Management's Discussion and Analysis

Year ended December 31, 2016

The following discussion and analysis is effective as of March 23, 2017 and should be read together with our audited annual consolidated financial statements and accompanying notes. 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 that provides innovative hardware and software applications for precision agriculture worldwide.

Foreign Private Issuer Status

As reported at December 31, 2014, as of June 30, 2014, the Company determined that a majority of its outstanding shares were held directly or indirectly by US residents. As a result, AgJunction lost its "foreign private issuer" status effective January 1, 2015 as defined in Rule 3b-4 of the Securities and Exchange Act of 1934. AgJunction will however continue to be governed by Canadian securities laws and reporting obligations and is not required to register with the Securities and Exchange Commission or make any filings under the Securities and Exchange Act of 1934.

Economic and Market Trends

Agriculture Markets

Soft commodity prices and the strong US dollar resulted in a decline in net farm income and weaker sales of new farm equipment in the US (the Company's primary market) throughout 2016. US corn prices were approximately 9% lower in 2016 over 2015 while U.S. wheat prices have decreased approximately 18%. When commodity prices decline, farmers must cut costs, often choosing to retain existing equipment over choosing to purchase new equipment. As previously disclosed, the slowdown in equipment sales was not unexpected.

In February 2017, the US Department of Agriculture ("USDA") reported net cash farm income is forecast to increase by $1.6 billion, or 1.8% in 2017. Despite forecasted increases in net cash farm income in 2017, net farm income is forecast to decline by 8.7% marking the fourth consecutive year of anticipated decreases in net farm income.

Per the USDA, cash receipts are expected to remain largely unchanged in 2017, declining by an estimated 0.3%. The largest single change forecast is in wheat receipts, which is expected to fall 16.6% compared to 2016 receipts. Offsetting this is decrease is a forecasted 21.5% increase in cotton receipts.

Management views the 2017 fundamentals of its global agriculture markets to be neutral to slightly down with expectations of new machine sales to remain slightly down 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 2018 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.

Currency Markets

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

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 US dollar strengthened in relation to the Canadian dollar during 2016 as the average foreign exchange rate for 2016 was $1.3257 Cdn/US, up by 3.7% from the average 2015 rate of $1.2785.

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

	Quarter Ended							
	Mar 31 2015	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016	Jun 30 2016	Sep 30 2016	Dec 31 2016
Quarterly average	$ 1.2411	$1.2294	$1.3094	$ 1.3346	$ 1.3732	$ 1.2886	$ 1.3051	$ 1.3341
Quarter end	$ 1.2683	$1.2474	$1.3394	$ 1.3840	$ 1.2971	$ 1.3009	$ 1.3117	$ 1.3427

These foreign exchange rates are sourced from the Bank of Canada. Quarterly averages are the average of the three months' average 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.

Results of Operations

(000's)	Years Ended December 31 2016	2015	2014
Sales	$42,264	$39,048	$44,810
Gross margin	16,528	14,828	20,308
	39%	38%	45%
Expenses			
Research and development	7,736	6,728	7,102
Sales and marketing	6,938	5,403	6,193
General and administrative	8,755	8,433	7,730
	23,429	20,564	21,025
Operating (loss)	(6,901)	(5,736)	(717)
Intangible asset impairment	–	4,714	–
Goodwill impairment	11,301	–	15,856
Foreign exchange (gain) loss	(33)	203	172
Interest and other income	(61)	(23)	(43)
(Gain) on sale of other assets, net of liabilities	–	(1,623)	–
(Gain) loss on sale of property, plant and equipment	111	132	(8)
(Loss) before income taxes	(18,219)	(9,139)	(16,694)
Income tax expense (benefit)	–	–	(37)
Net (loss)	(18,219)	(9,139)	(16,657)
Earnings (loss) per common share:			
Basic and diluted	($0.15)	($0.11)	($0.23)

Selected Statement of Financial Position Information

	As of December 31 2016	2015	2014
Total assets	$41,281	$61,366	$43,484

Year Ended December 31, 2016 versus Year Ended December 31, 2015

Revenues

For the year ended December 31, 2016, revenues were $42.3 million representing an increase of 8.5% from $39.0 million in 2015.

(000's)	**2016**	**2015**	**Change**
Agriculture	$ 42,264	$ 39,048	8%

Sales by geographic region

(000's)	**2016**	**2015**	**Change**
Americas	$24,479	$ 18,311	34%
APAC	4,663	4,258	10%
EMEA	13,122	16,479	(20%)
	$ 42,264	$ 39,048	8%

In 2016, revenue in the Americas increased by 34% or $6.2 million, due to $7.2 million of increased sales into the United States, which was slightly offset by decreased sales into Canada of $0.8 million and various South American countries of $0.2 million. The sales increase into the United States over the prior year was largely due to the Q4 2015 acquisition of Novariant and related revenue from its customer base. Sales in APAC increased by 10% or $0.4 million due to increased sales into Australia and China of $0.3 million and $0.1 million, respectively. Sales into the EMEA region decreased 20% or $3.4 million due to decreased sales into France, Germany and the Netherlands of $0.2 million, $2.9 million, and $0.2 million, respectively. The decrease in EMEA revenue is largely due to weakened OEM sales.

Sales to customers in the Americas represented 58% of total revenues in 2016 (2015 - 47%). Sales in APAC represented 11% of total revenues in both 2016 and 2015. EMEA sales represent 31% of 2016 total revenues, down from 42% in 2015.

Gross Margins

Gross margins were $16.5 million for the year, up by $1.7 million or 11% from gross margins of $14.8 million in 2015. The gross margin dollar increase moved in line with revenue which increased $3.2 million or 8% over the prior year. Gross margins as a percentage of revenue were 39% in 2016 compared to 38% in 2015. There were no significant selling price changes from 2015 to 2016. The one percent increase in gross margin over the prior year is largely a result of $0.5 million in fewer write-downs of inventory in the current year in comparison to the prior year. Also included in the prior year was the release of $0.6 million in fair value step up on Novariant inventory that had been acquired in the fourth quarter of 2015, versus a release of $0.3 million in the current year. Partially offsetting the above items was a price increase from a major vendor which impacted gross margins by approximately $0.4 million in 2016.

Expenses

Total operating expenses were $23.4 million in 2016, up by 14% or $2.8 million from $20.6 million in 2015 due in part to the full year impact of Novariant operations being included in 2016. A detailed discussion of operating expenses by financial statement line item follows.

Research and development expenditures of $7.7 million increased from $6.7 million in 2015 representing an increase of $1.0 million or 15%. In 2015, research and development expenses of $2.1 million were capitalized in accordance with IFRS guidelines, reducing overall research and development costs. In 2016, no such expenses were capitalized, however, the Company did receive expense reimbursements from certain vendors totaling $0.9 million. No such reimbursements reduced research and development expenses in 2015. This year over year difference accounts for a current year cost increase of $1.2 million in comparison to the prior year. This increase was offset by a $0.2 million decrease in travel and office specific expenses.

Sales and marketing expenses were $6.9 million in 2016, up 28% or $1.5 million from $5.4 million in 2015. Of this increase, $0.9 million is due to increased employee compensation costs, $0.3 million is the result of increased travel expenditures, and $0.1 is attributable to increased spending on advertising.

General and administrative expenses for 2016 were $8.8 million compared to $8.4 million in 2015, representing an increase of $0.4 million or 5%. The majority of the increase relates to increased employee compensation costs of $0.2 million and $0.1 million in increased travel expenditures.

Goodwill Impairment

In accordance with IFRS, goodwill must be assessed for impairment annually or more often if an event or circumstance indicates that impairment may have occurred. The Company has one cash generating unit ("CGU") to evaluate for impairment. Management completed an interim assessment of the carrying value of the goodwill reported in the Consolidated Statement of Financial Position at September 30, 2016 and concluded that an impairment of $11.3 million was necessary. In 2015, the no such impairment was taken.

Management completed the annual assessment of the carrying value of the goodwill reported in the Consolidated Statement of Financial Position at December 31, 2016 and concluded that the goodwill balance associated with the Agriculture CGU of $143 thousand was not impaired. Goodwill carried on the Company's balance sheet arose in the course of the following Agriculture CGU acquisitions:

- Satloc business assets – March 1999
- Outback marketing and distribution assets – April 2005
- Del Norte Technologies business assets – January 2006
- Beeline Technologies Pty Ltd. – December 2007
- AgJunction business assets – January 2012
- Novariant, Inc. – October 2015

The Company determined the fair value of the agriculture CGU at December 31, 2016 using a discounted cash flow model consistent with recognized valuation methods. The most significant assumptions underlying the model prepared by management include: revenues, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions include estimates of future market share, competition, technological developments, interest rates, and market trends. The assumptions incorporated into the discounted cash flow model reflect management's long-term view of the Company's business and the markets in which it competes.

In formulating its conclusions, management also considered a variety of related information, including:

- Market capitalization;
- Seasonal factors impacting the Company's share price at particular periods;
- the impact on share prices of reduced liquidity in the public markets, particularly in Canada;
- the expected impact of economic conditions on the Company's long-term business activities.

Intangible Impairment

In 2015, based upon a review of intangible assets at year end, management determined the recoverability of certain research and development intangibles was not probable. Accordingly, the respective intangible assets were written down to the recoverable amount, resulting in an impairment charge of $4.7 million. The recoverable amount of the research and development intangible assets was determined based upon a review of current projects' status, future contractual reimbursements required to be paid to the Company, and planned, future orders of product to be created through completion of the respective development projects. No such impairment was taken in 2016.

Foreign Currency Risk Management

The Company has the ability to mitigate exposure to foreign currency risk as the Board of Directors has approved the execution of financial instruments with a maximum notional value of US$40 million which have the objective of offsetting the exposure the Company faces by carrying positive Canadian and Australian dollar working capital. There are no hedge contracts outstanding at December 31, 2016 or 2015.

Interest and Foreign Exchange

In 2016, the Company recorded net interest and other income of $61 thousand compared to $23 thousand in 2015. The Company earns interest income on certain cash balances which is offset by interest paid.

The Company incurred a foreign exchange gain of $33 thousand in 2016, compared to a loss of $0.2 million in 2015. Foreign exchange gains/losses reported in the Consolidated Statement of Profit or Loss arise primarily from the impact of the fluctuating Canadian dollar on the translation and settlement of Canadian dollar denominated working capital.

Income taxes

No current income tax expense was recorded for either 2016 or 2015.

In Canada, at the end of 2016, the Company has loss carry forwards of $9.2 million that can be used to reduce Canadian taxable income in future years, as well as investment tax credits in the amount of $2.1 million that can be used to reduce Canadian federal taxes otherwise payable in future years.

The Company's US operating subsidiaries, AgJunction Corporation, AgJunction LLC, CSI Wireless LLC, and Novariant, Inc. file as a combined entity for US federal tax purposes. At December 31, 2016, the Company has cumulative US net operating losses of $47.0 million that can be used to reduce US taxable income in future years, as well as $4.8 million of research and development tax credits that can be used to reduce federal taxes otherwise payable in future years.

The Company's Australian subsidiaries, AgJunction Pty Ltd. and AgJunction AUS Pty Ltd., file as a combined entity for Australian income tax purposes. At December 31, 2016, the Company has losses of approximately $6.3 million available to reduce Australian taxable income in future years.

The Company does not recognize any deferred tax assets on its book.

Loss on sale of property, plant and equipment

The Company recorded a net loss on the disposal of property, plant and equipment totaling $0.1 million in both 2016 and 2015. These disposals relate to assets no longer needed to support ongoing operations.

Gain on sale of other assets, net of liabilities

On April 1, 2015, the Company sold its agronomy services division for cash of $2.4 million which resulted in a gain on sale of $1.6 million. No such divestitures occurred in 2016.

Income (Loss)

In 2016, the Company realized loss from continuing operations of $18.2 million or $0.15 per share (basic and diluted), compared to loss from continuing operations of $9.1 million or $0.11 per share (basic and diluted) in 2015.

The Company realized a net loss of $18.2 million or $0.15 per share (basic and diluted) in 2016 compared to a net loss of $9.1 million or $0.11 per share (basic and diluted) in 2015.

Summary of Quarterly Results

(000's)	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016	31-Dec 2016
Sales	$12,096	$7,741	$7,567	$11,644	$15,489	$11,894	$6,657	$8,224
Gross margin	5,524	3,245	3,297	2,763	6,674	4,780	2,190	2,884
	46%	42%	44%	24%	43%	40%	33%	35%
Expenses:								
Research and development	1,512	896	1,424	2,896	1,949	2,028	1,756	2,003
Sales and marketing	1,531	1,235	945	1,693	1,918	1,809	1,570	1,641
General and administrative	1,854	1,689	1,727	3,163	2,540	2,221	1,939	2,055
	4,897	3,820	4,096	7,752	6,407	6,058	5,265	5,699
Operating income (loss)	627	(575)	(799)	(4,989)	267	(1,278)	(3,075)	(2,815)
Goodwill impairment	-	-	-	-	-	-	11,301	-
Intangible impairment	-	-	-	4,714	-	-	-	-
Foreign exchange (gain) loss	104	2	16	81	23	(60)	7	(3)
Interest and other (income) loss	(1)	(1)	(23)	1	-	(40)	(21)	-
(Gain) loss on sale of property, plant and equipment	-	39	(2)	96	1	29	(5)	86
(Gain) on sale of other assets, net of liabilities	-	(1,623)	-	-	-	-	-	-
	103	(1,583)	(9)	4,892	24	(71)	11,282	83
Net income (loss) before income taxes	524	1,008	(790)	(9,881)	243	(1,207)	(14,357)	(2,898)
Income taxes	-	-	-	-	-	-	-	-
Net income (loss)	524	1,008	(790)	(9,881)	243	(1,207)	(14,357)	(2,898)
Earnings (loss) per common share:								
Basic and diluted	$0.01	$0.01	($0.01)	($0.09)	$0.00	($0.01)	($0.12)	($0.02)
Weighted Average Diluted Shares	72,322	72,331	72,322	122,829	124,001	123,732	124,848	123,773

Sales by region on a quarterly basis are as follows:

For the Quarter Ended

(000's)	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016	30-Jun 2016	30-Sep 2016	31-Dec 2016
Americas	$5,005	$3,992	$4,002	$5,312	$7,456	$7,765	$4,581	$4,677
APAC	1,910	364	1,076	908	3,013	520	584	546
EMEA	5,181	3,385	2,489	5,424	5,020	3,609	1,492	3,001
	$12,096	$7,741	$7,567	$11,644	$15,489	$11,894	$6,657	$8,224

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 December 31, 2016 versus Quarter Ended December 31, 2015

Revenues

Revenues during the fourth quarter were as follows:

(000's)	Q4 2016	Q4 2015	Change
Agriculture	$ 8,224	$ 11,644	(29%)

Sales by region for the fourth quarter of 2016 and 2015 are as follows:

(000's)	Q4 2016	Q4 2015	Change
Americas	$ 4,677	$ 5,311	(12%)
APAC	546	908	(40%)
EMEA	3,001	5,425	(45%)
	$8,224	$11,644	(29%)

American revenues for the quarter were down $0.6 million or 12% from 2015. The decrease is the result of weakened aftermarket sales into the United States and Canada in the amounts of $0.4 million and $0.2 million, respectively. The decrease in APAC revenue of $0.4 million or 40% is the result of decreased selling into China totaling $0.5 million, which was slightly offset by increased selling into Australia totaling $0.1 million. The decrease in EMEA revenue of $2.4 million or 45% from the comparative period is largely due to weakened OEM sales into Germany and France of $1.9 million and $0.4 million, respectively.

Gross Margins

Gross margins in the fourth quarter of 2016 were $2.9 million compared to $2.8 million in the fourth quarter of 2015. Gross margins, as a percentage of revenue, were 35% in the fourth quarter of 2016 compared to 24% in the fourth quarter of 2015. Recorded in the fourth quarter of 2015 were one time reserves of $0.7 million relating to inventory designated for early market removal in 2016. Also recorded in the fourth quarter of 2015 were additional expenses totaling $0.6 million which related to releasing the fair value inventory increase of Novariant Inc. inventory that was acquired on October 15, 2015 and later sold in the fourth quarter of 2015. Adjusting for the two one-time entries in 2015, the fourth quarter of 2015 would have had gross margin of $4.1 million or 35%. There were no significant selling price changes from the fourth quarter of 2015 to the fourth quarter of 2016.

Expenses

Operating expenses were $5.7 million in the fourth quarter of 2016, down $2.1 million or 27% from $7.8 million in the fourth quarter of 2015. A detailed discussion of operating expenses by financial statement line item follows.

Research and development expenses totaled $2.0 million in the fourth quarter of 2016, representing a decrease of $0.9 million or 31% from $2.9 million during the same period in 2015. Accounting for the $0.9 million reduction in research and development expenses is $0.6 million in reduced employee compensation and $0.3 million in reduced amortization specific to research and development intangibles.

Sales and marketing expenses of $1.6 million decreased by $0.1 million (6%) from $1.7 million in the fourth quarter of 2015 whereby the largest contributing factor was a year over year reduction in employee compensation.

General and administrative expenses of $2.1 million decreased $1.1 million from $3.2 million in the fourth quarter of 2015. Reduced spending on employee compensation, legal fees and consulting expenses in the amounts of $0.7 million, $0.3 million, and $0.1 million, respectively, accounted for nearly all of the $1.1 million decrease from the same period in 2015.

Interest and Foreign Exchange

Interest and other income in the fourth quarter of 2016 was $79 compared to income of $1 thousand in 2015.

The Company reported a foreign exchange gain in the fourth quarter of 2016 of $3 thousand, compared to a loss of $81 thousand in 2015. The foreign exchange gains and losses arise primarily from the translation and settlement of non-US dollar monetary working capital.

Loss on Sale of Property, Plant and Equipment

In the fourth quarter of 2016, the Company disposed of fixed assets that were longer in use, resulting in a loss of $86 thousand compared to a loss of $96 thousand in the fourth quarter of 2015.

Income Taxes

The Company did not incur income tax expenses in the fourth quarter of 2016 or 2015.

Loss on sale of property, plant and equipment

The Company recorded a net loss on the disposal of property, plant and equipment totaling $86 thousand in the fourth quarter of 2016 compared to a loss of $96 thousand in the fourth quarter of 2015. These disposals relate to assets no longer needed to support ongoing operations.

Earnings (Loss)

In the fourth quarter of 2016, the Company generated net loss of $2.9 million or $0.02 per share (basic and diluted), compared to a net loss of $9.9 million or $0.09 per share (basic and diluted) in 2015.

Liquidity and Capital Resources

Working Capital

The Company held cash of $12.9 million at December 31, 2016 compared to $13.0 million at the end of 2015. Working capital was $22.4 million at December 31, 2016, down from $26.7 million at December 31, 2015.

Accounts receivable, net of allowance, at December 31, 2016 was $4.8 million versus $8.2 million at December 31, 2015. The Company's standard terms on accounts receivable are Net 30 though programs offering extended terms may be executed throughout the year in order to pomote sales. Outstanding accounts receivable of $0.7 million and $1.1 million as of December 31, 2016 and December 31, 2015, respectively, originate from programs with extended terms. The Company employs established credit approval and regular account monitoring practices to mitigate the credit risk associated with accounts receivable. At December 31, 2016 and 2015, the Company had a reserve for potential bad debts totaling $74 thousand and $185 thousand, respectively.

Inventories consist of components, raw materials, work in process and finished goods related to the products sold by the Company. Inventory was $8.2 million at December 31, 2016 compared to inventory of $11.8 million at December 31, 2015. The Company reviews inventory movement on a quarterly basis using the previous eighteen (18) months history to make adjustments to the net realizable value of the total inventory.

The primary items impacting cash during the year were:

- Cash from continued operations was $0.2 million compared to $3.5 million of cash used in continued operations in 2015.

- Total tangible capital spending in 2016 was $0.5 million (2015 - $0.4 million). Property and equipment purchased during 2016 included primarily computer equipment, computer software, leasehold improvements and licenses.

Foreign Currency Risk Management Program

The Company has adopted the US dollar as the reporting and measurement currency under IFRS. As a result, fluctuations in the foreign exchange rates effect Canadian dollar and Australian dollar denominated operating expenses - giving rise to foreign currency gains and losses.

