Management's Discussion and Analysis

Year ended December 31, 2014

The following discussion and analysis is effective as of March 16, 2015 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 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 divested the precision products segment 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.

Factory Integration

In November 2014, the Company announced a new supply agreement and factory integration partnership with Stara S.A. Industria de Implementos Agricolas of Brazil.

In October 2014, the Company announced that CLAAS E-Systems KGaA mbH & Co KG ("CLAAS"), one of its major OEM Solutions customers, will begin factory installation of the GPS Pilot with CLAAS S7 and CLAAS S10 guidance control terminals during fourth quarter 2014 at manufacturing locations in Harsewinkel, Germany and Le Mans, France.

Foreign Private Issuer Status

As of June 30, 2014, the Company determined that a majority of its outstanding shares were held directly or indirectly by U.S. residents. As a result, AgJunction will lose 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 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.

Divestiture

On January 31, 2013, the Company completed the divestiture of the business assets associated with its non-agricultural operations to the Canadian subsidiary of Beijing UniStrong Science & Technology Co. Ltd. ("Unistrong") for cash of $14.96 million.

The transaction included the Company's precision products portfolio consisting of $1.38 million in property, plant and equipment; $0.67 million in intangible assets; $2.63 million in accounts receivable; $4.65 million in inventory; and other related assets of approximately $0.07 million totaling $9.40 million. The Company incurred approximately $1.15 million of transaction costs recognizing a gain on the sale of $4.41 million. The Company sold the accounts receivable subject to full recourse obligating itself to pay for any uncollectible amounts on January 31, 2014. As of December 31, 2013, the Company had remaining accounts receivables subject to full recourse in the amount of $162 thousand. This is included in the statement of financial position as of December 31, 2013 as collateralized borrowings and accounts receivable with a full valuation allowance.

Corporate Restructuring

On September 5, 2012, the Company announced the appointment of Rick Heiniger as the President and Chief Executive Officer. To accept this position, he resigned his position as Vice-Chairman of the Board of Directors, however remains a Director. In connection with this appointment, it was announced that Mr. Heiniger would focus on three key priorities which successfully returned AgJunction to profitability: (i) the core agricultural business, (ii) streamlining and simplifying the business, and (iii) market driven innovation.

To focus exclusively on agriculture, the Company has carried out the following initiatives:

- Exit the non-agriculture-related business. An investment banking firm was engaged to pursue the divestiture of the non-Agriculture-related assets of the Company including the Precision Products business. On January 31, 2013, the Company announced that it had closed the sale of these assets to the Canadian subsidiary of Beijing UniStrong Science & Technology Co. Ltd. ("UniStrong") for cash of $14.96 million.
- Relocate Company headquarters to Hiawatha, Kansas. The Company’s agricultural operations are already strategically located in Hiawatha, which is in the heartland of the North American agricultural industry. An abundant supply of agriculture trained and passionate talent, along with the pro-business climate in the State of Kansas, were two key factors for the site selection. On February 28, 2013, the Company announced the composition of its new leadership team centralized primarily in the Hiawatha office.

As part of the Company’s initiative to ensure profitable and sustainable growth, the Company engaged in the following activities:

- All production activities that were conducted in Calgary were transitioned to an outsourced manufacturing partner.
- The Calgary office, which supported manufacturing, the non-agricultural business and the corporate administration functions, was closed on May 31, 2013 following the relocation of key functions to Kansas, thereby reducing overhead.
- The two-business-units and supporting structure has been reduced to a single business with the sale of the non-agriculture activities on January 31, 2013, thereby eliminating redundancies, reducing costs and achieving operating efficiencies. The transition activities associated with these changes were completed as of June 30, 2013.
- The Company is rationalizing products, engineering projects and geographic markets.

The Company has adopted a market responsive product development focus and customer-driven culture. As such:

- Increased emphasis is being placed on focused market and customer research driving greater innovation in, and higher returns from, the product development process.
- Increased emphasis is being placed on research and development for our OEM customers driving greater innovation in product development, more consistent revenue streams, and additional non-recurring engineering expense reimbursements.

<u>Discontinued Operations and Assets Held for Sale</u>

Under IFRS, a discontinued operation is defined as a component of the Company’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which (a) represents a separate major line of business or geographical area of operations, or (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation. Using this definition, the Company has reported the following components of its business as discontinued operations:

a. the non-agriculture business assets that were sold on January 31, 2013, and
b. the Calgary geographical area of operations.

The profit and loss impact of these discontinued operations are included in the Consolidated Statement of Comprehensive Income and Loss as a separate line item in the prior comparative period.

Restructuring

The restructuring activities were completed as of June 30, 2013, with majority of the costs being incurred and accrued in 2012. The provision for restructuring at the beginning of 2013 approximated $2.5 million. Through 2013, the Company incurred approximately $2.6 million of restructuring expense of which $1.8 million was related to severance. The restructuring costs recorded in 2013 were $247 thousand, related to the closing of the Calgary office.

Economic and Market Trends

Agriculture Markets

In February 2015, the US Department of Agriculture ("USDA") reported net farm income is forecast to be $73.6 billion in 2015, down nearly 32 percent from 2014's forecast of $108 billion. The 2015 forecast would be the lowest since 2009 and a drop of nearly 43 percent from the record high of $129 billion in 2013. Lower crop and livestock receipts are the main drivers of the change in 2015 net farm income from 2014 as production expenses are projected up less than 1 percent. Net cash income is forecast at $89.4 billion, down about 22 percent from the 2014 forecast. Net cash income is projected to decline less than net farm income primarily because it reflects the sale of carryover stocks from 2014. Crop receipts are expected to decrease by $15.6 billion (7.9 percent) in 2015, led by a projected $6.7-billion decline in corn receipts and a $3.4-billion decline in fruit/nut receipts. Livestock receipts are forecast to decrease by $10.1 billion (4.9 percent) in 2015 largely due to lower milk prices. The implementation of new programs under the Agricultural Act of 2014 results in a projected 15-percent increase ($1.6 billion) in government payments. Total production expenses are forecast to increase by $2.5 billion (about 1 percent) in 2015, extending the upward movement in expenses for a sixth straight year.

The rate of growth in farm assets is forecast to slow in 2015 compared to recent years. The slowdown in growth is a result of lower net income leading to less capital investment, and a slight decline in farmland values. Farm sector debt is expected to increase 3.1 percent, well above the expected increase in the value of farm assets (0.4 percent). Most of the anticipated increase in debt is for non-real estate loans, with lower income spurring demand for operating funds. Despite the anticipated higher debt, the historically low levels of debt relative to assets and equity reaffirm the sector's relatively strong financial position despite 2 years of declining net farm income.

Management continues to view the fundamentals of its global agriculture markets to be positive in the near to mid-term, 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 GNSS and auto-steering.

Currency Markets

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. A portion of the Company's expenses are incurred in Canadian and Australian dollars. As a result, from a purely financial perspective, a stronger US dollar is positive for the Company's earnings as a portion of the Company's expenses are incurred in Canadian and Australian dollars – 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.

In addition to the direct impact of foreign currency fluctuations on the Company's expenses, changes in foreign currency rates further impact the Company's working capital as it is held in both Canadian and in US dollars. As the Company's functional currency is the US dollar, fluctuations in the Canada/US foreign exchange rate result in foreign exchange gains or losses arising from the settlement or the translation of Canadian dollar working capital into US dollars. A weakening US dollar gives rise to foreign exchange gains and a stronger US dollar gives rise to foreign exchange losses – both dependent on the size of the Canadian dollar denominated working capital.

As a result of the transfer of manufacturing activities from the Calgary location to an external manufacturer effective January 31, 2013, and the closure of the Calgary office on of May 31, 2013, the Company's exposure to the Canadian dollar has decreased dramatically

The US dollar was strengthened in relation to the Canadian dollar during 2014 as the average foreign exchange rate for 2014 was $1.1045 Cdn/US, up by 7% from the average 2013 rate of $1.0299.

