



## Interim Management Discussion and Analysis

Three and nine month period ending September 30, 2019

(Expressed in U.S. dollars)

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**AgJunction Inc.**  
**Management's Discussion and Analysis**  
**Three and nine month period ending September 30, 2019**

The following discussion and analysis are effective as of November 6, 2019 and should be read together with our unaudited consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2019. 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](http://www.sedar.com). All amounts stated in this Management Discussion and Analysis ("MD&A") are in US dollars unless otherwise stated.

**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 applications for precision agriculture worldwide.

**AgJunction Receives 2019 Innovator of the Year Award from the Arizona Technology Council**

AgJunction has received the 2019 Innovator of the Year Award from the Arizona Technology Council (AZTC) in partnership with the Arizona Commerce Authority.

AZTC is one of Arizona's premier trade associations that works to connect, empower and engage tech companies across the state through educational seminars, business legislative lobbying and network events. With Arizona emerging as one of the fastest-growing tech hubs in the U.S., AZTC has played a pivotal role in showcasing the state's most innovative companies, along with connecting members with other local tech companies and universities in the state.

AZTC recently held its 16th Annual Governor's Celebration of Innovation/Tech Showcase, which included over 50 companies and honored technology leaders and innovators from across Arizona. During the event, AgJunction received the 2019 Innovator of the Year Award within the large company category for its best-in-class precision agriculture solutions and the development of its Wheelman® platform.

"AgJunction has been a pioneer in the development of low-cost, easy-to-install autosteering solutions that are accessible to millions of farmers through our HandsFreeFarm initiative," said M. Brett McMickell, COO of AgJunction. "We are honored to be recognized by the AZTC and Arizona Commerce Authority for our innovative products, which is a testament to our talented team here at AgJunction. We look forward to continue developing new and unique solutions, while enhancing our current portfolio, as we remain committed to delivering best-in-class precision ag products worldwide."

**Economic and Market Trends**

*Agriculture Markets*

In March 2019, the US Department of Agriculture ("USDA") reported total farm cash receipts are projected to modestly increase through 2028, primarily due to increasing crop cash receipts reflecting steady domestic and international economic growth that supports longer term demand for U.S. agricultural products. Total farm production expenses are projected to increase modestly by \$1.5 billion to \$346.1 billion in 2019 due to higher expenditures on feed/livestock purchased somewhat offset by lower spending on fuel. The USDA reports global demand and trade for agricultural products are projected to continue rising through 2028/2029. Income growth is projected to remain strong, especially in many emerging and developing economies, giving strong impetus for sustained growth in demand and trade for agricultural products. The Company's revenues have historically been correlated to the sales of new farm equipment which are influenced by the health of farm incomes thus serving as a leading indicator of the potential revenue trends for the Company.

The Conveyor Equipment Manufacturers Association (CEMA), European Agricultural Machinery Association and their member companies, released information on September 18, 2019 for a new Common Agricultural Policy (CAP) 2021-2027 “Smart Technologies Voucher” initiative the EU will be implementing. This will be directly used for increasing the utilization of various precision agriculture equipment, including DGPS (Differential Global Positioning System) or camera-based machine guidance systems. The amount of the Smart Technologies Voucher provided to the farmer will potentially depend on the total amount of hectares that the farmer would use. The Smart Technologies Voucher will be available to all member states in order to ensure a geographical level playing field for precision technologies.

Management views the 2019 fundamentals of its global agriculture markets and the growing adoption of technology driven efficiencies such as the one mentioned above to be growth neutral with new machine sales expected to remain flat to slightly up and existing field equipment sales to be slightly up. However, there are other factors creating uncertainty in the market, including geopolitical risks and decreased global growth as well as a drop off in demand for legacy products of the Company. During 2019, the Company benefited from revenue generated by a Bulk Purchase Order (BPO) signed in 2018, the sell-through of which was completed during the third quarter of 2019. As a result, future sales are expected to lag slightly behind the agriculture cycle and related upturn due to a change in the Company’s customer base and mix of machine manufacturers.

