



Interim Management's Discussion and Analysis

Three and six month periods ended June, 2013

AgJunction Inc.
Management's Discussion and Analysis
Three and six month periods ended June 30, 2013

The following discussion and analysis is effective as of August 12, 2013 and should be read together with the unaudited condensed consolidated interim financial statements of AgJunction Inc. ("AgJunction" or the "Company") for the three and six month periods ended June 30, 2013 and the accompanying notes. Additional information relating to AgJunction, 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 and which is supplemental to the unaudited condensed consolidated interim financial statements and notes for the three and six month periods ended June 30, 2013. All amounts stated in this Management Discussion and Analysis ("MD&A") are in US dollars unless otherwise stated.

Overview

References throughout this document to AgJunction or the "Company" all refer to AgJunction Inc. and its subsidiaries.

AgJunction is a public company listed on the Toronto Stock Exchange and provides innovative hardware and software applications for precision agriculture worldwide. In prior periods, the Company organized its activities along two primary segments: agriculture products and precision products for non-agriculture markets, however, as further described in this MD&A, the Company is restructuring its operations to focus on its agriculture business. As a result, the non-agriculture activities of the Company are disclosed in the Company's consolidated financial statements, and this MD&A, as discontinued operations.

Currency Markets

The Company's financial results are impacted by foreign currency volatility – particularly the Canadian/United States ("US") dollar exchange rate.

The Company has transferred all manufacturing activities from the Calgary location to an external manufacturer effective January 31, 2013, and the closure of the Calgary office, significantly reduced the Company's foreign currency exchange exposure.

The average foreign exchange rate for second quarter of 2013 was \$1.0231 Cdn/US, up by 1% from the average 2012 rate of \$1.0102 Cdn/US.

Canadian and US dollar exchange rates prevailing over the last eight quarters were as follows:

	Quarter Ended							
	Sep 30 2011	Dec 31 2011	Mar 31 2012	Jun 30 2012	Sep 30 2012	Dec 31 2012	Mar 31 2013	Jun 30 2013
Quarterly average	\$ 0.9802	\$ 1.0236	\$ 1.0012	\$ 1.0102	\$ 0.9948	\$ 0.9913	\$ 1.0089	\$ 1.0231
Quarter end	\$ 1.0389	\$ 1.0170	\$ 0.9991	\$ 1.0191	\$ 0.9837	\$ 0.9949	\$ 1.0156	\$ 1.0512

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.

Summary of Quarterly Results

(000)	30-Sep 2011	31-Dec 2011	31-Mar 2012	30-Jun 2012	30-Sep 2012	31-Dec 2012	31-Mar 2013	30-Jun 2013
Sales	\$9,966	\$9,081	\$19,021	\$15,744	\$10,512	\$10,155	\$16,611	\$16,304
Gross margin	51%	48%	47%	43%	45%	40%	47%	43%
Expenses								
Research and development	2,137	2,283	2,257	2,755	2,288	2,411	2,288	2,325
Sales and marketing	2,076	2,476	3,015	2,551	2,647	2,297	2,350	2,280
General and administrative	1,158	1,123	1,263	1,380	1,368	1,462	1,543	1,422
Acquisition costs	-	-	117	-	-	-	-	-
Restructuring costs	-	-	-	-	471	5,683	156	69
	5,371	5,882	6,652	6,686	6,774	11,853	6,337	6,097
Operating income (loss) before undernoted items	(266)	(1,552)	2,331	7	(1,997)	(7,820)	1,411	916
Goodwill impairment	-	-	-	-	-	21,000	-	-
Revaluation of contingent consideration	-	-	-	-	-	412	-	-
Foreign exchange (gain) loss	35	52	76	22	(7)	18	(52)	(222)
Interest and other (income) loss	(4)	(2)	-	(2)	-	-	(7)	3
Income (Loss) before income taxes	(297)	(1602)	2,255	(13)	(1,990)	(29,250)	1,470	(219)
Income taxes	-	-	49	-	-	-	-	-
Net income (loss) from continuing operations	(297)	(1602)	2,206	(13)	(1,990)	(29,250)	1,470	1,134
Comprehensive income (loss)	(343)	98	115	(147)	123	(91)	-	-
Net and comprehensive income (loss) before discontinued operations	(640)	(1,504)	2,321	(160)	(1,867)	(29,341)	1,470	1,134
Income (loss) from discontinued operations	(1,381)	(983)	(732)	(464)	(800)	(3,555)	3,474	(913)
Net and comprehensive income (loss)	(2,021)	(2,487)	1,589	(624)	(2,667)	(32,896)	4,944	221
Earnings (loss) per common share:								
Basic and diluted	(\$0.03)	(\$0.04)	\$0.02	(\$0.01)	(\$0.04)	(\$0.50)	\$0.07	\$0.00
Basic and diluted - Continuing operations	(\$0.01)	(\$0.03)	\$0.03	(\$0.00)	(\$0.03)	(\$0.45)	\$0.02	\$0.02
Basic and diluted - Discontinued operations	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.05)	\$0.05	(\$0.02)
Weighted Average Diluted shares	60,110	60,276	64,478	69,935	65,682	65,832	67,076	68,365

