AgJunction®

Management's Discussion and Analysis

Year ended December 31, 2016

The following discussion and analysis is effective as of March 23, 2017 and should be read together with our audited annual consolidated financial statements and accompanying notes. Additional information related to AgJunction Inc., including the Company's Annual Information Form, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com. All amounts stated in this Management Discussion and Analysis ("MD&A") are in US dollars unless otherwise stated.

Overview

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

AgJunction is a public company listed on the Toronto Stock Exchange that provides innovative hardware and software applications for precision agriculture worldwide.

Foreign Private Issuer Status

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

Economic and Market Trends

Agriculture Markets

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

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

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

Management views the 2017 fundamentals of its global agriculture markets to be neutral to slightly down with expectations of new machine sales to remain slightly down and existing field equipment sales to be slightly up. Sales are expected to lag slightly behind the agriculture cycle and related upturn due to the Company's customer base and mix of machine manufacturers. The outlook for 2018 and beyond is positive, driven by the following key factors: population growth, limited arable land, the need for increased output, and a relatively low global penetration of precision agriculture technologies such as Global Navigation Satellite Systems (GNSS) and autosteering.

Currency Markets

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

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

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

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

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

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

Results of Operations

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

Selected Statement of Financial Position Information

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

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

Revenues

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

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

Sales by geographic region

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

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

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

Gross Margins

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

Expenses

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

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

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

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

Goodwill Impairment

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

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

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

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

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

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

Intangible Impairment

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

Foreign Currency Risk Management

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

Interest and Foreign Exchange

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

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

Income taxes

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

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

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

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

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

Loss on sale of property, plant and equipment

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

Gain on sale of other assets, net of liabilities

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

Income (Loss)

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

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

Summary of Quarterly Results

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

Sales by region on a quarterly basis are as follows:

For the Quarter Ended

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

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

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

2. The adoption of advanced technology as it relates to precision farming is transitioning from historically being an aftermarket business to an original equipment manufacturer (OEM) business. The OEM environment remains uncertain with variations of adoption from the regions.

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

Quarter Ended December 31, 2016 versus Quarter Ended December 31, 2015

Revenues

Revenues during the fourth quarter were as follows:

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

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

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

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

Gross Margins

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

Expenses

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

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

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

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

Interest and Foreign Exchange

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

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

Loss on Sale of Property, Plant and Equipment

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

Income Taxes

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

Loss on sale of property, plant and equipment

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

Earnings (Loss)

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

Liquidity and Capital Resources

Working Capital

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

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

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

The primary items impacting cash during the year were:

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

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

Foreign Currency Risk Management Program

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

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

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

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

Property and Equipment

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

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

Intangible Assets

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

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

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

Goodwill

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

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

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

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

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

Borrowings and Credit Facilities

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

Share Capital

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

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

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

Contractual Obligations

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

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

Subsequent Events

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

Critical Accounting Policies and Estimates

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The preparation of these financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates are based on Management's historical experience and various other assumptions that are believed by Management to be reasonable under the circumstances. Such assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements:

1. The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay balances owing to the Company. This allowance is determined based on a review of specific customers, historical experience and economic circumstances.
2. Inventories are carried at the lower of cost and net realizable value. Provisions for excess or obsolete inventory are recorded based on Management's assessment of the estimated net realizable value of component, work in process, and finished goods inventory.
3. The Company performs the required test for goodwill impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In performing the required test, Management determines the recoverable amount, which is the greater of the fair value less cost to sell and value in use. An impairment loss would be measured as the difference between the carrying amount of the goodwill and its recoverable amount. Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one cash generating unit, relevant multiples, and peer transactions. Value in use is determined using a detailed discounted cash flow analysis using management's estimates.
4. The Company evaluates its deferred tax assets and recognizes deferred tax assets to the extent there is available taxable income. At December 31, 2016, the Company did not recognize any deferred tax assets on the Consolidated Statement of Financial Position.
5. The Company accrues reserves for product warranty expenses as it relates to the repair or replacement of defective products sold in the current period. The warranty reserve is based on historical information of warranty claims compared to sales. Any expenses directly relating to warranty claims are expected to offset the provision in period.

Business and Market Risks

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

1. *Financial Results*

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

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

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

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

2. *Foreign Currency Valuation Fluctuations*

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

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

3. *General Economic and Financial Market Conditions*

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

4. *Dependence on Key Personnel and Consultants*

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

5. *Competition*

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

6. *Third Party Dependence*

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

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

7. *Dependence on New Products*

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

8. *Intellectual Property*

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

9. *Government Regulation*

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

10. *Availability of Key Suppliers*

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

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

11. *Credit Risk*

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

12. *Technology Risk*

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

13. *Future Acquisitions*

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

14. *Proprietary Protection*

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

15. *Conflicts of Interest*

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

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

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

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

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

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

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

Disclosure Controls and Procedures

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

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

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

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing disclosure controls and internal controls over financial reporting as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company is currently under the Internal Control - Integrated Framework: 2013 released by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, Management have conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2016 for all locations consolidated in the financial statements.

Forward-Looking Information

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

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

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

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

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

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

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