The outlook for our markets in 2020 and beyond is positive and The Company is well-positioned for the future given the portfolio of innovative autosteering solutions and intellectual property needed for the next generation of farming equipment. The Company’s overall positive outlook is driven by the following key factors: population growth, limited arable land, the need for increased output, and a relatively low global penetration of precision agriculture technologies such as Global Navigation Satellite Systems (GNSS) and autosteering. We also feel our product development plan and in particular our direct-to-farmer initiative, offering smaller farms an affordable, easy-to-use autosteering system, addresses an underserved market segment and positions us well to grow in the future as market growth accelerates, and new technology solutions are adopted.

## Summary of Quarterly Results

(000's)	31-Dec 2017	31-Mar 2018	30-Jun 2018	30-Sep 2018	31-Dec 2018	31-Mar 2019	30-Jun 2019	30-Sep 2019
Sales	\$ 9,889	\$ 15,774	\$ 13,776	\$ 17,862	\$ 17,103	\$ 14,013	\$ 13,301	\$ 8,641
Gross Profit	3,850	6,781	5,418	6,323	5,288	5,763	4,624	2,787
	39%	43%	39%	35%	31%	41%	35%	32%
Expenses:								
Research and development	2,514	2,979	3,008	1,343	1,157	1,752	1,984	1,901
Sales and marketing	1,796	2,165	1,984	1,857	1,090	1,357	1,285	1,186
General and administrative	2,529	2,679	2,757	2,471	2,196	2,608	2,099	2,233
	6,839	7,823	7,749	5,671	4,443	5,717	5,368	5,320
Operating income (loss)	(2,989)	(1,042)	(2,331)	652	845	46	(744)	(2,533)
Foreign exchange (gain) loss	(13)	(49)	28	(35)	13	(18)	(39)	86
Interest and other (income) loss	-	(5)	(5)	(20)	(92)	(60)	(61)	(83)
Loss (gain) on sale of property, plant and equipment	-	(4)	(9)	-	-	8	37	(9)
(Gain) on sale of divisions	-	-	-	(943)	(2,214)	-	-	-
	(13)	(58)	14	(998)	(2,293)	(70)	(63)	(6)
Net income (loss) before income taxes	(2,976)	(984)	(2,345)	1,650	3,138	116	(681)	(2,527)
Income tax expense (benefit)	(309)	-	-	-	(5)	1	1	(2)
Net income (loss)	(2,667)	(984)	(2,345)	1,650	3,143	115	(682)	(2,525)
Earnings (loss) per common share:								
Basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ 0.01	\$ 0.03	\$ -	\$ (0.01)	\$ (0.02)
Weighted Average Diluted Shares	121,157	118,338	126,287	125,684	126,445	126,366	125,952	120,280

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

**For the Quarter Ended**

(000's)	31-Dec 2017	31-Mar 2018	30-Jun 2018	30-Sep 2018	31-Dec 2018	31-Mar 2019	30-Jun 2019	30-Sep 2019
Americas	\$ 5,540	\$ 8,481	\$ 6,761	\$ 3,923	\$ 2,269	\$ 4,706	\$ 3,021	\$ 2,790
APAC	402	741	178	452	147	311	17	181
EMEA	3,947	6,552	6,837	13,487	14,687	8,996	10,263	5,670
	\$ 9,889	\$ 15,774	\$ 13,776	\$ 17,862	\$ 17,103	\$ 14,013	\$ 13,301	\$ 8,641

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 North American and EMEA agriculture markets which are subject to the seasonality of the agricultural buying season. Normally this leads to the first half of the year being the strongest and the second half being the weakest, however the BPO deliveries in 2018 made the revenue in the second half of 2018 higher than the first half of 2018. Revenue in the first half of 2019 is expected to be higher than the second half of 2019 due to the deliveries under the BPO which were completed during the quarter ended September 30, 2019. Initiatives to mitigate the seasonality going forward include revenue efforts in the Southern Hemisphere which is generally counter-seasonal to the Northern Hemisphere agricultural seasons and strategies focused on increasing sources of recurring revenue including royalties earned on our portfolio of intellectual property patents.
2. The adoption of advanced technology as it relates to precision farming is transitioning from historically being an aftermarket business to a market focused on sales to original equipment manufacturers (OEM). The outlook for the Company's products in the OEM channel remains uncertain based on the speed in which each region will adopt this advanced technology and the adoption by such OEM's of the Company's products.