The Board of Directors has approved the execution of financial instruments with a maximum notional value of US$40 million which have the objective of offsetting the foreign exchange exposure. In 2016 and 2015, the Company entered financial instruments which are settled for cash using the following reference foreign exchange rates:

- Canadian dollar - Bank of Canada noon day rate
- Australian dollar - 11AM US Fed fixed rate

There are no outstanding financial instruments in 2016 as the Company has mitigated a significant portion of our foreign exchange risk with the sale of the non-agriculture operations and closing of the Calgary office.

Property and Equipment

The Company's property and equipment is comprised of computer hardware and software, equipment for production and research purposes and furniture and fixtures, vehicles and leasehold improvements.

During 2016, the Company invested $0.5 million in property and equipment (2015 - $0.4 million). Capital additions included computer equipment and software, furniture and fixtures, and patents.

Intangible Assets

Intangible assets include assets acquired through acquisition including trademarks and brands, customer relationships, marketing and distribution assets and technology as well as internally developed technology. The Company's acquired intangible assets derive from the following acquisitions:

- Outback marketing and distribution assets – April 2005
- Del Norte Technologies business assets – January 2006
- Beeline Technologies Pty Ltd. – December 2007
- Novariant, Inc. – October 2015

Intangible asset additions totaling $3 thousand occurred during 2016. During 2015, intangible asset additions of $0.3 million represent the costs associated with the development of products and technology under contract as described earlier in this MD&A, net of reimbursements. In association with the Novariant transaction, $11.7 million in technology related intangible assets were acquired in 2015. Intangible assets disposed of in 2015 in connection with the sale of the Company's agronomy services division amounted to $1.7, relating to technology and customer relationships. In 2015, based upon a review of intangible assets, the company determined the recoverability of certain Research and development intangibles was not probable which resulted in a write off of $4.7 million.

Goodwill

The Company carried goodwill of $0.1 million at December 31, 2016. For the purpose of impairment testing, goodwill is allocated to the Company's Agriculture cash generating unit (CGU).

In accordance with IFRS, goodwill is assessed for impairment annually, or more often if an event or circumstance indicates that an impairment may have occurred. Management completed its annual assessment of the carrying value of the goodwill reported in the Consolidated Statement of Financial Position as of

September 30, 2016 and concluded goodwill was impaired. Accordingly, in 2016 the Company recorded goodwill impairment of $11.3 million.

The Company determined the value of the agriculture CGU as of September 30, 2016 using a "discounted cash flow" model, consistent with recognized valuation methods. The most significant assumptions underlying the model prepared by management include: revenues, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions include estimates of future market share, competition, technological developments, interest rates, and market trends. The assumptions incorporated into the discounted cash flow model reflect management's long-term view of the Company's business and the markets in which it competes.

Management again completed a goodwill analysis as of December 31, 2016 using the discounted cash flow model detailed above and determined goodwill totaling $0.1 million was not impaired.

Borrowings and Credit Facilities

In February 2014, the Company entered in to an agreement for a credit facility, which provides up to a maximum of $3 million operating line of credit. No amount has been drawn from the facility. The operating line of credit is secured by a commercial security agreement covering all accounts and general intangibles and bears interest at the bank's prime rate minus 1.0%.

Share Capital

At March 23, 2017, there were 124,326,019 common shares, 2,211,048 restricted stock awards, and 7,461,654 stock options outstanding.

During 2016, 45,000 stock options were exercised for cash proceeds of $22 thousand (29 thousand CAD) whereas, during 2015, no stock options were exercised.

Also during 2016, the company granted 1,041,718 RSAs net of cancellations and issued 157,660 common shares. In October 2015, the Company issued 46,460,593 common shares and 2,830,433 RSAs for a total of 49,291,026 shares as consideration in the acquisition of Novariant, Inc. representing $24,900,841.

Contractual Obligations

The following table quantifies the Company's contractual obligations as of December 31, 2016:

Contractual Obligations (000's)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Accounts payable and accrued liabilities	$ 3,680	$ 3,680	$ –	$ –	$ –
Operating leases	2,154	516	795	521	322
	$ 5,834	$ 4,196	$ 795	$ 521	$ 322

Subsequent Events

The Company evaluated subsequent events through March 23, 2017, the date the consolidated financial statements were available to be issued and has determined that there were no subsequent events through the evaluation date which merit disclosure.

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 December 31, 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.

Business and Market Risks

The nature of the Company's business gives rise to certain risks that may impact future financial results. In addition to risks described elsewhere in this report, the Company identifies the following risks to currently be the most significant:

1. *Financial Results*

   The Company was not profitable for the 2016 fiscal year, nor during the years ended December 31, 2001 to 2015 except for during the years ended December 31, 2004, 2008, and 2013.

   It is possible that losses will occur in any of the four quarters of 2017 and that a loss could be realized for the full 2017 year. This could arise from the impact of current negative macro-economic conditions, or the Company could fail to execute on its business plan. Future revenues, gross margins and expenses are subject to many factors beyond the Company's control, including:

   - the liquidity and business plan execution of customers;
   - general industry conditions;
   - the rate of acceptance of the Company's products;
   - new technologies in the marketplace;
   - the development and timing of the introduction of new products;
   - price and product competition from competitors;
   - the product mix of the Company's sales;

- possible delays in shipment of the Company's products;
- possible delays or shortages in component supplies;
- other risk factors described in this MD&A; and
- other risk factors not foreseen at this time.

2. *Foreign Currency Valuation Fluctuations*
Sales of the Company's products are transacted primarily in US dollars. Expenses are incurred in US dollars, Canadian dollars and Australian dollars, and as a result, the Company is exposed to risk associated with US, Canadian and Australian dollar fluctuations. A strengthening in the US dollar relative to the Canadian dollar, as was seen in 2008, 2013, 2014, 2015, and 2016 results in lower relative US dollar expenses for the Company when compared to a weaker US dollar. The US dollar continues to strengthen compared to other relevant currencies in the first quarter of 2017.

The Company denominates a large majority of its sales in US dollars. A stronger US dollar, compared to the currencies of countries where the Company is selling its products, makes the Company's products more expensive to customers in those countries. As a result, a strong US dollar, as was seen during 2016 could have a negative impact on sales to such countries. As the Company expands with increased global sales, it is expected that it may be necessary to transact a larger volume of sales in foreign currencies other than US dollars, thus exposing the Company to additional foreign currency risk.

3. *General Economic and Financial Market Conditions*
Changes in regional conditions in market and business environments could have a negative impact on the Company's 2017 performance. The Company's agricultural product sales have typically been affected to some extent each year by changes in growing season due to drought, commodity prices affecting net farm income, and other conditions in certain markets. For example, a drought was seen for several years in significant regions in Australia which has negatively impacted sales of agriculture guidance products in that market. Should negative weather conditions arise in any of the Company's key markets in 2017, the Company could realize lower-than-expected revenues in the impacted market areas.

4. *Dependence on Key Personnel and Consultants*
The Company's success is largely dependent upon the performance of personnel and key consultants. The unexpected loss or departure of any key officers, employees or consultants could be detrimental to the future operations. The success of the Company will depend, in part, upon the ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high in the GPS industry. There can be no assurance that we will be able to engage the services of such personnel or retain our current personnel.

5. *Competition*
The Company is competing in a highly competitive industry that is constantly evolving and changing. The Corporation expects this competition to increase as new competitors enter the market. Many of our competitors may have greater financial, technical, sales, production and marketing resources. We compete with companies that also have established customer bases and greater name recognition. This may allow competitors to respond more quickly to the GPS market and to better implement technological developments. There is no assurance that the Company will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or increased operating expenses.

6. *Third Party Dependence*
Many of the Company's products rely on signals from satellites, and other ground support systems, that it does not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the global navigation satellite systems ("GNSS") and/or the growth of current and additional market opportunities, which would adversely affect our results of operations. In addition,

there is no assurance that governments will remain committed to the operation and maintenance of GNSS satellites over a long period of time or that the policies of governments for the commercial use of GNSS satellites without charge will remain unchanged.

In addition to reliance of satellite signals, the sale of the non-agricultural business included the sale of the GNSS operations. The sale agreement provided for a three-year supply agreement ending in January, 2016, in which the price of services is fixed. The contract is currently under negotiations. There are multiple companies which provide GNSS services which mitigates the risk of dependence.

7. *Dependence on New Products*

The Company must continue to make significant investments in research and development to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development-stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If the Company is unable to successfully define, develop and introduce competitive new products, and enhance existing products, future results would be adversely affected.

8. *Intellectual Property*

The industry in which the Company operates has many participants that own, or claim to own, proprietary intellectual property. The Company has received, and may receive, claims from third parties claiming that the Company has infringed on their intellectual property rights. Determination of the rights to intellectual property is very complex, and costly litigation may be required to establish if the Company has violated the intellectual property rights of others. As a result of such claims, the Company could be subject to losses arising from product injunctions, awards for damages and third party litigation costs, requirements to license intellectual property, legal expenses, diversion of Managements' time and attention, and other costs.

9. *Government Regulation*

The Company's products are subject to government regulation in the United States, Canada and other regions in which we operate. Although the Company believes that it has obtained the necessary approvals for the products that it currently sells, it may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or the Company may not be able to obtain regulatory approvals from countries in which it may desire to sell products in the future.

10. *Availability of Key Suppliers*

The Company is reliant upon certain key suppliers for raw materials and components, and no assurances can be given that we will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes, financial failures impacting suppliers, or from a variety of other potential issues. The raw materials used in certain operations are available only through a limited number of vendors. Although the Company believes there are alternative suppliers for most of its key requirements, if current suppliers are unable to provide the necessary raw materials or fail to deliver products in the quantities required on a timely basis, then the related delays in the manufacture or distribution of products could have a material adverse effect on the Company's results of operations and its financial condition.

AgJunction currently sources GNSS components from Hemisphere GNSS, the Canadian subsidiary of Beijing UniStrong Science & Technology Co. Ltd. ("Hemisphere") under a supply agreement that expired on January 31, 2016. AgJunction both re-sells the GNSS components to customers in the agriculture sector and embeds them in its precision steering solutions for the agriculture market. To date no formal agreement has been reached to replace the agreement which expired on January 31, 2016, and AgJunction's cost to purchase GNSS components from Hemisphere have increased to the price charged to Hemisphere's best customer less an agreed discount percentage in accordance with the terms of the supply agreement. AgJunction continues to hold discussions with Hemisphere in an effort to execute a new pricing agreement with similar arrangements.

11. *Credit Risk*
The Company has an increasing exposure to credit risk related to trade balances owing from customers. In the normal course of business, the Company monitors the financial condition of its customers and reviews the credit history of new customers to establish credit limits. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its customers, historical trends and economic circumstances. Losses could be realized by the Company if customers default on their balances owing.

12. *Technology Risk*
The Company's success may depend in part on our ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. The Company's products embody complex technology that may not meet those standards, changes and preferences. The Company may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause the Company to be unable to recover significant research and development expenses and could reduce its revenue.

13. *Future Acquisitions*
The Company may seek to expand its business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favorable terms, or that the acquired operations can be profitably operated or integrated into the Company. In addition, any internally generated growth experienced by the Company could place significant demands on Management, thereby restricting or limiting the Company's available time and opportunity to identify and evaluate potential acquisitions. To the extent Management is successful in identifying suitable companies or products for acquisition, the Company may deem it necessary or advisable to finance such acquisitions through the issuance of Common Shares, securities convertible into Common Shares, debt financing, or a combination thereof. In such cases, the issuance of Common Shares, Preferred Shares or convertible securities could result in dilution to the holders of Common Shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain assets, impeding the Company's ability to obtain bank financing, decreasing its liquidity, and adversely affecting its ability to declare and pay dividends to its shareholders.

14. *Proprietary Protection*
The Company's success will depend, in part, on its ability to obtain patents, maintain trade secrets and unpatented know-how protection, and to operate without infringing on the proprietary rights of third parties or having third parties circumvent its rights. The Company relies on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect its proprietary information. There can be no assurance that the steps taken will prevent misappropriation of its proprietary rights. The Company's competitors also could independently develop technology similar to its technology. Although the Company does not believe that its products or services infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company, or that any such assertions or prosecutions will not materially adversely affect its business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defense thereof, which could have a material adverse effect on its business.

15. *Conflicts of Interest*
Certain directors of the Company are engaged and will continue to be engaged in the design, manufacture and marketing of electronic products, and situations may arise where the directors may be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the Alberta Business Corporations Act ("ABCA") which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with

the Company to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

16. *Product Liability*
The sale and use of the Company's products entail risk of product liability. Although the Company has product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

17. *New and Emerging Markets*
Many of the markets for the Company's products are new and emerging. The Company's success will be significantly affected by the outcome of the development of these new markets.

18. *Physical Facilities*
The Company has facilities in several different locations, as well as component inventory, finished goods and capital assets at third-party manufacturing facilities. Tangible property at each location is subject to risk of fire, earthquake, flood, and other natural acts of God. In the event of such acts, there could be delays in production and shipments of product due to both the loss of inventory and/or capacity to produce.

19. *Legal Risks*
In common with other companies, the Company is subject to legal risks related to operations, contracts, relationships and otherwise under which it may be served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement costs and other costs as well as significant time and distraction of Management and employees – which could negatively impact the Company's ability to execute its business plans.

20. *Technology Failures or Cyber-Attacks*
We rely on information technology systems to process, transmit and store electronic information. In addition, a significant portion of internal communications, as well as communication with customers and suppliers depends on information technology. Further, certain of our products depend upon GPS and other systems through which our products interact with government computer systems and other centralized information sources. We are exposed to the risk of cyber incidents in the normal course of business. Cyber incidents may be deliberate attacks for the theft of intellectual property or other sensitive information or may be the result of unintentional events. Like most companies, our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including, but not limited to, natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. Further, attacks on centralized information sources could affect the operation of our products or cause them to malfunction. We have technology security initiatives and disaster recovery plans in place to mitigate our risk to these vulnerabilities, but these measures may not be adequate or implemented properly to ensure that our operations are not disrupted. Potential consequences of a material cyber incident include damage to our reputation, litigation and increased cyber security protection and remediation costs. Such consequences could adversely affect our results of operations.

21. *Foreign Private Issuer Status*
As of June 30, 2014, AgJunction determined that a majority of its outstanding shares were held directly or indirectly by US residents. As a result, AgJunction lost its "foreign private issuer" status effective January 1, 2015 as defined in Rule 3b-4 of the Securities and Exchange Act of 1934. AgJunction however continues to be governed by Canadian securities laws and reporting obligations and is not required to register with the Securities and Exchange Commission or make any filings under the Securities and Exchange Act of 1934.

Disclosure Controls and Procedures

Our Management is responsible for establishing and maintaining adequate disclosure controls and procedures for the Company. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in our reports filed with securities regulatory authorities is recorded, processed, summarized and reported within prescribed time periods and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision of, and with the participation of, our Management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2016. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under applicable securities laws and regulations is recorded, processed, summarized, and reported within the time periods specified thereby.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures have been designed with the objective to provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal controls over financial reporting would prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. We considered these limitations during the development of our disclosure controls and procedures and will periodically re-evaluate them to ensure they provide reasonable assurance that such controls and procedures are effective.

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 have conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2016 for all locations consolidated in the financial statements.

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;
- 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; the cost of expanding the Company’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.

Consolidated Financial Statements of

AgJunction®

Years ended December 31, 2016 and 2015

(Expressed in U.S. dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of AgJunction Inc. ("AgJunction" or the "Company") is responsible for the preparation and the presentation of the consolidated financial statements and related information published in the annual report. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of the financial information necessarily requires the use of some estimates and judgments, such as selection and application of accounting principles appropriate to the circumstances and with due consideration to materiality. Where appropriate, management seeks and receives guidance in these matters from external legal, accounting and other advisors.

To ensure the reliability of the consolidated financial statements, management relies on the Company's system of internal controls. The accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable.

Management continuously monitors and adjusts the Company's internal controls and management information systems to accommodate a changing environment while ensuring financial integrity.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee which is comprised entirely of independent directors.

The Audit Committee meets periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

Management also recognizes its responsibility for ensuring that the Company, at all times, conducts its affairs in an ethical manner, conforming to all applicable laws and regulations, and in accordance with the highest standards of personal and corporate conduct.

Michael Manning
Sr. Vice President & Chief Financial Officer
March 23, 2017

Dave Vaughn
President & Chief Executive Officer
March 23, 2017

AgJunction Inc.

Consolidated Statements of Financial Position

(Expressed in U.S. dollars)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents (note 5)	$ 12,863,202	$ 13,047,777
Accounts receivable, net (note 6)	4,775,737	8,222,606
Inventories (note 7)	8,225,686	11,800,917
Prepaid expenses and deposits	974,060	975,018
	26,838,685	34,046,318
Property, plant and equipment (note 10)	3,175,628	3,484,406
Intangible assets (note 11)	11,122,812	12,391,146
Goodwill (note 23)	143,419	11,444,419
	$ 41,280,544	$ 61,366,289
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,680,446	$ 5,970,427
Provisions (note 12)	544,569	995,938
Current portion of deferred revenue	205,552	342,095
Current portion of finance lease obligation (note 13)	–	1,160
	4,430,567	7,309,620
Deferred revenue	158,349	203,223
Total liabilities	4,588,916	7,512,843
Shareholders' equity:		
Share capital (note 14)	148,391,234	147,929,647
Equity reserve	5,264,413	4,669,173
Accumulated deficit	(116,964,019)	(98,745,374)
	36,691,628	53,853,446
	$ 41,280,544	$ 61,366,289

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Profit or Loss
Years ended December 31, 2016 and 2015
(Expressed in U.S. dollars)

	2016	2015
Sales (note 18)	$ 42,263,738	$ 39,048,487
Cost of sales	25,735,371	24,220,178
Gross profit	16,528,367	14,828,309
Expenses:		
Research and development	7,735,825	6,728,512
Sales and marketing	6,937,742	5,403,375
General and administrative	8,755,116	8,432,772
	23,428,683	20,564,659
Operating (loss)	(6,900,316)	(5,736,350)
Intangible assets impairment (note 11)	–	4,713,670
Goodwill impairment (note 23)	11,301,000	–
Foreign exchange (gain) loss, net	(32,732)	203,486
Interest and other income	(60,807)	(23,608)
Loss on sale of property, plant and equipment (note 10)	110,868	132,408
(Gain) on sale of other assets, net of liabilities (note 9)	–	(1,623,219)
Net (loss) before income taxes	(18,218,645)	(9,139,087)
Income tax (note 19)	–	–
Net (loss)	$ (18,218,645)	$ (9,139,087)
Earnings per share:		
Basic and diluted (loss) per share (note 17)	$ (0.15)	$ (0.11)

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Changes in Equity
Years ended December 31, 2016 and 2015
(Expressed in U.S. dollars)

	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at January 1, 2015	$ 122,467,464	$ 5,150,466	$ (89,606,287)	$ 38,011,643	72,322,063
Net (loss)	–	–	(9,139,087)	(9,139,087)	–
Issue of common shares and Restricted stock awards for business acquisition, (note 8)	24,900,841	–	–	24,900,841	49,291,026
Share-based payment transactions	–	80,049	–	80,049	–
Issue of restricted stock awards (note 14)	561,342	(561,342)	–	–	1,216,130
Balance at December 31, 2015	147,929,647	4,669,173	(98,745,374)	53,853,446	122,829,219
Net (loss)	–	–	(18,218,645)	(18,218,645)	–
Issue of common shares for professional services	65,940	–	–	65,940	157,660
Share-based payment transactions	–	969,388	–	969,388	–
Stock options exercised	21,499	–	–	21,499	45,000
Issue of restricted stock awards (note 14)	374,148	(374,148)	–	–	1,041,718
Balance at December 31, 2016	$ 148,391,234	$ 5,264,413	$ (116,964,019)	$ 36,691,628	124,073,597

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015
(Expressed in U.S. dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Net (loss)	$ (18,218,645)	$ (9,139,087)
Items not involving cash:		
Depreciation (note 10)	706,793	558,810
Amortization (note 11)	1,271,543	941,799
Share-based payment transactions (note 14)	969,388	80,049
Allowance on trade receivables (note 6)	4,715	50,625
Net realizable value write down of inventory (note 7)	1,043,837	1,547,743
Loss on disposal of property, plant and equipment (note 10)	110,868	132,408
(Gain) on sale of other assets, net of liabilities (note 9)	–	(1,623,219)
Intangible assets impairment, net of amortization (note 11)	–	4,713,670
Goodwill impairment (note 23)	11,301,000	–
Change in non-cash operating working capital:		
Accounts receivable	3,443,326	(1,121,544)
Inventories	2,531,394	88,895
Prepaid expenses and deposits	958	181,452
Accounts payable and accrued liabilities	(2,289,981)	366,900
Provisions	(451,369)	544,792
Deferred revenue	(181,417)	(931,688)
Income taxes refunded (paid)	–	59,000
Cash flows from (used in) operating activities	242,410	(3,549,395)
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(1,160)	(13,918)
Interest received (paid), net	(1,172)	2,426
Proceeds from the issuance of common shares and stock options exercised	87,439	–
Cash flows from (used in) financing activities:	85,107	(11,492)
Cash flows from (used in) investing activities:		
Proceeds from the sales of property, plant and equipment	13,144	5,351
Purchase of property, plant and equipment (note 10)	(522,027)	(413,109)
Intangible asset addition (note 11)	(3,209)	(2,130,380)
R&D expense reimbursement (note 11)	–	1,875,795
Proceeds from sale of division (note 9)	–	2,422,916
Cash acquired in business acquisition (note 8)	–	3,624,336
Cash flow from (used in) investing activities	(512,092)	5,384,909
Increase (decrease) in cash position	(184,575)	1,824,022
Cash and cash equivalents, beginning of year	13,047,777	11,223,755
Cash and cash equivalents, end of year	$ 12,863,202	$ 13,047,777

See accompanying notes to consolidated financial statements.

