Interim Management's Discussion and Analysis

Three and nine month periods ended September 30, 2016

The following discussion and analysis is effective as of November 9, 2016 and should be read together with our unaudited consolidated interim financial statements and accompanying notes for the three and nine month periods ended September 30, 2016. 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 provides innovative hardware and software applications for precision agriculture worldwide.

Economic and Market Trends

Agriculture Markets

Softening commodity prices and the strong US dollar resulted in weaker sales of new farm equipment throughout 2015 and into 2016. U.S. corn prices were approximately 10 per cent lower in 2015 over 2014 while U.S. soybean prices have decreased over 20 per cent. When commodity prices decline, farmers must cut costs, often choosing to retain existing equipment over choosing to purchase new equipment. As previously disclosed throughout 2014 and 2015, the slowdown in equipment sales was not unexpected.

In August 2016, the US Department of Agriculture ("USDA") reported both net cash and net farm income are forecast to decline for the third consecutive year. Net cash farm income is forecast at $94.1 billion, down 13.3 percent from the 2015 estimate. Net farm income is forecast to be down 11.5 percent. If estimates are realized, they would result in the lowest net farm income since 2009.

Per the USDA, cash receipts are expected to fall $25.7 billion or 6.8 percent, led by an $18.7 billion, or 9.8 percent, drop in animal/animal product cash receipts during 2016. Crop cash receipts are forecast to fall 3.7 percent ($7.1 billion) in 2016.

Management views the 2016 fundamentals of its global agriculture markets to be slightly down and flat to slightly down in 2017. Longer term outlook remains 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 System (GNSS) and autosteering.

Currency Markets

The Company's financial results are impacted by foreign currency volatility – particularly the Canadian/United States ("US") dollar exchange rate. The company's consolidated financial statements are presented in US dollars, which is also the Company's functional currency.

The Company sells products in US dollars, however, a portion of the Company's expenses are incurred in Canadian and Australian dollars. As a result, from a purely financial reporting perspective, a stronger US dollar is positive for the Company's earnings and such expenses are lower when translated at a stronger US dollar foreign exchange rate. However, from a business perspective, the stronger US dollar relative to global currencies increases the net price of the Company's products to international customers as sales are made in US dollars – which could result in lower sales.

The average foreign exchange rate for third quarter of 2016 was $1.3051 Cdn/US, down 0.3% from $1.3094, the average third quarter of 2015 rate.

Canadian and US dollar exchange rates during 2014, 2015 and 2016 were as follows:

	Quarter Ended							
	Dec 31 2014	Mar 31 2015	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016	Jun 30 2016	Sep 30 2016
Quarterly average	$ 1.1356	$ 1.2405	$ 1.2294	$ 1.3094	$ 1.3346	$ 1.3732	$ 1.2886	$ 1.3051
Quarter end	$ 1.1601	$ 1.2683	$ 1.2474	$ 1.3394	$ 1.3840	$ 1.2971	$ 1.3009	$ 1.3117

These foreign exchange rates are sourced from the Bank of Canada. Quarterly averages are the average of the three months' noon rate for the period. The quarter end rate is equal to the Bank of Canada Noon Day Rate on the last published day in the quarter.

Summary of Quarterly Results

(000's)	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016
Sales	$9,964	$12,096	$7,741	$7,567	$11,644	$15,489	$11,894	$6,657
Gross margin	4,037	5,524	3,245	3,297	2,763	6,674	4,780	2,190
	41%	46%	42%	44%	24%	43%	40%	33%
Expenses:								
Research and development	1,636	1,512	896	1,424	2,896	1,949	2,028	1,756
Sales and marketing	1,419	1,531	1,235	945	1,693	1,918	1,809	1,570
General and administrative	1,631	1,854	1,689	1,727	3,163	2,540	2,221	1,939
	4,686	4,897	3,820	4,096	7,752	6,407	6,058	5,265
Operating income (loss)	(649)	627	(575)	(799)	(4,989)	267	(1,278)	(3,075)
Goodwill impairment	15,856	-	-	-	-	-	-	11,301
Intangible impairment	-	-	-	-	4,714	-	-	-
Foreign exchange (gain) loss	12	104	2	16	81	23	(60)	7
Interest and other (income) loss	(1)	(1)	(1)	(23)	1	-	(40)	(21)
(Gain) loss on sale of property, plant and equipment	-	-	39	(2)	96	1	29	(5)
(Gain) on sale of other assets, net of liabilities	-	-	(1,623)	-	-	-	-	-
	15,867	103	(1,583)	(9)	4,892	24	(71)	11,282
Net income (loss) before income taxes	(16,516)	524	1,008	(790)	(9,881)	243	(1,207)	(14,357)
Income taxes	-	-	-	-	-	-	-	-
Net income (loss)	(16,516)	524	1,008	(790)	(9,881)	243	(1,207)	(14,357)
Earnings (loss) per common share:								
Basic and diluted	($0.23)	$0.01	$0.01	($0.01)	($0.09)	$0.00	($0.01)	($0.12)
Weighted Average Diluted Shares	72,243	72,322	72,331	72,322	122,829	124,001	123,732	124,848