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

(000's)	For the Quarter Ended							
	30-Sep 2011	31-Dec 2011	31-Mar 2012	30-Jun 2012	30-Sep 2012	31-Dec 2012	31-Mar 2013	30-Jun 2013
United States	\$3,855	\$4,996	\$10,926	\$5,336	\$4,770	\$5,927	\$8,761	\$6,717
Canada	2,100	1,332	3,613	5,016	2,113	1,412	2,247	3,721
Europe	1,187	716	2,416	2,554	1,372	1,536	3,655	3,593
Australia	792	803	1,107	1,060	449	483	401	448
Other	2,032	1,234	959	1,778	1,808	797	1,547	1,825
	\$9,966	\$9,081	\$19,021	\$15,744	\$10,512	\$10,155	\$16,611	\$16,304

Quarter Ended June 30, 2013 versus Quarter Ended June 30, 2012

Revenues

For the three months ended June 30, 2013 revenues were \$16.3 million representing an increase of 3.6% from \$15.7 million for the same period of 2012.

(000's)	Q2 2013	Q2 2012	Change
Revenue	\$ 16,304	\$ 15,744	3.6%

Strong OEM, Air, and Agronomy Services results for the quarter were offset by reduced sales in our Outback product lines compared to the same quarter in 2012.

(000's)	Q2 2013	Q2 2012	Change
Outback North America	\$ 6,410	\$ 7,883	(18.7%)
Outback Australia	448	739	(39.4%)
OEM	6,121	4,518	35.5%
Air	2,514	1,929	30.3%
Agronomy Services	811	675	20.1%
Total	\$ 16,304	\$ 15,744	3.6%

Gross Margins

Gross margins of \$7.0 million for the quarter were \$0.3 million higher than the same quarter of 2012 due to the increase in sales. Gross margins, as a percentage of revenue, were 43.0% during the quarter compared to 42.7% in 2012.

Expenses

Total operating expenses for the quarter were \$6.1 million compared to \$6.7 million in 2012, a reduction of 9%. Research and development expenditures of \$2.3 million, declined by \$0.4 million, or 16%, compared to \$2.8 million during the second quarter of 2012, as the Company continues to realize efficiencies after outsourcing its manufacturing operations. Sales and marketing expenses of \$2.3 million, declined by \$0.3 million, or 11%, compared to \$2.6 million during the second quarter of 2012, due to lower compensation costs partly associated with the corporate restructuring, as well as lower advertising and marketing costs. General and administrative expenses were \$1.4 million were unchanged compared to 2012. Restructuring costs totaled \$.1 million related to the closure of our Calgary facility.

Other

During the quarter the Company realized a foreign exchange gain of \$222 thousand compared to a loss of \$21 thousand during the same quarter in 2012.

Discontinued Operations

Net loss from discontinued operations of \$.9 million incurred during the quarter related to the sale of the non-agricultural assets and the Calgary geographical area of operations closure. The Company incurred a net loss from discontinued operations of \$0.5 million during the comparative period in 2012.

Earnings (Loss)

The Company generated net income from continuing operations of \$1.1 million, or \$0.02 per share (basic and diluted) in the second quarter of 2013 compared to net loss from continuing operations of \$0.2 million, or \$0.00 per share (basic and diluted) in the second quarter of 2012.

The Company realized net comprehensive income of \$0.2 million, or \$0.00 per share (basic and diluted) during the quarter compared to loss of \$.6 million or (\$0.01) per share (basic and diluted) in 2012.

Quarter Ended June 30, 2013 versus Quarter Ended March 31, 2013

Revenues

Revenue for the second quarter of 2013 of \$16.3 million was down 1.8% from revenue of \$16.6 million in the first quarter of 2013. While it is typical for the first quarter to be the strongest quarter followed by a decline in the second quarter because of the North American agriculture buying cycle, this trend was mitigated in 2013 as a result of the delayed growing season in conjunction with the launch of the Company's new Outback STX Guidance System.