**Quarter Ended September 30, 2019 versus Quarter Ended September 30, 2018**

**Management Summary**

On March 13, 2018 the Company announced it had entered into a BPO with a customer to supply its steering solutions products to the customer for an aggregate order value of approximately \$55 million. Deliveries and payments under the purchase order began July 1, 2018 and completed during the quarter ended September 30, 2019.

**Revenues**

For the quarter ended September 30, 2019, revenues were \$8.6 million representing a decrease of 52% over \$17.9 million in the same period of 2018. This decrease is related to declines in revenue resulting from the 2018 sale of non-core businesses in late 2018 offset by shipments fulfilled under the BPO.

(000's)	2019	2018	Change
Sales	\$ 8,641	\$ 17,862	-52%

## Sales by geographic region

(000's)	2019	2018	Change
Americas	\$ 2,790	\$ 3,923	-29%
APAC	181	452	-60%
EMEA	5,670	13,487	-58%
	\$ 8,641	\$ 17,862	-52%

In the third quarter of 2019, revenue in the Americas decreased by \$1.1 million or 29%, due to the sale of the Outback and Satloc businesses, in the third and fourth quarters of 2018, respectively, resulting in a year-over-year decrease of \$1.8 million. Revenue in APAC decreased \$0.3 million or 60% due to decreased demand in New Zealand and China. Revenue in the EMEA region decreased \$7.8 million or 58%, due to lower year over year sales related to the BPO.

Sales to customers in the Americas represented 32% of total revenues in the third quarter of 2019 compared to 22% in the third quarter of 2018. Sales in APAC for the third quarter of 2019 were 2%, down slightly from the third quarter of 2018. EMEA sales represent 66% of total revenues for the third quarter, down from 76% in the third quarter of 2018. This decrease is driven by shipments fulfilled under the BPO which were lower in the third quarter 2019 than in the prior year.

### **Gross Profits**

Gross profits were \$2.8 million for the third quarter of 2019 compared to \$6.3 million for the same period in 2018 with the decline reflecting the reduction in revenue generated by the BPO. Gross profits, as a percentage of revenue, for the third quarter of 2019 were 32% compared to 35% for the third quarter of 2018. The three percent decrease in gross profit over the prior year is primarily a result of lower margins on the BPO, lower volumes of revenue offset reduced compensation costs allocated to cost of sales as a result of ongoing cost control efforts.

### **Expenses**

Total operating expenses for the quarter were \$5.3 million in 2019, down by 6% or \$0.4 million from \$5.7 million in 2018 reflecting the aforementioned sales of business lines and a general focus on cost reduction. A breakdown of expenses by line item follows.

Research and development expenditures of \$1.9 million in the third quarter of 2019 increased from \$1.3 million in the third quarter of 2018 representing an increase of \$0.6 million or 42%. This increase is primarily related to development amortization.

Sales and marketing expenses for the third quarter of 2019 were \$1.2 million, down \$0.7 million or 36% compared to \$1.9 million in the third quarter of 2018. The decrease is related to compensation cost savings resulting from the sale of businesses and overall cost control.

General and administrative expenses for the third quarter of 2019 were \$2.2 million compared to \$2.5 million in the third quarter of 2018, representing a decrease of \$0.3 million or 10%. This decrease is related to cost savings in compensation, resulting from the sale of business and reduction in consultant and service costs for an ERP implementation which was completed in 2018.

### **Interest, Foreign Exchange, and Other Income**

In the third quarter of 2019, the Company recorded net interest and other income of \$83 thousand compared to \$20 thousand in the third quarter of 2018. 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 \$86 thousand compared to a gain of \$35 thousand during the same quarter in 2018. Foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar working capital.

During the three months ended September 30, 2019 the Company realized a gain of \$9 thousand on the disposal of property, plant and equipment. No gain or loss on the sale of property, plant and equipment was realized during the same period in 2018. The Company announced the closure of its Brisbane Australia and Fremont California offices on April 10, 2019 as a result of these pending closures, property, plant and equipment totaling \$29 thousand was disposed of during the quarter ended September 30, 2019.

### ***Income Tax Benefit***

The Company recognized \$2 thousand in income tax benefit for the quarter ended September 30, 2019. No income tax was recognized during the same quarter of 2018.