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1. Reporting entity:

AgJunction Inc. (the "Company") is a publicly traded company domiciled in Canada and listed on the Toronto Stock Exchange under the ticker symbol "AJX". The Company's primary office is located at 2207 Iowa Street, Hiawatha, Kansas. The Company operates in the precision agriculture market and develops products to enhance the efficiency and productivity of agricultural activities through the use of technology. The Company designs, manufactures and markets products and applications, incorporating technologies that provide intelligent automation and navigation solutions through the sophisticated integration of Global Navigation Satellite Systems ("GNSS") positioning and other technologies used in precision machine guidance, steering and flow control. Our products offer accurate positioning and machine control capabilities for the agriculture sector, including machine control and auto-steering systems. The consolidated financial statements of the Company as at and for the years ended December 31, 2016 and 2015 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The consolidated financial statements were authorized for issue by the Board of Directors on March 23, 2017.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement:

The consolidated financial statements have been prepared on the going concern and historical cost basis except for non-derivative financial assets at fair value through profit and loss.

(c) Functional and presentation currency:

These consolidated financial statements are presented in United States dollars, which is also the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Some of the significant estimates and assumptions used in preparing the consolidated financial statements are as follows:

2. Basis of preparation (continued):

(i) Allowance for doubtful accounts (note 6):

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.

(ii) Deferred tax assets (note 19):

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and other tax assets, to the extent future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses and other tax assets can be utilized. Changes in the timing of the reversals of the income tax rates applicable in future years could result in significant differences between the estimates and the actual amounts realized, which would affect net earnings in a subsequent period.

(iii) Goodwill impairment (note 23):

The Company has a single cash-generating unit ("CGU"), the agricultural business unit which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Goodwill impairment is determined by assessing the recoverable amount of the assets or CGU to which the asset relates. The recoverable amount of an asset or CGU is the greater of fair value less cost to sell and the value in use.

Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one CGU. The value in use of the CGU is determined using a "discounted cash flow" model, consistent with recognized valuation methods. The most significant assumptions underlying the model prepared by Management include: revenues, revenue growth, gross margins, operating expenses, income taxes, weighted average cost of capital, and capital expenditures. Significant factors impacting these assumptions include estimates of future market share, competition, technological developments, interest rates, and market trends. Assumptions incorporated into the discounted cash flow model reflect Management's long-term view of the Company's business and the markets in which it competes.

Impairment losses are measured as the difference between the carrying amount of the goodwill and its recoverable amount.

2. Basis of preparation (continued):

(v) Inventory obsolescence (note 7):

Inventory is measured at the lower of cost or net realizable value. The Company evaluates inventory based on movement over an 18 month period, classifying inventory as active, slow-movement or zero-movement. Items classified as zero-movement, are deemed obsolete and are estimated to have no value. Items classified as slow-moving are valued based on historical cost recovery rates.

(vi) Provisions (note 12):

Based on historical information of warranty claims compared to sales, the Company provisions an amount for future claims on items sold in the current period. Any expenses directly relating to warranty claims are expected to offset the provision in the period.

Information about critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

(vii) Share-based payments

Share-based payments are measured at fair value at the date of grant. Fair value is measured by using a Black Scholes option pricing model, taking into account the terms and conditions upon which the equity instruments were granted as well as management's best estimate of the expected life of such stock options. The following inputs are utilized in determining the fair value of share-based payments: the Company’s share price at issuance; stock option exercise price; weighted average volatility; interest rate; and expected life.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All inter-company transactions, balances and unrealized gains or losses on inter-company transactions have been eliminated upon consolidation. AgJunction LLC (formerly Hemisphere GPS LLC), AgJunction AUS Pty Ltd. (formerly Hemisphere AUS Pty Ltd.) and Novariant, Inc. (acquired on October 15, 2015) are wholly owned operating subsidiaries of the Company.

3. Significant accounting policies (continued):

(b) Foreign currency translation:

Under IFRS, functional currency of each entity in the Company is determined separately in accordance with the indicators as per IAS 21, The Effects of Changes in Foreign Exchange Rates, and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Based on IAS 21, the functional currency of the Company and its subsidiaries is determined to be United States dollar.

Foreign currency transactions denominated in other than United States dollars are translated into the functional currency on the following basis:

(i) Monetary assets and liabilities are translated at the rates of exchange prevailing at statement of financial position date.

(ii) Non-monetary assets, liabilities and related depreciation expenses that are measured at historical cost are translated using the exchange rate at the date of the transaction.

(iii) Income and expenses for each statement of profit or loss presented are translated at average exchange rates during the month in which they are recognized.

Exchange differences resulting from the settlement of foreign currency transactions and the gain or loss due to remeasurement of assets and liabilities held in foreign currencies are recognized directly in the "foreign exchange (gain) loss" line item of the consolidated statement of profit or loss in the period in which incurred.

(c) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes trade and other receivables and deposits on the date they originate. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (continued):

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity financial assets and receivables.

Financial assets at fair value through profit or loss (“FVTPL”):

Financial assets designated as FVTPL are stated at fair value with the gain or loss recognized in the consolidated statement of profit or loss. The net gain or loss recognized incorporates any interest earned on the financial asset. The Company has classified cash and cash equivalents as FVTPL.

Held-to-maturity financial assets:

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. The Company classifies short-term investments as held-to-maturity financial assets.

Receivables:

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortized cost using the effective interest method, less any impairment losses. The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period.

The Company has classified accounts receivable and other receivable as receivables.

Bank overdrafts that are repayable on demand and form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities:

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date that they are originated. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire. The Company has classified accounts payable and accrued liabilities as non-derivative financial liabilities.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

3. Significant accounting policies (continued):

(d) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand. The cash on hand is denominated in Canadian dollars (CDN $), United States dollars (US $), Australian dollars (AUS $), New Zealand dollars (NZD $), Euros (EUR €), British Pounds (GBP £), and Hungarian Forints (HUF Ft). The Company holds cash on hand with Canadian charter banks, United States chartered banks, Australian chartered banks and European chartered banks.

(e) Revenue recognition:

The Company generates revenue from the sale of equipment, agronomy software services and extended warranty programs (note 18). Revenue from the sale of equipment is recognized upon shipment and when all significant contractual obligations have been satisfied and collection is reasonably assured. Accruals for warranty costs, sales returns and other allowances at the time of shipment are based upon contract terms and anticipated claims. Revenue from sale of software relates mainly to perpetual licenses, which provide the customer with the right to use the licensed products.

Revenues from the sale of extended service programs are recorded as deferred revenue at the time the extended service is invoiced and are recognized on a pro-rata basis over the extended service period.

Agronomy software service revenue is recognized when any associated services are not essential to the functionality of the software and when the following conditions are met: 1) the amount of revenue can be measured reliably; 2) it is probable that the economic benefits associated with the transaction will flow to the entity; 3) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and 4) the costs associated with the transaction can be measured reliably. Revenue is recognized on a pro-rata basis over the service period. On April 1, 2015, the Company sold the net business assets associated with its Agronomy Services division (note 9).

(f) Inventories:

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price less estimated costs of completion and selling expenses. Cost, which is based on a weighted average, includes expenditures incurred in acquiring stock and bringing it to its existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads attributable to manufacturing, based on normal operating capacity.

3. Significant accounting policies (continued):

(g) Property, plant and equipment:

Property, plant and equipment is measured at cost less accumulated depreciation and impairments. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

The carrying amounts of property, plant and equipment are depreciated from the date of acquisition to their estimated residual value over the estimated useful lives of the assets. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges.

Depreciation is charged from the date of acquisition of an asset and is provided at the following annual rates:

Assets	Method	Rate
Leasehold improvements	straight-line	4 – 20 years
Computer equipment and software	declining balance	30%
Office and production equipment	declining balance	20% - 30%
Licenses and other assets	straight-line	2 – 10 years

(h) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and impairments. The carrying value of intangible assets is amortized over the estimated useful lives based on management's best estimates. Estimates of the useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining amortization charges.

Assets	Rate
Trademarks and brands	20 years
Customer relationships	5 years
Technology	5 – 10 years

3. Significant accounting policies (continued):

(i) Goodwill:

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that such carrying value may be impaired.

The Company has a single CGU, the agricultural business unit, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes based on the Company's primary reporting format determined in accordance with IFRS 8, Operating Segments.

(j) Impairment:

Goodwill and intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the assets or cash-generating units to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of fair value less cost to sell and the value in use.

An impairment loss is 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, including a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognized in respect of the CGU are allocated first to reduce the carrying amount of any goodwill of the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Where intangible assets have been allocated to the CGU and part of the operation within the CGU is disposed of, the intangible assets associated within the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Intangible assets disposed of in such cases are measured based on the relative values of the operation disposed of and the portion of the CGU retained.

3. Significant accounting policies (continued):

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, an impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount and an impairment loss is reversed, however, the increased carrying amount shall not exceed the carrying value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

(k) Research and development:

Expenditures on research activities are recognized under research and development expenses in the period in which they are incurred. An internally generated intangible asset arising from product development is recognized only if all of the following conditions are met:

(i) the Company intends to and has sufficient resources to complete development and to use or sell the asset;

(ii) it is probable that the asset created will generate future economic benefits;

(iii) the development cost of the asset can be measured reliably; and

(iv) the product from which the asset arises meets the IFRS criteria for technical and commercial feasibility.

Internally generated intangible assets are amortized on a straight-line basis over their useful lives. Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Capitalized expenses include the cost of material, direct labor, direct overhead and outsourcing costs directly attributable to preparing the asset for its intended use.

(l) Earnings per share:

Basic earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of ordinary shares in issue during the period. Diluted earnings or loss per share represents the profit or loss for the period, divided by the weighted average number of ordinary shares in issue during the period plus the weighted average number of dilutive potential shares resulting from share options where the inclusion of these would not be antidilutive.

3. Significant accounting policies (continued):

(m) Share-based payments:

The Company awards stock options to certain directors, officers, employees, consultants and agents of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. Stock options are measured at fair value at the date of grant. Fair value is measured by using the Black Scholes option pricing model, taking into account the terms and conditions upon which the equity instruments were granted and also based on management's best estimate of the expected life of such stock options. The fair value of such awards is expensed over the vesting period with a corresponding increase in reserve under equity. Upon exercise of stock options, proceeds received are credited to share capital.

In 2014, the Company adopted a restricted stock unit (“RSU”) plan. The Company may award RSUs to certain directors, officers, employees, key consultants and agents of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. No RSUs were awarded either in 2016 or 2015.

In 2015, the Company adopted a restricted stock award (“RSA”) plan. The Company may award RSAs to certain directors, officers, and employees of the Company, from time to time, on a discretionary basis subject to certain terms and conditions. RSAs are measured at fair value at the date of grant, taking into account the terms and conditions upon which the equity instruments were granted and also based on management's best estimate of the expected life of such restricted stock awards. Based on a specified period of service, RSAs under this plan vest over a period of one to four years as the fair value of such awards is expensed over the vesting period with a corresponding increase in reserve under equity. From their issue date, the holders of RSAs have voting rights and are entitled to dividends equivalent to common shareholders.

As of December 31, 2016, 3,871,959 (2015 – 4,046,563) RSAs were held by senior management and certain members of the Board of Directors.

(n) Income taxes:

Income taxes comprise both current tax and deferred tax. Income tax is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity. Current income tax is the tax expected to be payable on the taxable profit for the period, using tax rates enacted or substantively enacted by the reporting date.

Deferred taxes are recognized on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. Significant accounting policies (continued):

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and other tax assets, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses and other tax assets can be utilized. Deferred tax is calculated using the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and laws enacted, or substantively enacted, by the reporting date.

(o) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Provisions for obsolete inventory are based on management’s best estimates which consider a variety of factors that may affect the carrying values of inventories. These factors include, but are not limited to, market demand, technology and design changes. A provision for warranty is recognized when the underlying products and services are sold. Warranty provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Where the time effect of money is material, significant provision balances are discounted to current values using appropriate pre-tax discount rates. The unwinding of the discount is recorded as finance cost under general and administrative expenses.

(p) Vacation pay:

Employee entitlements to annual leave are recognized as they are earned by the employees. A provision, stated at current cost, is made for the estimated liability at period end.

(q) Termination benefits:

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. Significant accounting policies (continued):

(r) Leased assets:

Leases of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

Payments made under operating leases are recognized in the consolidated statement of profit or loss on a straight line basis over the term of the lease.

(s) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Restructuring costs:

A provision for restructuring is recognized when it is material, and the restructuring plans have been approved and announced before the reporting date. Restructuring costs are recognized in the consolidated statement of profit or loss within operating income (loss). These costs mainly involve outsource manufacturing costs, termination and severance benefits, legal and consulting fees, redundancy costs and scrapping of property and equipment as well as other costs that are directly related to the restructuring plan and that provide no benefit to the ongoing operations.

(u) Initial adoption of new standards and interpretations:

The Company has adopted the following amendments to standards, with the date of initial application of January 1, 2016. The nature and effect of the changes are explained below:

(i) Amendments to IAS 1, *Presentation of Financial Statements:*

In December 2014, the IASB published *Disclosure Initiative (Amendments to IAS 1)*. The intent of the amendments was to clarify perceived impediments to companies exercising their professional judgement in financial statement presentation and touches on the topics of materiality, aggregation of financial statement line items, and the ordering of footnotes.

The Company applied the concepts of the above *Disclosure Initiative* throughout this report.

3. Significant accounting policies (continued):

(v) New standards and interpretations 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. The intent of the standard is to specify how and when revenue is to be recognized and to require more informative, relevant disclosures. 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. The intent of the standard is to detail requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard is not expected to have a significant impact on the Company's financial results.

In January 2016, the IASB issued IFRS 16, *Leases*, which requires major revisions in the way lessees currently account for leases under IFRS 17, *Leases*. The standard provides a single lessee accounting model which requires lessees to recognize assets and liabilities for all leases where the term is greater than 12 months. 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 clarify 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.

4. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(Expressed in U.S. dollars)

4. Determination of fair values (continued):

(a) Derivatives:

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). There were no derivatives held as of December 31, 2016 and 2015.

(b) Share-based payment transactions:

The fair value of the employee share options is measured using the Black-Scholes option pricing model. Measurement inputs include the share price on measurement date, the exercise price of the instrument, the expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the weighted average expected life of the instruments (based on historical experience of forfeiture rates), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions are not taken into account in determining fair value.

(c) Goodwill:

Refer to note 23.

5. Cash and cash equivalents:

In US$

	December 31, 2016	December 31, 2015
Cash on hand		
CDN $	$ 88,179	$ 638
US $	12,397,303	12,538,945
AUS $	215,590	392,397
NZD $	141,812	83,441
EUR €	9,830	26,519
GBP £	4,586	135
HUF Ft	5,902	5,702
Cash and cash equivalents	$ 12,863,202	$ 13,047,777

(Expressed in U.S. dollars)

6. Accounts receivable:

	December 31, 2016	December 31, 2015
Trade	$ 4,336,454	$ 7,025,614
Other receivable	513,450	1,381,590
Allowance for doubtful accounts	(74,167)	(184,598)
	$ 4,775,737	$ 8,222,606

Included within the other receivable line item above as of December 31, 2016 are receivables due from key management personnel totaling $343,369 which relate to personal income tax withholdings paid by the Company and due at the time of RSA vesting as required by regulatory tax authorities. In the event the RSA participant does not reimburse the Company for taxes paid on their behalf, the sell to cover provision within the Company's RSA plan allows the Company to require the employee to sell the number of shares necessary to satisfy the income tax withholding obligation paid by the Company on behalf of the employee. Until the Company is made whole through the sell to cover provision, none of the related vested shares will be released to the employee. Vested RSAs not yet released to employees in association with this program total 2,122,825 and have a fair value of $822,126 (1,103,869 CAD) as of December 31, 2016. No such receivable existed as of December 31, 2015 as no RSAs had vested in 2015.

Aging of receivables that are past due but not impaired:

	December 31, 2016	December 31, 2015
1 to 30 days	$ 487,580	$ 1,399,738
31 to 60 days	36,362	45,626
61 to 90 days	156,806	68,945
Over 90 days	193,237	129,440
	$ 873,985	$ 1,643,749

Reconciliation of changes in the allowance for doubtful accounts:

	December 31, 2016	December 31, 2015
Balance beginning of year	$ 184,598	$ 645,059
Provisions	4,715	50,625
Accounts receivable written off	(115,146)	(511,086)
	$ 74,167	$ 184,598

(Expressed in U.S. dollars)

7. Inventories:

Inventories include material, labor and manufacturing overhead costs. The components of inventories were as follows:

	December 31, 2016	December 31, 2015
Finished goods	$ 6,445,376	$ 9,550,769
Raw materials	1,768,063	2,017,978
Work in process	12,247	232,170
	$ 8,225,686	$ 11,800,917

During the year ended December 31, 2016, the Company recorded write-downs of finished goods and raw materials to net realizable value in the amount of $1,043,837 (2015 – $1,547,743) which was recognized in the cost of sales line item of the consolidated statement of profit or loss.

8. Business Combinations:

On March 16, 2015, the Company announced it had entered into a definitive agreement with Novariant, Inc. (“Novariant”) to acquire all of its outstanding stock in exchange for shares in the Company. The merger was approved by AgJunction shareholders on September 30, 2015 and closed on October 15, 2015.

Fair value of net assets acquired consist of:

Cash and cash equivalents	$ 3,624,336
Accounts receivable	1,548,005
Inventories	3,789,957
Prepaid expenses and deposits	208,539
Property, plant and equipment	997,360
Intangible assets	11,670,000
Goodwill	6,069,900
Accounts payable and accrued liabilities	(2,983,690)
Deferred revenue	(23,566)
Net assets acquired	$ 24,900,841

Consideration consisted of:

Shares issued (46,460,593 Common; 2,830,433 RSAs; 49,291,026 Total)	$ 24,900,841

(Expressed in U.S. dollars)

8. Business Combinations (continued):

Accounts receivable of $1,548,005 consist of gross contractual accounts receivable of $1,628,078 less $80,073 which represents the best estimate of amounts not expected to be collected.

The intangible asset acquired was technology and has an estimated useful life of ten years.

Goodwill generated as a result of the Novariant transaction represents intangible assets which did not qualify for separate recognition such as Novariant's trademarks, customer portfolio, and assembled workforce. The goodwill will not be deductible for tax purposes.

Summarized results of Novariant operations from October 16, 2015 to December 31, 2015 are as follows:

Sales	$	3,198,553
Cost of sales		2,496,039
Gross profit		702,514
Expenses		1,302,713
Operating (loss)		(600,199)
Foreign exchange loss, net		2,872
Interest and other expense		1,308
Net (loss)	$	(604,379)

Inventory acquired as part of the Novariant acquisition was adjusted up to fair value in purchase accounting. Accordingly, fair valued Novariant inventory sold over the period October 16, 2015 to December 31, 2015 required a release of the fair value step up in inventory in the amount of $622,771 which is included within the Cost of sales line above. Adjusting for this release, Novariant realized net income of $18,392.