(000's)	Q2 2013	Q1 2013	Change
Revenue	\$ 16,304	\$ 16,611	(1.8%)

Increases in the Outback product lines during the second quarter of 2013 related to the launch of the Company's new Outback STX Guidance System were offset by reduced sales in OEM and Air compared to the prior quarter.

(000's)	Q2 2013	Q1 2013	Change
Outback North America	\$ 6,410	\$ 5,508	16.4%
Outback Australia	448	328	36.6%
OEM	6,121	7,527	(18.7%)
Air	2,514	2,607	(3.6%)
Agronomy Services	811	641	26.5%
Total	\$ 16,304	\$ 16,611	(1.8%)

Gross Margins

Gross margins in the second quarter of 2013 were \$7.0 million (43.0%), compared to \$7.7 million (46.6%) in the first quarter of 2013. The majority of the gross margin decline is due to OEM sales mix during the two quarters.

Expenses and Other

Operating expenses prior to restructuring costs were \$6.0 million in the second quarter of 2013, compared to \$6.2 million in the first quarter of 2013. Quarterly expense for research and development, sales and marketing, and general and administrative were relatively unchanged compared to the first quarter of 2013.

Restructuring Costs

The Company reported restructuring costs of \$0.1 million in the quarter compared to \$0.2 million in the previous quarter related to the closure of the Calgary office and the change in the corporate branding to AgJunction Inc.

Discontinued Operations

The Company reported net loss from discontinued operations of \$0.9 million in the second quarter of 2013 compared to a net income of \$3.5 million in the previous quarter. The gain on sale of the non-agricultural operations of \$4.4M partially offset by increased resources dedicated to the closure of the Calgary manufacturing activities and office are the primary differences from the previous quarter.

Earnings (Loss)

In the second quarter of 2013, the Company realized a profit from continuing operations of \$1.1 million or \$0.02 per share (basic and diluted), compared to a profit from continuing operations of \$1.5 million or \$0.02 per share in the previous quarter.

The Company realized net comprehensive income of \$0.2 million or \$0.00 per share (basic and diluted) in the second quarter of 2013 compared to a profit of \$4.9 million or \$0.07 per share (basic and diluted) in the previous quarter.

Six Months Ended June 30, 2013 versus Six Months Ended June 30, 2012

Revenue

For the six months ended June 30, 2013 revenues were \$32.9 million representing a decrease of 5.3% from \$34.8 million for the same period of 2012.

(000's)	Q2 2013	Q2 2012	Change
Revenue	\$ 32,915	\$ 34,765	(5.3%)

First half revenues in North America were down by 14.6%, with a decline of 30.0% in Canada and 6.6% in the United States. International revenues are up by 18.7% with European and other market growth of 41.6% offset by a decline in Australia of 60.8%.

Revenues for the Outback product lines were down by 29.7%, with decline of 27.9% in North America and 49.4% in Australia. Strong results from OEM products lifted sales by 31.1% over the comparable period along with Agronomy Services results up by 38.7%. Air results were slightly lower, 2.5% decline compared to the previous period.

(000's)	YTD 2013	YTD 2012	Change
Outback North America	\$ 11,917	\$ 16,522	(27.9%)
Outback Australia	777	1,536	(49.4%)
OEM	13,648	10,407	31.1%
Air	5,121	5,252	(2.5%)
Agronomy Services	1,452	1,047	38.7%
Total	\$ 32,915	\$ 34,765	(5.3%)

Gross Margin

Gross margins for the six months ended June 30, 2013 were \$14.8 million (44.8%), compared to \$15.7 million (45.1%) in the same period in 2012. The majority of the gross margin decline is due to the decrease in overall revenue.

Expenses

Operating expenses of \$12.4 million for the six months ended June 30, 2013 have decreased by \$0.9 million, or 7% from the first half of 2012. Research and development expenditures of \$4.6 million, declined by \$0.4 million, or 8%, compared to \$5.0 million during 2012. Sales and marketing expenses of \$4.6 million, declined by \$0.9 million, or 17%, compared to \$5.6 million during 2012, due to lower compensation costs partly associated with the corporate restructuring, as well as lower advertising and marketing costs. General and administrative expenses of \$3.0 million, increased by \$0.3 million, or 12%, compared to \$2.6 million during 2012. Restructuring costs totaled \$0.2 million related to the closure of our Calgary facility.