Canadian and US dollar exchange rates prevailing during 2013 and 2014 were as follows:

	Quarter Ended							
	Mar 31 2013	Jun 30 2013	Sep 30 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014	Sep 30 2014	Dec 31 2014
Quarterly average	$ 1.0089	$ 1.0231	$ 1.0386	$ 1.0494	$ 1.1033	$ 1.0905	$ 1.0890	$ 1.1356
Quarter end	$ 1.0156	$ 1.0512	$ 1.0285	$ 1.0636	$ 1.1053	$ 1.0670	$ 1.1208	$ 1.1601

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

	Years Ended December 31		
(000's)	**2014**	**2013**	**2012**
Sales	$44,810	$58,220	$55,432
Gross margin	20,308	25,507	24,486
	45%	44%	44%
Expenses			
Research and development	7,102	8,671	9,711
Sales and marketing	6,193	8,579	10,510
General and administrative	7,730	5,425	5,473
Acquisition costs	–	–	117
Restructuring costs	–	248	6,154
	21,025	22,923	31,965
Operating (loss) income	(717)	2,584	(7,479)
Goodwill impairment	15,856	–	21,000
Revaluation of contingent consideration	–	–	412
Foreign exchange (gain) loss	172	(283)	109
Interest and other income	(43)	(25)	(2)
(Gain) loss on sale of property, plant and equipment	(8)	147	–
(Loss) income before income taxes	(16,694)	2,745	(28,998)
Income tax (benefit) expense	(37)	100	49
Net (loss) income from continuing operations	(16,657)	2,645	(29,047)
(Gain) loss from discontinued operations (note a)	–	(2,531)	5,551
Comprehensive (loss) income	(16,657)	5,176	(34,598)
Earnings (loss) per common share:			
Basic and diluted	($0.23)	$0.08	($0.52)
Basic and diluted - Continuing operations	($0.23)	$0.04	($0.44)
Basic and diluted - Discontinued operations	$0.00	$0.04	($0.08)

Selected Balance Sheet Information

	As of December 31		
	2014	**2013**	**2012**
Total assets	$43,484	$63,951	$63,213

NOTE:

(a) Discontinued operations include revenues less expenses for business components identified as discontinued operations in accordance with IFRS.

Year Ended December 31, 2014 versus Year Ended December 31, 2013

Revenues

For the year ended December 31, 2014, revenues were $44.8 million representing a decrease of 23% from $58.2 million in 2013.

(000's)	**2014**	**2013**	**Change**
Agriculture	$ 44,810	$ 58,220	(23%)

Declines in all business units except Air contributed to the decline for the year compared to 2013.

(000's)	**2014**	**2013**	**Change**
Outback	$ 10,962	$ 20,093	(45%)
OEM	23,293	27,307	(15%)
Air	8,171	8,014	2%
Agronomy Services	2,384	2,806	(15%)
	$ 44,810	$ 58,220	(23%)

Sales by geographic region

(000's)	**2014**	**2013**	**Change**
North America	$ 24,720	$ 34,265	(28%)
Europe	15,044	14,734	2%
Australia	917	1,318	(30%)
Other	4,129	7,903	(48%)
	$ 44,810	$ 58,220	(23%)

In 2014, North American revenue declined by 28% and areas outside of North America declined 16%. In North America, sales in Canada and the United States declined by 31% and 27%, respectively, due to a decline in the aftermarket product demand. Sales in Europe grew by 2% due to strengthening relationships in the OEM market. In Australia, sales declined by 30% due to softening in the aftermarket agricultural retail space and a strengthening US dollar. Sales to other markets, including South America and Asia, fell by 48% in 2014 due declining demand and a strengthening US dollar.

Sales to North American customers represented 55% of total revenues in 2014 (2013 – 59%), while sales to non-North American customers were 45% of total revenues during 2014 (2013 – 41%).

Gross Margins

Gross margins were $20.3 million for the year, down by $5.2 million from gross margins of $25.5 million in 2013. Gross margins, as a percentage of revenue, were 45% in 2014 compared to 44% in 2013. This $5.2 million decrease is a result of the decrease in sales year over year.

Expenses and Other

Operating expenses before restructuring costs were $21.0 million in 2014, down by 7% or $1.7 million from $22.7 million in 2013. The primary driver of the decrease is related to the effects of the Company's restructuring efforts which were finalized in June 2013.
The Company has chosen to report expenses based on the functions to which expenses relate. As a result, share-based payments and depreciation and amortization have been allocated into the functional categories to which they relate.

Investment in Research and Development

The Company's investment in research and development for 2014 was $7.1 million compared to $8.7 million in 2013 representing a decrease of $1.6 million or 18%. The decrease relates to several cost saving initiatives and efficiencies realized through the restructuring as well as continued non-recurring engineering ("NRE") projects for our OEM customers.

Approximately $2.6 million of research and development costs were capitalized in 2014 (2013 - $2.6 million) as internally developed intangible technology costs that are related to a long-term project for the development of products and technology for a customer, who is making NRE payments covering a portion of the costs. The costs associated with this project are capitalized as internally developed intangible technology and are offset by the associated NRE payments received under the contract.

Other Operating Expenses

Sales and marketing expenses were $6.2 million in 2014, down by 28% from $8.6 million in 2013, with the decrease related to several cost saving initiatives and efficiencies realized through the restructuring. General and administrative expenses for 2014 were $7.7 million compared to $5.4 million in 2013 representing an increase of $2.3 million or 43%. The primary driver of the increase in general and administrative is litigation cost for a lawsuit brought against a competitor believed to be infringing on the Company's propriety software and intellectual property rights. The infringement does not involve our steering patent portfolio. The Company received a favorable ruling and does not anticipate incurring additional material costs related to this claim.

In 2013, the Company reported restructuring costs of $0.2 million in the year related to other miscellaneous expenses with the restructuring and divestiture of the precision agriculture business unit.

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. After the sale of the non-agriculture business unit, the Company has one cash generating unit ("CGU") to evaluate for impairment. Management completed its annual assessment of the carrying value of the goodwill reported in the Consolidated Statement of Financial Position at December 31, 2014 and concluded that an impairment of $15.9 million was necessary. In 2013, the Company did not recognize goodwill impairment.

Prior to the impairment recognized in 2014, the goodwill balance associated with the Agriculture cash generating unit (CGU) was $21.2 million. 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

The Company determined the fair value of the agriculture CGU at December 31, 2014 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.

Acquisition Consideration

The acquisition agreement for the purchase of the AgJunction business assets in 2012 included the potential payment of contingent consideration to a maximum of $0.5 million of cash and 2,723,705 common shares for each of the 2012 and 2013 fiscal years. During the second quarter of 2013, the arrangement between the parties was amended to provide total 2013 consideration of $1.8 million of which $400 thousand was paid in cash and the remainder settled in common shares on February 15, 2014.

Foreign Currency Risk Management

The Company has transferred all manufacturing activities from the Calgary location to an external manufacturer effective January 31, 2013. In addition to the transfer, the closure of the Calgary office on June 30, 2013, significantly reduced the Company's foreign currency exchange exposure. 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, 2013 or 2014.

Interest and Foreign Exchange

In 2014, the Company recorded net interest income of $43 thousand compared to $25 thousand in 2013. The Company earns interest income on its cash balance which is offset by interest paid.

The Company incurred a foreign exchange loss of $0.2 million during 2014 compared to a gain of $0.3 million in 2013. Foreign exchange gains/losses reported in the Consolidated Statement of Operations arise primarily from the impact of the fluctuating Canadian dollar on the translation and settlement of Canadian dollar denominated working capital.

Income taxes

For the year ended December 31, 2014, current income tax benefit of $37 thousand was recorded.

In Canada, at the end of 2014, the Company has loss carry forwards of $9.3 million that can be used to reduce Canadian taxable income in future years, as well as investment tax credits in the amount of $2.5 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 and CSI Wireless LLC, file as a combined entity for US federal tax purposes. At December 31, 2014, the Company has cumulative US net operating losses of $22.2 million that can be used to reduce US taxable income in future years, as well as $4.8 million of general business 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, 2014, the Company has losses of approximately $7.1 million available to reduce Australian taxable income in future years.

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

Discontinued Operations

The Company did not have discontinued operations for the year ended December 31, 2014. The Company recorded income from discontinued operations of $2.5 million for the year ended December 31, 2013. These amounts represent the results of operations of the non-Agriculture business assets that were sold on January 31, 2013, and the Calgary geographical area of operations.