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

For the Quarter Ended

(000's)	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016
Americas	$4,648	$5,005	$3,992	$4,002	$5,399	$7,456	$7,765	$4,581
APAC	599	1,910	364	1,076	908	3,013	519	584
EMEA	4,717	5,181	3,385	2,489	5,430	5,020	3,609	1,492
	$9,964	$12,096	$7,741	$7,567	$11,737	$15,489	$11,895	$6,657

In addition to the agricultural market downturn noted above, 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 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 revenue.

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 OEM environment remains uncertain with variations of adoption from the regions.

3. The acquisition of Novariant Inc. in the fourth quarter of 2015.

Quarter Ended September 30, 2016 versus Quarter Ended September 30, 2015

Revenues

For the quarter ended September 30, 2016, revenues were $6.7 million representing a decrease of 12% from $7.6 million in the same period of 2015.

(000's)	**2016**	**2015**	**Change**
Agriculture	$ 6,657	$ 7,567	(12%)

Sales by geographic region

(000's)	**2016**	**2015**	**Change**
Americas	$ 4,581	$ 4,002	14%
APAC	584	1,076	(46%)
EMEA	1,492	2,489	(39%)
	$ 6,657	$ 7,567	(12%)

In the third quarter of 2016, revenue in the Americas increased by $0.6 million or 14%, due largely to $1.8 million in additional sales resulting from the acquisition of Novariant Inc. which occurred in the fourth quarter of

2015. Excluding Novariant Inc. revenue, AgJunction American revenues were down $1.2 million due to recent economic and market trends detailed above. Sales in APAC saw a decrease of $0.5 million due to decreased sales into China. Sales in the EMEA region also saw a decline of $1.0 million due to decreased OEM sales into Germany.

Sales to customers in the Americas represented 69% of total revenues in the third quarter of 2016 (2015 - 53%). Sales in APAC represented 9% of total revenues in the third quarter of 2016 (2015 – 14%). EMEA sales represent 22% of total revenues for the period (2015 – 33%).

Gross Margins

Gross margins were $2.2 million for the quarter, down from gross margins of $3.3 million in 2015. Gross margins, as a percentage of revenue, were 33% in 2016 compared to 44% in 2015. Current quarter gross margins, as a percentage of revenue, were lower than the same quarter of 2015 due to higher warranty and material costs which drove gross margins down by 2% and 5%, respectively. The increase in material costs were driven by cost increases from one major vendor. In addition to increased warranty and material costs, gross margins were driven down 3% due to the absorption of fixed costs over lower sales volume.

Expenses

Total operating expenses for the quarter were $5.3 million in 2016, up by 29% or $1.2 million from $4.1 million in 2015. A break out of expenses by line item follows.

Research and development expenditures of $1.8 million increased from $1.4 million in 2015 representing an increase of $0.4 million or 29%. The majority of this expense increase relates to $0.3 million of amortization relating to $11.7 million intangible asset purchased in the acquisition of Novariant during the fourth quarter of 2015.

Sales and marketing expenses for the period were $1.6 million in 2016, up by 78% or $0.7 million from $0.9 million in 2015, due largely to the acquisition of Novariant in the fourth quarter of 2015. Novariant expenses amounted to approximately $0.6 million for the three months ended September 30, 2016.

General and administrative expenses for the third quarter of 2016 were $1.9 million compared to $1.7 million in 2015 representing an increase of $0.2 million or 12%. Novariant expenses amounted to $0.6 million for the three months ended September 30, 2016. The $0.6 million in Novariant general and administrative expenses were offset by a $0.2 million reduction in both legal and consulting spend.

Goodwill Impairment

For the three months ended, September 30, 2016, the company recorded $11.3 million of goodwill impairment. Current agriculture market conditions and poor current quarter results caused management to re-evaluate prior assumptions used in the financial model for determining goodwill's value in use which resulted in an impairment. This impairment was recorded after the goodwill analysis proved the recoverable amount to be less than the carrying amount. No such impairment was taken in the same quarter of 2015. .