Other

On January 31, 2013, the Company sold the business assets associated with its non-agricultural operations to the Canadian subsidiary of Beijing UniStrong Science and Technology Co. Ltd. for a total purchase price of \$14.9 million. As part of the transaction the Company transferred \$9.4 million of net assets to UniStrong and incurred \$1.1 million in transaction-related costs resulting in gain on the sale of \$4.4 million.

In the first six months of 2013, the Company realized a foreign exchange gain of \$0.3 million compared to a loss of \$0.1 million realized in 2012.

Profit (Loss)

In the first half of 2013, the Company realized a profit from continuing operations of \$2.6 million or \$0.04 per share (basic and diluted), compared to a profit from continuing operations of \$2.2 million or \$0.04 per share the first half of 2012.

The Company realized a net and comprehensive income of \$5.2 million or \$0.08 per share (basic and diluted) in the first half of 2013 compared to a profit of \$1.0 million or \$0.02 per share (basic and diluted) in the previous period.

Liquidity and Capital Resources

Working Capital

The Company held cash of \$12.6 million at June 30, 2013 compared to \$2.6 million at December 31, 2012. Working capital was \$22.3 million, up from \$17.2 million at December 31, 2012. The primary items impacting the cash balance during the first half of 2013 were:

- Accounts receivable at June 30, 2013 was \$8.4 million versus \$6.2 million at December 31, 2012.
- Inventories consist of components, work in process and finished goods sold by the Company. Inventory was \$9.7 million at June 30, 2013 compared to inventory of \$13.8 million at December 31, 2012.
- Included in provisions on the statement of financial position at June 30, 2013 is an accrual for restructuring costs of \$0.1 million compared to \$2.5 million at December 31, 2012.
- Cash used in continuing operations was \$0.8 million, consistent with cash used in continuing operations at June 30, 2012. After the impact of discontinued operations, operating activities used \$4.5 million of cash during the first half of 2013 compared to cash outflow of \$2.6 million over the same period 2012.
- Cash of \$3.7 million was used in discontinued operations in the 2013 compared to \$1.8 million in 2012.
- Contingent consideration paid for the acquisition of the AgJunction business included \$0.5 million of cash. The Company repaid the loan outstanding with Export Development Canada (EDC) using \$1.1 million of cash. Loan payments of \$0.5 million were also paid against the Company's operating line of credit balance during the quarter.
- Total tangible capital spending in 2013 was \$0.4 million (2012 - \$0.4 million). Property and equipment purchased during the second quarter of 2013 included primarily computer equipment and software and research and development equipment.
- During the first half of 2013, the Company capitalized internally developed intangible costs of \$1.0 million (2012 - \$0.9 million). These costs are incurred pursuant to a contract with a customer under which the customer is also making non-recurring engineering ("NRE") payments to AgJunction covering a portion of the costs. The Company received NRE payments of \$0.6 million in 2013 (2012 - \$0.0 million).

Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (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 new standards, interpretations, amendments and improvements to existing standards issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") were adopted as of January 1, 2013 without any material impact to the Company's Financial Statements: IFRS 7 Financial Instruments: Disclosures, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of interests in Other Entities, IFRS 13 Fair Value Measurement, and IAS 9 Employee Future Benefit.

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 estimates the future cash-flows of each of its cash generating units.
4. The Company recognizes deferred income tax assets 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 they can be utilized. At June 30, 2013, there are no balances carried in the Consolidated Statement of Financial Position for such assets since it is not probable that there will be future taxable profit in order to use against these assets.
5. The Company accrues reserves for product warranty expenses for the repair or replacement of defective products sold. The warranty reserve is based on an assessment of the historical experience of the Company. If the Company suffers a decrease in the quality in its products, an increase in warranty reserve may be required.

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 International Financial Reporting Standards.

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.

There were no changes in disclosure controls or internal control over financial reporting that occurred during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. For further discussion of internal controls over financial reporting, refer to the Company's annual Management's Discussion and Analysis for the year ended December 31, 2012.