Summarized 2013 annual results for the discontinued operations are as follows:

(thousands)	2013
Sales	$ 1,095
Gross margin	125
Operating expenses	1,862
Loss before the following	(1,737)
Foreign exchange loss	141
Interest income	–
	141
Results from operating loss	(1,878)
Gain on sale of assets	4,409
Income (loss) from discontinued operations	$ 2,531

The above financial results from discontinued operations reflect the combined results of the Precision Products reporting segment, plus certain costs formerly reported as shared costs. These shared costs include shared manufacturing costs, shared engineering costs and costs associated with the Calgary location.

Earnings (Loss)

In 2014, the Company realized loss from continuing operations of $16.7 million or $0.23 per share (basic and diluted), compared to income from continuing operations of $2.6 million or $0.04 per share (basic and diluted) in 2013.

The Company realized a comprehensive loss of $16.7 million or $0.23 per share (basic and diluted) in 2014 compared to a comprehensive income of $5.2 million or $0.08 per share (basic and diluted) in 2013.

Summary of Quarterly Results

(000)	31-Mar 2013	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30-Jun 2014	30-Sep 2014	31-Dec 2014
Sales	$16,611	$16,304	$11,438	$13,867	$14,929	$10,298	$9,618	$9,964
Gross margin	7,748	7,013	5,205	5,541	6,850	5,492	3,928	4,037
	47%	43%	46%	40%	46%	53%	41%	41%
Expenses								
Research and development	2,288	2,325	1,676	2,382	1,963	1,643	1,860	1,636
Sales and marketing	2,350	2,280	1,945	2,004	1,700	1,545	1,529	1,419
General and administrative	1,543	1,422	1,531	929	1,869	2,773	1,456	1,631
Restructuring costs	156	69	18	5	–	–	–	–
	6,337	6,097	5,170	5,319	5,532	5,961	4,845	4,686
Operating income (loss) before undernoted items	1,411	916	35	222	1,318	(469)	(917)	(649)
Goodwill impairment	–	–	–	–	–	–	–	15,856
Foreign exchange (gain) loss	(52)	(222)	(30)	21	29	85	46	12
Interest and other (income) loss	(7)	3	(11)	(10)	(5)	–	(37)	(1)
(Gain) loss on sale of property, plant and equipment	–	–	–	147	10	(9)	(10)	–
	(59)	(219)	(41)	158	34	76	(1)	15,867
Income (Loss) before income taxes	1,470	1,135	76	64	1,284	(545)	(916)	(16,516)
Income taxes (benefits)	–	-	44	56	21	42	(100)	–
Net income (loss) from continuing operations	1,470	1,135	32	8	1,263	(587)	(816)	(16,516)
Comprehensive gain (loss) from discontinued operations	3,474	(913)	(29)	(1)	–	–	–	–
Comprehensive income (loss)	$4,944	$222	$3	$7	$1,263	($587)	($816)	($16,516)
Earnings (loss) per common share:								
Basic and diluted	$0.07	$0.00	$0.00	$0.00	$0.02	($0.01)	($0.01)	($0.23)
Basic and diluted - Continuing operations	$0.02	$0.02	$0.00	$0.00	$0.02	($0.01)	($0.01)	($0.23)
Basic and diluted - Discontinued operations	$0.05	($0.02)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Weighted Average Diluted shares	67,076	68,365	68,937	70,471	71,696	72,161	72,251	72,243

Sales by region on a quarterly basis are as follows:

For the Quarter Ended

(000's)	31-Mar 2013	30-Jun 2013	30-Sep 2013	31-Dec 2013	31-Mar 2014	30-Jun 2014	30-Sep 2014	31-Dec 2014
United States	$8,761	$6,717	$4,295	$5,559	$6,489	$5,408	$4,347	$2,325
Canada	2,247	3,721	1,969	996	971	1,892	1,431	1,857
Europe	3,655	3,593	3,191	4,295	6,203	2,168	1,956	4,717
Australia	401	448	248	221	335	242	104	236
Other	1,547	1,825	1,735	2,796	931	588	1,780	829
	$16,611	$16,304	$11,438	$13,867	$14,929	$10,298	$9,618	$9,964

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

1. A large component of the Company's agriculture-related revenues are derived from the North American 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 OEM business. The OEM environment remains uncertain with variations of adoption from the regions.

3. In September 2013, the Company's Outback™ Ground Agriculture product line switched to a new "dealer stocking" sales model in North America where aftermarket revenues are now recorded at dealer net rather than at MSRP, which is approximately a 20% reduction in revenue on the same volume of goods sold. Although aftermarket revenues are lower under this aftermarket dealer program, there is a decrease in commission expense so that gross margin is not impacted. The new model changes the impact of seasonal timing as Outback dealers now purchase stocking inventory months earlier than in the prior model where product was shipped direct to customers from AgJunction inventory.

Quarter Ended December 31, 2014 versus Quarter Ended December 31, 2013

Revenues

Revenues during the fourth quarter were as follows:

(000's)	Q4 2014	Q4 2013	Change
Agriculture	$ 9,964	$ 13,867	(28%)

Sales by business unit for the fourth quarter of 2014 and 2013 are as follows:

(000's)	Q4 2014	Q4 2013	Change
Outback	$ 1,706	$ 3,371	(49%)
OEM	5,998	8,183	(27%)
Air	1,560	1,657	(6%)
Agronomy	700	656	7%
	$ 9,964	$ 13,867	(28%)

Sales by region for the fourth quarter of 2014 and 2013 are as follows:

(000's)	Q4 2014	Q4 2013	Change
North America	$ 4,182	$ 6,555	(36%)
Europe	4,717	4,295	10%
Australia	236	221	7%
Other	829	2,796	(70%)
	$ 9,964	$ 13,867	(28%)

North American revenues for the quarter were down 36% from 2013. The majority of the decline is the result of a decline in aftermarket and OEM demand from the previous period. The increase in European revenues for the comparative period is due to strong OEM sales. Revenues from Australia were relatively flat from 2013 due to the soft agricultural retail market within the region continuing from 2013. Other decreased significantly from the prior year due to stronger sales in China and South America in 2013.

Gross Margins

Gross margins in the fourth quarter of 2014 were $4.0 million (41%) compared to $5.5 million (40%) in the fourth quarter of 2013. The decrease in gross margin dollars is largely attributed to the decline in sales volume. However, the increase in gross margin percentage is attributed to a change in sales mix with the decline in lower margin product sales outpacing higher margin products.

Expenses and Other

Operating expenses prior to restructuring costs were $4.7 million in the fourth quarter down $0.6 million or 12% from $5.3 million in the fourth quarter of 2013. The decrease relates to several cost saving initiatives and efficiencies realized through the restructuring period that began in late 2012. Research and development expenses decreased by $0.7 million compared to 2013. Sales and marketing expenses decreased by $0.6 million from the fourth quarter of 2013 related to the impact of the restructuring and management's focus on efficiency and cost reduction. General and administrative expenses increased by $0.7 million from the fourth quarter of 2013. Management believes the 4th quarter 2014 results to be in line with a normalized quarterly run rate as the 2013 general and administrative expenses included one-time adjustments to the reserve for bad debt.

Interest and Foreign Exchange

Interest income, net of expense, in the fourth quarter of 2014 was $1 thousand compared to income of $10 thousand in 2013. The Company earned interest income on its cash on hand and term deposits. The Company held approximately $8.1 million of term-deposits at the end of 2013 which were redeemed in February 2014 resulting in the decline in interest income.

The Company reported a foreign exchange loss in the fourth quarter of $12 thousand, compared to a loss of $21 thousand in 2013. The foreign exchange 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 4th quarter of 2013, the Company disposed of computer equipment and software that was no longer in use resulting in a loss of $147 thousand.

Income Tax

The Company did not incur income tax expenses in the 4th quarter of 2014. In the 4th quarter of 2013, the Company paid $56 thousand of income taxes expense related to the US alternative minimum tax.

Earnings (Loss)

In the fourth quarter of 2014, the Company generated loss from continuing operations of $16.5 million or $0.23 per share (basic and diluted), compared to the income from continuing operations of $8 thousand or $(0.00) per share (basic and diluted) in 2013.

The Company realized a comprehensive loss of $16.5 million or $0.23 per share (basic and diluted) in 2014 compared to comprehensive income of $7 thousand or $0.00 per share (basic and diluted) in 2013.

Liquidity and Capital Resources

Working Capital

The Company held cash of $11.2 million at December 31, 2014 compared to $2.0 million at the end of 2013. Working capital was $22.4 million at December 31, 2014, down from $22.9 million at December 31, 2013.