Interest and Foreign Exchange

For the third quarter of 2016, the company recorded $21 thousand of interest and other income compared to $23 thousand in the comparative quarter.

During the quarter, the Company realized a foreign exchange loss of $6 thousand compared to a loss of $16 thousand during the same quarter in 2015.

Income Taxes

The Company did not recognize any income tax benefit or expense in either the third quarter of 2016 or 2015.

Net Income (Loss)

In the third quarter of 2016, the Company realized net loss from continuing operations of $14.4 million or ($0.12) per share (basic and diluted), compared to a net loss from continuing operations of $0.8 million or ($0.01) per share (basic and diluted) in the third quarter of 2015.

Quarter Ended September 30, 2016 versus Quarter Ended June 30, 2016

Revenues

Revenues during the second and third quarters of 2016 were as follows:

(000's)	Q3 2016	Q2 2016	Change
Agriculture	$ 6,657	$ 11,894	(44%)

Sales by region for the second and third quarters of 2016 are as follows:

(000's)	Q3 2016	Q2 2016	Change
Americas	$ 4,581	$ 7,765	(41%)
APAC	584	520	12%
EMEA	1,492	3,609	(59%)
	$ 6,657	$ 11,894	(44%)

Americas revenue for the quarter was down $3.2 million (41%) from the second quarter of 2016 due largely to decreased sales into Canada and the United States. Sales in the EMEA region showed a decrease of $2.1 million or 59% which relate largely to weakened OEM sales into Germany. Sales in the APAC region increased slightly (12%).

Gross Margins

Gross margins in the third quarter of 2016 were $2.2 million (33%) compared to $4.8 million (40%) in the second quarter of 2016. Third quarter gross margins, as a percentage of revenue, were lower than the second quarter primarily due to higher material costs as well as the absorption of fixed costs over lower sales volume which drove gross margins down by 2% and 5%, respectively.

Expenses

Operating expenses were $5.3 million in the third quarter of 2016, down $0.8 million or 13% from $6.1 million in the second quarter of 2016. A break out of expenses by line item follows.

Research and development expenses were $1.8 million for the period, representing a decrease of $0.2 million or 10% from $2.0 million in the previous quarter of 2016. Of this decrease, nearly $0.1 million relates to a reduction in amounts paid to external consultants while the remainder relates to increased non-recurring engineering (NRE) invoices sent to customers in the third quarter of 2016.

Sales and marketing expenses of $1.6 million decreased by $0.2 million (11%) from $1.8 million in the second quarter of 2016. This decrease largely relates to decreased spending on sales promotions and marketing communications and materials.

General and administrative expenses of $1.9 million decreased $0.3 million, or 14%, from $2.2 million in the second quarter of 2016. Of this decrease, approximately $0.2 million relates to decreased legal spend while the remainder relates to decreased spending in travel, employee compensation, and consulting.

Goodwill Impairment

For the three months ended, September 30, 2016, the company recorded $11.3 million of goodwill impairment. Current agriculture market conditions and poor current quarter results caused management to re-evaluate prior assumptions used in the financial model for determining goodwill's value in use which resulted in an impairment. This impairment was recorded after the goodwill analysis proved the recoverable amount to be less than the carrying amount. No such impairment was taken in the three months ended, June 30, 2016.

Interest and Foreign Exchange

Interest and other income in the third quarter of 2016 was $21 thousand compared to income of $40 thousand in the second quarter of 2016.

The Company reported a foreign exchange loss in the third quarter of 2016 of $6 thousand, compared to a gain of $60 thousand in the previous quarter. Foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar working capital.

Income Taxes

The Company did not incur income tax expense in either the second or third quarters of 2016.

Earnings (Loss)

In the third quarter of 2016, the Company generated net loss of $14.4 million or ($0.12) per share (basic and diluted), compared to a net loss of $1.2 million or ($0.01) per share (basic and diluted) in the second quarter of 2016.

Nine Months Ended September 30, 2016 versus Nine Months Ended September 30, 2015

Revenues

Revenues during the nine months ended September 30, 2016 and 2015 were as follows:

(000's)	**YTD 2016**	**YTD 2015**	**Change**
Agriculture	$34,041	$ 27,404	24%

Sales by region for the nine months ended September 30, 2016 and 2015 are as follows:

(000's)	**YTD 2016**	**YTD 2015**	**Change**
Americas	$ 19,802	$ 12,999	52%
APAC	4,118	3,350	23%
EMEA	10,121	11,055	(8%)
	$ 34,041	$27,404	24%

American revenues for the nine months ended September 30, 2016 were up $6.8 million or 52% from the same period of 2015 due largely to $7.9 million in additional sales resulting from the acquisition of Novariant Inc. which occurred in the fourth quarter of 2015. Excluding Novariant Inc. revenue, AgJunction American revenues were down $1.1 million due to recent economic and market trends detailed above.

