AgJunction®

Interim Management's Discussion and Analysis

Three month period ended March 31, 2018

The following discussion and analysis is effective as of May 9, 2018 and should be read together with our unaudited consolidated interim financial statements and accompanying notes for the three month period ended March 31, 2018. 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.

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 and is a leading provider of innovative hardware and software solutions for precision agriculture worldwide. AgJunction holds fundamental steering and machine control patents and markets its products and services under leading brand names, including Outback Guidance® and Satloc®. Its autosteering and machine control solutions are critical components in over 30 of the world's leading precision Ag manufacturers and solution providers.

Economic and Market Trends

Agriculture Markets

In February 2018, the US Department of Agriculture ("USDA") reported total farm cash receipts increased by $7.8 billion, or 2.2% resulting in an increase in net farm income of $2.3 billion or 3.7% in 2017 versus 2016. This marks the first year of increases in net farm income since 2013 which resulted in slightly higher sales of new farm equipment (per the Association of Equipment Manufacturers) in the US, which is one of the Company's primary markets. A portion of the Company's revenues are directly correlated to the sales of new farm equipment which are influenced by the health of farm incomes; a leading indicator of the potential revenue trends for the Company.

According to a February 2018 report from CEMA, a European network of national Ag machinery associations and their member companies, the European tractor market grew 12.8% in 2017 when compared to 2016. In 2018, the market may grow further, an expectation based on the CEMA Barometer and the economic experts of the CEMA member associations. Economic experts from France, Germany, Belgium, Italy and the UK all expect a small growth of the agricultural machinery market for 2018 in their country. This positive trend is confirmed by the latest CEMA Barometer index. The CEMA Barometer index has been going up for several months already and is currently at its highest point since 2009.

Management views the 2018 fundamentals of its global agricultural markets to be neutral to slightly up with expectations of new machine sales to remain flat to slightly up and existing field equipment sales to be slightly up. Sales are expected to lag slightly behind the agriculture cycle and related upturn due to the Company's customer base and mix of machine manufacturers. The outlook for 2019 and beyond is positive, 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.

Summary of Quarterly Results

(000's)	30-Jun 2016	30-Sep 2016	31-Dec 2016	31-Mar 2017	30-Jun 2017	30-Sep 2017	31-Dec 2017	31-Mar 2018
Sales	$11,894	$6,657	$8,224	$14,573	$13,341	$8,978	$9,889	$15,774
Gross margin	4,780	2,190	2,884	6,827	5,515	3,229	3,850	6,781
	40%	33%	35%	47%	41%	36%	39%	43%
Expenses:								
Research and development	2,028	1,756	2,003	2,083	1,861	1,752	2,514	2,979
Sales and marketing	1,809	1,570	1,641	1,903	1,960	2,117	1,796	2,165
General and administrative	2,221	1,939	2,055	2,226	2,218	2,418	2,529	2,679
	6,058	5,265	5,699	6,212	6,039	6,287	6,839	7,823
Operating income (loss)	(1,278)	(3,075)	(2,815)	615	(524)	(3,058)	(2,989)	(1,042)
Goodwill impairment	-	11,301	-	-	-	-	-	-
Foreign exchange (gain) loss	(60)	7	(3)	(4)	(22)	43	(13)	(49)
Interest and other (income) loss	(40)	(21)	-	1	1	(20)	-	(5)
Loss (gain) on sale of property, plant and equipment	29	(5)	86	-	18	1	-	(4)
Other Income	-	-	-	(3,000)	-	-	-	-
	(71)	11,282	83	(3,003)	(3)	24	(13)	(58)
Net income (loss) before income taxes	(1,207)	(14,357)	(2,898)	3,618	(521)	(3,082)	(2,976)	(984)
Income taxes	-	-	-	-	19	-	(309)	-
Net income (loss)	(1,207)	(14,357)	(2,898)	3,618	(540)	(3,082)	(2,667)	(984)
Earnings (loss) per common share:								
Basic and diluted	($0.01)	($0.12)	($0.02)	$0.03	$0.00	($0.02)	($0.02)	($0.01)
Weighted Average Diluted Shares	123,732	124,848	123,773	124,307	128,268	124,475	121,157	118,338

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

For the Quarter Ended

(000's)	30-Jun 2016	30-Sep 2016	31-Dec 2016	31-Mar 2017	30-Jun 2017	30-Sep 2017	31-Dec 2017	31-Mar 2018
Americas	$7,765	$4,581	$4,677	$8,254	$7,085	$5,549	$5,540	$8,481
APAC	520	584	546	1,026	822	222	402	741
EMEA	3,609	1,492	3,001	5,293	5,434	3,207	3,947	6,552
	$11,894	$6,657	$8,224	$14,573	$13,341	$8,978	$9,889	$15,774

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

1. A large component of the Company's Sales is derived from North American agriculture markets which are subject to the seasonality of the agricultural buying season, with the first half of the year being the strongest and the second half being the weakest. Initiatives to mitigate the seasonality include sales efforts in the Southern Hemisphere which is generally counter-seasonal to the Northern Hemisphere agricultural seasons and strategies focused on increasing sources of recurring Sales.

2. The adoption of advanced technology as it relates to precision farming is transitioning from historically being an aftermarket business to an original equipment manufacturer (OEM) business. The outlook for the Company's products in the OEM channel remains uncertain based on the speed with which each region will adopt this model.

