss) income	(695)	47
Foreign exchange (gain) loss, net	28	(18)
Interest and other income	(59)	(60)
Loss on sale of property, plant and equipment	-	8
	(31)	(70)
Net (loss) income before income taxes	(664)	116
Income tax benefit	-	1
Net (loss) income	$ (664)	$ 115
Loss per share:		
Basic and diluted (loss) per share	$ (0.01)	$ -

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Changes in Equity
(Unaudited - expressed in U.S. thousand dollars)

	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)	-	-	115	115	-
Share-based payment transactions	-	140	-	140	-
Issue of restricted share awards, net	-	-	-	-	(102)
Balance at March 31, 2019	$ 148,475	$ 5,032	$ (118,309)	$ 35,198	118,983
Balance at January 1, 2020	$ 148,495	$ 4,890	$ (124,622)	$ 28,763	117,073
Net (loss)	-	-	(664)	(664)	-
Share-based payment transactions	-	13	-	13	-
Cancellation of restricted share awards, net	-	-	-	-	44
Balance at March 31, 2020	$ 148,495	$ 4,903	$ (125,286)	$ 28,112	$ 117,117

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Three months ended March 31, 2020 and 2019
(Unaudited - expressed in U.S. thousand dollars)

	2020	2019
Cash flows used in operating activities:		
Net (loss) income	$ (664)	$ 115
Items not involving cash:		
Depreciation	819	263
Amortization	440	297
Share-based payment transactions	13	140
Allowance loss on trade receivables	3	-
Recovery (write down) of reserve for slow moving and obsolete inventories	7	(304)
Loss on disposal of property, plant and equipment	-	8
Change in operating working capital:		
Accounts receivable	(1,267)	93
Inventories	192	1,050
Prepaid expenses and deposits	170	(138)
Accounts payable and accrued liabilities	(110)	(2,539)
Provisions (note 5)	90	235
Contract liabilities	-	173
Deferred revenue	(223)	(99)
Cash flows used in operating activities:	(530)	(705)
Cash flows used in financing activities:		
Interest payments on lease liabilities (note 7)	(13)	(14)
Principal payments on lease liabilities (note 7)	(113)	(134)
Cash flows used in financing activities:	(126)	(148)
Cash flows used in investing activities:		
Principal payments received on notes receivable	67	66
Purchase of property, plant and equipment	(641)	(153)
Intangible asset addition, net	(370)	(396)
Cash flows used in investing activities:	(944)	(483)
Decrease in cash and cash equivalents	(1,600)	(1,336)
Cash and cash equivalents, beginning of period	17,248	21,398
Cash and cash equivalents, end of period	$ 15,648	$ 20,062

See accompanying notes to condensed consolidated interim financial statements.

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 109, 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 condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2020 and 2019 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The condensed consolidated financial statements were authorized for issue by the Board of Directors on May 8, 2019.

In March 2020, the World Health Organization characterized the COVID-19 virus as a global pandemic. The spread of the pandemic is having serious economic implications on the global economy. Numerous sectors of the economy are suffering damage and the long-term economic and business consequences remain unknown. Business impacts including supply-chain interruptions and delays, negative impacts on customers, volatility in the equity and debt markets, reduced revenue and cash flows, and other economic consequences may occur. 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.

On March 16, 2020 the Company imposed a mandatory work from home order for non-essential personnel and restricted business travel. 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.

2. Basis of preparation and presentation:

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

These interim financial statements follow the same accounting policies and methods of application as set out in the consolidated financial statements for the year ended December 31, 2019, except as noted in 2(b) for adoption of new accounting pronouncements. These statements do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

(b) Recently adopted accounting pronouncements

None

3. Share capital:

(a) Authorized:

An unlimited number of common shares and an unlimited number of both first and second preferred shares, issuable in series, are authorized.

(b) Issued:

Issued share capital consists of 117,116,518 common shares at $148.5 million.

(c) During the three months ended March 31, 2020, the Company recorded $8 (2019 – $106) as share based compensation expense relating to options and $5 (2019 - $34) relating to restricted share awards for total compensation expense of $13 (2019 - $140).

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

Three month period ended:

(share price in CAD)	March 31, 2020		March 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	-	-	-	-
Expired or cancelled	(504)	0.61	-	-
Share options outstanding, end of period	2,374	$ 0.53	7,313	$ 0.55

(share price in CAD)	Options outstanding			Options exercisable	
Range of exercise prices outstanding	Number outstanding at March 31, 2020	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at March 31, 2019	Weighted average exercise price
$0.50 - $1.00	2,374	17	$ 0.53	1,706	$ 0.53

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

3. Share capital:

Three month period ended:

Three Months Ended (share price in CAD)	March 31, 2020			March 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	212		0.10	-		-
Exercised	(23)		0.50	(197)		0.58
Expired or cancelled	(168)		0.81	(102)		0.73
RSAs outstanding, end of period	610	$	0.58	3,226	$	0.77

The restricted share awards outstanding as of March 31, 2020 have a weighted average remaining vesting life of 31 (2019 – 25) months.