The increase in APAC revenues of $0.8 or 23% from the previous period is due largely to $1.1 million in additional sales resulting from the acquisition of Novariant Inc. which occurred in the fourth quarter of 2015, offset by a decrease in AgJunction sales into the region of $0.3 million.

Sales in the EMEA region also benefitted from the fourth quarter of 2015 acquisition of Novariant Inc., which resulted in addition sales of $2.4 million. The additional Novariant sales into EMEA were offset by a decline of AgJunction sales into the region of $3.3 million, resulting in a net decrease of $0.9 million year over year or 8%.

Gross Margins

Gross margins for the nine months ended September 30, 2016 were $13.6 million (40%) compared to $12.1 million (44%) in the same period of 2015. Gross margins to date, as a percentage of revenue, were lower than the same nine months ended September 30, 2015 due primarily to higher material costs which drove gross margins down 3%.

Expenses

Operating expenses were $17.7 million in the first nine months of 2016, up $4.9 million or 38% from $12.8 million in the first nine months of 2015. A break out of expenses by line item follows.

Research and development expenses were $5.7 million for the period, representing an increase of $1.9 million or 50% from $3.8 million in the first nine months 2015. For the period ended September 30, 2016, $0.9 million in non-recurring engineering (NRE) invoices were generated, however in the same period of 2015, $2.2 in related research and development was capitalized, resulting in a net increase of $1.3 million in expenses quarter over quarter. Also adding to the expense increase is amortization of $0.9 million, relating to the $11.7 million technology intangible purchased in the fourth quarter of 2015's acquisition of Novariant. The remaining difference of $0.3 million relates to reduced expenses associated with controlled spending on employee compensation, travel and similar expenses.

Sales and marketing expenses of $5.3 million increased by $1.6 million (43%) from $3.7 million in the first nine months of 2015, due largely to the acquisition of Novariant in the fourth quarter of 2015. Novariant expenses amounted to $1.7 million for the nine months ended September 30, 2016. AgJunction expenses declined $0.1 million for the period.

General and administrative expenses of $6.7 million increased $1.4 million, or 26%, from $5.3 million in the same period of 2015 due largely to the acquisition of Novariant in the fourth quarter of 2015. Novariant expenses amounted to $1.8 million for the nine months ended September 30, 2016. Also noted was an increase in stock based compensation expense of $0.4 million. These increases were offset by a decrease in legal and consulting spend of $0.6 million and $0.2 million, respectively, for the nine months ended September 30, 2016 versus September 30, 2015.

Goodwill Impairment

The company recorded $11.3 million of goodwill impairment in the nine months ended, September 30, 2016. Current agriculture market conditions and poor year to date financial results caused management to re-evaluate prior assumptions used in the financial model for determining goodwill's value in use which resulted in an impairment. This impairment was recorded after the goodwill analysis proved the recoverable amount to be less than the carrying amount. No such impairment was taken in 2015.

Interest and Foreign Exchange

Interest and other income in the nine months ended September 30, 2016 was $61 thousand compared to income of $25 thousand in 2015.

The Company reported a foreign exchange gain in the first nine months of 2016 of $30 thousand, compared to a loss of $122 thousand in the same period of 2015. Foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar working capital.

Income Taxes

The Company did not incur income tax expense in the first nine months of either 2016 or 2015.

Earnings (Loss)

In the nine months of 2016, the Company generated net loss of $15.3 million or ($0.12) per share (basic and diluted), compared to a net income of $0.7 million or $0.01 per share (basic and diluted) in the first nine months of 2015.

Liquidity and Capital Resources

Working Capital

The Company held cash of $15.3 million at September 30, 2016 compared to $13.0 million at December 31, 2015. Working capital was $24.6 million, down from $26.7 million at December 31, 2015. The primary items impacting working capital during the nine-month period were:

- Accounts receivable at September 30, 2016 was $4.3 million versus $8.2 million at December 31, 2015.
- Inventories consist of components, work in process and finished goods related to the products sold by the Company. Inventory was $8.7 million at September 30, 2016 versus $11.8 million at December 31, 2015.
- Accounts payable and accrued liabilities at September 30, 2016 were $3.7 million versus $6.0 million at December 31, 2015.
- Cash generated from continuing operations was $ 2.3 million in the nine months ended September 30, 2016 compared to cash outflow of $1.1 million in the nine months ended September 30, 2015.
- Total tangible capital spending in the nine months ended September 30, 2016 was $0.3 million (2015 - $0.2 million).