Forward-Looking Information

The information in the Management's Discussion and Analysis ("MD&A") contains certain forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A and except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- financial results;
- new and emerging markets;
- impact of market conditions;
- forecast net farm income;
- changes in foreign currency rates;
- losses available to reduce future taxable income;
- customer adoption of technology and products;
- processes implemented to mitigate weaknesses in internal controls;
- implementation of International Financial Reporting Standards;
- technological developments;
- expectations regarding the ability to raise capital; and
- research and capital expenditures programs.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- competition;
- departure of key personnel or consultants;
- inability to introduce new technology and new products in a timely manner;
- changes in the GPS network and other systems outside of our control;
- misappropriation of proprietary information;
- legal claims for the infringement of intellectual property and other claims;
- incorrect assessments of the value of acquisitions;
- fluctuation in foreign exchange or interest rates;
- uncertainties in the global economy;
- negative conditions in general economic and financial markets;
- reliance on key suppliers;
- availability of key supplies and components;
- dependence on major customers;
- losses from credit exposures;
- product liability;
- damage or loss of use of physical facilities;
- stock market volatility and market valuations;
- conflicts of interest;
- changes in income tax laws and other government regulations; and
- the other factors discussed under "Business and Market Risks".

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: future technological developments; availability of key supplies, components, services, networks and developments; future exchange rates; the cost of expanding Hemisphere GPS's product lines; the impact of increasing competition; the nature and outcome of legal proceedings; the continuity of existing business relationships; conditions in general economic and financial markets; and our ability to obtain financing on acceptable terms.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders and readers with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. Readers are cautioned that the

foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Condensed Consolidated Interim Financial Statements of



Three and six months ended June 30, 2013

(Unaudited - expressed in U.S. dollars)

AgJunction Inc.

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

	June 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents	\$ 12,617,066	\$ 2,645,605
Accounts receivable	8,421,686	6,187,216
Inventories	9,722,192	13,777,915
Prepayments and deposits	542,629	661,790
Assets held for sale	—	7,567,133
	<hr/> 31,303,573	<hr/> 30,839,659
Property, plant and equipment	3,432,567	3,438,472
Intangible assets	7,599,298	7,703,947
Goodwill	21,230,519	21,230,519
	<hr/> \$ 63,565,957	<hr/> \$ 63,212,597
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,851,282	\$ 6,449,665
Bank indebtedness	—	550,000
Provisions (note 8)	1,027,138	3,226,234
Deferred revenue	1,922,597	1,748,928
Collateralized borrowing (note 6)	760,563	—
Finance lease	—	52,184
Current portion of contingent consideration (note 2)	400,000	500,000
Debt	—	1,140,699
	<hr/> 8,961,580	<hr/> 13,667,710
Deferred revenue	886,223	746,820
Contingent consideration	—	400,000
Shareholders' equity:		
Share capital (note 3)	120,456,866	119,341,668
Equity reserve	6,221,440	7,182,124
Deficit	(72,960,152)	(78,125,725)
	<hr/> 53,718,154	<hr/> 48,398,067
	<hr/> \$ 63,565,957	<hr/> \$ 63,212,597

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Comprehensive Income and Loss
(Unaudited – expressed in U.S. dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Sales	\$ 16,304,358	\$ 15,743,937	\$ 32,915,115	\$ 34,765,354
Cost of sales	9,291,488	9,051,281	18,154,494	19,089,871
	7,012,870	6,692,656	14,760,621	15,675,483
Expenses:				
Research and development	2,325,399	2,754,759	4,613,485	5,011,750
Sales and marketing	2,280,138	2,551,421	4,629,572	5,566,723
General and administrative	1,422,176	1,379,653	2,965,153	2,642,930
Acquisition costs	–	–	–	117,475
Restructuring costs (note 7)	69,456	–	225,939	–
	6,097,169	6,685,833	12,434,149	13,338,878
Results from operating activities	915,701	6,823	2,326,472	2,336,605
Foreign exchange (gain) loss	(221,524)	21,862	(274,117)	96,368
Interest and other loss (income)	2,783	(1,523)	(4,198)	(1,773)
	(218,741)	20,339	(278,315)	94,595
Profit (loss) for the period before Income tax	1,134,442	(13,516)	2,604,787	2,242,010
Income tax	–	–	–	48,650
Profit (loss) for the period	1,134,442	(13,516)	2,604,787	2,193,360
Other comprehensive income (loss)	–	(146,788)	–	(32,250)
Net profit (loss) from continuing operations	1,134,442	(160,304)	2,604,787	2,161,110
Income (loss) from discontinued operations, net of tax (note 5)	(913,113)	(464,171)	2,560,786	(1,196,048)
Net income (loss) and comprehensive income (loss)	\$ 221,329	\$ (624,475)	\$ 5,165,573	\$ 965,062
Earnings per share:				
Basic and diluted income per share	\$ 0.00	\$ (0.01)	\$ 0.08	\$ 0.02
Basic and diluted income per share continuing operations	\$ 0.02	\$ 0.00	\$ 0.04	\$ 0.04
Basic and diluted income per share discontinued operations	\$ (0.02)	\$ (0.01)	\$ 0.04	\$ (0.02)