The Company did not hold short-term investments at December 31, 2014 compared to $8.1 million at the end of 2013.

Accounts receivable, net of allowance, at December 31, 2014 was $5.6 million versus $11.1 million at December 31, 2013. The Company employs established credit approval and regular account monitoring practices to mitigate the credit risk associated with accounts receivable. At December 31, 2014 and 2013, the Company had a reserve for potential bad debts totaling $645 thousand and $803 thousand, respectively.

Inventories consist of components, raw materials, work in process and finished goods related to the products sold by the Company. Inventory was $9.7 million at December 31, 2014 compared to inventory of $10.0 million at December 31, 2013. 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 the cash balances during the year were:

- Cash from continued operations was $2.9 million cash inflow compared to $0.1 million of cash outflow in 2013, after adjusting for the impact of discontinued operations of $2.8 million in 2013. There were no discontinued operations in 2014.
- In 2014, consideration paid for the acquisition of the AgJunction business included $0.4 million of cash compared to $0.5 million in 2013.
- In 2014, the company redeemed $8.1 million in term deposits.
- Total tangible capital spending in 2014 was $0.3 million (2013 - $0.4 million). Property and equipment purchased during 2014 included primarily office and production equipment as well as research and development equipment.
- During 2014, the Company capitalized internally developed intangible net costs of $2.6 million (2013 - $2.6 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 the Company covering a portion of the costs. NRE payments received related to this development are netted against the capitalized costs and totaled $1.3 million in 2014 and $1.8 million in 2013.

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 2013 and 2014, 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 2014 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 2014, the Company invested $0.3 million in property and equipment (2013 - $0.4). Capital additions included computer equipment and software, furniture and fixtures, research equipment 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
- AgJunction business assets – January 2012

During 2014, intangible asset additions of $2.6 million represent the costs associated with the development of products and technology under contract as described earlier in this MD&A. In 2013, the Company disposed of fully amortized intangibles related to customer relationships and technology from the acquisition of Beeline Technologies Pty Ltd. in December of 2007.

Goodwill

The Company carried goodwill of $5.4 million at December 31, 2014. 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 December 31, 2014 and concluded goodwill was impaired in the amount of $15.9 million.

The Company determined the value of the CGU as December 31, 2014 using "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.

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 16, 2015, there were 72,322,063 common shares and 1,899,066 stock options outstanding.

During 2014, 337,471 stock options were exercised for cash proceeds of $249 thousand whereas, during 2013, 677,708 stock options were exercised for cash proceeds of $514 thousand.

In January 2013, the Company issued 2,723,705 common shares to GVM, Inc. in connection with the acquisition of AgJunction. The amended purchase agreement included the payment of consideration of 2,723,705 common shares for each of the 2012 and 2013 fiscal years with payment occurring in the subsequent fiscal year. During 2013, the arrangement between the parties was further amended to provide fixed cash and equity considerations for the second 12 month measurement period after the purchase, in lieu of the contingent consideration based on revenue growth targets and expenditure levels.

As part of this amendment, the Company agreed to a fixed total of remaining consideration of $1,800,000, of which $400,000 was paid in cash on February 15, 2014, with the remainder settled by the issuance of 2,178,964 common shares.

Contractual Obligations

The following table quantifies the Company's contractual obligations as of December 31, 2014:

Contractual Obligations (000's)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Trade payable	$ 2,795	$ 2,795	$ –	$ –	$ –
Finance lease	15	14	1	–	–
Operating leases	1,186	514	672	–	–
	$ 3,996	$ 3,323	$ 673	$ –	$ –

Subsequent Events

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 transaction is subject to a number of conditions, including receipt of a permit from the California Commissioner of Corporations following a hearing held to consider the terms of the transaction, approval of the shareholders of Novariant, approval of the shareholders of AgJunction, and receipt of customary regulatory approvals, including the approval of the Toronto Stock Exchange.

Related Party Transactions

In February 2014, AgJunction engaged a company considered to be a related party to provide research and training to the Company's employees related to developing technology. 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 transactions with non-key management personnel related to the companies on an arm's length basis. The transaction value related to these services approximates $30 thousand. Note 25 to the financial statements outlines compensation paid to key management personnel during 2014.

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, 2014, 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 full 2014 year, as well as during the years ended December 31, 2001, 2002, 2003, 2005, 2006, 2007, 2009, 2010, 2011 and 2012. The Company was profitable in 2004, 2008 and 2013.

   It is possible that losses will occur in any of the four quarters of 2015 and that a loss could be realized for the full 2015 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 and 2014, 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 2015.

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 strengthening US dollar, as was seen during 2014 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 2015 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 2015, 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. At the end of three years, the contract will be renegotiated. 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.

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 U.S. residents. As a result, AgJunction will lose 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 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.

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, 2014. 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: 1992 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, 2014. Based on its evaluation, the certifying officers concluded that our internal controls over financial reporting were effective as of that date.

Forward-Looking Information

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

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

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

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

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

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: future technological developments; availability of key supplies, components, services, networks and developments; future exchange rates; 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, 2014 and 2013

(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 statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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 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.

Wes Dittmer
Sr. Vice President & Chief Financial Officer
March 16, 2015
Hiawatha, Kansas, USA

Rick Heiniger
President & Chief Executive Officer
March 16, 2015
Hiawatha, Kansas, USA

KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City, MO 64106-2162

Independent Auditors' Report

The Shareholders
AgJunction Inc.:

We have audited the accompanying consolidated financial statements of AgJunction, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income and loss, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AgJunction, Inc. and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP

Kansas City, Missouri
March 16, 2015

AgJunction Inc.

Consolidated Statements of Financial Position

(Expressed in U.S. dollars)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents (note 5)	$ 11,223,755	$ 2,044,278
Short-term investments (note 6)	–	8,100,751
Accounts receivable, net of bad debt provisions of $645,059 and $803,410 as of December 31, 2014 and 2013, respectively (note 7)	5,665,108	11,170,370
Inventories (note 8)	9,692,923	10,040,812
Prepayments and deposits	947,931	708,489
	27,529,717	32,064,700
Property, plant and equipment (note 11)	2,808,052	3,166,482
Intangible assets (note 12)	7,772,064	7,489,245
Goodwill (note 26)	5,374,519	21,230,519
	$ 43,484,352	$ 63,950,946
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,795,216	$ 5,381,864
Warranty provision (note 14)	302,987	796,318
Deferred revenue	2,016,183	2,439,317
Collateralized borrowing (note 10)	–	162,388
Finance lease (note 15)	13,918	19,978
Current portion of acquisition consideration (note 13)	–	400,000
	5,128,304	9,199,865
Deferred revenue	343,245	494,568
Finance lease (note 15)	1,160	18,104
Shareholders' equity:		
Share capital (note 16)	122,467,464	121,096,751
Equity reserve	5,150,466	6,091,297
Accumulated deficit	(89,606,287)	(72,949,639)
	38,011,643	54,238,409
	$ 43,484,352	$ 63,950,946

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Comprehensive Income and Loss
Years ended December 31, 2014 and 2013
(Expressed in U.S. dollars)

	2014	2013
Sales (note 20)	$ 44,809,579	$ 58,219,588
Cost of sales	24,501,704	32,712,697
	20,307,875	25,506,891
Expenses:		
Research and development	7,102,281	8,671,129
Sales and marketing	6,192,903	8,579,137
General and administrative	7,729,475	5,425,352
Restructuring costs (note 22)	–	247,596
	21,024,659	22,923,214
Operating (loss) income	(716,784)	2,583,677
Goodwill impairment (note 26)	15,856,000	–
Foreign exchange loss (gain)	172,064	(283,061)
Interest and other income	(42,675)	(25,019)
(Gain) loss on sale of property, plant and equipment (note 11)	(8,175)	146,733
(Loss) income before income taxes	(16,693,998)	2,745,024
Income tax (benefit) expense	(37,350)	99,811
Net (loss) income from continuing operations	(16,656,648)	2,645,213
Gain from discontinued operations, net of tax (note 9)	–	(2,530,873)
Net (loss) income	(16,656,648)	5,176,086
Other comprehensive income	–	–
Total comprehensive (loss) income	$ (16,656,648)	$ 5,176,086
Earnings per share:		
Basic and diluted (loss) income per share	$ (0.23)	$ 0.08
Basic and diluted (loss) income per share from continuing operations (note 19)	$ (0.23)	$ 0.04
Basic and diluted income per share from discontinued operations (note 19)	$ –	$ 0.04