The Company obtained an operating line of credit with its bank for $3 million in February 2014. At September 30, 2016, 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 September 30, 2016, 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, 2015. 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.

Condensed Consolidated Interim Financial Statements of

AgJunction®

Three and nine month periods ended September 30, 2016

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

Condensed Consolidated Statements of Financial Position
(Expressed in U.S. dollars)

	September 30, 2016 (Unaudited)	December 31, 2015*
Assets		
Current assets:		
Cash and cash equivalents	$ 15,321,198	$ 13,047,777
Accounts receivable, net of bad debt provisions of $150,198 and $184,598 as of September 30, 2016 and December 31, 2015, respectively	4,263,323	8,222,606
Inventories	8,700,569	11,800,917
Prepaid expenses and deposits	861,158	975,018
	29,146,248	34,046,318
Property, plant and equipment, net	3,235,018	3,484,406
Intangible assets, net	11,441,725	12,391,146
Goodwill (note 9)	143,419	11,444,419
	$ 43,966,410	$ 61,366,289
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,706,981	$ 5,970,427
Provisions (note 5)	631,926	995,938
Current portion of deferred revenue	207,573	342,095
Current portion of finance lease obligation	–	1,160
	4,546,480	7,309,620
Deferred revenue	220,335	203,223
	4,766,815	7,512,843
Shareholders' equity:		
Share capital (note 3)	148,423,258	147,929,647
Equity reserve	4,842,055	4,669,173
Accumulated deficit	(114,065,718)	(98,745,374)
	39,199,595	53,853,446
	$ 43,966,410	$ 61,366,289

See accompanying notes to condensed consolidated interim financial statements.

* The December 31, 2015 balance sheet figures have been derived from the audited consolidated financial statements as of that date.

AgJunction Inc.

Condensed Consolidated Statements of Profit or Loss

Three and nine months ended September 30, 2016 and 2015
(Unaudited - expressed in U.S. dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Sales (note 4)	$ 6,656,879	$ 7,567,268	$ 34,040,554	$ 27,404,483
Cost of sales	4,467,172	4,270,360	20,396,044	15,338,849
Gross Profit	2,189,707	3,296,908	13,644,510	12,065,634
Expenses:				
Research and development	1,755,714	1,424,253	5,732,117	3,832,298
Sales and marketing	1,569,864	945,280	5,297,456	3,710,858
General and administrative	1,939,164	1,726,300	6,700,351	5,269,394
	5,264,742	4,095,833	17,729,924	12,812,550
Operating (loss)	(3,075,035)	(798,925)	(4,085,414)	(746,916)
Goodwill impairment (note 9)	11,301,000	–	11,301,000	–
Foreign exchange (gain) loss, net	6,619	16,250	(29,880)	122,284
Interest and other loss (income)	(20,956)	(22,884)	(60,728)	(24,777)
(Gain) loss on disposal of property, plant and equipment	(5,103)	(2,114)	24,538	36,762
(Gain) on sale of other assets, net of liabilities (note 6)	–	–	–	(1,623,219)
	11,281,560	(8,748)	11,234,930	(1,488,950)
Net Income (loss) before income taxes	(14,356,595)	(790,177)	(15,320,344)	742,034
Income tax	–	–	–	–
Net income (loss)	$ (14,356,595)	$ (790,177)	$ (15,320,344)	$ 742,034
Earnings per share:				
Basic and diluted income (loss) per share	$ (0.12)	$ (0.01)	$ (0.12)	$ 0.01

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Changes in Equity

(Expressed in U.S. dollars)

	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at December 31, 2014	$ 122,467,464	$ 5,150,466	$ (89,606,287)	$ 38,011,643	72,322,063
Net income	–	–	742,034	742,034	–
Share-based payment transactions (note 3(c))	–	42,596	–	42,596	–
Balance at September 30, 2015 (unaudited)	$ 122,467,464	$ 5,193,062	$ (88,864,253)	$ 38,796,273	72,322,063
Balance at December 31, 2015	$ 147,929,647	$ 4,669,173	$ (98,745,374)	$ 53,853,446	122,829,219
Net (loss)	–	–	(15,320,344)	(15,320,344)	–
Issue of common shares	65,940	–	–	65,940	157,660
Share-based payment transactions (note 3(c))	–	579,054	–	579,054	–
Stock options exercised	21,499	–	–	21,499	45,000
Issue of restricted stock awards (note 3(c))	406,172	(406,172)	–	–	1,129,565
Balance at September 30, 2016 (unaudited)	$ 148,423,258	$ 4,842,055	$ (114,065,718)	$ 39,199,595	124,161,444