Acquisition related costs totaled $1,072,639 for the year ended December 31, 2015 and are included within the General and administrative line item within the Consolidated Statements of Profit or Loss. No such costs were incurred in 2016.

(Expressed in U.S. dollars)

9. 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 the Company's Outback customers, or precision agriculture retailers and growers.

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

(Expressed in U.S. dollars)

10. Property, plant and equipment:

Cost

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2015	$ 2,636,178	$ 1,624,327	$ 1,718,387	$ 1,308,151	$ 7,287,043
Additions (reimbursements)	11,893	297,996	136,571	75,567	522,027
Disposals	(20,198)	(162,630)	(191,484)	–	(374,312)
Balance at December 31, 2016	$ 2,627,873	$ 1,759,693	$ 1,663,474	$ 1,383,718	$ 7,434,758

Accumulated depreciation

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2015	$ 1,184,174	$ 611,069	$ 1,073,900	$ 933,494	$ 3,802,637
Depreciation	157,634	107,956	313,546	127,657	706,793
Disposals	(19,677)	(147,718)	(82,905)	–	(250,300)
Balance at December 31, 2016	$ 1,322,131	$ 571,307	$ 1,304,541	$ 1,061,151	$ 4,259,130

Carrying amount

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2015	$ 1,452,004	$ 1,013,258	$ 644,487	$ 374,657	$ 3,484,406
Balance at December 31, 2016	$ 1,305,742	$ 1,188,386	$ 358,933	$ 322,567	$ 3,175,628

Cost

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2014	$ 2,676,863	$ 1,305,432	$ 1,664,551	$ 1,208,378	$ 6,855,224
Additions (reimbursements)	33,066	193,838	68,712	117,493	413,109
Business acquisition	70,660	721,060	198,640	–	997,360
Disposals	(151,411)	(596,003)	(213,516)	(17,720)	(978,650)
Balance at December 31, 2015	$ 2,636,178	$ 1,624,327	$ 1,718,387	$ 1,308,151	$ 7,287,043

Accumulated depreciation

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2014	$ 1,170,007	$ 955,355	$ 1,114,414	$ 807,396	$ 4,047,172
Depreciation	162,204	134,030	131,635	130,941	558,810
Disposals	(148,037)	(478,316)	(172,149)	(4,843)	(803,345)
Balance at December 31, 2015	$ 1,184,174	$ 611,069	$ 1,073,900	$ 933,494	$ 3,802,637

Carrying amount

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2014	$ 1,506,856	$ 350,077	$ 550,137	$ 400,982	$ 2,808,052
Balance at December 31, 2015	$ 1,452,004	$ 1,013,258	$ 644,487	$ 374,657	$ 3,484,406

(Expressed in U.S. dollars)

10. Property, plant and equipment (continued):

During 2016 and 2015, the Company disposed of fixed assets no longer required for the ongoing operations of the business for a loss of $110,868 and a loss of $132,408, respectively, noted in the consolidated statement of profit or loss.

11. Intangible assets:

Cost	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2015	$ 2,144,370	$ –	$ 12,199,945	$ 14,344,315
Additions (translation)	–	–	3,209	3,209
Balance at December 31, 2016	$ 2,144,370	$ –	$ 12,203,154	$ 14,347,524
Accumulated amortization				
Balance at December 31, 2015	$ 1,140,043	$ –	$ 813,126	$ 1,953,169
Amortization	104,543	–	1,167,000	1,271,543
Balance at December 31, 2016	$ 1,244,586	$ –	$ 1,980,126	$ 3,224,712
Carrying amount				
Balance at December 31, 2015	$ 1,004,327	$ –	$ 11,386,819	$ 12,391,146
Balance at December 31, 2016	$ 899,784	$ –	$ 10,223,028	$ 11,122,812

Cost	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2014	$ 2,144,370	$ 571,000	$ 9,434,460	$ 12,149,830
Internally developed	–	–	2,130,380	2,130,380
R&D expense reimbursement	–	–	(1,875,795)	(1,875,795)
Sale of division	–	(571,000)	(4,006,000)	(4,637,000)
Intangible assets impairment	–	–	(5,093,100)	(5,093,100)
Business acquisition	–	–	11,670,000	11,670,000
Balance at December 31, 2015	$ 2,144,370	$ –	$ 12,199,945	$ 14,344,315
Accumulated amortization				
Balance at December 31, 2014	$ 1,046,108	$ 330,614	$ 3,001,044	$ 4,377,766
Amortization	93,935	37,201	810,663	941,799
Sale of division	–	(367,815)	(2,619,151)	(2,986,966)
Intangible assets impairment	–	–	(379,430)	(379,430)
Balance at December 31, 2015	$ 1,140,043	$ –	$ 813,126	$ 1,953,169
Carrying amount				
Balance at December 31, 2014	$ 1,098,262	$ 240,386	$ 6,433,416	$ 7,772,064
Balance at December 31, 2015	$ 1,004,327	$ –	$ 11,386,819	$ 12,391,146

(Expressed in U.S. dollars)

11. Intangible assets (continued):

Amortization of $1,167,000 (809,769 – 2015) and $104,543 (132,030 – 2015) is included within the Research and development and Sales and marketing line items, respectively, within the Consolidated Statements of Profit or Loss. Based upon a review of intangible assets in 2015, management determined the recoverability of certain research and development intangibles was not probable as discounted future cash flow analysis were less than the carrying amount of the intangible assets, which resulted in a net impairment charge of $4,713,670 as noted above. This impairment charge is included in the Intangible assets impairment line item within the Consolidated Statements of Profit or Loss. No such impairments were identified in the current year.

12. Provisions:

		Warranty		Restructuring		Total
Balance at December 31, 2015	$	528,091	$	467,847	$	995,938
Provisions made during the year		320,626		–		320,626
Provisions used		(319,986)		(452,009)		(771,995)
Balance at December 31, 2016	$	528,731	$	15,838	$	544,569

The provision for warranties relates mainly to products sold during the years ended December 31, 2016, 2015 and 2014. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. The Company expects to incur the majority of the warranty liability over the next three years.

The provision for restructuring relates to a targeted workforce reduction of 20% which was announced by the Company on December 30, 2015. The reduction was planned for and took place largely in 2016, though some reduction will flow into 2017. This reduction and related restructuring provision relates to an internal review of operations post Novariant acquisition and post integration of Novariant into AgJunction, whereby a duplication of resources was identified.

(Expressed in U.S. dollars)

13. Finance lease:

The Company had certain equipment under capital lease which expired in 2016. Lease payments are as follows:

	2017	2016
2016	$ –	$ 1,160
2017	–	–
Minimum lease payments	–	1,160
Less: interest portion	–	–
Net minimum lease payments	–	1,160
Less: current portion	–	1,160
Long term portion	$ –	$ –

Principal and interest payments on leased equipment during the year was approximately $1,160.

14. 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 124,073,597 common shares at $148,391,234.

(c) Par value:

No par value

(d) The Company has a stock option plan, whereby options to purchase common shares may be issued at market price to directors, officers, employees, key consultants and agents of the Company subject to certain terms and conditions. The Company also has a restricted stock award plan, whereby common shares may be issued at market price to directors, officers, and employees of the Company subject to certain terms and conditions. The Company's shareholders have approved the combined issuance of total stock options and restricted stock awards with a rolling maximum limit equal to 13% of outstanding common shares. Stock options granted vest over a period of two to five years and expire at various dates through to 2020. Restricted stock awards granted vest over a period of one to four years and have no expiration date.

(Expressed in U.S. dollars)

14. Share capital (continued):

(e) In October 2015, the Company issued 46,460,593 common shares and 2,830,433 RSAs for a total of 49,291,026 shares as consideration in the acquisition of Novariant, Inc. Refer to note 8 for additional information regarding the transaction including net assets acquired.

During the year ended December 31, 2016, the Company recorded $619,630 (2015 – $52,619) as stock based compensation expense relating to options and $349,758 (2015 - $27,430) relating to restricted stock awards for total compensation expense of $969,388 (2015 - $80,049).

(f) 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 2016 grants: Company stock price at issuance; stock option exercise price; weighted average volatility of 47%; interest rate of 0.65%; and expected life of 3.6 years. The grant date fair value of RSAs granted in 2016 is the market price of the stock at the date of grant.

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 2015 grants: Company stock price at issuance; stock option exercise price; weighted average volatility of 54%; interest rate of 0.68%; and expected life of 4.0 years. The grant date fair value of RSAs granted in 2015 is the market price of the stock at the date of grant.

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

(Share price in CAD)	December 31, 2016			December 31, 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	3,337,951		0.67	3,040,327		0.60
Exercised	(45,000)		0.63	–		–
Expired	(591,434)		0.77	(550,405)		0.93
Stock options outstanding, end of period	7,136,342	$	0.61	4,434,825	$	0.66
Exercisable at year end	2,672,026	$	0.68	1,150,909	$	0.66

(Expressed in U.S. dollars)

14. Share capital (continued):

(Share price in CAD)	Options outstanding			Options exercisable	
Range of exercise prices outstanding	Number outstanding at December 31, 2016	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at December 31, 2016	Weighted average exercise price
$0.60 – 1.00	6,847,028	43	$ 0.64	2,463,242	$ 0.64
1.01 – 1.12	289,314	24	1.12	208,784	1.12
$0.60 – 1.12	7,136,342	43	$ 0.66	2,672,026	$ 0.68

Change in the number of restricted stock awards, with their weighted average grant prices are summarized below:

(Share price in CAD)	December 31, 2016		December 31, 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	1,160,762	0.50	4,046,563	0.63
Expired or cancelled	(206,621)	0.51	–	–
Vested	(868,745)	0.62	–	–
RSAs outstanding, end of period	4,131,959	$ 0.58	4,046,563	$ 0.63

The restricted stock awards outstanding as of December 31, 2016 have a weighted average remaining contractual life of 33 months. Restricted stock awards vested as of December 31, 2016 total 2,122,825. Restricted stock awards vesting over the years 2017 through 2020 total 2,009,134.

(Expressed in U.S. dollars)

15. Operating leases:

The Company is committed to annual minimum operating lease payments, excluding tenant-operating costs, of:

	December 31, 2016	December 31, 2015
Within 1 year	$ 516,154	$ 445,322
1 to 5 years	1,315,910	1,613,700
After 5 years	322,324	544,640
Total	$ 2,154,388	$ 2,603,662

The Company leases a number of buildings for its operations under operating leases. The leases typically run for a period of 5-10 years, with an option to renew the lease after that date. Lease payments are increased in certain situations to reflect market conditions. Lease payments recognized as an expense during the year amount to $461,639 (2015 – $639,044).

16. Expenses by nature from continuing operations:

Operating results include the following items:

	2016	2015
Salaries and employee benefits	$ 14,881,946	$ 13,630,369
Defined contribution expenses	363,440	295,907
Share based payment expenses	969,388	80,049
Directors fees	165,097	316,096
Amortization and depreciation expense	1,978,336	1,500,609
Consulting expenses	1,757,132	1,510,155
Travel and related expenses	1,339,078	952,995
Software, information technology and licensing expenses	894,482	720,597
Legal expenses	583,195	1,461,075
Lease payments recognized as expense	461,639	639,044
Advertising and promotional expenses	858,422	686,923
Insurance expense	390,760	319,894
Communication expenses	264,168	228,969
External audit fees	288,796	282,836
Public company expenses	264,147	239,204
Net research and development project specific costs	(124,650)	(754,898)
Other corporate overhead expenses	967,875	458,707
Inventories recognized as expense	19,006,865	18,693,841
Other costs of production	3,853,938	3,522,465
	$ 49,164,054	$ 44,784,837

16. Expenses by nature from continuing operations (continued):

Within the Net research and development project specific costs line item above, are prior year expense capitalizations as well as current year expense reimbursements. Prior year capitalizations totaled $2,130,380 as noted in the "Intangible asset addition" line item of the Consolidated Statements of Cash Flows. No such capitalizations occurred in the current year. Expense reimbursements totaling $935,025 which were received in the current year directly reduced expenses. No such reimbursements effect the prior year number presented above.

17. Loss per share:

The calculation of basic and diluted (loss) income per share from operations was based on the loss attributable to ordinary shareholders of $18,218,645 (2015 – loss of $9,139,087).

At year end, weighted-average number of shares outstanding used to calculate basic and diluted loss per share was as follows:

	2016	2015
Opening balance January 1	122,829,219	72,322,063
Effect of stock options exercised	11,425	–
Issue of restricted stock awards, net	824,991	–
Issue of common shares	107,728	10,641,607
Ending balance December 31	123,773,363	82,963,670

At December 31, 2016, the conversion of 45,000 stock options resulted in additional common shares of an equal amount that are included in the calculations of basic and diluted loss per share. No stock options were exercised in 2015. At December 31, 2016, 7,136,342 stock options (2015 – 1,394,498) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

18. Entity-wide disclosure:

Sales by operating segment (in thousands):

		2016		2015
Agriculture	$	42,264	$	39,048

Sales by geographic region (in thousands):

		2016		2015
Americas	$	24,479	$	18,311
Asia-Pacific (APAC)		4,663		4,258
Europe, the Middle East, and Africa (EMEA)		13,122		16,479
	$	42,264	$	39,048

18. Entity-wide disclosure (continued):

In 2016, the Company noted two customers each individually account for over 10 percent of Company total revenue. One customer approximates 26% or $10,904,523 of total revenue and is included in the EMEA geographic region information above. The other customer approximates 23% or $9,568,551 of total revenue and is included in the Americas geographic region. In 2015, the Company noted one customer approximates 34% or $13,121,886 of total revenue included in the EMEA geographic region information above.

Non-current assets by geographic region (in thousands):

	2016	2015
Americas	$ 14,341	$ 27,196
Asia-Pacific (APAC)	101	124
	$ 14,442	$ 27,320

19. Income taxes:

Rate reconciliation of effective tax rate:
Income tax expense varies from the amount that would be computed by applying the combined Federal and Provincial income tax rate of 25% (2015 – 25%) to earnings before income tax as follows:

	2016	2015
Expected income tax (recovery)	$ (4,554,661)	$ (2,284,772)
Increase (decrease) resulting from:		
Change in unrecognized deferred tax assets	4,363,926	3,114,223
Nondeductible expenses	1,688,862	308,782
Effective tax rates differences by jurisdictions	(1,498,127)	(1,138,233)
Income tax (recovery)	$ –	$ –

(Expressed in U.S. dollars)

19. Income taxes (continued):

Unrecognized deferred tax assets and liabilities:

No portion of the Company's net deferred tax assets has been recorded in these consolidated financial statements. The components are as follows:

	Asset (Liability)			
December 31, 2016	Canada	United States	Australia	Total
Net operating losses	$ 2,302,740	$ 17,999,902	$1,875,225	$ 22,177,867
Research and development tax credits	2,116,469	5,752,873	–	7,869,342
Property and equipment	53,761	184,004	(1,598)	236,167
Share issue costs	10,867	–	–	10,867
Goodwill	–	3,346,859	–	3,346,859
Intangibles	(14,440)	(1,659,348)	–	(1,673,788)
Reserves	82,560	2,380,707	143,309	2,606,576
Deferred revenue	–	82,853	–	82,853
Inventory	–	692,687	–	692,687
Charitable contributions	–	2,641	–	2,641
Related party accrued interest	–	143,261	–	143,261
Unrealized foreign exchange loss (gain)	107,859	(2,706)	–	105,153
AMT credits	–	304,822	–	304,822
	$ 4,659,816	$ 29,228,556	$2,016,936	$ 35,905,308

	Asset (Liability)			
December 31, 2015	Canada	United States	Australia	Total
Net operating losses	$ 2,051,576	$ 15,247,914	$ 1,759,920	$ 19,059,410
Research and development tax credits	2,173,067	5,752,873	–	7,925,940
Property and equipment	58,246	254,505	482	313,233
Share issue costs	16,654	–	–	16,654
Goodwill	–	1,972,525	–	1,972,525
Intangibles	(16,321)	(1,850,067)	–	(1,866,388)
Reserves	81,629	2,762,771	159,210	3,003,610
Deferred revenue	–	82,904	–	82,904
Inventory	–	1,199,290	–	1,199,290
Charitable contributions	–	524	–	524
Section 481 adjustments	–	(400,102)	–	(400,102)
Related party accrued interest	–	143,350	–	143,350
Unrealized foreign exchange loss	–	73	–	73
AMT credits	–	304,822	–	304,822
	$ 4,364,851	$ 25,471,382	$ 1,919,612	$ 31,755,845

(Expressed in U.S. dollars)

19. Income taxes (continued):

The net operating loss carry-forwards as of December 31, 2016 reflected in the unrecognized deferred tax assets will expire as follows:

	Net operating losses
United States:	
2023	$ 346,312
2024	513,159
2025 and beyond	47,389,368
	$ 48,248,839
Canada:	
2028 and beyond	$ 9,210,962
Australia:	
No expiry date	$ 6,250,750

20. Financial instruments and financial risk management:

The Company is exposed to various financial risks through its financial instruments. The nature of these instruments and the Company's operations expose the Company to the following risks:

(a) Credit risk:

Credit risk reflects the risk that the Company may be unable to collect amounts due to the Company from customers for its products or for other transactions that may be entered by the Company. The extent of the risk depends on the credit quality of the party from which the amount is due.

The Company employs established credit approval and monitoring practices to mitigate this risk, including reviewing the creditworthiness of new customers to establish credit limits, monitoring customer payment performance and, where considered appropriate, reviewing the financial condition of its existing customers and other debtors. The Company establishes an allowance for doubtful accounts based upon individual account assessment along with the credit risk of its customers, historical trends and economic circumstances.

(b) Interest rate risk:

The Company is exposed to interest rate risk on cash balances or term deposits earning interest income and to the extent that it may draw on its operating line of credit or carry other forms of debt which calculate interest as a function of variable interest rates. At December 31, 2016, the Company does not carry material liabilities that are exposed to variable interest rates.

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

(c) Liquidity risk:

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis, which in turn could impact the Company's ability to meet commitments to creditors.

The Company manages its liquidity risks by carrying a target level of cash by maintaining a conservative capital structure, by prudently managing its credit risks and by maintaining sufficient capacity within its credit facilities to meet any near-term liquidity requirements.

Approximate remaining contractual obligations at year end:

	Within 1 year	1 to 5 years	After 5 years
Accounts payable and accrued liabilities	$ 3,680,446	$ –	$ –
Operating leases (note 15)	516,154	1,315,910	322,324
	$ 4,196,600	$ 1,315,910	$ 322,324

(d) Foreign exchange risk:

The Company is exposed to foreign exchange risk primarily in the following ways:

i. Cash flow – A significant portion of the Company's revenues and expenses are denominated in US dollars, however certain of its expenses are denominated in Canadian dollars and Australian dollars.

ii. Working capital – The Company has a US dollar measurement or functional currency. As a result, the Company is exposed to foreign exchange risk for working capital items denominated in Canadian dollars, Australian dollars, Euros, British Pounds and Hungarian Forints. At year end, working capital denominated in Canadian dollars was $659,937 (886,097 CAD). A 1% change in Canadian to US dollar exchange rate will impact net income by approximately $6,599 (8,861 CAD). At year end, working capital denominated in Australian dollars, Euros, British Pounds, and Hungarian Forints was not material.

The Company has the ability to mitigate exposure to foreign currency risk as the Board of Directors has approved the execution of financial instruments with a maximum notional value of US$40 million which have the objective of offsetting the exposure the Company faces by carrying positive Canadian and Australian dollar working capital.

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

The Company does not use forward contracts for trading or speculative purposes. Foreign exchange contracts are recorded at fair value with changes in fair value recognized through earnings and are included in “Foreign exchange gain (loss)” in the consolidated statement of profit or loss. There were no foreign exchange contracts outstanding at December 31, 2016.

(e) Fair value of financial instruments:

The Company classifies its financial instruments measured at fair value using a fair value hierarchy defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company records cash and cash equivalents at fair value each reporting period by using “Level 1” under fair value hierarchy.

As of year-end, carrying values of financial assets and liabilities approximates fair value.

21. Capital management:

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern so that it can continue to seek to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity and through the monthly review of financial results and business expectations. The Company considers the shareholders’ equity to be the capital of the Company.