Quarter Ended March 31, 2018 versus Quarter Ended March 31, 2017

Management Summary

In the first quarter of 2018 revenues were $15.8M, the highest in the last eight quarters, reflecting the efforts management has placed on obtaining new customers and increasing sales to our existing customer base. While revenue increased it was offset by increased investments in Engineering, Sales and Marketing related to development of new products and to capture market share as the agricultural industry recovers. The increased investment drove net income down from the prior year despite the increase in revenue, however management believes these investments are necessary as we position the company for future growth. Additional details are provided in the sections below.

Revenues

For the quarter ended March 31, 2018, revenues were $15.8 million representing an increase of 8% from $14.6 million in the same period of 2017.

(000's)	**2018**	**2017**	**Change**
Agriculture	$ 15,774	$ 14,573	8%

Sales by geographic region

(000's)	**2018**	**2017**	**Change**
Americas	$ 8,481	$ 8,254	3%
APAC	741	1,026	(28%)
EMEA	6,552	5,293	24%
	$ 15,774	$ 14,573	8%

In the first quarter of 2018, revenue in the Americas increased by $0.2 million or 3%, due to increased sales into South America of $0.2 million. Sales in APAC saw a decrease of $0.3 million due to decreased sales into China partially offset by increased sales in Japan. Sales in the EMEA region saw an increase of $1.3 million due to increased sales into France.

Sales to customers in the Americas represented 54% of total revenues in the first quarter of 2018 compared to 57% in the first quarter of 2017. Sales in APAC represented 5% of total revenues in the first quarter of 2018 down from 7% in the first quarter of 2017. EMEA sales represent 41% of total revenues for the period, up from 36% in the same period in 2017.

Gross Margins

Gross margins were $6.8 million for the first quarter of 2018 and 2017. Gross margins, as a percentage of revenue, were 43% in 2018 compared to 47% in 2017. The four percent decrease in gross margin over the same quarter of the prior year is attributed to 5% increase in material cost of the product mix sold offset by favorability from the absorption of compensation costs allocated to Cost of sales and the reduction of warranty and obsolescence reserves.

Expenses

Total operating expenses for the quarter were $7.8 million in 2018, up by 26% or $1.6 million from $6.2 million in 2017. A break out of expenses by line item follows.

Research and development expenditures of $3.0 million increased from $2.1 million in 2017 representing an increase of $0.9 million or 43%. The expense increase is related to investment in product development resulting in increased compensation and project costs.

Sales and marketing expenses for the period were $2.2 million in 2018, up $0.3 million or 16% compared to $1.9 million in 2017. The increase is related to increased investment in marketing efforts and employee compensation costs.

General and administrative expenses for the first quarter of 2018 were $2.7 million compared to $2.2 million in 2017 representing an increase of $0.5 million or 23%. This increase is due to $0.2 million increase in employee compensation costs, $0.2 million increase in consultant and service costs for phase 2 of ERP Implementation and $0.1 million increase in legal fees.

Interest, Foreign Exchange, and Other Income

In the first quarter of 2018, the Company recorded net interest and other income of $5 thousand compared to a loss of $1 thousand in the first quarter of 2017. The Company earns interest income on certain cash balances which is offset by interest paid.

During the quarter, the Company realized a foreign exchange gain of $49 thousand compared to a gain of $4 thousand during the same quarter in 2017. Foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar working capital.

For the first quarter of 2017, the company recorded $3.0 million of other income associated with its entry into a strategic agreement with Hemisphere GNSS, Inc. (Hemisphere), a world-class provider of global navigation satellite systems (GNSS) technology, whereby the Company received a one-time payment of $3.0 million in exchange for releasing Hemisphere from a license restriction that prevented them from selling their GNSS products directly into the global agricultural market. No other income was recorded in the first quarter of 2018.

Income Taxes

The Company did not recognize any income tax benefit or expense in the first quarter of 2018 or 2017.

Net Income (Loss)

In the first quarter of 2018, the Company realized net loss from continuing operations of $1.0 million or ($0.01) per share (basic and diluted), compared to a net income from continuing operations of $3.6 million or $0.03 per share (basic and diluted) in the first quarter of 2017.

Liquidity and Capital Resources

Working Capital

The Company held cash of $10.2 million at March 31, 2018 compared to $13.9 million at December 31, 2017. Working capital was $19.5 million, down from $20.3 million at December 31, 2017. The primary items impacting working capital during the three-month period were:

- Accounts receivable at March 31, 2018 was $7.9 million versus $4.2 million at December 31, 2017, due to higher sales volume.
- Inventories consist of components, work in process and finished goods related to the products sold by the Company. Inventory was $8.0 million at March 31, 2018 versus $7.6 million at December 31, 2017.
- Accounts payable and accrued expenses at March 31, 2018 were $6.6 million versus $5.6 million at December 31, 2017.
- Cash used in continuing operations was $3.5 million in the three months ended March 31, 2018 compared to cash generated of $3.1 million in the three months ended March 31, 2017.

The Company obtained an operating line of credit with its bank for $3.0 million in February 2014. As of March 31, 2018, 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, 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. At March 31, 2018, the Company did not recognize 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 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 December 31, 2017. 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;
- 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;
- 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.