

Condensed Consolidated Interim Financial Statements of



Three month period ended March 31, 2021

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

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

	March 31 2021 (unaudited)	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,284	\$ 6,773
Accounts receivable, net	1,023	2,051
Current portion of notes receivable, net	320	320
Inventories	8,849	8,694
Contract assets, net	-	7
Prepaid expenses and deposits	740	781
	18,216	18,626
Notes receivable, less current portion, net	935	1,002
Property, plant and equipment, net	894	950
Right-of-use assets	572	661
Intangible assets, net	9,654	9,957
Goodwill	143	143
	\$ 30,414	\$ 31,339
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,325	\$ 2,901
Provisions (note 5)	77	352
Current portion of lease liability (note 6)	347	368
Current portion of deferred revenue	1,392	1,288
	5,141	4,909
Deferred revenue, less current portion	2,192	2,425
Lease liability, net of current portion (note 6)	265	334
Paycheck Protection Program Loan (note 8)	1,466	-
Total liabilities	9,064	7,668
Shareholders' equity:		
Share capital (note 3)	23,495	23,495
Equity reserve	5,202	5,103
Accumulated deficit	(7,347)	(4,927)
	21,350	23,671
	\$ 30,414	\$ 31,339

* The December 31, 2020 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, 2021 and 2020
(Unaudited - expressed in U.S. thousand dollars)

	March 31, 2021	March 31, 2020
Revenue (note 4)	\$ 2,456	\$ 5,201
Cost of sales	1,470	2,258
Gross Profit	986	2,943
	40.2%	56.6%
Expenses:		
Research and development	1,310	1,054
Sales and marketing	526	840
General and administrative	1,566	1,601
Total Operating Expenses	3,402	3,495
Operating (loss) income	(2,416)	(552)
Interest and other income	(5)	(59)
Foreign exchange (gain) loss, net	9	28
Total Other (Income) Expenses	4	(31)
Net (loss) income	\$ (2,420)	\$ (521)
Loss per share	\$ (0.02)	\$ -

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, 2020	\$ 148,495	\$ 4,890	\$ (124,622)	\$ 28,763	117,073
Net (loss)	-	-	(521)	(521)	-
Share-based payment transactions	-	13	-	13	-
Issue of restricted stock awards, net of cancellations	-	-	-	-	44
Balance at March 31, 2020	\$ 148,495	\$ 4,903	\$ (125,143)	\$ 28,255	117,117
Balance at January 1, 2021	\$ 23,495	\$ 5,103	\$ (4,927)	\$ 23,671	121,092
Net (loss)	-	-	(2,420)	(2,420)	-
Share-based payment transactions	-	99	-	99	-
Balance at March 31, 2021	\$ 23,495	\$ 5,202	\$ (7,347)	\$ 21,350	121,092

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Three months ended March 31, 2021 and 2020
(Unaudited - expressed in U.S. thousand dollars)

	2021	2020
Cash flows used in operating activities:		
Net (loss) income	(2,420)	\$ (521)
Items not involving cash:		
Depreciation	159	819
Amortization	645	440
Share-based payment transactions	99	13
Allowance loss on trade receivables	-	3
Recovery (write down) of reserve for slow moving and obsolete inventories	-	7
Change in operating working capital:		
Accounts receivable	1,028	(1,267)
Inventories	(155)	192
Contract assets	7	-
Prepaid expenses and deposits	41	170
Accounts payable and accrued liabilities	424	(110)
Provisions (note 5)	(275)	90
Deferred revenue	(129)	(223)
Cash flows (used in) operating activities:	(576)	(387)
Cash flows used in financing activities:		
Interest payments on lease liabilities (note 6)	(8)	(13)
Principal payments on lease liabilities (note 6)	(82)	(113)
Paycheck Protection Program Loan proceeds	1,466	-
Cash flows provided by (used in) financing activities:	1,376	(126)
Cash flows used in investing activities:		
Principal payments received on notes receivable	67	67
Purchase of property, plant and equipment	(14)	(641)
Intangible asset addition, net	(342)	(513)
Cash flows (used in) investing activities:	(289)	(1,087)
Increase (decrease) in cash and cash equivalents	511	(1,600)
Cash and cash equivalents, beginning of period	6,773	17,248
Cash and cash equivalents, end of period	\$ 7,284	\$ 15,648

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

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 9105 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 condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2021 and 2020 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 7, 2021.

In March 2020, the World Health Organization declared the COVID-19 outbreak 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 and presentation:

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

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements, page 2

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

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, 2020, 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, 2020.

(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 121,091,881 common shares at \$23,495.