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows

Nine months ended September 30, 2016 and 2015
(Unaudited - expressed in U.S. dollars)

	2016	2015
Cash flows from operating activities:		
Net income (loss)	$ (15,320,344)	$ 742,034
Items not involving cash:		
Depreciation	538,720	386,521
Amortization	949,421	459,281
Share-based payment transactions (note 3(c))	579,054	42,596
Allowance on trade receivables	85,663	(42,260)
Net realizable value write down of inventory	686,198	357,001
Loss on disposal of property, plant and equipment	24,538	36,762
(Gain) on sale of other assets, net of liabilities (note 6)	–	(1,623,219)
Goodwill write off (note 9)	11,301,000	–
Change in non-cash operating working capital, net of effects of business combination:		
Accounts receivable	3,873,620	841,544
Inventories	2,414,150	(2,045,453)
Prepaid expenses and deposits	113,860	344,770
Accounts payable and accrued liabilities	(2,263,446)	227,137
Provisions (note 5)	(364,012)	(55,707)
Deferred revenue	(117,410)	(817,369)
Cash flows from operating activities	2,501,012	(1,146,362)
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(1,160)	(10,439)
Issue of common shares	87,439	–
Cash flows from (used in) financing activities	86,279	(10,439)
Cash flows from (used in) investing activities:		
Proceeds from the sale of property, plant, and equipment	12,119	–
Purchase of property, plant and equipment	(325,989)	(247,787)
Intangible asset addition	–	(2,203,519)
R&D expense reimbursement	–	1,825,145
Proceeds from sale of division (note 6)	–	2,422,916
Cash flows from (used in) investing activities	(313,870)	1,796,755
Increase in cash position	2,273,421	639,954
Cash and cash equivalents, beginning of year	13,047,777	11,223,755
Cash and cash equivalents, end of period	$ 15,321,198	$ 11,863,709

See accompanying notes to condensed consolidated interim financial statements.

1. Reporting entity:

AgJunction Inc. (the "Company") is a company domiciled in Canada. The primary office is located at 2207 Iowa Street, Hiawatha, Kansas. The Company is a publicly traded company listed on the Toronto Stock Exchange under the ticker symbol "AJX". The condensed consolidated interim financial statements of the Company as of September 30, 2016, and for the three and nine month periods ended September 30, 2016 and 2015 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The Company is primarily involved in the design, marketing and sale of precision Global Positioning System ("GPS") products and technologies. The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 9, 2016.

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, 2015. 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, 2015.

(b) Recently adopted accounting pronouncements

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*. Both amendments establish the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. The IAS further clarified that the use of revenue-based methods to calculate the depreciation and amortization of an asset is not appropriate.

The amended standard was adopted as of January 1, 2016 and had no impact on the financial results of the Company.

(c) New standards not yet adopted:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers.* The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted under IFRS. In April 2016, clarifying amendments were issued. The Company is currently assessing the impact of the standard on financial results.

In July 2014, the IASB issued IFRS 9, *Financial Instruments*. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted under IFRS. This standard is not expected to have a significant impact on the Company's financial results.

2. Basis of preparation and presentation (continued):

In January 2016, the IASB issued IFRS 16, *Leases*, which requires major revisions in the way lessees currently account for leases under IAS 17, *Leases*. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, *Revenue from Contracts with Customers*, has also been applied. The Company is currently assessing the impact of the standard on financial results.

In January 2016, the IASB issued amendments to IAS 12, *Income Taxes*, which clarified how entities are to account for deferred tax assets relating to debt instruments measured at fair value. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. This amendment is not expected to have a significant impact on the Company's financial results.

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, which clarify the classification and measurement of share-based payment transactions. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of the standard on financial results.

(d) 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).

As of September 30, 2016 and December 31, 2015, the carrying values of all financial assets and liabilities approximate fair value.

3. Share capital:

(a) Authorized:

Unlimited common shares

Unlimited first preferred shares, issuable in series

Unlimited second preferred shares, issuable in series

(b) Issued:

Issued share capital consists of 124,161,444 common shares at $148,423,258.