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Changes in Equity
Years ended December 31, 2014 and 2013
(Expressed in U.S. dollars)

	Share capital	Equity reserve	Deficit	Total equity	Number of shares
Balance at January 1, 2013	$119,341,668	$ 7,182,124	$ (78,125,725)	$48,398,067	66,404,215
Comprehensive income	–	–	5,176,086	5,176,086	–
Issue of common shares for business acquisition, net of share issue cost (note 13)	1,007,000	(1,007,000)	–	–	2,723,705
Share-based payment transactions	–	149,803	–	149,803	–
Stock options exercised	514,453	–	–	514,453	677,708
Transfer from equity reserve on exercise of stock options	233,630	(233,630)	–	–	–
Balance at December 31, 2013	121,096,751	6,091,297	(72,949,639)	54,238,409	69,805,628
Comprehensive loss	–	–	(16,656,648)	(16,656,648)	–
Issue of common shares for business acquisition, net of share issue cost (note 13)	1,007,000	(1,007,000)	–	–	2,178,964
Share-based payment transactions	–	180,882	–	180,882	–
Stock options exercised	249,000	–	–	249,000	337,471
Transfer from equity reserve on exercise of stock options	114,713	(114,713)	–	–	–
Balance at December 31, 2014	$ 122,467,464	$ 5,150,466	$ (89,606,287)	$38,011,643	72,322,063

See accompanying notes to consolidated financial statements.

AgJunction Inc.

Consolidated Statements of Cash Flows
Years ended December 31, 2014 and 2013
(Expressed in U.S. dollars)

	2014	2013
Cash flows from (used in) operating activities:		
Net (loss) income from continuing operations	$ (16,656,648)	$ 2,645,213
Items not involving cash:		
Depreciation (note 11)	579,897	640,470
Amortization (note 12)	1,031,814	1,032,152
Share-based payment transactions (note 16)	180,882	149,803
Allowance on trade receivables	109,467	384,468
Net realizable value write down of inventory	56,530	885,307
(Gain) loss on disposal of property, plant and equipment (note 11)	(8,175)	146,733
Goodwill write off (note 26)	15,856,000	–
	1,149,767	5,884,146
Change in non-cash operating working capital:		
Accounts receivable	5,353,120	(5,803,409)
Inventories	291,359	2,851,796
Prepaid expenses and deposits	(239,442)	(46,699)
Accounts payable and accrued liabilities	(2,522,213)	(999,824)
Provisions	(493,331)	(2,429,916)
Deferred revenue	(574,457)	438,137
Income taxes paid	(64,435)	(59,000)
	1,750,601	(6,048,915)
Cash used in discontinued operations (note 9)	–	(2,815,091)
Cash flows from (used in) operating activities	2,900,368	(2,979,860)
Cash flows from (used in) financing activities:		
Payment of finance lease liability	(23,004)	(14,102)
Interest received (paid), net	42,675	(8,977)
Bank loan repayment	–	(550,000)
Repayment of debt	–	(1,140,699)
Issuance of share capital	249,000	514,453
	268,671	(1,199,325)
Cash used in discontinued operations (note 9)	(162,388)	(299,464)
Cash flow from (used in) financing activities	106,283	(1,498,789)
Cash flows from (used in) investing activities:		
Acquisition of short-term investments (note 6)	–	(8,100,751)
Redemption of short-term investments (note 6)	8,100,751	–
Payment for the disposal of property, plant and equipment	–	(96,495)
Proceeds from the sales of property, plant and equipment	65,141	–
Purchase of property, plant and equipment (note 11)	(278,433)	(418,718)
Intangible asset addition (note 12)	(2,646,833)	(2,632,472)
R&D expense reimbursement (note 12)	1,332,200	1,815,022
Payment of acquisition consideration (note 13)	(400,000)	(500,000)
Proceeds from sale of assets, net of costs (note 10)	–	13,810,736
	6,172,826	3,877,322
Cash used in discontinued operations (note 9)	–	–
Cash flow from investing activities	6,172,826	3,877,322
Increase (decrease) in cash position	9,179,477	(601,327)
Cash and cash equivalents, beginning of year	2,044,278	2,645,605
Cash and cash equivalents, end of year	$ 11,223,755	$ 2,044,278

See accompanying notes to consolidated financial statements.

1. Reporting entity:

AgJunction Inc. (the "Company") is a company domiciled in Canada. The primary office is located at 2207 Iowa Street, Hiawatha, Kansas. The Company is a publicly traded company listed on the Toronto Stock Exchange under the ticker symbol "AJX". The consolidated financial statements of the Company as of and for the year ended December 31, 2014 comprise the Company and its wholly owned subsidiaries (together referred to as the "Company"). The Company is primarily involved in the design, marketing and sale of precision Global Positioning System ("GPS") products and technologies. The consolidated financial statements were authorized for issue by the Board of Directors on March 16, 2015.

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.

On May 31, 2013, the Company completed the closure of the Calgary location transitioning all executive functions to the Hiawatha location.

2. Basis of preparation:

(a) Statement of compliance:

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

(b) Basis of measurement:

The consolidated financial statements have been prepared on the 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.

2. Basis of preparation (continued):

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

(i) Allowance for doubtful accounts (note 7):

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 income tax assets (note 21):

Deferred income 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.

(iii) Goodwill impairment (note 26):

After the sale of the precision business discussed in note 10, the Company only has one 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.

(iv) Inventory obsolescence (note 8):

The Company evaluates inventory based on movement over an 18 month period to determine slow-moving and zero-movement inventory items. Based on this information, the Company determines whether inventory items are deemed obsolete and measures the item at the lower of cost or net realizable value.

(v) Provisions (note 14):

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 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:

(vi) Recoverability of deferred development costs (note 3(l))

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) and AgJunction AUS Pty Ltd. (formerly Hemisphere AUS Pty Ltd.) are wholly owned operating subsidiaries of the Company.

(b) Foreign currency translation:

Under IFRS, functional currency of each entity in the consolidated Company is determined separately in accordance with the indicators as per IAS 21, The Effect 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 the IAS 21, 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 comprehensive income 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 loss (gain)" line item of the consolidated statement of comprehensive income in the period in which incurred.

3. Significant accounting policies (continued):

(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.

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, loans and receivable.

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 comprehensive income. 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 financials 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.

Loans and receivables:

Loans and 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 loans and 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.

3. Significant accounting policies (continued):

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

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, provisions and deferred revenue 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.

(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 $) and New Zealand dollars (NZD $). The Company holds cash on hand with Canadian charter banks, a United States nationally chartered bank, and Australian chartered banks.

(e) Short-term investments:

Short-term investments consist of term-deposits with original maturities greater than three months.

(f) Revenue recognition:

The Company generates revenue from the sale of equipment, agronomy software service and extended warranty programs (note 20). 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.

3. Significant accounting policies (continued):

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) persuasive evidence that an arrangement exists; 2) the Company's fee is fixed or determinable; and 3) collection is probable. Revenues from the sale of extended service programs are recorded as deferred revenue at the time the payment is received and are recognized on a pro-rata basis over the extended service period.

(g) 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.

(h) Property, plant and equipment:

Property, plant and equipment is measured at cost less accumulated depreciation. Cost includes expenditure 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 income statement 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

3. Significant accounting policies (continued):

(i) Intangible assets:

Intangible assets are measured at cost less accumulated amortization. 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
Marketing and distribution assets	5 years
Technology	5 years

(j) 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.

After the sale of the precision business discussed in note 10, the Company only has one 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.

(k) 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 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.

3. Significant accounting policies (continued):

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, 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 is 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.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

(l) 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: the Company intends to and has sufficient resources to complete development and to use or sell the asset; it is probable that the asset created will generate future economic benefits; the development cost of the asset can be measured reliably; and 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.

(m) 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

3. Significant accounting policies (continued):

dilutive potential shares resulting from share options where the inclusion of these would not be antidilutive.

(n) Share-based payments:

The Company awards stock options 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. Stock options are measured at fair value at the date of grant. Fair value is measured by using 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. As of December 31, 2014, no RSUs have been awarded.