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Changes in Equity (Unaudited - expressed in U.S. dollars)

	Share capital	Equity reserve	Deficit	Hedging reserve	Total equity	Number of shares
Balance at January 1, 2012	\$ 115,168,510	\$ 4,783,284	\$ (43,528,081)	\$ —	\$ 76,423,713	60,824,409
Profit for the period	—	—	1,008,062	—	1,008,062	—
Accumulated other comprehensive loss	—	—	—	(43,000)	(43,000)	—
Issue of common shares, net of share issue cost	4,078,919	—	—	—	4,078,919	5,447,410
Business acquisition	—	2,014,000	—	—	2,014,000	—
Share-based payment transactions	—	207,600	—	—	207,600	—
Stock options exercised	7,435	—	—	—	7,435	8,958
Transfer from equity reserve on exercise of stock options	3,621	(3,621)	—	—	—	—
Balance at June 30, 2012	119,258,485	7,001,263	(42,520,019)	(43,000)	83,696,729	66,280,777
Balance at December 31, 2012	119,341,668	7,182,124	(78,125,725)	—	48,398,067	66,404,215
Profit for the period	—	—	5,165,573	—	5,165,573	—
Issue of common shares (note 3(b))	1,007,000	(1,007,000)	—	—	—	2,723,705
Share-based payment transactions	—	79,703	—	—	79,703	—
Stock options exercised	74,811	—	—	—	74,811	105,562
Transfer from equity reserve on exercise of stock options	33,387	(33,387)	—	—	—	—
Balance at June 30, 2013	\$120,456,866	\$ 6,221,440	\$ (72,960,152)	\$ —	\$ 53,718,154	69,233,482

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Condensed Consolidated Statements of Cash Flows
Six months ended June 30, 2013 and 2012
(Unaudited - expressed in U.S. dollars)

	2013	2012
Cash flows from (used in) operating activities:		
Net profit from continuing operations	\$ 2,604,787	\$ 2,193,360
Items not involving cash:		
Depreciation	397,212	974,355
Amortization	514,294	632,468
Share-based payment transactions	79,703	155,052
	<u>3,595,996</u>	<u>3,955,235</u>
Change in non-cash operating working capital:		
Accounts receivable	(1,473,907)	(3,803,096)
Income tax credits receivable	-	(240,748)
Inventories	4,055,723	847,171
Prepayments and deposits	119,161	(103,265)
Accounts payable and accrued liabilities	(1,598,383)	1,367,419
Provisions	(2,199,096)	136,055
Deferred revenue	313,072	997,284
	<u>(783,430)</u>	<u>(799,180)</u>
Cash used in discontinued operations (note 5)	<u>(3,668,607)</u>	<u>(1,755,545)</u>
	(856,041)	1,400,510
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(52,184)	(47,643)
Repayment of bank loan	(550,000)	-
Issue of debt	-	1,500,000
Repayment of debt	(1,140,699)	-
Issue of share capital, net	74,811	7,435
	<u>(1,668,072)</u>	<u>1,459,792</u>
Cash flows from (used in) investing activities:		
Purchase of property and equipment	(405,517)	(371,451)
Intangible asset addition	(1,014,956)	(903,080)
Other	605,311	-
Payment of contingent consideration	(500,000)	-
Proceeds from sale of assets, net of cost (note 6)	13,810,736	-
Business acquisition	-	(2,071,081)
Cash used in discontinued operations (note 5)	-	(232,980)
	<u>12,495,574</u>	<u>(3,578,592)</u>
Increase (decrease) in cash position	9,971,461	(718,290)
Cash and cash equivalents, beginning of period	2,645,605	6,721,314
Cash and cash equivalents, end of period	<u>\$ 12,617,066</u>	<u>\$ 6,003,024</u>

See accompanying notes to condensed consolidated interim financial statements.

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2013 and 2012
(Unaudited - expressed in U.S. dollars)

1. Reporting entity:

AgJunction Inc. (the "Company") is a company domiciled in Canada. The Company is a publicly traded company listed on the Toronto Stock Exchange under the ticker symbol "AJX". The condensed consolidated interim financial statements of the Company as at and for the three and six month periods ended June 30, 2013 and 2012 comprise the accounts of the Company and its subsidiaries (together referred to as the "Company"). The Company is primarily involved in the design, manufacturing, marketing and sale of precision Global Positioning System ("GPS") products and technologies. The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 12, 2013.