(Unaudited - expressed in U.S. dollars)

3. Share capital (continued):

(c) During the nine months ended September 30, 2016, the Company recorded $579,054 (2015 – $42,596) as stock based compensation expense relating to options and restricted stock awards.

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

Three month period ended:

(Share price in CAD)	September 30, 2016			September 30, 2015		
	Number Options		Weighted average exercise price	Number options		Weighted average exercise price
Total options outstanding, beginning of period	7,298,756	$	0.66	1,872,435	$	0.82
Granted	–		–	–		–
Exercised	(45,000)		0.63	–		–
Expired or cancelled	(134,822)		0.63	(257,946)		0.91
Stock options outstanding, end of period	7,118,934	$	0.66	1,614,489	$	0.81

Nine month period ended:

(Share price in CAD)	September 30, 2016			September 30, 2015		
	Number Options		Weighted average exercise price	Number options		Weighted average exercise price
Total options outstanding, beginning of period	4,434,825	$	0.66	1,944,903	$	0.82
Granted	3,212,731		0.68	–		–
Exercised	(45,000)		0.63	–		–
Expired or cancelled	(483,622)		0.76	(330,414)		0.91
Stock options outstanding, end of period	7,118,934	$	0.66	1,614,489	$	0.81

(Unaudited - expressed in U.S. dollars)

3. Share capital (continued):

(Share price in CAD)	Options outstanding			Options exercisable	
Range of exercise prices outstanding	Number outstanding at September 30, 2016	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at September 30, 2016	Weighted average exercise price
$0.55 – 1.00	6,825,558	46	$ 0.64	1,645,194	$ 0.64
$1.01 – 1.12	293,376	27	$ 1.12	161,846	$ 1.12
$0.55 – 1.12	7,118,934	45	$ 0.66	1,807,040	$ 0.69

Change in the number of restricted stock awards (RSA's), with their weighted average grant prices are summarized below:

Three month period ended:

(Share price in CAD)	September 30, 2016		September 30, 2015	
	Number RSAs	Weighted average grant price	Number RSAs	Weighted average grant price
Total RSAs outstanding, beginning of period	4,899,427	$ 0.58	–	$ –
Vested	–	–		
Expired or cancelled	(19,243)	0.55	–	–
RSAs outstanding, end of period	4,880,184	$ 0.58	–	$ –

(Unaudited - expressed in U.S. dollars)

3. Share capital (continued):

Nine month period ended:

(Share price in CAD)	September 30, 2016		September 30, 2015	
	Number RSAs	Weighted average grant price	Number RSAs	Weighted average grant price
Total RSAs outstanding, beginning of period	4,046,563	$ 0.63	–	$ –
Granted	1,129,766	0.50	–	–
Vested	(176,902)	0.65		
Expired or cancelled	(119,243)	0.55	–	–
RSAs outstanding, end of period	4,880,184	$ 0.58	–	$ –

The restricted stock awards outstanding as of September 30, 2016 have a weighted average remaining contractual life of 19 months.

(d) The grant date fair value of stock options granted is estimated by using the Black-Scholes call option pricing model with the following weighted average assumptions for the grants issued in January 2016: Company stock price at issuance; stock option exercise price; weighted average volatility of 49%; interest rate of 0.63%; and weighted average expected life of 3.7 years. The following assumptions were used in determining the fair value of the May 2016 stock option issuances: Company stock price at issuance; stock option exercise price; weighted average volatility of 39%; interest rates of 0.67-0.80%; and weighted average expected life of 3.4 years.

The grant date fair value of RSAs granted is estimated by using the Black-Scholes put option pricing model with the following assumptions for the January 2016 grants: Company stock price at issuance; weighted average volatility of 56%; interest rate of 0.48%; and weighted average expected life of 3.6 years. The following assumptions were used in determining the fair value of the May 2016 RSA grants: Company stock price at issuance; weighted average volatility of 64%; interest rate of 0.67%; and weighted average expected life of 2.5 years.

4. Sales concentration:

Sales by business unit (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Agriculture	$ 6,657	$ 7,567	$ 34,041	$ 27,404

Sales by geographic region (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Americas	$ 4,581	$ 4,002	$ 19,802	$ 12,999
Asia-Pacific (APAC)	584	1,075	4,118	3,350
Europe, the Middle East, and Africa (EMEA)	1,492	2,489	10,121	11,055
	$ 6,657	$ 7,567	$ 34,041	$ 27,404

5. Provisions:

	Warranty	Restructuring	Total
Balance at December 31, 2015	$ 528,091	$ 467,847	$ 995,938
Provisions made during the period	311,142	–	311,142
Provisions used during the period	(228,487)	(446,668)	(675,155)
Balance at September 30, 2016	$ 610,747	$ 21,179	$ 631,926

6. Sale of agronomy services operations:

On April 1, 2015, the Company sold the net business assets associated with its Agronomy Services operations to EFC Systems for cash of $2.4 million. The Company’s Agronomy Services operations provided a cloud-based data management software platform and wireless hardware to precision agriculture retailers and growers.