(c) During the three months ended March 31, 2021, the Company recorded \$1 (2020 – \$8) as share based compensation expense relating to options and \$98 (2020 - \$5) relating to restricted share awards for total compensation expense of \$99 (2020 - \$13).

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, 2021		March 31, 2020	
	Number of Options 000's	Weighted average exercise price	Number of Options 000's	Weighted average exercise price
Total options outstanding, beginning of period	2,374	\$ 0.63	2,878	\$ 0.62
Granted	-	-	-	-
Exercised	-	-	-	-
Expired or cancelled	-	-	(504)	0.60
Share options outstanding, end of period	2,374	\$ 0.63	2,374	\$ 0.63

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements, page 3

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

3. Share capital (continued):

(share price in CAD)	Options outstanding			Options exercisable		
	Number outstanding at March 31, 2021 000's	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at March 31, 2021 000's	Weighted average exercise price	
Range of exercise prices outstanding						
\$0.50 - \$1.00	2,374	6	\$ 0.63	2,259	\$	0.62

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

Three month period ended:

(share price in CAD)	March 31, 2021		March 31, 2020	
	Number of RSAs 000's	Weighted average grant price	Number of RSAs 000's	Weighted average grant price
Total options outstanding, beginning of period	4,271	\$ 0.22	589	\$ 0.81
Granted	-	-	212	0.12
Vested	(212)	0.12	(23)	0.50
Expired or cancelled	-	-	(168)	0.81
RSAs outstanding, end of period	4,059	\$ 0.22	610	\$ 0.68

The restricted share awards outstanding as of March 31, 2021 have a weighted average remaining vesting life of 49 (2020 – 31) months.

- (d) The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model. There were no RSA grants issued during the quarter ended March 31, 2021. 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.

4. Revenue concentration:

Revenue by business unit:

(000's)	2021	2020	Change
Agriculture	\$ 2,456	\$ 5,201	(52.8%)

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements, page 4

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

4. Revenue concentration (continued):

(000's)	2021	2020	Change
Americas	\$ 1,875	\$ 4,016	(53.3%)
APAC	72	494	(85.4%)
EMEA	509	691	(26.3%)
	\$ 2,456	\$ 5,201	(52.8%)

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.

5. Provisions:

	Warranty
Balance at December 31, 2020	\$ 352
Provisions made during the period	6
Provisions used during the period	(281)
Balance at March 31, 2021	\$ 77

6. 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.

Right-of-use assets

	Office Space	Equipment	Total
Balance at January 1, 2020	\$ 962	\$ 58	\$ 1,020
Lease Additions	-	-	-
Depreciation change for the period	(83)	(7)	(90)
Balance, March 31, 2020	\$ 879	\$ 51	\$ 930
Balance at January 1, 2021	\$ 629	\$ 33	\$ 661
Lease Additions	-	-	-
Depreciation change for the period	(83)	(6)	(89)
Balance, March 31, 2021	\$ 546	\$ 27	\$ 572

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements, page 5

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

6. Leases (continued):

Lease liabilities

	2021	2020
Maturity analysis - contractual undiscounted cash flows		
Less than one year	\$ 360	\$ 431
One to five years	264	640
Total undiscounted lease liabilities at March 31	624	1,071
Current	\$ 347	\$ 393
Non-current	265	612
Lease liabilities included in the statement of financial position at March 31	\$ 612	\$ 1,005

Amounts recognized in profit or loss

	2021	2020
Interest on lease liabilities	\$ 8	\$ 13
Depreciation of right-of-use asset	89	90
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1	1
Total amount recognized in profit and loss	\$ 98	\$ 104

Amounts recognized in the statement of cash flows

	2021	2020
Total cash outflow for leases	\$ 90	\$ 126

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.

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.

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements, page 6

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

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, 2021.

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.

7. 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 March 31, 2021, 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.

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements, page 7

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

7. 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, 2021.

(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, 2021, carrying values of financial assets and liabilities approximate fair value.

8. Paycheck Protection Program Loan

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 March 3, 2021, the Company received \$1,466 under the United States of America Government's Small Business Paycheck Protection Program ("PPP"). The PPP loan bears an interest rate of 1% and matures on February 17, 2026.

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements, page 8

Three months ended March 31, 2021 and 2020

(Unaudited - expressed in U.S. thousand dollars, except where noted)

9. Impairment

As a result of the economic effects of the COVID-19, the Company completed an impairment analysis as of March 31, 2021.

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 are 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.

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, 2021 and concluded there was no asset impairment as of March 31, 2021.