Based upon the dynamic nature of the technology markets that the Company engages in, and the low level of tangible assets required, the capital strategy is to carry a very low level of debt (including capital lease). As of December 31, 2016, the Company does not have covenants that require a maximum debt to equity ratio, and the ratio of debt to equity has not exceeded 5% at year-end in each of the last four years.

(Expressed in U.S. dollars)

21. Capital management (continued):

In February 2014, the Company entered in to an agreement for a credit facility, which provides up to a maximum of $3 million in an operating line of credit. The operating line of credit has been renewed annually and currently bears interest at the bank's prime rate minus 1.0%. The operating line of credit matures on May 19, 2017. No amount has been drawn from the facility in either 2016 or 2015.

Where considered appropriate by Management and/or the Board of Directors, the Company may incur and carry long-term debt from time to time as a result of expansion activities, including acquisitions.

22. Related party transactions:

The Company has related party relationships with its subsidiaries and key management personnel. Key management personnel include the Board of Directors, the Company's Chief Executive Officer, Chief Financial Officer and the top four senior officers for 2016 and 2015.

Key management personnel compensation:

	2016	2015
Salaries and benefits	$ 1,930,585	$ 2,329,720
Stock based compensation	920,251	35,428
	$ 2,850,836	$ 2,365,148

The Board of Directors and Executive Officers participate in the Company's stock option and restricted stock unit programs (note 14). During 2016, 3,037,951 options and 800,762 RSAs were granted to such persons (2015 - 3,040,327 options and 4,046,563 RSAs). Stock options outstanding for key management personnel as of December 31, 2016 totaled 6,219,216 (2015 – 3,453,486). Restricted stock awards outstanding for key management personnel as of December 31, 2016 totaled 3,871,959 (2015 - 3,869,661).

Key management personnel transactions:

As of December 31, 2016, key management personnel and their related parties control 29.3% (2015 – 27.6%) of the voting shares of the Company.

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

22. Related party transactions (continued):

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 $140 per hour as short term compensation plus 800,000 options as share-based compensation whereby the options vest equally over a 48-month period.

For the period January 1, 2016 through December 31, 2016, the Company incurred short term compensation expense in the amount of $154,420 (2015 - nil) for duties performed by Mr. Ladd as well as $45,154 (2015 – nil) 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, $19,367 were unpaid as of December 31, 2016 and are located within the Accounts payable and accrued liabilities line item of the Condensed Consolidated Statement of Financial Position.

The fair value of options issued to Mr. Ladd in connection to his role as Senior Strategic Advisor was $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 year ended December 31, 2016 totals $82,031 (108,117 CAD). Information relating to calculation of fair value can be found in note 14(f).

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.

23. Goodwill impairment:

The Company carried goodwill of $143,419 at December 31, 2016. For the purpose of impairment testing, goodwill is allocated to the Company's only cash generating unit (CGU), the agriculture CGU. In accordance with IFRS, goodwill is assessed for impairment at least annually, and more often if an event or circumstance indicates an impairment may have occurred.

At September 30, 2016, the closing price of the Company's common shares was $0.72 (CAD) per share or $0.55 (USD) per share. As such, 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). While this information indicates recoverability, management tested goodwill for impairment as of September 30, 2016 for reasons described below.

From January, 2016 through May, 2016 the fair value less cost to sell of the Company had been higher than the value in use. There were no goodwill impairment indicators during that time. However, for the three months ended September 30, 2016, the company experienced lower than expected sales which was driven by continued decline of the agriculture market. In turn, the Company experienced a decline in its fair value less cost to sell.

23. Goodwill impairment (continued):

In addition to the above, 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. 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. The discount rate used in management's analysis as of September 30, 2016 was 13.0%.

Continued decline of the Agriculture industry in the near term was factored into the discounted cash flow model via beginning sales base and lower growth rates than those used in prior year's goodwill impairment estimates which impacted estimated future cash flows. Management believes the estimates and assumptions used in the impairment assessment are reasonable and in line with 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.

Management's value in use assessment as of September 30, 2016 concluded goodwill was impaired in the amount of $11,301,000 as the recoverable amount, the greater of net fair value less cost to sell and value in use, was less than the carrying amount. Accordingly, an impairment loss was recorded for the difference between the carrying amount of the goodwill and its recoverable amount. Prior to the test for impairment, the Company carried goodwill of $11,444,419. Accumulated goodwill impairment losses since company inception total $48,157,000.

As of December 31, 2016, the Company again assessed goodwill for impairment using a discounted cash flow model in order to determine value in use. As was the case at September 30, 2016, 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, capital expenditures, 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. The discount rate used in management's analysis as of December 31, 2016 was 14.0%. Management's value in use assessment as of December 31, 2016 concluded goodwill totaling $143,419 was not impaired.

(Expressed in U.S. dollars)

23. Goodwill impairment (continued):

Opening balance, January 1, 2016	$ 11,444,419
Goodwill impairment	11,301,000
Ending balance, December 31, 2016	$ 143,419

24. Subsequent events:

The Company evaluated subsequent events through March 23, 2017, the date the consolidated financial statements were available to be issued and has determined that there were no subsequent events through the evaluation date which merit disclosure.

ANNUAL INFORMATION FORM

For the fiscal year ended
December 31, 2016

March 31, 2017

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form ("**Annual Information Form**") constitute 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" 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 Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to, but not limited to, the following:

- financial results;
- new and emerging markets;
- customer adoption of technology and products;
- technological developments;
- plans to develop existing and create new customer relationships;
- adequacy of facilities;
- dividend policy;
- plans to invest resources in research and product development;
- focus on expansion and its anticipated effect on growth opportunities;
- opportunities to mitigate seasonality;
- our business strategy;
- 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, but not limited to, the risk factors set forth below and elsewhere in this Annual Information Form:

- negative conditions in the agricultural, general economic and financial markets;
- inability to introduce new technology and new products in a timely manner;
- departure of key personnel or consultants;
- competition;
- reliance on key suppliers and third parties;
- availability of key supplies and components;
- changes in the Global Navigation Satellite System ("**GNSS**") and other systems outside of our control;
- AgJunction's costs to purchase GNSS and other components could increase significantly;
- misappropriation of proprietary information;
- changes in income tax laws and other government regulations;
- losses from credit exposures;
- product liability;
- incorrect assessments of the value of acquisitions;
- fluctuation in foreign exchange or interest rates;
- conflicts of interest;
- successful development of new and emerging markets that we serve;
- damage or loss of use of physical facilities;
- legal claims for the infringement of intellectual property and other claims;
- other legal risks;
- stock market volatility and market valuations;
- cyber-security risks; and
- other factors discussed under "*Risk Factors*".

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; 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; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; that AgJunction's future results of operations will be consistent with past performance and management expectations in relation thereto; the continued availability of capital at attractive prices to fund future capital requirements relating to existing assets and projects; ability to obtain financing on acceptable terms; future operating costs; that counterparties to material agreements will continue to perform in a timely manner; and that there are no unforeseen events preventing the performance of contracts.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide shareholders with a more complete perspective on AgJunction'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 Annual Information Form are expressly qualified by this cautionary statement. Readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Annual Information Form. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

GENERAL MATTERS

This Annual Information Form contains company names, product names, trade names, trademarks and service marks of AgJunction and other organizations, all of which are the property of their respective owners.

CORPORATE STRUCTURE

AgJunction Inc. (the "**Corporation**", "**AJX**", "**AgJunction**", "**us**", "**we**", or "**our**", where the context requires, also includes our predecessors and our subsidiaries) was incorporated as Canadian Systems International Inc. pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") on July 31, 1990. On October 26, 1992 the Corporation changed its name to Communication Systems International Inc. On June 21, 2000, the Corporation changed its name to CSI Wireless Inc. On May 9, 2007, the Corporation changed its name to Hemisphere GPS Inc. On May 24, 2013, the Corporation changed its name to AgJunction Inc.

Effective April 30, 1996, the Corporation amended its articles to effect, among other things, a re-designation of the Corporation's Class A common shares to common shares of the Corporation ("**Common Shares**"), a stock split of the Common Shares on a 12,500 to 1 basis and to delete the "private company" share transfer restrictions. On May 23, 2013, the Corporation amended the "Other Provisions" contained in the articles of the Corporation to allow the Corporation to hold meetings of shareholders at any place within or outside of the Province of Alberta.

AgJunction designs and manufactures innovative, cost-effective, steering and machine control solutions for applications in ground agriculture and air agriculture.

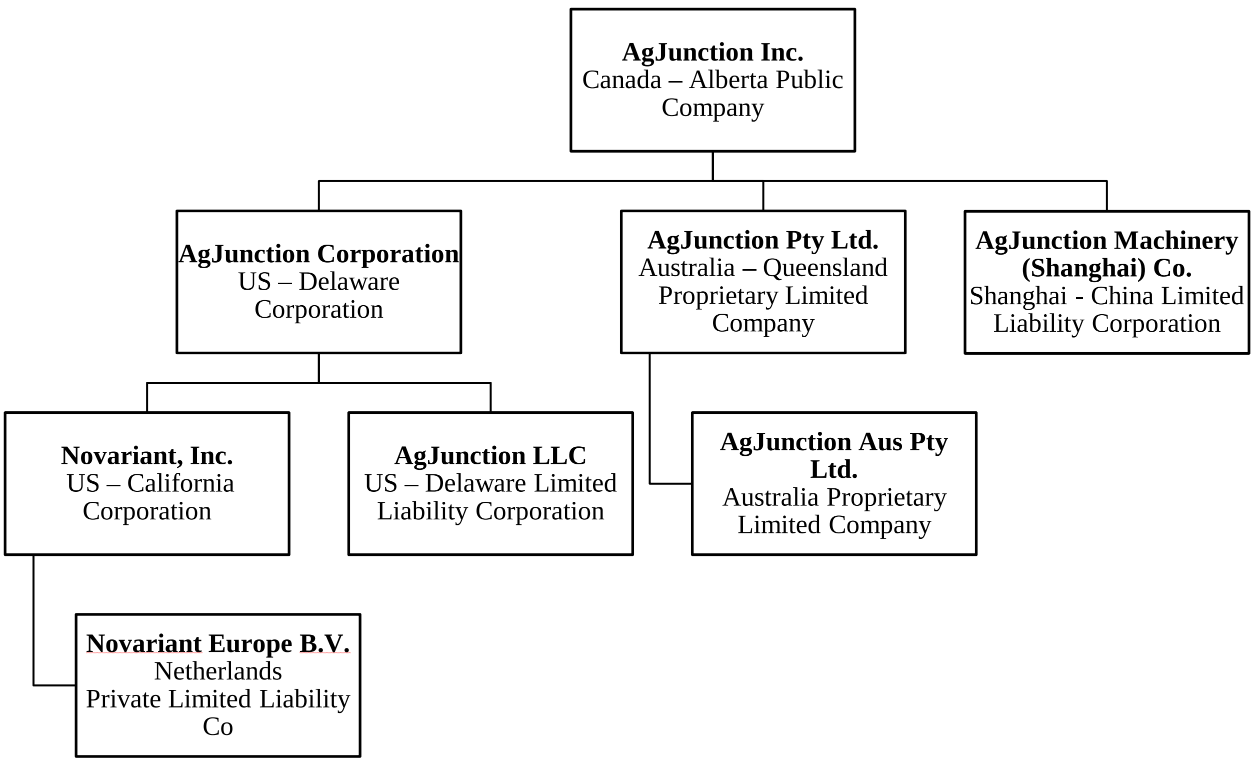
Our corporate head office is located at 2207 Iowa Street, Hiawatha, Kansas, 66434 and our executive offices are located at 46610 Landing Parkway, Fremont, California, 94538. The Corporation's registered office is located at 2400, 525-8th Avenue S.W., Calgary, Alberta T2P 1G1.

The Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the symbol "AJX".

Inter-Corporate Relationships

AgJunction has four subsidiaries incorporated under the laws of the state of Delaware: AgJunction Corporation, AgJunction LLC, CSI Wireless LLC and BEELINE Technologies, Inc. AgJunction Corporation is a wholly owned subsidiary of the Corporation and AgJunction Corporation holds 100% of the shares of CSI Wireless LLC (which is an inactive subsidiary) and AgJunction LLC. BEELINE Technologies, Inc. (which is an inactive subsidiary) is also a wholly owned subsidiary of the Corporation. AgJunction has two subsidiaries incorporated in Australia. AgJunction Pty Ltd. is incorporated under the laws of the Australian State of Queensland. Its wholly-owned subsidiary, AgJunction AUS Pty Ltd. is incorporated under the laws of Australia. AgJunction has one subsidiary, AgJunction Machinery (Shanghai) Co. formed under the laws of China. On October 15, 2015, AgJunction completed a merger with Novariant, a company incorporated under the laws of the state of California, whereby Novariant became the wholly owned subsidiary of AgJunction Corporation. See "*Significant Acquisitions – Merger Transaction"*. Novariant has one subsidiary Novariant Europe B.V., an entity formed under the laws of the Netherlands.

The following chart sets forth, as of the date hereof, the name of each of our active subsidiaries and the jurisdiction of incorporation and laws of incorporation of each. Each of the subsidiary companies is a wholly owned subsidiary of its parent.



GENERAL DEVELOPMENT OF THE BUSINESS

This section discusses the major events or conditions that have influenced the general development of the Corporation over the last three completed financial years, as applicable, including significant acquisitions and dispositions that have occurred. All financial information referenced in this Annual Information Form is denominated in US dollars, unless otherwise indicated.

Three Year History

2014

On March 18, 2014, we announced the release of our Advanced Task Controller for ISOBUS. ISOBUS is the industry's most widely accepted and utilized electronic communication standard.

As of June 30, 2014, we determined that a majority of our Common Shares were held directly or indirectly by U.S. residents and, as a result, effective January 1, 2015, we were no longer considered a "foreign private issuer" as defined in Rule 3b-4 of the Securities and Exchange Act of 1933. As of the date hereof, we continue to be governed by Canadian securities laws and reporting obligations and are currently not required to register with the Securities and Exchange Commission or make any filings under the Securities and Exchange Act of 1934.

On August 14, 2014, we announced that the United States Patent and Trademark Office issued Notices of Allowance for two patents extending critical aspects of our industry leading guidance and automatic steering technology platforms. U.S. Patent No. 8,768,558 entitled "Optical Tracking Vehicle Control System and Method" was issued on July 1, 2014 and expires January 5, 2027 and provides coverage for adding data from optical sensors during automated vehicle steering and guidance to provide spatial information. We also received Notice of Allowance for U.S. Patent No. 8,781,685 entitled "System and Method For Integrating Automatic Electrical Steering with GNSS Guidance" on July 15, 2014 and expiring on July 17, 2033. The claims of this patent cover a guidance system for vehicles with steerable wheels and a steering mechanism connected to the steerable wheels.

On August 28, 2014, we introduced three new precision autosteer products, two of which are next-generation products from AgJunction's eDrive autosteer series being the new *eDriveXD*™ with decimeter-level accuracy and the new high-performance *eDriveXC*™ with centimeter-level accuracy. The eDriveX Series products are engineered for compatibility with a wide variety of brands of tractors, sprayers, spreaders and combines via hydraulic or electric steer interfaces. Both systems are designed to be fully compatible with the *Outback MAX*™ or *Outback STX*™ advanced global positioning system ("**GPS**") guidance terminals.

On September 2, 2014, we introduced a new Outback STX v1.1 software upgrade making the system even more versatile. Among the many functional improvements, is the ability for *Outback STX*™ in conjunction with *eDriveX*™ to steer a wider array of autosteer-ready tractor models.

On October 2, 2014, we announced that CLAAS E-Systems KGaA mbH & Co KG, one of our major original equipment manufacturer ("**OEM**") solutions customers, will begin factory installation of the GPS Pilot with S7 and S10 guidance control terminals during Q4 2014 at two European factories, integrating key hardware and software technology developed by AgJunction.

On November 6, 2014, we announced a new supply agreement and factory integration partnership with Stara to integrate our newest and highest performing steering solution, eDrive ® XC with Stara's industry-leading precision terminal, the Topper 5500.

On December 9, 2014, we announced the release of its latest aerial guidance product, the LiteStar III from Satloc® at the National Agricultural Aviation Association Annual Convention in Louisville, KY.

2015

On February 10, 2015, we announced a strategic OEM partnership with Pulse Aerospace ("**Pulse**") of Lawrence, Kansas, to integrate SATLOC®, application controls with a new generation of unmanned aerial system solutions for precision agriculture. The business partnership added to Pulse's portfolio of precision management tools by integrating its advanced unmanned aerial system technology together with the globally recognized SATLOC® brand of aerial guidance and application control technologies. The partnership with Pulse ended in 2016.

On February 26, 2015, we announced that we had received ISO 9001:2008 certification for all operations at our headquarters in Hiawatha, Kansas as well as our global engineering centers in Brisbane, Australia and Scottsdale, Arizona. We received such ISO 9001:2008 registration from NQA USA, an accredited registrar that performs assessments of management systems against requirements of national and international standards for quality. The certification is valid until January 25, 2018 and is applicable to all facets of AgJunction operations - design, development, production and distribution of its precision agriculture hardware solutions and associated components.

On March 16, 2015, we announced that we had entered into an agreement to acquire Novariant, Inc. ("**Novariant**") a premier provider of advanced steering solutions for precision agriculture, through a Plan of Merger under the Laws of the State of California (the "**Merger Transaction**").

On March 31, 2015, we announced that we had signed an agreement for the sale of our cloud services division to EFC Systems, Inc. for $3.25 million in cash less net liabilities.

On June 1, 2015, we announced that Mr. Wes Dittmer had resigned as our Senior Vice President and Chief Financial Officer.

On June 25, 2015, we announced that Mr. Michael Manning had been appointed our interim Chief Financial Officer.

On October 15, 2015, we announced that the Merger Transaction was completed and had received all required approvals necessary, including, but not limited to, approval by the Novariant shareholders, approval by the AgJunction shareholders, receipt of all necessary regulatory and stock exchange approvals and satisfaction of certain other closing conditions that are customary for a merger transaction. Pursuant to the Merger Transaction, among other things, our wholly owned subsidiary, AgJunction MergeCo Inc., merged with Novariant and holders of the issued and outstanding shares ("**Novariant Shares**") in the capital of Novariant received our Common Shares in exchange for their Novariant Shares. An aggregate of 49,291,026 Common Shares were issued to holders of Novariant capital stock and participants under their management retention plan pursuant to the Merger Transaction.

In connection with the completion of the Merger Transaction, Dave Vaughn, the former Chief Executive Officer of Novariant, was appointed our new Chief Executive Officer, and former AgJunction Chief Executive Officer, Richard Heiniger, commenced service on a consulting basis, as our Senior Project Advisor. Additionally, Jon Ladd was appointed Senior Strategic Advisor, Husam Kal was appointed to the new position of Senior Vice President of Global Operations and Business Information Systems and Mark Bittner was appointed our Senior Vice President of Global Sales and Customer Care. Messrs. Jon Ladd, Dave Vaughn and Jose Suarez, three former Novariant directors, were also appointed as directors of AgJunction and Barry D. Batcheller and Richard Heiniger resigned as directors.

On December 30, 2015, we announced the conclusion of an internal review to identify operating synergies following the completion of the Merger Transaction. As a result of such review, we implemented a program to consolidate operations and redundant resources, targeting a reduction of our global workforce by approximately 20% by the end of the third quarter of 2016. The targets were substantially achieved by the end of 2016; however, the cost savings were partially offset by adding additional resources of approximately $0.8 million per year.

2016

On January 28, 2016, we announced that Mr. Bobac (Bob) Barjesteh was appointed to the newly formed position of Vice President, Mergers and Acquisitions, Intellectual Property and General Counsel (U.S.).

On March 28, 2016, we announced that Mr. Michael Manning was appointed Chief Financial Officer and Senior Vice President. Mr. Manning was previously Interim Chief Financial Officer and Senior Vice President since June 25, 2015.

On June 28, 2016, we announced the global strategic partnership with TeeJet Technologies ("**TeeJet**") whereby AgJunction became the preferred steering supplier for TeeJet's range of precision farming solutions.

On July 5, 2016, we announced that we engaged Liolios Group to lead an expanded strategic investor relations and financial communications program.

On August 30, 2016, we announced the release of a Multi-Product ISO application control at the Farm Progress Show which enhanced the capabilities of our Outback Max by allowing 5 separate application channels to be controlled across a maximum of 50 separate sections.