The Company also operates an Employee Stock Purchase Plan (“ESP”). Under the ESP plan, employees had the option to purchase shares in the Company at market price monthly and offer employees matching shares at of rate of 50% up to a maximum of 4% of gross salary. The Company recognizes the matched shares as an expense over the period of 12 months of applicable employment condition. As of December 31, 2014, the Company terminated the ESP plan. The employees participating in the plan were awarded all employer matched shares which immediately vested upon termination of the plan.

(o) Income taxes:

Income tax comprises current tax and deferred tax. Income tax is recognized in the statement of comprehensive income 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 income tax is recognized on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income 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

3. Significant accounting policies (continued):

they reverse, based on tax rates and laws enacted, or substantively enacted, by the reporting date.

(p) 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.

(q) 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.

(r) 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.

(s) 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

3. Significant accounting policies (continued):

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 comprehensive income and loss on a straight line basis over the term of the lease.

(t) 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 company has one operating segment after the sale of the precision business discussed in note 10. 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.

(u) 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 comprehensive income and 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.

(v) Assets held for sale:

Non-current assets, or disposal groups comprised of assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through their continuing use. This condition is considered to be met when the asset or group of assets are available for immediate sale in its present condition. Once classified as held-for-sale, intangible assets and property and equipment are no longer amortized or depreciated.

(w) Discontinued operations:

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued

3. Significant accounting policies (continued):

operation, the comparative statement of comprehensive income and loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(x) Initial adoption of new standards and interpretations:

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of January 1, 2014. The nature and effect of the changes are explained below:

(i) Amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets:*

In May 2013, the IASB issued amendments to IAS 36, *Recoverable Amount Disclosures for Non-Financial Assets*. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The Company applied the amendments to IAS 36 in disclosing the goodwill impairment (see note 26).

(y) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle – *Various Standards:*

In December 2013, the IASB made final amendments to a total of nine standards. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted. Special transitional requirements have been set for amendments to the following standards: IFRS 2, IAS 16, IAS 38 and IAS 40.

The Company intends to adopt the amendments relevant to the Company in its financial statements for the annual period beginning on January 1, 2015. The annual improvement process is used to make non-urgent but necessary amendments and the Company is currently assessing the impact on the financial statements.

(ii) IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers.* The standard replaces IAS 11*Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18

3. Significant accounting policies (continued):

Transfer of Assets from Customers and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.*

The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The Company does expect IFRS 15 to have an impact on the financial statements, and is currently assessing that impact.

(iii) IFRS 9, *Financial Instruments:*

In July 2014, the IASB issued the completed version of IFRS 9 *Financial Instruments.* IFRS 9 (2014) replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, and provides revised guidance on the classification of financial assets and introduces a new expected credit loss model for calculating impairment. IFRS 9 (2014) also incorporates the final general hedge accounting requirements originally established in IFRS 9 (2013).

The Company intends to early adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The Company is currently assessing the impact of IFRS 9 (2014) on the financial statements. The classification and measurement of the Company's financial assets is not expected to change under IFRS 9 (2014) because of the nature of the Company's operations and the types of financial assets that it holds.

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.

(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, 2014 and 2013.

(Expressed in U.S. dollars)

4. Determination of fair values (continued):

(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 general option holder behavior), the expected dividends, 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 26.

5. Cash and cash equivalents:

In US$

	December 31, 2014	December 31, 2013
Cash on hand		
CDN $	$ 72,398	$ 97,516
US $	11,069,530	1,739,308
AUS $	68,796	192,833
NZD $	13,031	14,621
Cash and cash equivalents	$ 11,223,755	$ 2,044,278

6. Short-term investments:

In US$

	December 31, 2014	December 31, 2013
Term-deposits – held-to-maturity	$ –	$ 8,100,751

The Company did not hold short-term investments at December 31, 2014. At December 31, 2013, the Company held term deposits classified as held-to-maturity with a stated interest rate of 0.39% which matured in February 2014.

(Expressed in U.S. dollars)

7. Accounts receivable:

	December 31, 2014	December 31, 2013
Trade	$ 6,310,167	$ 11,811,392
Receivable sold subject to full recourse	–	162,388
Allowance for doubtful accounts	(645,059)	(803,410)
	$ 5,665,108	$ 11,170,370

Aging of receivables that are past due but not impaired:

	December 31, 2014	December 31, 2013
0 to 30 days	$ 99,236	$ 2,244,318
31 to 60 days	728,174	790,875
61 to 90 days	–	741,532
Over 90 days	61,366	152,257
	$ 888,776	$ 3,928,982

Reconciliation of changes in the allowance for doubtful accounts:

	December 31, 2014	December 31, 2013
Balance beginning of year	$ 803,410	$ 825,096
Provision	109,467	362,782
Accounts receivable written off	(267,818)	(384,468)
	$ 645,059	$ 803,410

8. Inventories:

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

	December 31, 2014	December 31, 2013
Finished goods	$ 8,298,183	$ 8,571,998
Raw materials	1,391,577	1,371,271
Work in process	3,163	97,543
	$ 9,692,923	$ 10,040,812

(Expressed in U.S. dollars)

8. Inventories (continued):

During the year ended December 31, 2014, the Company recorded write-downs of finished goods and raw materials to net realizable value in the amount of $56,530 (2013 – $885,307) which was recognized in the cost of sales line item of the consolidated statement of comprehensive income and loss.

9. Discontinued operations:

On September 5, 2012, the Company initiated a corporate restructuring with three priorities: (1) to focus on the Company's core agricultural business, (2) to streamline and simplify the organization, and (3) to improve its market-driven innovation capabilities. In connection with this restructuring program, Management initiated the sale of its non-Agriculture activities, including the Precision Products operating segment. In addition, the Company commenced initiatives to discontinue internal manufacturing activities and to relocate the Company's headquarters from Calgary to Hiawatha, Kansas, which was finalized on June 30, 2013.

Results of discontinued operations:

	2014	2013
Sales	$ –	$ 1,094,554
Cost of sales	–	969,843
	–	124,711
Expenses:		
Research and development	–	344,998
Sales and marketing	–	348,424
General and administrative	–	1,168,402
	–	1,861,824
Operating loss before under noted items	–	(1,737,113)
Foreign exchange loss	–	141,325
	–	141,325
Result from operating loss	–	(1,878,438)
Gain on sale of assets (Note 10)	–	4,409,311
Comprehensive gain (loss) from discontinued operations	$ –	$ 2,530,873

(Expressed in U.S. dollars)

9. Discontinued operations (continued):

Cash flows from discontinued operations:

	2014	2013
Cash flows from (used in) operating activities:		
Comprehensive gain (loss) from discontinued operations	$ –	$ 2,530,873
Items not involving cash:		
Gain on sale of assets	–	(4,409,311)
	–	(1,878,438)
Change in non-cash operating working capital:		
Accounts receivable	–	107,100
Inventories	–	(1,096,883)
Prepaid expenses and deposits	–	(65,045)
Collateralized borrowing	–	137,076
Provisions	–	(4,691)
Other	–	(14,210)
	–	(2,815,091)
Cash flows used in financing activities:		
Payment of uncollectible collateralized borrowing (note 10)	(162,388)	(299,464)
	$ (162,388)	$ (3,114,555)

10. 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:

Property, plant and equipment	$ 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
Proceeds	$ 14,960,000
Costs	(1,149,264)
Net proceeds	$ 13,810,736
Gain on sale of assets	$ 4,409,311

(Expressed in U.S. dollars)

10. Sale of precision business unit (continued):

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. On July 31, 2013, the Company was obligated to pay for an uncollectible receivable, in accordance with the purchase agreement, in the amount of $299,464. As of December 31, 2013, the Company had remaining accounts receivables subject to full recourse in the amount of $162,388 which was paid in full in 2014, in accordance with the terms of the agreement.