On May 24, 2013, Hemisphere GPS Inc. changed its name to "AgJunction Inc." (the "Name Change"). The Name Change was approved by shareholders at the Annual General and Special meeting of shareholders held on May 15, 2013. Consistent with the Name Change, the Company's ticker symbol changed from "HEM" to "AJX" and remains publicly traded on the Toronto Stock Exchange.

2. Basis of preparation and presentation:

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

These interim financial statements follow the same accounting policies and methods of application as set out in the consolidated financial statements for the year ended December 31, 2012, except for the recently adopted accounting pronouncements, which are discussed in note 2(b). These statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2012.

- (b) Recently adopted accounting pronouncements

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. IFRS 13 provides a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. The new standard has been applied prospectively and did not impact the financial results of the Company.

- (c) 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

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2013 and 2012
(Unaudited - expressed in U.S. dollars)

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

As of June 30, 2013, there were no financial instruments carried at fair value. The Company previously classified contingent considerations under "Level 3" in the fair value hierarchy. During the quarter, the agreement was modified to a fixed amount replacing the contingency based on meeting certain revenue growth targets and expenditure levels. The contingent consideration is no longer in the scope of the fair value measurement standard.

As of June 30, 2013, the carrying values of all other financial assets and liabilities approximate fair value.

3. Share capital:

(a) Authorized:

Unlimited common shares

Unlimited first preferred shares, issuable in series

Unlimited second preferred shares, issuable in series

(b) Issued:

Issued share capital consists of 69,233,482 common shares at \$120,456,866. In January 2013, the Company issued 2,723,705 common shares to settle the 2012 portion of the consideration related to a previous acquisition.

(c) For the six months ended June 30, 2013, the Company recorded \$79,703 (2012 – \$207,600) as share based payment expense.

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

Three month period ended:

	June 30, 2013		June 30, 2012	
	Number options	Weighted average exercise price	Number options	Weighted average exercise price
Total options outstanding, beginning of period	5,114,816	\$ 1.06	4,633,538	\$ 1.38
Grant	560,950	2.57	150,000	0.70
Exercised	(52,611)	0.76	—	—
Expired	(860,202)	1.66	(35,000)	2.75
Stock options outstanding, end of period	4,762,953	\$ 1.15	4,748,538	\$ 1.35

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements
 Three and six months ended June 30, 2013 and 2012
 (Unaudited - expressed in U.S. dollars)

Six month period ended:

	June 30, 2013		June 30, 2012	
	Number options	Weighted average exercise price	Number options	Weighted average exercise price
Total options outstanding, beginning of period	5,010,750	\$ 1.08	4,844,085	\$ 1.40
Grant	840,950	1.95	150,000	0.70
Exercised	(105,562)	0.71	(8,958)	0.84
Expired	(983,185)	1.63	(236,589)	2.00
Stock options outstanding, end of period	4,762,953	\$ 1.15	4,748,538	\$ 1.35

4. Sales concentration:

The Company currently has one reportable segment of agriculture products after the sale of precision business unit as discussed in note 6.

Sales by business unit (in thousands):

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Outback North America	\$ 6,410	\$ 7,883	\$ 11,917	\$ 16,522
Outback Australia	448	739	777	1,536
OEM	6,121	4,518	13,648	10,407
Air	2,514	1,929	5,121	5,252
Agronomy Services	811	675	1,452	1,048
	\$ 16,304	\$ 15,744	\$ 32,915	\$ 34,765

Sales by geographic region (in thousands):

	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
United States	\$ 6,717	\$ 5,336	\$ 15,478	\$ 16,570
Canada	3,721	5,016	5,968	8,530
Europe	3,593	2,554	7,248	4,970
Australia	448	1,060	849	2,167
Other	1,825	1,778	3,372	2,528
	\$ 16,304	\$ 15,744	\$ 32,915	\$ 34,765

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three and six months ended June 30, 2013 and 2012

(Unaudited - expressed in U.S. dollars)

5. Discontinued operations:

Three month period ended:

	June 30, 2013	June 30, 2012
Sales	\$ —	\$ 3,840,608
Cost of sales	—	2,150,549
Expenses:		1,690,059
Research and development	—	450,477
Sales and marketing	—	1,064,676
General and administrative	732,997	580,286
	732,997	2,095,439
Operating loss before under noted items	(732,997)	(405,380)
Foreign exchange loss	—	9,120
Interest and other income	—	(541)
	—	8,579
Results from operating income	(732,997)	(413,959)
Loss on sale of assets	(180,116)	—
Other comprehensive loss	—	50,212
Comprehensive loss from discontinued operations	\$ (913,113)	\$ (464,171)

For the three months ended June 30, 2013, the Company incurred additional costs related to the closure of the Calgary office.