On November 14, 2016, we announced that effective December 1, 2016, Scott Edmonds, Lori Ell and Ryan Levenson were appointed to our board of directors (the "**Board**"). We also announced that Mr. John M. Tye III retired from the Board.

Between December 5 to 8, 2016, AgJunction released the IntelliFlow2 application controller at the National Agricultural Aviation Association's annual convention. Intelliflow2 replaces the current IntelliFlow product with a number of advancements, including a much smaller size and more robust enclosure, capable of better withstanding the harsh environment of an agricultural aircraft. Additionally, IntelliFlow2 is designed to control both liquid and dry gate systems using a single electronic control unit, enabling pilots to switch between liquid and dry application with the press of a button.

On December 8, 2016, we announced that Mark Anderson resigned from our Board.

On December 19, 2016, we announced our purchase of the business assets, software, hardware, intellectual property and manufacturing rights of the GAC2 controller product from one of our long term supply partners. The GAC2 controller will be incorporated into the Outback Guidance and is marketed as AC110, an existing technology allowing us to interface its section and rate control into a wide variety of implements throughout the precision agriculture marketplace.

SIGNIFICANT ACQUISITIONS

We did not complete any significant acquisitions during our most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

RECENT DEVELOPMENTS

Business and Operations

On February 27, 2017, we announced entering into a letter of intent to licence automated steering to Reichhardt GmbH Steuerungstechnik. The letter of intent sets forth terms under which the parties will negotiate a non-exclusive worldwide license to certain AgJunction patents in exchange for a license fee.

On March 20, 2017, we announced that we entered into a new strategic agreement with Hemisphere GNSS ("**Hemisphere**"). For an undisclosed payment received by AgJunction and a new long term supply agreement, AgJunction agreed to release Hemisphere from a license restriction that prevented them from selling their GNSS products directly into the global agricultural market. Supply and market restriction agreements previously created between AgJunction and Hemisphere ended in 2016 while the market restriction agreements continued indefinitely.

DESCRIPTION OF OUR BUSINESS

General

We are engaged in the precision agriculture business and develop products to enhance the efficiency and productivity of agricultural activities through the use of technology.

We design, manufacture and market products and applications incorporating technologies that provide intelligent automation and navigation solutions through the sophisticated integration of GNSS positioning, and other technologies for precision machine guidance, steering and flow control. More particularly, our products offer accurate positioning and machine control capabilities for the agriculture sector, including machine control and auto-steering systems. Our Outback Guidance® product line for agricultural markets enables farmers to navigate their fields with minimal overlap whether in straight lines or contours in any visibility, including darkness. Our air agriculture products include guidance systems, rate control and related services for the aerial application market. This includes spraying and spreading equipment, pattern and mission control software, automated constant or variable flow control for liquid and dry materials, prescription mapping, asset tracking, cloud based file pushing/pulling, imagery-based services and more.

Our product lines include high-accuracy positioning sensor technology, displays and software applications and ground and aerial guidance solutions and machine control. Following the completion of the Merger Transaction in October of 2015, AgJunction's product lines expanded to include SimpleSteer™, the MDU-G4 Steering Wheel Motor and the ECU-S1 Autosteering Controller.

Industry Background

AgJunction is a steering and machine control solutions provider to the precision agriculture market. Our products and solutions insure that a farmer's machine can precisely reach a pre-planned path and then "steer" that path with as little additional input from the farmer as possible. This requires a substantial expertise in technologies like position and motion sensors, situational awareness technologies like radar and cameras, etc., understanding hydraulic and electric machines and various different types of software.

Business Strategy

Product Innovation:

Our success has been driven by our ability to develop new positioning, guidance and machine control technologies, to respond to environmental and market changes, and to apply creativity and innovation in the development of new solutions that meet the evolving demands of our customers. We will continue to drive product leadership through focus and innovation.

Develop Strategic Relationships:

We believe that strategic relationships with suppliers, OEMs, value added resellers ("**VARs**"), dealers, distributors and other customers are critical to long-term success. We will continue to develop existing and new strategic relationships.

International Expansion:

We believe that focus on international expansion is important to position for mid to longer-term growth opportunities and to buffer the seasonality associated with our exposure to the North American agricultural markets. Key emerging markets include South America, Asia Pacific (APAC) and Eastern Europe.

New Vertical Markets and Applications:

We have achieved strong positions in the ground agriculture, aerial agriculture and other markets. To support mid to longer-term growth, we seek expansion to new vertical markets, such as machine to machine communication and facilitating agriculture data utilization and retrieval, where we can leverage our core strengths in positioning, guidance, machine control, steering and flow control technologies and applications.

Optimize Product Cost:

We continue to aggressively pursue opportunities to reduce or optimize the cost of our products through product design, manufacturing efficiencies, procurement and logistics strategies, with an objective to balance functionality, performance and quality with customer needs.

Enhance Manufacturing Quality and Capacity:

All manufacturing activities have been outsourced to trusted partners that procure materials and manufacture our products to our specification. These outsourced partners carry the highest level of quality certifications required by us and expected by our customers. They will reduce costs, increase capacity and continue to provide a high-level of continuous process and quality improvements.

Quality Certification:

In respect to our internal quality process and procedures, we have received ISO 9001:2015 certification for our division in Fremont, California and ISO 9001:2008 certification for operations carried on in Hiawatha, Kansas as well as our global engineering centers in Brisbane, Australia and Scottsdale, Arizona confirming the Corporation's commitment to improving customer satisfaction in all aspects of its operations. AgJunction received its ISO 9001: 2015 and ISO 9001:2008 registration from NQA USA, an accredited registrar that performs assessments of management systems against requirements of national and international standards for quality. The certification ISO 9001:2015 is valid until January 15, 2020, while the ISO 9001:2008 is valid until January 25, 2018 and is applicable to all facets of AgJunction operations - design, development, production and distribution of its precision agriculture hardware solutions and associated components. By the end of 2017, we will implement the new ISO revision (ISO 9001:2015) to all locations.

Pursue Strategic Growth:

We believe that we have the products, brands, people and intellectual property that can continue to support organic growth. However, we will supplement internal growth and technology development with strategic growth initiatives such as strategic partnerships, alliances, and acquisitions when and where we believe they will accelerate the achievement of our business strategy. We cannot predict whether any opportunities will result in partnerships, alliances, or acquisitions and there can be no assurance that suitable candidates will be identified or acquired on favourable terms, or that the acquired operations will be profitably operated or integrated into our operations.

Invest in our Intellectual Capital:

We believe the employees in all levels of our organization have been, and will continue to be, the key factor in achieving our objectives. As a result, we continue to place a high priority on our intellectual capital.

Agriculture Products

Outback Guidance Products

In 2012, AgJunction GPS introduced Outback MAX™ with Outback ConnX™ — the next generation Outback Guidance® system that redefines simplicity in precision farming. Working seamlessly with Outback eDriveX™ with eTurns™, the Outback MAX™ integrated display terminal provides a full array of features including section and variable rate control, Eclipse™ L1/L2 GPS and GLONASS guidance and video support for up to four monitoring cameras. The terminal is also capable of performing as an ISOBUS Universal Terminal allowing the terminal to communicate with ISO ready implements regardless of brand or color.

In addition to *Outback MAX*™, our Outback Guidance product line for agricultural markets includes our *Outback S-Lite, Outback Sts, Outback S3, Outback eDriveTC*™, *Outback VSi*, *Outback BaselineX*™, *Outback AC110*™ and *Outback eDriveX*™ product, featuring *eTurns* the Industry's first aftermarket and multi-tractor platform auto-turn solution. We recently released the *Outback AC110* integrated rate and section controller as well as our second generation dual frequency, GPS + GLONASS, smart antenna *A320* and *A321* base station.

Outback STX is the Corporation's value based, touch screen terminal. Utilizing the embedded, smaller L1/L2 GPS and GLONASS P300 receiver, the *Outback STX* is capable of full RTK utilizing the same portable base station receiver units that calculate and broadcast localized code and carrier phase corrections to mobile GNSS receivers and *A321* base stations as *Outback MAX*™. *Outback STX* is also compatible with the full line of Outback autosteer systems such as *eDriveTC*™ and *eDriveX*™ along with VSi providing up to centimeter level guidance.

Outback S-Lite is AgJunction's entry level lightbar guidance featuring the US Federal Aviation Administration's Wide Area Augmentation System level solution powered by our own high-accuracy Crescent GNSS technology.

All of our Outback products enable farmers to navigate their fields with minimal overlap whether in straight lines or contours in any visibility, including darkness. Eliminating overlap saves enough time, fuel, fertilizer and pesticide that farmers say they typically recoup the costs of their easy-to-install and operate guidance systems in less than 12 months. *Outback S-Lite* is a low-cost, portable, entry-level GNSS guidance solution for non-precision spraying, spreading and broad-acre tillage and seeding. The *Outback MAX*™ and *STX* products provide increased functionality and accuracy required for more sophisticated growers. *Outback eDriveX*™*, eDriveTC*™ and *Outback VSi* work with *Outback MAX*™ and *Outback STX* to provide GNSS-assisted auto-steering that enables farmers to drive their tractors and other self-propelled agricultural equipment hands-free, along straight, contoured or pivot lines. Each system significantly increases the driving accuracy and enables operators to focus their attention on monitoring sprayers, combines or other equipment achieving even greater efficiency. A key benefit is the reduction in driver fatigue – enabling the machinery to operate for more hours each day or through the night if necessary. In addition, *eDriveX*™ can be used in conjunction with precision farming techniques focused on improved efficiency, productivity and yields such as "strip-till" farming which requires highly accurate planting and application of fertilizer and other chemicals.

Outback A321, featuring AgJunction *Eclipse II* GNSS, RTK and *SureTrack*™ technologies, provide accuracy to the centimeter level for agricultural applications while also being more affordable than competing systems. *Outback A321* is available as a portable or fixed base station receiver that calculates and broadcasts localized corrections to rover products. The *Outback A321* offers a wide range of communication options including 900 and 400 MHz radios.

Outback AC110 is an automatic rate and section control product that works directly with *Outback MAX*™. *AC110* monitors and controls liquid, dry or anhydrous application rate and implement sections to minimize overlaps and skips. It offers single product rate control, up to ten section automatic control, manual section control and user adjustable section overlap. Machine and rate controller specific interface kits are available for a wide variety of vehicles and applications. On August 30, 2016, we released a Multi-Product ISO application control which enhances the capabilities of the *Outback Max*™ by allowing 5 separate application channels to be controlled across a maximum of 50 separate sections.

On December 19, 2016, we announced our purchase of the business assets, software, hardware, intellectual property and manufacturing rights of the GAC2 controller product from one of our long term supply partners. The GAC2 controller will be incorporated into the Outback Guidance product line and is marketed as part of the *Outback AC110*.

Outback eDriveXD™ offers decimeter-level accuracy and the new high-performance *eDriveXC*™ offers centimeter-level accuracy. The eDriveX Series products are engineered for compatibility with a wide variety of brands of tractors, sprayers, spreaders and combines via hydraulic or electric steer interfaces. Both systems are designed to be fully compatible with the *Outback MAX*™ or *Outback STX*™ advanced GPS Guidance terminals.

Current Outback offerings include *Outback MAX*™*, Outback STX*™*, Outback S-Lite, eDriveXC*™*, eDriveXD*™*, Outback VSi, Outback AC110, Outback A321 and Outback A320.*

Post Merger Expanded Product Lines

SimpleSteer™ was released in August of 2013 and is a high-precision autosteering display solution for precision agriculture that runs on a consumer tablet device. The SimpleSteer™ software solution converts a consumer tablet into a wireless control console for advanced autosteering operation of tractors, combines, and other farm vehicles. SimpleSteer™ is offered as an affordable easy-to-use autosteer display alternative to complement AgJunction's current suite of precision steering solutions that is available through select VAR partners. SimpleSteer™ was awarded the 2014 AE50 Outstanding Innovation award.

The MDU-G4 Steering Wheel Motor was released in December of 2013. MDU-G4 is a fourth generation hands-free, cost-effective, assisted steering solution that provides centimeter (sub-inch) level accuracy, when used with an RTK correction signal, without the complexity of installing a hydraulic system. MDU-G4 mounts on an existing steering wheel without requiring the removal of the steering wheel during install and can be switched between vehicles seamlessly in minutes.

The ECU-S1 Autosteering Controller was released in January of 2014. The ECU-S1 is a high-precision autosteering controller that can be interfaced with any certified partner GNSS receiver and display to build a complete autosteering solution for precision agriculture applications. The ECU-S1's unique ability to interoperate with multiple GNSS receivers and/or displays provides OEMs with flexibility to select the best-of-the-breed display, GNSS source and vehicle interface. The ECU-S1 offers industry-leading performance in terms of line acquisition and steering accuracy and provides an ideal solution for OEMs and VARs that demand greater flexibility for product configuration and customization. The ECU-S1 was awarded the 2015 AE50 Outstanding Innovation award from the American Society of Agricultural and Biological Engineers at the 2015 Agricultural Equipment Technology Conference.

Novariant offers highly *customized steering system install kits* that are engineered specifically for the vehicle type on which they are to be installed. This differentiation from a generic non-specific kit ensures steering performance is optimized in a retrofit application. Moreover, with over 1,000 kits to choose from AgJunction's VAR and OEM customers can rely on these install kits to seamlessly install steering solutions with reduced machine downtime.

Air Agriculture Products

Our air agriculture products include guidance systems, rate control, cloud-based software and related services for the aerial application market. This includes spraying and spreading equipment, pattern and mission control software, automated constant or variable flow control for liquid and dry materials, prescription mapping, asset tracking and cloud-based file pushing/pulling. Products include *Satloc G4, Satloc Bantam, LiteStar IV*™, *Intelliflow®* , *MapStar*™ and *HQ Asset Tracker*™.

Satloc G4 is our top end aircraft guidance system for aerial applicators. It delivers a high-level of guidance performance through an intuitive lightbar and graphical display while enabling aerial application companies to leverage cloud-based services in order to make their jobs more efficient. *Satloc G4's* connectivity feature offers pilots the ability to transfer application data wirelessly, accept work orders and maps through the Internet, access the guidance system from remote locations such as the office or truck and directly communicate through Skype™ audio and video. *Satloc G4* contains the processing power of the Intel® Core™ i7 processor and Microsoft® Windows® 7, 64-bit Operating System. It lends itself to a high level of instant communication, data retrieval and transfer, knowledge center access and improved training and troubleshooting methods. Combining this with *G4's* guidance patterns and automated liquid and dry rate control capability, pilots are able to fly and apply with improved performance, efficiency and safety.

Satloc Bantam is our mid-level aerial guidance system for aerial applicators. *Bantam* allows pilots to fly and spray precise patterns using constant rate flow control reducing fuel, flying time and application costs. The system is lightweight and rugged, perfectly designed for specialty installations in helicopters and smaller aircraft.

LiteStar IV is the current entry-level guidance system and designed to offer basic guidance features to customers needing only the essentials to work on spray jobs.

IntelliFlow enables liquid application control for aerial guidance applications. *IntelliFlow* has the capability to operate in variable rate mode or automatically turn on and off inside and outside of field boundaries.

MapStar is a unique multi-featured pre-flight and post-analysis desktop software that provides the operator with important information regarding the entire application and essential flight parameters. Common GIS formats can be converted within this software to allow ease of use with other software platforms.

HQ Asset Tracker is a real time tracking system that operates with cell or satellite modems. Logins are performed through a website managed by AgJunction and users can track their aircraft and other assets. The *Satloc G4*, and *Satloc Bantam* can output configurable data sets to be broadcast, recorded and viewed live on our website. Managers, ground crews and all support staff can now make better decisions with real time knowledge of key status data such as arrival times and remaining load per aircraft. *HQ* can send work orders directly to the Satloc G4 to significantly reduce setup and management time. *HQ* provides for the exchange of information between our customers and third-party companies for improved management services.

Research and Product Development and Specialized Skills and Knowledge

The focus of AgJunction research and development team is on expanding our core machine control solutions and positioning sensor technologies and on developing new products and applications. We believe that our research and product development capabilities are critical factors contributing to our success and primary barriers to potential competitors' entry into the machine control agricultural industry. Accordingly, we intend to continue investing significant resources in research and product development.

Our research and development team includes individuals with specialized skills in the following disciplines, among others: electrical engineering, radio-frequency engineering, geomatics engineering, vision engineering, mechanical design, system architecture and software design. Although the availability of these resources is limited, we have not experienced significant problems accessing the required skill and knowledge required for our research and development activities.

Intellectual Property and Intangible Properties

We have developed a significant portfolio of intellectual property including trade secrets, technology, product designs, software, patents, trademarks and brand names, among others. As of December 31, 2016, on a consolidated basis, we hold approximately 130 patents and had 43 patents pending in the USA, Canada, Europe and Australia in addition to a few other international filings.

Marketing, Sales and Distribution

Our strategy for sales and distribution of our products in our air and non-North American ground agriculture product lines has generally been through large OEMs, dealer networks and distributors with established channels for multi-country distribution. This strategy eliminates the need to devote significant direct resources to developing these distribution channels on our own. This strategy has enabled us to participate in a broader range of high-growth commercial and consumer GNSS-enabled markets.

For sales of ground agriculture products in North America and Australia, we have established over 200 Outback Guidance Centres ("**OGC**"). Each OGC is responsible to support sales of our Outback line of products to end-user customers in defined territories. Outside of North America and Australia, we have established relationships with a variety of distributors for the Outback product line who sell to the end-user customers.

Our agriculture division serves global markets. Of our 2016 sales, 58% (2015– 40%) occurred in North America, 31% (2015 – 49%) occurred in Europe, the Middle East and Africa, 11% (2015 – 11%) occurred in Asia and the Pacific, including Australia. From a customer's perspective, the primary benefits provided by our products are increased accuracy in navigation, improvements in productivity, increased safety and savings in costs and time. For example, in farming applications, our guidance products result in savings to users through reduced overlap and reduced driver fatigue. In addition, our products can be used in conjunction with precision farming techniques focused on improved efficiency, productivity and yields such as "strip-till" farming which requires highly accurate planting and application of fertilizer and other chemicals. Significant cost savings can be achieved by using these types of precision farming techniques.

Competition

We have competitors in each of our target markets and expect competition to intensify as acceptance and awareness of machine control technology increases. One of our main competitors is Trimble Navigation Limited ("**Trimble**"). Trimble's products currently address the survey and mapping, tracking and communications, navigation, precision agriculture, construction, and military systems markets. Other competitors offering products similar to those of AgJunction include Topcon Positioning Systems, Leica Geosystems, NovAtel Inc. and Raven Industries. In addition, we expect to face competition from new market entrants over time.

We believe the principal competitive factors in the markets we serve include: price, ease of use, physical characteristics, power consumption, product features (including accuracy), breadth of solution, product reliability, size of the installed base, brand reputation, vendor reputation and financial stability of the vendor. We believe that our products compete favourably with competitors' products on many of the foregoing factors and as a result, we have achieved a strong market position in certain areas including ground agricultural guidance and auto-steering, aerial agricultural guidance and flow control. We recognize that some of our competitors may have access to greater financial, marketing, service and support and technological resources. See "*Risk Factors*".

Manufacturing

We utilize outsourced manufacturing partners in lower cost regions in the procurement of materials per our specification, applying highly skilled labour and best in class manufacturing practices to manufacture, test and directly ship products to our customers. We utilize our Hiawatha, Kansas facility for some product configuration activities as needed, as a service and repair center, as well as one of the two fulfilment operations centers in the United States.

Our operations organization provides production engineering services internally and for our external manufacturing partners to ensure that our products can be manufactured at the highest level of quality and test coverage, technical production problems are corrected and averted and alternative production methodologies are introduced to remain competitive. In addition, vendor and subcontractor qualifications are reviewed by the operations engineering and quality group whilst test engineering provides test methodologies, equipment and software and guides our internal engineering and our external manufacturing partners in achieving specifications and ensuring product integrity. We carefully select, classify and qualify our suppliers. Achieving multiple supply sources for all components used in our assemblies is our ultimate and desired goal, and is evaluated on a regular basis, but currently is not available in all circumstances. However, we do apply various risk mitigation solutions in dealing with single sourced components.