(Unaudited - expressed in U.S. dollars)

6. Sale of agronomy services operations (continued):

Effect of sale on financial position:

	Total
Intangible assets	$ 1,650,034
Property, plant and equipment	37,546
Inventories	45,325
Assets sold	1,732,905
Deferred revenue	(905,988)
Vacation payable	(27,220)
Liabilities transferred	(933,208)
Assets sold, net of liabilities transferred:	$ 799,697
Proceeds	$ 2,422,916
Gain on sale	$ 1,623,219

7. Seasonality of operations:

The Company's revenues are derived from agricultural markets in the Americas, Asia-Pacific and Europe, the Middle East, and Africa. As a result, the Company's revenues are subject to seasonality associated with the heaviest buying season of such markets which takes place during the first and fourth quarters of the calendar year.

8. Related party transactions:

In 2016, Jonathan Ladd, Chairman of the Board of AgJunction was engaged by the Company to act as a Senior Strategic Advisor to the CEO at $135 per hour as short term compensation plus 800 thousand options as share-based compensation whereby the options vest equally over a 48-month period.

For the period January 1, 2016 through September 30, 2016, the Company incurred short term compensation expense in the amount of $39 thousand ($87 thousand in the first two quarters of 2016) for duties performed by Mr. Ladd as well as $12 thousand ($26 thousand in the previous two quarters) in travel and other business related expenses associated with this service agreement. These expenses are located within the General and administrative line item of the Condensed Consolidated Statement of Profit or Loss. Of these expenses, $6 thousand were unpaid as of September 30, 2016 and are located within the Accounts payable and accrued liabilities line item of the Condensed Consolidated Statement of Financial Position.

8. Related party transactions (continued):

The options issued to Mr. Ladd in connection to his role as Senior Strategic Advisor have a fair value of $143,725 (208,811 CAD) as of the options' grant date, January 18, 2016. Related stock based compensation expense recognized within the General and administrative line item of the Condensed Consolidated Statement of Profit or Loss for the nine month period presented totals $67 thousand (88 thousand CAD). Information relating to calculation of fair value can be found in note 3(d).

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.

9. Goodwill impairment:

In accordance with IFRS, goodwill is assessed for impairment if an event or circumstance indicates an impairment may have occurred, or at least annually. As of September 30, 2016, the closing price of the Company's common shares was $0.72 (CAD) per share or $0.55 (USD) per share. Accordingly, total market value of the Company's common shares was $68.1 million (USD) as of September 30, 2016, which was above the Company's total equity prior to impairment charges, of $50.5 million (USD).

Since May, 2016 the fair value less cost to sell of the Company had been higher than the value in use and was determined to be recoverable. However, for the three months ended September 30, 2016, the company experienced lower than expected sales which were driven by continued degradation of the agriculture market. In turn, the Company experienced a decline in its fair value less cost to sell. In addition, limited trading volume of the Company's stock caused management to conclude the Company's value in use was more relevant in its assessment of goodwill than the Company's fair value less cost to sell.

As of September 30, 2016, the Company's value in use was determined using a discounted cash flow model, consistent with recognized valuation methods and has determined goodwill to be impaired in the amount of $11,301,000. The process of determining the recoverable amount is subjective and requires management to exercise significant judgement and assumptions. The most significant assumptions underlying the model prepared by management include: revenue, 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. The assumptions incorporated into the discounted cash flow model reflect management's long-term view of the company's business and the market in which it competes.

9. Goodwill impairment (continued):

Continued decline of the Agriculture industry in the near term was factored into the discounted cash flow model causing management to adjust down both beginning sales base and lower growth rates from those used in prior year's goodwill valuation estimates. Management believes the estimates and assumptions used in the impairment assessment are reasonable based on available market information but notes variations in such assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

Prior to the September 30, 2016 test for impairment, the Company carried goodwill of $11,444,419. The carrying value of goodwill reported in the Consolidated Statement of Financial Position as of September 30, 2016 subsequent to impairment is $143,419. Accumulated goodwill impairment losses since company inception total $48,157,000.