### ***Net Income (Loss)***

In the third quarter of 2019, the Company realized a net loss of \$2.5 million or (\$0.02) per share (basic and diluted), compared to a net income of \$1.6 million or \$0.01 per share (basic and diluted) for the third quarter of 2018.

## **Nine Months Ended September 30, 2019 versus September 30, 2018**

### ***Management Summary***

On March 13, 2018 the Company announced it entered into a BPO with a customer to supply its steering solutions products to the customer for an aggregate value of approximately \$55 million. Deliveries and payments under the purchase order began July 1, 2018 and continued through the third quarter of 2019.

### ***Revenues***

For the nine month period ended September 30, 2019, revenues were \$36.0 million representing a decrease of 24% over \$47.4 million for the same period of 2018. This decrease is related to sales of businesses offset by shipments fulfilled under the BPO.

(000's)	2019	2018	Change
Sales	\$ 35,955	\$ 47,412	-24%

### ***Sales by geographic region***

(000's)	2019	2018	Change
Americas	\$ 10,645	\$ 19,165	-44%
APAC	511	1,371	-63%
EMEA	24,799	26,876	-8%
	\$ 35,955	\$ 47,412	-24%

In the nine month period ended September 30, 2019, revenue in the Americas decreased by \$8.5 million or 44%, due primarily to the sale of the Outback and Satloc businesses, in the second half of 2018, resulting in a year-over-year decrease of \$8.0 million. Revenue in APAC saw a decrease of \$0.9 million or 63%, due to the sale of the Outback and Satloc businesses in the second half of 2018 of \$0.4 million and decreased demand in New Zealand and China. Revenue in the EMEA region decreased \$2.1 million or 8% from \$26.9 million over the same period of 2018, due to completing shipments under the BPO during August 2019.

Sales to customers in the Americas represented 30% of total revenues during the nine months ended September 30, 2019 compared to 40% in the corresponding period of 2018. Sales in APAC represented 1%

of total revenues in the during the nine months ended September 30, 2019 down from 3% in the corresponding period of 2018. EMEA sales represent 69% of total revenues for the period, up from 57% in the same period in 2018. This increase is driven by shipments fulfilled under the BPO.

### ***Gross Profits***

Gross profits for the nine months ended September 30, 2019 were \$13.2 million compared to \$18.5 million for the same period in 2018 with the decline reflecting the reduction in revenue volume generated by the BPO. Gross profits, as a percentage of revenue, were 37% in 2019 compared to 39% in 2018. The two percent decrease in gross profit over the same period of the prior year is driven by the lower margins on the BPO offset favorably by compensation costs allocated to cost of sales as a result of ongoing cost control efforts.

### ***Expenses***

Total operating expenses for the nine months ended September 30, 2019 were \$16.4 million, down by 23% or \$4.8 million from \$21.2 million in 2018. A breakdown of expenses by line item follows.

Research and development expenditures for the nine months ended September 30, 2019 of \$5.6 million decreased from \$7.3 million over the same period in 2018 representing a decrease of \$1.7 million or 23%. This decrease is related primarily to compensation cost savings of \$1.6 million resulting from the sale of businesses and capitalization of project costs for internally developed intangible assets of \$1.1 million offset slightly by amortization of development costs of \$0.3 million.

Sales and marketing expenses for the nine months ended September 30, 2019 were \$3.8 million, down \$2.1 million or 36% compared to \$6.0 million in the same period of 2018. The decrease is related primarily to cost savings in compensation costs and marketing costs resulting from the sale of businesses of \$1.5 million and \$0.5 million, respectively.

General and administrative expenses for the nine months ended September 30, 2019 were \$6.9 million compared to \$7.9 million in the same period of 2018 representing a decrease of \$1.0 million or 12%. This decrease is related to cost savings in consultant and service costs for phase 2 of our ERP Implementation completed in 2018 of \$0.5 million and legal fees of \$0.5 million.

### ***Interest, Foreign Exchange, and Other Income***

In the year to date period ended September 30, 2019, the Company recorded net interest and other income of \$204 thousand compared to \$30 thousand in the same period of 2018. The Company invested the higher surplus funds from asset sales in a higher interest-bearing account during the second half of 2018 resulting in the increase of interest income during the first half of 2019 as compared to the same period in 2018. The Company earns interest income on certain cash balances which is offset by interest paid.