The continued utilization of our Enterprise Resource Planning ("**ERP**") system has assisted us to improve the effectiveness and efficiency of our operations, including inventory management and manufacturing. In addition, we have undertaken a number of initiatives focused on improving our effectiveness in quality, procurement, inventory management, design cost, product-life cycle management, among others. The Company has begun implementation of a new ERP system integrating all of its operations with plans to go live by December 2017.

We are determined to maintain our position as a low-cost, customer focused, high-quality producer and to ensure that production processes are responsive, smooth and flexible to serve the needs of our customers.

Facilities

We conduct operations from facilities in Scottsdale, Arizona; Fremont, California; Hiawatha, Kansas; Winnipeg, Manitoba and Brisbane, Australia; to assemble products, carry out research and development, sales and marketing, and finance and administration activities. We own the facility in Hiawatha, Kansas and lease the facilities in other locations.

Cyclicality

The cyclical nature and competitiveness of the industry in which we sell and distribute our products may have an effect on the Corporations' ability to generate revenue and earnings. Our business tends to peak during the first six months of the year, drop off fairly significantly in the third quarter and then demand for our products and services increases again in the fourth quarter. This volatility can create fluctuating demand for our products and services, which can have an adverse effect on the Corporation's business, financial condition and results of operations.

Personnel

At December 31, 2016, we had 148 employees in total, with 49 in research and development, 40 in sales and marketing, 31 in operations and 28 in administration.

As of December 31, 2016, we had 10 contractors in total working in various divisions.

Anticipated Changes in the Business

As at the date hereof and other than as disclosed herein, we do not anticipate that any material change in our business will occur during the balance of the 2017 financial year. See "*General Development of the Business*" and "*Recent Developments*".

Reorganizations

As at the date hereof and other than as disclosed herein, there have been no material reorganizations of the Corporation and or any of our subsidiaries within the three most recently completed financial years or proposed for the current financial year. See "*General Development of the Business* ".

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of first preferred shares, issuable in series (the "**First Preferred Shares**") and an unlimited number of second preferred shares, issuable in series ("**Second Preferred Shares**"). As at March 31, 2017, an aggregate of 124,534,870 Common Shares, no First Preferred Shares and no Second Preferred Shares were issued and outstanding.

The following is a summary of the rights, privileges, restrictions and conditions attaching to each class of shares.

Common Shares

The holders of Common Shares are entitled to one vote at all meetings of our shareholders except at meetings of which only holders of a specified class of shares are entitled to vote. The holders of Common Shares are entitled to receive, subject to the prior rights and privileges attaching to any other class of our shares, such dividends as may be declared by us. Holders of Common Shares are entitled upon any liquidation, dissolution or winding-up of the Corporation, subject to the prior rights and privileges attaching to any other class of shares of the Corporation, to receive the remaining property and assets of the Corporation.

First Preferred Shares

Our Board may at any time and from time to time issue First Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. The Corporation has no outstanding First Preferred Shares at this time.

The First Preferred Shares of each series rank on a parity with the First Preferred Shares of every other series with respect to accumulated dividends and return of capital. The First Preferred Shares shall be entitled to a preference over the Second Preferred Shares and the Common Shares and over any other shares of the Corporation ranking junior to the First Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs.

The rights, privileges, restrictions and conditions attaching to the First Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the First Preferred Shares given as specified in our articles.

Second Preferred Shares

Our Board may at any time and from time to time issue Second Preferred Shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. The Corporation has no outstanding Second Preferred Shares at this time.

The Second Preferred Shares of each series rank on a parity with the Second Preferred Shares of every other series with respect to accumulated dividends and return of capital. The Second Preferred Shares shall be entitled to a preference over the Common Shares and over any other shares of the Corporation ranking junior to the Second Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs.

The rights, privileges, restrictions and conditions attaching to the Second Preferred Shares as a class may be added to, changed or removed but only with the approval of the holders of the Second Preferred Shares given as specified in our articles.

Shareholder Rights Plan

On March 19, 2010, our Board approved the adoption of a shareholder protection rights plan, which was approved by our shareholders on May 18, 2010 and was re-approved by shareholders on May 15, 2013. On May 26, 2016, shareholders approved an amended and restated shareholders rights plan agreement (the " **Shareholder Rights Plan**"), which was amended in response to the legislative changes to Canada's take-over bid regime, which were adopted in 2016. The Shareholder Rights Plan is effective until the close of business of the annual general meeting of shareholders of AgJunction held in 2019, unless it is reconfirmed at such meeting or it is otherwise terminated in accordance with its terms.

Pursuant to the Shareholder Rights Plan, one right ("**Right**") is attached to each Common Share. The Rights will separate from the Common Shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the Shareholder Rights Plan. Subject to adjustments as provided in the Shareholder Rights Plan, each Right will entitle the holder to purchase one Common Share at a price equal to $50.00 (the "**Exercise Price**") and, in the event of a "Flip-In Event", as that term is defined in the Shareholder Rights Plan, each Right will constitute the right to purchase from us, upon payment of the Exercise Price and otherwise exercising such Right in accordance with the terms of the Shareholder Rights Plan, that number of Common Shares having an aggregate market price (based on the prevailing market price at the time of the consummation or occurrence of the Flip-in Event), equal to twice the Exercise Price. The Shareholder Rights Plan is similar to plans adopted by several other Canadian issuers and approved by their security-holders. A copy of the Shareholder Rights Plan is available on our SEDAR profile at www.sedar.com.

Prior Sales

During the year ended December 31, 2016, we granted an aggregate of 3,337,951 stock options to acquire an aggregate of 3,337,951 Common Shares with a weighted average exercise price of Cdn $0.67. Other than such stock options, we did not issue any securities, other than Common Shares (including Common Shares under the restricted share plan of the Corporation), during the year ended December 31, 2016.

DIVIDEND POLICY

We have not paid any dividends on the Common Shares during the last three financial years. The future payment of dividends will be determined by the Board, and will depend on the financial needs of the Corporation to fund future growth, the general financial condition of the Corporation, capital expenditure requirements, potential acquisition opportunities, debt position and other conditions that the Board may consider relevant at such future time, including the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including capital expenditure requirements, general and administrative costs and foreign exchange rates.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To our knowledge, as of March 31, 2017, the only Common Shares held in escrow or subject to contractual restriction on transfer are the following:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares (restricted shares[(1)])	2,211,048	1.78%

Note:

(1) These Common Shares are issued to directors, officers and other service providers of ours and are subject to vesting and risk of forfeiture under the terms of our restricted share plan.

MARKET FOR SECURITIES

Our Common Shares are listed and posted for trading on the TSX under the symbol "AJX".

The following table shows the price range and trading volume of the Common Shares as reported by the TSX for the periods indicated:

Period	High (Cdn$)	Low (Cdn$)	Volume
2016			
January	0.70	0.48	476,023
February	0.58	0.46	344,539
March	0.55	0.475	297,400
April	0.55	0.42	1,291,166
May	0.60	0.485	1,396,972
June	0.70	0.54	1,475,878
July	0.69	0.63	1,148,072
August	0.70	0.60	1,004,821
September	0.74	0.67	1,001,781
October	0.72	0.51	1,664,953
November	0.65	0.52	376,383
December	0.55	0.48	748,610
2017			
January	0.52	0.465	359,177
February	0.56	0.45	1,468,445
March 1 – March 30	0.58	0.49	1,801,761

DIRECTORS AND OFFICERS

The names, provinces/states and countries of residence, positions with the Corporation and principal occupation during the last five years of the directors and officers of the Corporation are set out below and in the case of directors, the period each has served as a director of the Corporation

Name, Province and Country of Residence	Position	Principal Occupation During the Last Five Years
Paul G. Cataford(1)(3) Alberta, Canada	Director since 2004 and Chair of the Audit Committee	President and Chief Executive Officer of Zephyr Sleep Technologies from 2010 to present, a private medical device company headquartered in Calgary, Canada. Mr. Cataford also serves on the following boards as an independent director: Sierra Wireless Inc. (NASDAQ and TSX) – Audit Committee Chair; Trakopolis loT Corp. (TSX-V); and Defence Construction Canada Canadian Crown Corporation. Mr. Cataford holds B.S.C. (Engineering), an MBA (Finance and International Business) and an ICD.D.
Scott B. Edmonds(1)(3) British Columbia, Canada	Director since December 2016 and Chair of the Corporate Governance Committee	From 2010 to 2014, Mr. Edmonds was the Chief Executive Officer of Webtech Wireless Inc. having served as Webtech's CFO from 2007 to 2009. Mr. Edmonds has also served as the CFO to two software companies, and spent 10 years with the Walt Disney Company in Europe and Asia after a career in public accounting. Mr. Edmonds is a Chartered Accountant, holds a Bachelor of Finance, has completed an Executive Development Program at the Kellogg School and holds an ICD.D designation from the Institute of Corporate Directors. Mr Edmonds also sits on the board of directors of Vecima Networks Inc. (TSX:VCM).
Lori S. Ell(1)(2) Alberta, Canada	Director since December 2016	Currently President of Growing Ideas, a business consulting practice located in Calgary. Alberta. From 2004 to 2012, Ms. Ell was the President of Agristar Inc, an agri-food manufacturing company. Prior thereto Ms. Ell was CFO for Quortech Solutions Ltd. a technology company. Ms. Ell is a Certified Public Accountant, holds a Bachelor of Management degree, and holds an ICD.D designation from the Institute of Corporate Directors. Ms. Ell sits on the board of directors for the Calgary Co-op, Wild Rose Brewery, and the Canadian Food Innovators.
Jonathan W. Ladd New Hampshire, USA	Director and Senior Strategic Advisor since October 2015 and Chair of the Board	Independent Business Consultant and currently Board Chair and Senior Strategic Advisor for AgJunction since October 2015. Director of Novariant Inc. from October 2012 to October 2015. Prior thereto, over 35 years of senior management experience in the GPS/GNSS and the wireless industries, including Chief Executive Officer and Chair at Brilliant Telecommunications, President and Chief Executive Officer at NovAtel Inc., senior executive positions at Thales Navigation, Magellan Inc. and Ashtech Inc. and board positions at Hemisphere, Trusted Positioning Inc., Nexteq Navigation, RF Monolithics and Ashtech A/O.
Michael J. Lang(1)(2) Alberta, Canada	Director since 1996 and Vice Chair of the Board and member of Audit and Compensation Committee	Chair of StoneBridge Merchant Capital Corp. Prior thereto, director of a number of publicly traded and private companies over the last ten years and co-founder and Vice Chair of Beau Canada Explorations Ltd.

Name, Province and Country of Residence	Position	Principal Occupation During the Last Five Years
Ryan J. Levenson(1)(2) Georgia, USA	Director since December 2016	Founding principal, managing member and portfolio manager of Privet Fund Management LLC since 2007. Mr. Levenson is a board member with Frequency Electronics, Inc., Hardinge, Inc. and Great Lakes Dredge and Dock Corp.
Jose F. Suarez(2)(3) California, USA	Director since October 2015	Managing Director of Patricia Industries (formerly, Investor Growth Capital, Inc). Prior thereto, based in Investor Growth Capital, Inc.'s Asian office managing a broad range of investments both in the public markets and in privately negotiated situations.
David E. Vaughn California, USA	Director, President and Chief Executive Officer since October 2015	Currently, President and Chief Executive Officer of AgJunction since October 2015. President and Chief Executive Officer of Novariant from May 2012 to October 2015. Prior thereto, over 20 years of senior executive experience in precision guidance and agri-businesses similar to AgJunction. His roles included executive-level positions with Topcon Positioning Systems Inc., NovAtel Inc., Magellan Inc. and Trimble Navigation Limited. He has served on the board of directors for a number of technology corporations and has extensive professional experience in the high-tech sector, including serving in an executive capacity with Apple Inc. and Hewlett-Packard.
Bobac (Bob) A. Barjesteh Washington State, USA	Vice President, Mergers and Acquisitions, Intellectual Property and General Counsel (US) since January 11, 2016	Currently Vice President, Mergers and Acquisitions, Intellectual Property and General Counsel of AgJunction since January 2016. Managing Director and Chief Legal Officer with ClaroVia Technologies LLC from November 2012 to December 2015. Other roles included executive and management positions at 3M Company and Arthur Anderson LLC.
Mark S. Bittner California, USA	Senior Vice President of Global Sales and Customer Care since October, 2015	Currently, Senior Vice President of Global Sales and Customer Care of AgJunction since October 2015. Over 30 years of sales management experience, serving in an executive role at Novariant from July 2012 to October 2015. Prior thereto, held executive positions at Topcon Positioning Systems Inc., Tierra S.p.A, Proxim Wireless, At Road and held other leadership roles at Trimble Navigation Limited and ExxonMobil.
Husam Kal California, USA	Senior Vice President of Global Operations since October, 2015.	Currently, Senior Vice President of Global Operations of AgJunction since October 2015. Over 25 years of supply chain, operations and engineering experience, including executive roles at Novariant from July 2012 to October 2015 and Tria from August 2011 to November 2012. Prior thereto, held influential leadership roles at Trimble Navigation Limited, Proxim Wireless, Lucent Technologies and Hypercom.
Michael A. Manning Missouri, USA	Senior Vice President and Chief Financial Officer since July 1, 2015	Currently, Senior Vice President and Chief Financial Officer of AgJunction since July 2015. Interim CFO for Heartland Automotive from January to July 2015. Chief Financial Officer with Unitech Holdings from 2012 to 2014. Prior thereto, Global Chief Financial Officer of the Hospitality unit with ASSA ABLOY's Global Technologies Division, and Chief Financial Officer and then President of Cargotec

Name, Province and Country of Residence	Position	Principal Occupation During the Last Five Years
		Holding, Inc.

Notes:
(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance Committee.

Our directors will hold office until the next annual general meeting of our shareholders or until each director's successor is appointed or elected pursuant to the ABCA.

As at March 31, 2017, our directors and officers as a group, beneficially owned or controlled or directed, directly or indirectly, 36,264,596 Common Shares or approximately 29.12% of the issued and outstanding Common Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No current director or executive officer of the Corporation has, within the last ten years prior to the date of this document, been a director, chief executive officer or chief financial officer of any issuer (including the Corporation) that, (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than thirty (30) consecutive days; or (ii) was subject to an order that was issued, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of an issuer, and which resulted in the issuer being subject to a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer of the issuer.

Other than disclosed below, no current director or executive officer or security holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the last ten years prior to the date of this document, been a director or executive officer of any company (including the Corporation) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

- Mr. Vaughn acted as chief executive officer and a director of Soil and Topography Information, LLC ("**STI**"), a Delaware corporation which was incorporated on October 19, 2010. STI entered into a security agreement dated February 10, 2010 with Pivotal Investment Partners I, L.P. ("**Pivotal**"). The security agreement secured a loan agreement between STI and Pivotal and a secured convertible promissory note in the principal amount of $250,000. STI was formally dissolved on October 27, 2013, following a management approved assignment of assets in lieu of foreclosure in favor of Pivotal, through its assignee, Soil Data, LLC.

- Mr. Ladd acted as chief executive officer and a director of Brilliant Telecommunications, Inc. ("**Brilliant**"). On February 18, 2011, Brilliant reached an agreement regarding the sale of substantially all of its assets to Juniper Networks. Such sale was conducted via an assignment for the benefit of creditors' process under the laws of the State of California. As part of this process, all of Brilliant’s assets were transferred to a trustee who then distributed the proceeds of the sale. Mr. Ladd resigned from his positions with Brilliant shortly after the agreement with Juniper Networks was reached. On or about August 9, 2011, one of Brilliant’s former customers filed a lawsuit against Brilliant and Juniper Networks alleging breach of contract and unfair business practice. On or about September 28, 2011, a default judgment was entered by the court against Brilliant. No director or executive officer of Brilliant was ever named in such law suit and Mr. Ladd had no involvement nor any liability in connection with such law suit or any other proceeding.

No current director or executive officer or security holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the last ten years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

No current director or executive officer or security holder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors and officers of the Corporation may, from time to time, be involved in the business and operations of other issuers, in which case a conflict may arise. See "*Risk Factors*".

The ABCA provides that in the event a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the ABCA. To the extent that conflicts of interests arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein and in connection with the Merger Transaction, there were no material interests, direct or indirect, of our directors or executive officers, any person or company who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

See "*Directors and Officers*".

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations* by us during, or related to, our most recently completed financial year other than RSM US LLP, AgJunction's auditors appointed on April 8, 2015 RSM US LLP has confirmed that it is independent within the meaning of the Rules of Professional Conduct of the Professional Chartered Accountants of Alberta.

In addition, neither RSM US LLP, nor any director, officer or employee of RSM US LLP, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

MATERIAL CONTRACTS

As of December 31, 2016, we currently have no material contracts in place that were entered into outside of the ordinary course of business.

AUDITORS, TRANSFER AGENT AND REGISTRAR

RSM US LLP, Suite 400, 4801 Main Street, Kansas City, Missouri, are the auditors of the Corporation.

Computershare Trust Corporation of Canada, 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8, is the Transfer Agent and Registrar of the Corporation.

AUDIT COMMITTEE INFORMATION

Our audit committee (the "**Audit Committee**") is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Audit Committee is composed of five external, independent directors. All five are financially literate, meaning they are able to read and understand financial statements that present a breadth and level of complexity at accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of AgJunction. The Audit Committee's Charter is available in Appendix "A" to this Annual Information Form.

Audit Committee Members

Paul G. Cataford, Calgary, Alberta – Chair of the Audit Committee

Paul Cataford has investment, technology and business development experience from more than 20 years in the venture capital/private equity industry. Mr. Cataford is a graduate of the Institute of Corporate Directors' Directors Education Program and also currently serves on the boards of Sierra Wireless Inc. Trakopolis loT Corp. and of a number of private companies. Mr. Cataford has a Mechanical Engineering degree from Queen's University and an MBA (Finance and International Business) from York University's Schulich School of Business.

Michael J. Lang, Calgary, Alberta

Michael Lang is the Chairman of StoneBridge Merchant Capital Corp. (a private investment company). Mr. Lang has been involved in the development and financing of businesses throughout his career acting as an officer and director of a variety of companies including Beau Canada Exploration Ltd., Calahoo Petroleum Ltd. and Vicom Multimedia Inc.

Scott B. Edmonds, Vancouver, British Columbia

Scott Edmonds has over 30 years' experience in various operational, strategic and financial leadership roles in both large and small companies in Canada, Europe and Asia. Mr. Edmonds was the Chief Executive Officer of Webtech Wireless Inc. and was also the Chief Financial Officer of two other software companies. Mr. Edmonds has served on a variety of public and private company boards over the past ten years, including, Vecima Networks Inc., Consumer Protection BC, Webtech Wireless Inc., Apivio Systems Inc. and Bridges Transitions Inc. Mr. Edmonds holds a degree in finance and is a chartered accountant. Additionally, Mr. Edmonds completed the Executive Development Program at The Kellogg School and has received the ICD.D designation from the Institute of Corporate Directors.

Lori S. Ell, Calgary, Alberta

Ms. Ell has over 25 years of broad-based executive experience working with multi-billion dollar, start-up, and mid-market companies in diverse industries including oil & gas, technology, and food manufacturing. Her most recent position was as President of Agristar Inc, and prior to that, CFO for Quortech Solutions Ltd. Currently, Ms. Ell consults with business leaders to help construct processes for strategic execution. She is also a Chair with TEC-Canada, where she leads a select group of CEOs through confidential peer advisory forums and provides one-to one executive coaching. She sits on several private and not-for profit boards, She holds a Bachelor of Management degree, is a Certified Public Accountant and has also received her ICD.D in Board Governance from the Institute of Corporate Directors.

Ryan J. Levenson, Atlanta, Georgia

Ryan Levenson is the founding principal, managing member and portfolio manager of Privet Fund Management LLC. Prior to founding Privet in 2007, Mr. Levenson served as vice president of business development at MSI, a privately held building products distributor and construction services company. Prior thereto, Mr. Levenson served as a financial analyst for Cramer Rosenthal McGlynn LLC's long/short equity hedge fund. Mr. Levenson sits on the board of directors of Frequency Electronics, Inc., Cicero Inc., Hardinge, Inc. and Great Lakes Dredge and Dock Corp. and holds a bachelor of arts in history from Vanderbilt University.