11. Property, plant and equipment:

Cost

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2013	2,684,186	1,297,384	1,822,594	1,075,314	6,879,478
Additions (reimbursements)	(7,323)	69,989	82,703	133,064	278,433
Disposals	–	(61,941)	(240,746)	–	(302,687)
Balance at December 31, 2014	$ 2,676,863	$ 1,305,432	$ 1,664,551	$ 1,208,378	$ 6,855,224

Accumulated depreciation

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2013	1,009,199	896,564	1,155,960	651,273	3,712,996
Depreciation	160,808	115,613	147,353	156,123	579,897
Disposals	–	(56,822)	(188,899)	–	(245,721)
Balance at December 31, 2014	$ 1,170,007	$ 955,355	$ 1,114,414	$ 807,396	$ 4,047,172

Carrying amount

	Leasehold improvements	Computer Equip. and software	Office and production equip.	Licenses and other assets	Total
Balance at December 31, 2013	$ 1,674,987	$ 400,820	$ 666,634	$ 424,041	$ 3,166,482
Balance at December 31, 2014	$ 1,506,856	$ 350,077	$ 550,137	$ 400,982	$ 2,808,052

During 2014, the Company disposed of vehicles and computer equipment no longer required for the ongoing operations of the business for a gain of $8,175 noted in the statement of comprehensive income and loss.

(Expressed in U.S. dollars)

12. Intangible assets:

Cost

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2013	$ 2,144,370	$ 571,000	$ 8,119,827	$ 10,835,197
Internally developed	–	–	2,646,833	2,646,833
R&D expense reimbursement	–	–	(1,332,200)	(1,332,200)
Balance at December 31, 2014	$ 2,144,370	$ 571,000	$ 9,434,460	$ 12,149,830

Accumulated amortization

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2013	$ 946,699	$ 219,326	$ 2,179,927	$ 3,345,952
Amortization	99,409	111,288	821,117	1,031,814
Balance at December 31, 2014	$ 1,046,108	$ 330,614	$ 3,001,044	$ 4,377,766

Carrying amount

	Trademarks and brands	Customer relationships	Technology	Total
Balance at December 31, 2013	$ 1,197,671	$ 351,674	$ 5,939,900	$ 7,489,245
Balance at December 31, 2014	$ 1,098,262	$ 240,386	$ 6,433,416	$ 7,772,064

Amortization of $816,112 and $215,702 is included within the Research and development and Sales and marketing line items, respectively, within the Consolidated Statements of Comprehensive Income and Loss.

13. Business combination:

On January 31, 2012, the Company acquired 100% of the assets and operations of AgJunction, a division of a U.S company GVM Inc., which provides a cloud-based data management software platform and wireless hardware to precision agriculture retailers and growers. The acquisition of AgJunction brings strategic customer relationships with agriculture retailers and offers a range of integration opportunities for precision agriculture solutions.

The arrangement between the parties also provided for the payment of contingent consideration based on AgJunction meeting certain revenue growth targets for the 24 months after the purchase. The original arrangement stipulated that the Company pay a maximum additional consideration of $500,000 and issue 2,723,705 common shares for each of the two next 12 month measurement periods after the purchase, if certain revenue targets are achieved by AgJunction at the end of each of those 12 month measurement periods. The amount of $2,502,000 (cash of $488,000 and equity of $2,014,000) represented the estimated fair value of the contingent consideration as of the acquisition date.

(Expressed in U.S. dollars)

13. Business combination (continued):

During 2013, the arrangement between the parties was further amended to provide fixed cash and equity considerations for the second 12 month measurement period after the purchase, in lieu of the contingent consideration based on revenue growth targets and expenditure levels.

As part of this amendment, the Company agreed to a fixed total of remaining consideration of $1,800,000, of which $400,000 was paid in cash on February 15, 2014, with the remainder settled by the issuance of 2,178,964 common shares.

14. Warranty provision:

		Total
Balance at December 31, 2013	$	796,318
Provisions made during the year		685,891
Provisions used or adjusted during the year		(1,179,222)
Balance at December 31, 2014	$	302,987

The provision for warranties relates mainly to products sold during the years ended December 31, 2012, 2013 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. During 2014, the Company noted warranty claims were below management's expectations resulting in a decrease in the provision of $642,718.

15. Finance lease:

The Company has certain equipment under capital lease expiring through 2016. Estimated lease payments are as follows:

		2014		2013
2014	$	–	$	19,978
2015		13,918		17,453
2016		1,160		1,160
Minimum lease payments		15,078		38,591
Less: interest portion		–		509
Net minimum lease payments		15,078		38,082
Less: current portion		13,918		19,978
Long term portion	$	1,160	$	18,104

15. Finance lease (continued):

Principal and interest charges on leased equipment during the year was approximately $19,978 included in "general and administrative" line item of the consolidated statement of comprehensive income.

16. 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 72,322,063 common shares at $122,467,464.

(c) In January 2013, the Company issued 2,723,705 common shares to settle the consideration of the AgJunction acquisition related to the first 12 month measurement period (see note 13).

(d) In February 2014, the Company issued 2,178,964, common shares to settle the consideration of the AgJunction acquisition related to the second 12 month measure period (see note 13).

(e) 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. In aggregate, the Company's shareholders have approved the issuance of total stock options with a rolling maximum limit equal to 10% of outstanding common shares. Stock options granted vest over a period of two to four years and expire at various dates through to 2017.

During the year, the Company recorded $180,882 (2013 – $149,803) as stock based compensation expense. During the year, 337,471 options were exercised at an average share price at the dates of exercise of $0.81.

(Expressed in U.S. dollars)

16. Share capital (continued):

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

(Share price in CAD)	December 31, 2014			December 31, 2013		
	Number options		Weighted average exercise price	Number options		Weighted average exercise price
Total options outstanding, beginning of period	3,522,435	$	1.03	5,010,750	$	1.09
Granted	–		–	902,441		0.97
Exercised	(337,471)		0.81	(677,708)		0.79
Expired	(1,240,061)		1.42	(1,713,048)		1.31
Stock options outstanding, end of period	1,944,903	$	0.82	3,522,435	$	1.03
Exercisable at year end	1,005,463	$	0.79	1,747,771	$	1.24

(Share price in CAD)	Options outstanding				Options exercisable		
Range of exercise prices outstanding	Number outstanding at December 31, 2014	Weighted average remaining contractual life (months)		Weighted average exercise price	Number exercisable at December 31, 2014		Weighted average exercise price
$0.62 – 1.00	1,423,707	30	$	0.72	875,163	$	0.74
1.01 – 1.12	521,196	48		1.12	130,300		1.12
$0.62 – 1.12	1,944,903	35	$	0.82	1,005,463	$	0.79

(g) The grant date fair value of stock options granted is estimated by using the Black-Scholes option pricing model with the following weighted average assumptions for the 2013 grants (there were no grants in 2014): zero dividend yield; weighted average volatility of 61%; risk free rate of 1.99%; pre-vest forfeiture rate of 12.4% and expected lives of 3.6 years.

(Expressed in U.S. dollars)

17. Operating leases:

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

	December 31, 2014	December 31, 2013
Within 1 year	$ 513,861	$ 686,288
1 to 5 years	671,514	1,129,226
Total	$ 1,185,375	$ 1,815,514

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 $795,570 (2013 – $1,058,689).

18. Expenses by nature from continuing operations:

Operating results include the following items:

	2014	2013
Salaries and employee benefits	$ 11,511,149	$ 14,868,562
Defined contribution expenses	285,455	264,828
Share based payment expenses	180,882	149,803
Amortization and depreciation expense	1,611,711	1,672,622
Inventories recognized as expense	20,657,742	25,126,230
Restructuring costs	–	247,596
	$ 34,246,939	$ 42,329,641

19. Earnings per share:

The calculation of basic and diluted (loss) income per share from continued operations was based on the loss attributable to ordinary shareholders of $16,656,648 (2013 – income of $2,645,213). The calculation of basic and diluted loss per share from discontinued operations was based on the income attributable to ordinary shareholders of $0 (2013 – income of $2,530,873).

19. Earnings per share (continued):

At year end, weighted-average number of ordinary shares outstanding was as follows:

	2014	2013
Opening balance January 1	69,805,628	66,404,215
Effect of stock options exercised	282,437	218,170
Issue of common shares	1,904,355	2,126,729
Ending balance December 31	71,992,420	68,749,114

At December 31, 2014, the conversion of 1,199,898 stock options (2013 – 1,916,302) resulted in additional common shares of 251,065 (2013 – 605,816) that are included in the calculations of diluted earnings per share. At December 31, 2014, 745,005 stock options (2013 – 1,606,133) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

20. Entity-wide disclosure:

Sales by business unit (in thousands):

	2014	2013
Outback	$ 10,962	$ 20,093
OEM	23,293	27,307
Air	8,171	8,014
Agronomy Services	2,384	2,806
	$ 44,810	$ 58,220

Sales by geographic region (in thousands):

	2014	2013
United States	$ 18,569	$ 25,332
Canada	6,151	8,933
Europe	15,044	14,734
Australia	917	1,318
Other	4,129	7,903
	$ 44,810	$ 58,220

In 2014, the Company noted one customer approximates 28% or $12,652,000 of total revenue included in the OEM and Europe segment information above.