During the nine months ended September 30, 2019, the Company realized a foreign exchange loss of \$29 thousand compared to a gain of \$56 thousand during the same period in 2018. 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 \$36 thousand and a gain of \$13 thousand during the nine months ended September 30, 2019 and 2018, respectively. The Company announced the closure of its Brisbane Australia and Fremont California offices on April 10, 2019 as a result of these pending closures, property, plant and equipment totaling \$58 was disposed of during the nine months ended September 30, 2019.

### ***Income Tax Benefit***

The Company did not recognize income tax during the nine month periods ended September 30, 2019 or 2018.



## **Net Loss**

In the nine months ended September 30, 2019, the Company realized a net loss of \$3.1 million or (\$0.03) per share (basic and diluted), compared to a net loss of \$1.7 million or (\$0.01) per share (basic and diluted) in the first three quarters of 2018.

## **Liquidity and Capital Resources**

### *Working Capital*

The Company held cash of \$21.3 million at September 30, 2019 compared to \$21.4 million at December 31, 2018. Working capital was \$22.8 million, down from \$26.7 million at December 31, 2018.

Cash from operations was \$3.2 million in the three months ended September 30, 2019 compared to \$3.8 million for the same period in 2018. The primary factors affecting cash from operations during the third quarter of 2019 were decreases in Accounts Receivable and Accounts Payable related to the completing the BPO.

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

- Cash from operations was \$1.9 million in the nine months ended September 30, 2019 compared to \$1.1 million for the same period in 2018.
- Accounts receivable at September 30, 2019 were \$3.4 million compared to \$8.5 million at December 31, 2018 primarily due to shipments made under the BPO.
- Inventory was \$4.0 million at September 30, 2019 versus \$5.7 million at December 31, 2018. Inventories consist of components, work in process and finished goods related to the products sold by the Company.
- Accounts payable and accrued expenses at September 30, 2019 were \$4.1 million versus \$8.5 million at December 31, 2018. The decrease of \$4.4 million is due to sales volume, timing and volume of shipments within the respective quarters.
- Current portion of lease liability at September 30, 2019 and 2018 was \$0.6 million and nil.

The Company has access to an operating line of credit with its bank for \$3.0 million. As of September 30, 2019, the full line of credit continues to be 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, revenues 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. As of September 30, 2019, the Company has not recognized any deferred tax assets on the Consolidated Statement of Financial Position.
5. The Company accrues reserves for product warranty expenses as it relates to the repair or replacement of non-performing products sold in the current period. The warranty reserve is based on historical information of warranty claims compared to revenue. Any expenses directly relating to warranty claims are expected to offset the provision recorded.
6. The Company assesses, at inception of a contract, whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:
  - the contract involves the use of an identified asset (explicitly or implicitly), and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution right, then the asset is not identified;
  - the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
  - the Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
    - o the Company has the right to operate the asset; or
    - o the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

## **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 December 31, 2018. 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.

This MD&A contains forward-looking statements pertaining to the following:

- financial results;
- new and emerging markets, in particular the success of the Company's eStore initiative;
- 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;
- processes implemented to mitigate weaknesses in internal controls;
- 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;
- adoption of the Company's products by OEM customers and its eStore products by small farm consumers;
- changes in the GPS network and other systems outside of our control;
- misappropriation of proprietary information;
- legal claims for the infringement of intellectual property and other claims;
- incorrect assessments of the value of acquisitions;
- fluctuation in foreign exchange or interest rates;
- uncertainties in the global economy;
- negative conditions in general economic and financial markets;
- reliance on key suppliers;
- availability of key supplies and components;
- dependence on major customers;
- losses from credit exposures;
- product liability;
- damage or loss of use of physical facilities;
- stock market volatility and market valuations;
- conflicts of interest;
- changes in income tax laws and other government regulations; and
- the 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; future operating costs; that there are no unforeseen events preventing the performance of contracts; the cost of expanding AgJunction's product lines; the impact of increasing competition; the nature and outcome of legal proceedings; the continuity of existing business relationships; conditions in general economic and financial markets; 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.