Pre-approval Policies and Procedures – Audit and Non-Audit Services

We have adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by RSM US LLP as set forth in the Audit Committee charter, which is reproduced in Appendix "A" to this Annual Information Form. The Audit Committee has approved the provision of a specified list of audit and permitted non-audit services that the Audit Committee believes to be typical, reoccurring or otherwise likely to be provided by RSM US LLP during the current fiscal year. The list of services is sufficiently detailed as to the particular services to be provided to ensure that the Audit Committee knows precisely what services it is being asked to pre-approve and it is not necessary for any member of management to make a judgment as to whether a proposed service fits within pre-approved services.

Auditor Service Fees

The following fees are for services provided by KPMG LLP for the period from January 1, 2015 to April 8, 2015, and for services provided by RSM US LLP for the period from April 8, 2015 to December 31, 2015 and for the year ended December 31, 2016.

Type of Service Provided	January 1, 2015 to April 8, 2015	April 9, 2015 to December 31, 2015	Year ended December 31, 2016
Audit and Quarterly Review Fees	200,680	81,643	287,200
Audit-Related Fees	-	-	-
Tax Fees (compliance related)	41,422	-	62,400
All Other Fees	40,000	4,284	43,110
Total	282,102	85,927	392,730

Audit and quarterly review fees consist of fees for the audit of the Corporation’s annual financial statements. Audit-Related Fees consist of the aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements, which include services that are normally provided in connection with statutory and regulatory filings or engagements and include fees related to the application of International Financial Reporting Standards. Tax Fees consist of the aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice, and tax planning. All Other Fees listed for the period of January 1, 2015 to April 8, 2015 consist of fees paid to the auditors in connection with the professional services provided pursuant to the Merger Transaction and the change in AgJunction's auditors.

RISK FACTORS

The following is a summary of certain risk factors relating to our business. The information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. An investment in the Common Shares of the Corporation involves a significant degree of risk. Prospective investors should carefully consider the following factors, together with other information contained in this Annual Information Form.

Market Conditions

Soft commodity prices and a strong US dollar resulted in weaker sales of new farm equipment throughout 2016. US corn prices were approximately 9% lower in 2016 over 2015 while US wheat prices were approximately 18% lower in 2016 over 2015. When commodity prices decline, farmers must cut costs, often choosing to retain existing equipment over choosing to purchase new equipment. In February 2017, the US Department of Agriculture ("**USDA**") reported net cash farm income is forecast to increase by $1.6 billion, or 1.8% in 2017. While net cash farm income is expected to increase, net farm income is forecast to decline by 8.7%. This marks the fourth consecutive year of anticipated decreases in net farm income. Per the USDA, cash receipts are expected to remain largely unchanged in 2017, declining by an estimated 0.3%. The largest single change forecast is in wheat receipts, which is expected to fall 16.6% in 2017 compared to 2016 receipts. Offsetting this decrease is a forecasted 21.5% increase in cotton receipts. Management continues to view the 2017 fundamentals of its global agriculture markets to be neutral to slightly down but positive in 2018 and beyond, driven by population growth, limited arable land, the need for increased output and a relatively low global penetration of precision agriculture technologies such as GNSS and autosteering. Should negative conditions arise in any of the key markets in 2017, we could realize lower-than-expected revenues in the impacted market areas and this could affect the Corporation's ability to obtain equity or debt financing on acceptable terms. In 2016 our agricultural product sales were affected by low crop prices which put pressure on the capital expenditure budgets of our customers.

Goodwill Impairment

Following a goodwill impairment charge of approximately $11.3 million that we recognized in the third quarter of 2016, as of December 31, 2016, we had goodwill of $0.1 million. Changes to the assumptions in our financial model and our responses to market conditions could result in further goodwill impairment charges which could adversely impact our results of operations. 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 AgJunction's business and the market in which it competes.

Dependence on New Products

We must continue to make significant investments in research and development to develop new products, enhance existing products and achieve market acceptance for such products. However, there can be no assurance that development-stage products will be successfully completed or, if developed, will achieve significant customer acceptance. If we are unable to successfully define, develop and introduce competitive new products, and enhance existing products, our future results would be adversely affected.

Dependence on Key Personnel and Consultants

Our success is largely dependent upon the performance of personnel and key consultants. The unexpected loss or departure of any of the key officers, employees or consultants could be detrimental to our future operations. Our success will depend, in part, upon our ability to attract and retain qualified personnel, as they are needed. The competition for highly skilled technical, research and development, management, and other employees is high in the GNSS, precision steering and machine control industry. There can be no assurance that we will be able to engage the services of such personnel or retain our current personnel. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of our management.

Competition

We are in a highly competitive industry that is constantly evolving and changing. We expect this competition to increase as new competitors enter the market. Many of our competitors have greater financial, technical, sales, and production and marketing resources. We compete with companies that also have established customer bases and greater name recognition. This may allow competitors to respond more quickly and better implement technological developments. There is no assurance that we will be able to compete on the same scale as these companies. Such competition may result in reduced sales, reduced margins or increased operating expenses.

Third-Party Dependence

Many of our products rely on signals from satellites and other ground support systems that we do not own or operate. Such satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage. The satellites have limited design lives and are subject to damage by the hostile space environment in which they operate. If a significant number of satellites were to become inoperable, there could be a substantial delay before they are replaced with new satellites. A reduction in the number of operating satellites would impair the current utility of the GNSS and/or the growth of current and additional market opportunities, which would adversely affect our results of operations. In addition, there is no assurance that the US government will remain committed to the operation and maintenance of GPS satellites over a long period of time; or, that the policies of the US government for the commercial use of GPS without charge will remain unchanged.

We are also largely dependent on the ability of farmers and agricultural subcontractors known as custom operators to purchase agricultural equipment, which includes our products. Agricultural income levels are affected by agricultural commodity prices and input costs. As a result, changes in commodity prices that reduce agricultural income levels could have a negative effect on the ability of growers and their contractors to purchase our products.

Availability of Key Suppliers

We are reliant upon certain key suppliers for raw materials and components and no assurances can be given that we will not experience delays or other difficulties in obtaining supplies, as a result of trade disputes or other matters. While no single vendor currently supplies more than 10% of the raw materials used by us, the raw materials used in certain operations are available only through a limited number of vendors. Currently, Hemisphere, Honor Tone Limited, Flextronics International Europe B.V. and Flextronics Technologies Mexico S. de R.L. de C.V. provide over 10% of our direct material purchases used in our operations. Although we believe there are alternative suppliers for most of our key requirements, if our current suppliers are unable to provide the necessary raw materials or otherwise fail to timely deliver products in the quantities required, any resulting delays in the manufacture or distribution of existing products could have a material adverse effect on our results of operations and our financial condition. Further, unusual supply disruptions, such as disruptions caused by natural disasters, could cause suppliers to invoke "force majeure" clauses in their supply agreements, causing shortages of material. Success in offsetting higher raw material costs with price increases is largely influenced by competitive and economic conditions and could vary significantly. If we are not able to fully offset the effects of material availability and costs, financial results could be adversely affected.

We consume significant amounts of raw materials, the costs of which reflect in certain instances market prices for natural gas, oil and other market forces. These prices are subject to worldwide supply and demand as well as other factors beyond our control. Although we are sometimes able to pass such price increases to our customers, significant variations in the cost of raw materials can affect our operating results from period to period.

Intellectual Property

The industry in which we operate has many participants that own, or claim to own, proprietary intellectual property. We have received, and may receive, claims from third parties alleging that the Corporation has infringed the intellectual property rights of others and we may commence lawsuits against others who the Corporation believes are infringing upon its rights. Determination of the rights to intellectual property is very complex and costly litigation may be required to establish if we have violated the intellectual property rights of others or if others have violated the Corporation's intellectual property rights. The Corporation's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its assets or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Corporation's favour. In the event of an adverse outcome as a defendant in any such litigation, the Corporation may, among other things, be required to: (a) pay substantial damages and third party litigation costs; (b) cease the development, use, sale or importation of products that infringe upon other patented intellectual property; (c) expend significant resources to develop, license or acquire non-infringing intellectual property; (d) discontinue products incorporating infringing technology; (e) obtain licences to the infringing intellectual property; and/or (f) incur legal and other costs. The Corporation may not be successful in such development or acquisition or such licences may not be available on reasonable terms. Any such development, acquisition or licence could require the expenditure of substantial time and other resources and could have a material adverse effect on the Corporation's business and financial results.

Government Regulation

Our products are subject to government regulation in the United States, Canada, Australia and other regions in which we operate. Although we believe that we have obtained the necessary approvals for the products that we currently sell, we may not be able to obtain approvals for future products on a timely basis, or at all. In addition, regulatory requirements may change or we may not be able to obtain regulatory approvals from countries in which we may desire to sell products in the future.

Credit Risk

We have an increasing exposure to credit risk related to trade balances owing from customers. In the normal course of business, we monitor the financial condition of our customers and review the credit history of new customers to establish credit limits. We establish an allowance for doubtful accounts that corresponds to the credit risk of our customers, historical trends and economic circumstances. Losses could be realized by us if customers default on their balances owing.

Major Customers

In 2016, two customers each individually account for over 10 percent of the Corporation's total revenue. One customer approximates 26% or $10,904,523 of total revenue and is included in Europe, Middle East and Africa ("**EMEA**") geographic region. The other customer approximates 23% or $9,568,551 of total revenue and is included in the Americas geographic region. In 2015, one customer accounted for 34% or $13,121,886 of total revenue included in the EMEA geographic region. If any one of these customers ceases to be a customer for our products, this could have an adverse effect on our revenues.

Technology Risk

Our success in the agricultural machine control market may depend in part on our ability to develop products that keep pace with the continuing changes in technology, evolving industry standards and changing customer and end-user preferences and requirements. Our products embody complex technology that may not meet those standards, changes and preferences. We may be unable to successfully address these developments on a timely basis or at all. Failure to respond quickly and cost-effectively to new developments through the development of new products or enhancements to existing products could cause us to be unable to recover significant research and development expenses and could reduce our revenue.

Future Acquisitions

We may seek to expand our business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favourable terms, or that the acquired operations can be profitably operated or integrated in our operations. In addition, any internally generated growth experienced by us could place significant demands on our Management, thereby restricting or limiting our available time and opportunity to identify and evaluate potential acquisitions. To the extent Management is successful in identifying suitable companies or products for acquisition, we may deem it necessary or advisable to finance such acquisitions through the issuance of Common Shares, securities convertible into Common Shares, debt financing, or a combination thereof. In such cases, the issuance of Common Shares, First or Second Preferred Shares or convertible securities could result in dilution to the holders of Common Shares at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of our assets, impeding our ability to obtain bank financing, decreasing our liquidity, and adversely affecting our ability to declare and pay dividends to our shareholders.

Proprietary Protection

Our success will depend, in part, on our ability to obtain patents, maintain trade secrets and unpatented know-how protection and to operate without infringing on the proprietary rights of third parties or having third parties circumvent our rights. We rely on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect our proprietary information. There can be no assurance that the steps taken will prevent misappropriation of our proprietary rights. Our competitors could also independently develop technology similar to our technology. Although we do not believe that our products or services infringe on the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against us, or that any such assertions or prosecutions will not materially adversely affect our business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, we could incur significant costs and diversion of resources with respect to the defence thereof, which could have a material adverse effect on our business.

Foreign Currency Exchange Rate Fluctuations

Sales of our products are transacted primarily in US dollars. Expenses are incurred in US dollars, Australian dollars, Canadian dollars, Chinese RMB and European euro and currencies of non-European Union members, and as a result, we are exposed to risk associated with those currency fluctuations.

The majority of our sales are denominated in US dollars. A stronger US dollar, compared to the currencies of countries where AgJunction is selling its products, makes our products more expensive to customers in those countries. As a result, a strengthening US dollar could have a negative impact on sales to such countries. As our operations are expanding with increased global sales, it is expected that it may be necessary to transact sales in foreign currencies other than US dollars, thus exposing us to additional foreign currency risk.

Political Uncertainty

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During the recent presidential campaign in the United States a number of election promises were made and the new American administration has begun taking steps to implement certain of these promises. Included in the actions that the administration has discussed are the renegotiation of the terms of the North American Free Trade Agreement, withdrawal of the United States from the Trans-Pacific Partnership, imposition of a tax on the importation of goods into the United States, reduction of regulation and taxation in the United States, and introduction of laws to reduce immigration and restrict access into the United States for citizens of certain countries. It is presently unclear exactly what actions the new administration in the United States will implement, and if implemented, how these actions may impact Canada and in particular our industry. Any actions taken by the new United States administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of the Corporation.

In addition to the political disruption in the United States, the citizens of the United Kingdom recently voted to withdraw from the European Union and the Government of the United Kingdom has begun taken steps to implement such withdrawal. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could have an adverse effect on the Corporation's ability to market its products internationally, increase costs for goods and services required for the Corporation's operations, reduce access to skilled labour and negatively impact the Corporation's business, operations, financial conditions and the market value of its common shares.

Conflicts of Interest

Certain of our directors may be serving as directors of our suppliers or competitors and some are engaged and will continue to be engaged in the design, manufacture and marketing of electronic products and situations may arise where the directors may be in direct competition with our business. Conflicts of interest, if any, which arise will be subject to and governed by the procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with us to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Product Liability

The sale and use of our products entail risk of product liability. Although we have product liability insurance, there is no assurance that such insurance will be sufficient or will continue to be available on reasonable terms.

New and Emerging Markets

Many of the markets for our products are new and emerging. Our success will be significantly affected by the outcome of the development of these new markets.

Physical Facilities

We have facilities at several different locations, as well as component inventory, finished goods and capital assets at third-party manufacturing facilities. Tangible property at each location is subject to risk of fire, earthquake, flood and other natural acts of God. In the event of such events or acts, there could be delays in production and shipments of product due to both the loss of inventory and/or capacity to produce.

Legal Risks

In common with other companies, we are subject to legal risks related to operations, contracts, relationships and otherwise under which we may be served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement costs and other costs as well as significant time and distraction of Management and employees. In addition, the outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations.

Volatility of Market Price of Common Shares

The market price of our Common Shares may be volatile. This volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by us or by our competitors, along with a variety of additional factors, including, without limitation, those set forth in this "*Risk Factors*" section or in the section titled "*Special Note Regarding Forward Looking Statements*".

Dilution

We may make future acquisitions or enter into financings or other transactions involving the issuance of Common Shares of the Corporation which may be dilutive to current and future holders of our Common Shares.

Forward Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on forward looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on risks, assumptions and uncertainties are found in the section "*Special Note Regarding Forward Looking Statements*".

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of this Corporation. Although confidentiality agreements are generally signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada) and all other applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, such reassessment may have an impact on current and future taxes payable.

Technology Failures or Cyber-Risks

We rely on information technology systems to process, transmit and store electronic information. In addition, a significant portion of internal communications, as well as communication with customers and suppliers depends on information technology. Further, certain of our products depend upon GPS and other systems through which our products interact with government computer systems and other centralized information sources. The Corporation is subject to a variety of information technology and system risks as a part of its normal course operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Cyber risks may be deliberate attacks for the theft of intellectual property or other sensitive information or may be the result of unintentional events. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations, disruption to our business activities or our competitive position. The Corporation applies technical and process controls in line with industry-accepted standards to protect our information assets and systems; however these controls may not be adequate or implemented properly to prevent cyber-security breaches and to ensure that our operations are not disrupted. Potential consequences of a material cyber incident include damage to our reputation, litigation and increased cyber security protection and remediation costs. The significance of any such event is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation uses an external specialist to run both intrusion detection system and intrusion prevent system analysis which then takes actions based on received results. The Corporation is developing an incidence response plan.

Growth Management

The Corporation may be subject to growth related risks including pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this potential growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are not aware of any proceeding that involves a claim for damages, exclusive of interest and costs, of more than ten percent of our current assets. We are not aware of any (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority in the year ended December 31, 2016; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2016.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, as applicable, is contained in our information circular for the most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in our financial statements and management discussion and analysis for the year ended December 31, 2016, which are available on SEDAR at www.sedar.com and are set forth in our 2016 Annual Report. Documents affecting the rights of security holders, along with additional information relating to us, may also be found on SEDAR at www.sedar.com.

APPENDIX "A"

Audit Committee Terms of Reference

1. **Establishment of Audit Committee:** The board of directors (the "**Board**") hereby establish a committee to be called the Audit Committee (the "**Committee**").

2. **Membership:** The Committee shall be composed of three members or such greater number as the Board may from time to time determine, all of whom shall be "independent", as such term is defined in Multilateral Instrument 52-110, "Audit Committees" ("**MI 52-110**"). Members shall be appointed periodically from among the "independent" members of the Board. All members of the Committee shall be financially literate, being defined under MI 52-110 and herein as having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Corporation's financial statements.

3. **Mandate:** The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities.

Audit Committee Purpose

Through discussion with management and the external auditors of the Corporation, the Audit Committee will be responsible to:

- Monitor the management of the principal risks that could impact the financial reporting of the Company;
- Monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- Oversee and monitor the independence and performance of the Company's external auditors;
- Provide an avenue of communication among the external auditors, management and the Board of Directors, including the resolution of disagreements between management and the external auditors regarding financial reporting;
- Encourage adherence to, and continuous improvement of, the Company's policies, procedures, and practices at all levels;
- Monitor compliance with legal and regulatory requirements; and
- Ensure that effective procedures are in place for the anonymous submission, receipt, retention and treatment of complaints and concerns regarding accounting, internal control and auditing matters.

Audit Committee Duties and Responsibilities

Primarily through review and discussion with management and the external auditors, the Audit Committee is responsible to:

Review Procedures

(a) Review periodically the Committee's Terms of Reference;

(b) Review the Company's annual audited financial statements and related documents, including the press release and MD&A, prior to filing or distribution. Review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments;

(c) Following completion of the annual audit, review separately with each of management and the independent auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

(d) Review any significant disagreements among management and the independent auditors in connection with the preparation of the financial statements;

(e) Periodically, in consultation with management and external auditors, consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures;

(f) Review risk management policies and procedures of the Company (i.e., litigation and insurance);

(g) Periodically review and assess the adequacy of the procedures that are in place for the review of the Company's public disclosure of financial information extracted from or derived from the Company's financial statements;

(h) Review significant findings prepared by the external auditors together with management's responses;

(i) Review the principal risks affecting financial reporting;

(j) Review with financial management and the external auditors, and approve, the company's quarterly financial results and related documents, including the quarterly press releases and MD&A, prior to the public release. By approval of these Terms of Reference for the Audit Committee, the Board delegates the authority to approve these documents on behalf of the Board;

(k) Discuss any significant changes to the Company's accounting principles prior to their adoption. The Chair of the Committee may represent the entire Audit Committee for purposes of this review;

External Auditors

(l) The external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the external auditors or approve any discharge of auditors when circumstances warrant;

(m) Approve the fees and other significant compensation to be paid to the external auditors;

(n) On an annual basis, the Committee should review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence;

(o) Review the external auditors' audit plan - discuss and approve audit scope, staffing, locations, reliance upon management, and general audit approach;

(p) Prior to releasing the year-end financial results, discuss the results of the audit with the external auditors. Discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants;

(q) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting;

(r) Approve all non-audit services to be provided to the Corporation by the external auditors' firm, prior to such services being performed, except that by approval of these terms of reference, the Audit Committee hereby approves the following non-audit services to be provided by the external auditors:

  (i) Tax services connected with the preparation of the Corporation's tax returns, or the tax returns of any of its subsidiaries; and

  (ii) Due diligence and tax services connected with any mergers, acquisitions or dispositions being considered by the Corporation;

(s) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present or former auditors;

(t) When there is to be a change in external auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;

Legal Compliance

(u) On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies; and

Other Audit Committee Responsibilities

(v) Periodically assess the effectiveness of the committee against its terms of reference and report the results of the assessment to the Board.

4. **Administrative Matters:** The following general provisions shall have application to the Committee:

(a) The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties;

(b) Two members of the Committee shall constitute a quorum. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference;

(c) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its independent members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains;

(d) The Committee shall meet at least four times per year and/or as deemed appropriate by the Chair;

(e) If deemed necessary by the Chair, agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings;

(f) Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chief Executive Officer by the Board Chair;

(g) The Committee may invite such officers, directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee;

(h) The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board;

(i) Unless otherwise designated by the Board, the members of the Committee shall elect a Chairman from among the members and the Chairman shall preside at all meetings of the Committee. The Chairman of the Committee shall have a second and deciding vote in the event of a tie. In the absence of the Chairman, the members of the Committee shall appoint one of their members to act as Chairman;

(j) Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.