20. Entity-wide disclosure (continued):

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

	2014	2013
United States	$ 13,391	$ 24,432
Canada	70	68
Europe	–	–
Australia	1,866	7,386
Other	–	–
	$ 15,327	$ 31,886

21. 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% (2013 – 25%) to earnings before income tax as follows:

	2014	2013
Expected income tax (recovery)	$(4,321,162)	$1,318,974
Increase (decrease) resulting from:		
Change in unrecognized deferred tax assets	4,815,168	(607,421)
Nondeductible expenses	780,769	34,292
Tax impact of changes in exchange rates	506,067	184,893
Effective tax rates differences by jurisdictions	(1,780,842)	386,393
Impact of review and update of prior years' tax filings	(37,350)	(1,317,131)
Alternative minimum tax	–	99,811
Income tax expense	$ (37,350)	$ 99,811

(Expressed in U.S. dollars)

21. Income taxes (continued):

Unrecognized deferred tax assets and liabilities:

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

	Asset (Liability)			
December 31, 2014	Canada	United States	Australia	Total
Net operating losses	$ 2,330,643	$ 8,047,501	$ 2,143,725	$12,521,869
Research and development tax pools	2,512,405	4,803,021	–	7,315,426
Property and equipment	29,457	227,311	14,825	271,593
Share issue costs	42,181	–	–	42,181
Goodwill	–	2,855,788	–	2,855,788
Intangibles	(20,599)	1,648,364	–	1,627,765
Reserves	122,324	1,198,943	112,025	1,433,292
Deferred revenue	–	95,075	–	95,075
Inventory	–	759,484	–	759,484
Charitable contributions	113	854	–	967
Section 481 adjustments	–	(786,915)	–	(786,915)
AMT credits	–	304,822	–	304,822
Stock option expense	84,021	16,333	–	100,354
	$ 5,100,545	$19,170,581	$ 2,270,575	$26,541,701

The net operating loss carry-forwards reflected in the unrecognized deferred tax assets will expire as follows:

	Net operating losses
United States:	
2023	$ 346,000
2024	–
2025 and beyond	22,107,000
	$ 22,453,000
Canada:	
2028 and beyond	$ 9,323,000
Australia:	
No expiry date	$ 7,146,000

22. Restructuring costs:

In 2012, the Company announced a restructuring plan that included the appointment of a new CEO, changes to the corporate strategy by exiting the non-agriculture-related business, relocation of the Calgary headquarters to Hiawatha, Kansas, outsource manufacturing and the appointment of advisors to assist in implementing the associated changes. In connection with these changes, the Company recorded restructuring costs of $6,154,025 which $1,369,025 had been paid through December 31, 2012.

The amounts reflected in 2013 of $247,596 were expenses which exceeded the initial accrual estimate and are reflected in a separate line item on the statement of comprehensive income and loss.

23. 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, 2014, the Company does not carry material liabilities that are exposed to variable interest rates.

(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.

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

The Company manages its liquidity risks by carrying a target level of cash on its balance sheet, 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
Trade payables	$ 2,795,216	$ –	$ –
Finance lease (note 15)	13,918	1,160	–
Operating leases (note 17)	513,861	671,514	–
	$ 3,322,995	$ 672,674	$ –

(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 and Australian dollars. At year end, working capital denominated in Canadian dollars was $1,017,465. A 1% change in Canadian to US dollar exchange rate will impact net income by approximately $10,175. At year end, working capital denominated in Australian dollars was not material.

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

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.

23. 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 comprehensive income and loss. There were no foreign exchange contracts outstanding at December 31, 2014.

(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.

The Company previously classified contingent considerations under “Level 3” in the fair value hierarchy. As discussed in note 13, during the 2nd quarter of 2013, 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 year-end, carrying values of financial assets and liabilities approximates fair value.

24. 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.

(Expressed in U.S. dollars)

24. Capital management (continued):

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, 2014, 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. As of year-end, the Company's debt consisted of capital leases in the amount of $15,078.

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.

25. 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 2014 and 2013.

Key management personnel compensation:

	2014	2013
Salaries and benefits	$ 1,650,241	$ 1,551,455
Stock options benefits	–	72,223
	$ 1,650,241	$ 1,623,678

The Board of Directors and Executive Officers participate in the Company's stock option program (note 16) of which no options were granted during the year. Stock options outstanding for Key management personnel as of December 31, 2014 totaled 1,542,307 (2013 – 1,659,494). Furthermore, key management personal are entitled to participate in the Company's share purchase program.

During the year ended December 31, 2014, key management personnel purchased 93,679 (2013 – 34,284) shares through the share purchase program. The ESP or share purchase program was terminated as of December 31, 2014 for all employees including key management personnel.

Key management personnel transactions:

As of December 31, 2014, key management personnel and their related parties control 22.01% (2013 – 19.67%) 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.

25. Related party transactions (continued):

In February 2014, AgJunction engaged one of these companies considered to be a related party to provide research and training to the Company's employees related to developing technology. 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 transactions with non-key management personnel related to the companies on an arm's length basis. The transaction value related to these services approximates $30,000. In 2013, the Company did not engage or transact business with any companies in which key management personnel have control or significant influence.

26. Goodwill impairment testing:

Prior to the annual test for impairment, the Company carried goodwill of $21,230,519 at December 31, 2014 and 2013. For the purpose of impairment testing, goodwill is allocated to the Company's agriculture cash generating unit (CGU). The company has one CGU after the sale of the precision business discussed in note 10.

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 December 31, 2014 and concluded goodwill was impaired in the amount of $15,856,000. Accumulated goodwill impairment losses since company inception total $36,856,000, including the 2014 impairment.

The Company determines the recoverable amount as the greater of net fair value less cost to sell and value in use. The impairment loss was measured as the difference between the carrying amount of the goodwill and its recoverable amount. The company determined, at December 31, 2014, that the value in use was greater than the fair value less cost to sell.

The value in use of the CGU as of December 31, 2014 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 judgments and assumptions. 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.

The discounted cash flows were projected for a period of six years and assumed revenue growth of approximately 5% per year for the first five years, declining to an annual revenue growth estimate of 3.2% in the sixth year, with a terminal value at the end of the projection period developed based on the annual revenue growth rate of 3.2%. Management has used a post-tax

(Expressed in U.S. dollars)

26. Goodwill impairment testing (continued):

discount rate of 16.5%, which is an estimate of the weighted average cost of capital of the Company.

Historically the fair value less cost to sell of the Company has been higher than the value in use and was determined to be the recoverable amount. During the fourth quarter of 2014, the continued softening in the overall industry and a larger decline in the Company's fair value less cost to sell, in particular in comparison to peer trends and data resulted in the value in use of the Company being greater than the fair value less costs to sell at December 31, 2014.

The Company determined the recoverable amount of its Agriculture CGU at December 31, 2013, based on the fair value less cost to sell, which takes into consideration the market price of the Company's common shares and, therefore, market capitalization. As of December 31, 2013, the closing price of the Company's common shares was CDN$1.14 per share, or US$1.07 per share, the total market value of the Company's common shares was US$74,692,022 as of December 31, 2013, which was substantially above the carrying amount of the Company's total equity as of December 31, 2013.

Opening balance, January 1, 2014	$ 21,230,519
Impairment	(15,856,000)
Ending balance, December 31, 2014	$ 5,374,519

27. Subsequent events:

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.

Novariant provides advanced steering solutions for precision agriculture and is based in Silicon Valley.

The transaction is subject to a number of conditions, including receipt of a permit from the California Commissioner of Corporations following a hearing held to consider the terms of the transaction, approval of the shareholders of Novariant, approval of the shareholders of AgJunction, and receipt of customary regulatory approvals, including the approval of the Toronto Stock Exchange.

Under the terms of the definitive agreement, which has been unanimously approved by the boards of directors of both companies, upon closing of the transaction, Novariant shareholders will own 40% of the Company's fully-diluted shares.