(d) The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model. There was one RSA grant issued during the quarter ended March 31, 2020. The following assumptions were used in determining the fair value of the March 2020 RSA grant: Company share price at issuance; weighted average volatility of 64%; interest rate of 1.37%; and weighted average expected life of 3.0 years.

There were no stock options or RSA grants during the quarter ended March 31, 2019.

4. Revenue concentration:

Revenue by business unit:

	2020	2019	Change
Agriculture	$ 5,201	$ 14,013	-62.9%

	2020	2019	Change
Americas	$ 4,016	$ 4,706	-14.7%
APAC	494	311	58.9%
EMEA	691	8,996	-92.3%
	$ 5,201	$ 14,013	-62.9%

Payment terms associated with revenue recognized in each period shown above are normally 30 days from invoice date, however some payment terms are extended up to 90 days.

4. Revenue concentration (continued):

The decrease in revenue from first quarter 2019 to first quarter 2020 is due to shipments fulfilled under the BPO during the first quarter of 2019 totaling $8.7M.

5. Provisions:

		Warranty		Restructuring		Warranty
Balance at December 31, 2019	$	826	$	200	$	1,026
Provisions made during the period		239		-		239
Provisions used during the period		(149)		(150)		(299)
Balance at March 31, 2020	$	916	$	50	$	966

The Company announced the closure of its Brisbane, Australia and Fremont, California offices on April 10, 2019.

In connection with the site closures, provisions were made during the year ended December 31, 2019 which included estimates for lease acceleration, early contract and lease termination, shipping, and severance fees. The $50 provision outstanding at March 31, 2020 includes an estimate for exiting the lease for the Fremont location, shipping and disposal fees. These fees are expected to be paid during the first half of 2020.

6. Related party transactions:

In 2016, Jonathan Ladd, a member of the Board was engaged by the Company to act as a Senior Strategic Advisor to the CEO. The terms and conditions of this transaction were no more favorable than those available, or which might reasonably be expected to be available, in similar arrangements with non-key management personnel related to the Company on an arm’s length basis. Mr. Ladd's Senior Strategic advisory role was terminated on January 31, 2020.

7. 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.

7. Leases (continued):

Right-of-use assets

		Office Space		Equipment		Total
Balance at January 1, 2019	$	1,750	$	56	$	1,806
Lease Additions		-		-		-
Depreciation change for the period		(151)		(5)		(156)
Balance, March 31, 2019	$	1,599	$	51	$	1,650
Balance at January 1, 2020	$	1,002	$	16	$	1,020
Lease Additions		-		-		-
Depreciation change for the period		(83)		(7)		(91)
Balance, March 31, 2020	$	919	$	9	$	930

Lease liabilities

		2019		2020
Maturity analysis - contractual undiscounted cash flows				
Less than one year	$	653	$	431
One to five years		1,136		640
Total undiscounted lease liabilities at March 31, 2020		1,789		1,072
Lease liabilities at initial application		1,806		1,806
Current	$	588	$	393
Non-current		1,070		612
Lease liabilities included in the statement of financial position at March 31, 202(	$	1,658	$	1,005

Amounts recognized in profit or loss

		2019		2020
Interest on lease liabilities	$	14	$	13
Variable lease payments not included in the measurement of lease liabilities		-		-
Income from sub-leasing right-of-use assets		-		-
Depreciation of right-of-use asset		156		91
Expenses related to short-term leases		-		-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		1		1
Loss related to foreign currency exchange differences in lease liability		2		-
Total amount recognized in profit and loss	$	173	$	105

Amounts recognized in the statement of cash flows

	2019	2020
Total cash outflow for leases	148	126

7. Leases (continued):

Real estate leases

The Company leases office space typically for a period 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 does not expect to exercise any lease options.

Lease cancellation

The company announced the closure of its Fremont, California facility on April 10, 2019. The Company has one remaining lease related to the Fremont, California facility and intends on

retaining use and access to the Fremont office facility through the lease expiration date of June 30, 2020.

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 guarantees as of March 31, 2020.

7. Leases (continued):

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.

8. 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. The Company establishes an allowance for doubtful accounts based upon individual account assessment along with the credit risk of its customers, historical trends 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, 2019, 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.

8. Financial instruments and financial risk management (continued):

(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.

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 quarter end, working capital denominated in Canadian dollars, 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 March 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 March 31, 2020, carrying values of financial assets and liabilities approximate fair value.

9. Impairment

As a result of the economic effects of the COVID-19, the Company completed an impairment analysis as of March 31, 2020.

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 and long-lived assets are monitored for internal management purposes. Goodwill and long-lived assets impairment is determined by assessing the recoverable

9. Impairment (continued):

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.

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 assets and their recoverable amount. Management performed an asset impairment analysis as of March 31, 2020 and concluded there was no asset impairment as of March 31, 2020.