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three and six months ended June 30, 2013 and 2012

(Unaudited - expressed in U.S. dollars)

Six month period ended:

	June 30, 2013	June 30, 2012
Sales	\$ 1,094,554	\$ 7,452,490
Cost of sales	969,843	3,996,890
	124,711	3,455,600
Expenses:		
Research and development	344,998	1,443,179
Sales and marketing	348,424	2,038,164
General and administrative	1,138,489	1,125,358
	1,831,911	4,606,701
Operating loss before under noted items	(1,707,200)	(1,151,101)
Foreign exchange loss	141,325	34,790
Interest and other income	—	(593)
	141,325	34,197
Results from operating income	(1,848,525)	(1,185,298)
Gain on sale of assets (Note 6)	4,409,311	—
Other comprehensive loss	—	10,750
Comprehensive gain (loss) from discontinued operations	\$ 2,560,786	\$ (1,196,048)
Cash flows from discontinued operations:		
	June 30, 2013	June 30, 2012
Cash flows from (used in) operating activities:		
Net income (loss) from discontinued operations	\$ 2,560,786	\$ (1,185,298)
Items not involving cash:		
Gain on sale of assets	(4,409,311)	—
Depreciation and amortization	—	384,735
Share-based payment transactions	—	52,548
	(1,848,525)	(748,015)
Change in non-cash operating working capital:		
Accounts receivable	107,100	(1,228,886)
Inventories	(1,096,883)	221,356
Prepaid expenses and deposits	(65,045)	—
Collateralized borrowing	(760,563)	—
Provisions	(4,691)	—
	(3,668,607)	(1,755,545)
Cash flows used in investing activities:		
Purchase of property and equipment	—	(232,980)
	\$ (3,668,607)	\$ (1,988,525)

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2013 and 2012
(Unaudited - expressed in U.S. dollars)

6. Sale of precision business unit:

On January 31, 2013, the Company sold the business assets associated with its non-agricultural operations to the Canadian subsidiary of Beijing UniStrong Science & Technology Co. Ltd. for cash proceeds of \$14.96 million. This transaction included the Company's Precision Products portfolio and related infrastructure.

Effect of sale on the financial position:

Fixed assets	\$ 1,383,168
Intangibles	668,754
Accounts receivable	2,631,907
Inventory	4,647,860
Prepaid and deposits	65,045
Other	4,691
Total assets	\$ 9,401,425
<hr/>	
Proceeds	\$ 14,960,000
Costs	(1,149,264)
Net proceeds	\$ 13,810,736
<hr/>	
Gain on sale of assets	\$ 4,409,311

The Company sold the accounts receivable included in the transaction above, subject to full recourse. Under the right of recourse, the Company will be obligated to pay for any uncollectible amounts on February 1, 2014. As of June 30, 2013, the Company had uncollected receivables in the amount of \$760,563.

7. Restructuring costs:

As part of the restructuring plan announced during the fourth quarter of 2012, the company accrued costs related to name change in the amount of \$114,015 and paid retention bonuses of \$42,468 in the first quarter of 2013. During the second quarter of 2013, the company incurred additional cost related to the name change in the amount of \$53,277 and paid other expense of \$16,179.

AgJunction Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Three and six months ended June 30, 2013 and 2012

(Unaudited - expressed in U.S. dollars)

8. Provisions:

	Warranties	Restructuring	Total
Balance at December 31, 2012	\$ 741,234	\$ 2,485,000	\$ 3,226,234
Provisions made during the period	274,241	114,015	388,256
Provisions used during the period	(136,962)	(755,864)	(892,826)
Balance at March 31, 2013	\$ 878,513	\$ 1,843,151	\$ 2,721,664
Provisions made during the period	249,148	–	249,148
Provisions used during the period	(199,517)	(1,744,157)	(1,943,674)
Balance at June 30, 2013	\$ 928,144	\$ 98,994	\$ 1,027,138

9. Seasonality of operations:

A large portion of the Company's revenues are derived from agricultural markets in the Northern Hemisphere. As a result, the Company's revenues are subject to seasonality associated with the heaviest buying season of such markets which takes place in the first half of the calendar year.

10. Comparative figures:

Certain comparative information has been reclassified to conform with the current period's presentation.