AgJunction®

Interim Management's Discussion and Analysis

Three month period ended March 31, 2016

The following discussion and analysis is effective as of May 11, 2016 and should be read together with our unaudited consolidated interim financial statements and accompanying notes for the three month period ended March 31, 2016. Additional information related to AgJunction Inc., including the Company's Annual Information Form, can be obtained from documents filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") on the internet at www.sedar.com. All amounts stated in this Management Discussion and Analysis ("MD&A") are in US dollars unless otherwise stated.

Overview

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

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

Economic and Market Trends

Agriculture Markets

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

In February 2016, the US Department of Agriculture ("USDA") reported both net cash and net farm income are forecast to decline for the third consecutive year. Net cash farm income is forecast to fall by 2.5 percent in 2016, while net farm income is forecast to decline by 3 percent.

Per the USDA, cash receipts are expected to fall $9.6 billion or 2.5 percent, led by a $7.9 billion, or 4.3 percent, drop in animal/animal product cash receipts during 2016. Cash receipts related to vegetables, melons, and feed crops are also expected to decline during 2016. Net farm income is forecast to be $54.7 billion in 2016, down 2.5 percent from the 2015 forecast level. The 2016 forecast for net farm income would be the lowest since 2006 and a drop 56 percent from the record high of $123.3 billion in 2013.

Management continues to view the 2016 fundamentals of its global agriculture markets to be neutral to slightly down and positive in 2017 and beyond, driven by the following key factors: population growth, limited arable land, the need for increased output, and a relatively low global penetration of precision agriculture technologies such as Global Navigation Satellite System (GNSS) and autosteering.

Currency Markets

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

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

The average foreign exchange rate for first quarter of 2016 was $1.3732 Cdn/US, up 11% from $1.2405, the average first quarter of 2015 rate.

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

	Quarter Ended							
	Jun 30 2014	Sep 30 2014	Dec 31 2014	Mar 31 2015	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016
Quarterly average	$1.0905	$1.0890	$1.1356	$ 1.2405	$1.2294	$1.3094	$ 1.3346	$ 1.3732
Quarter end	$1.0670	$1.1208	$1.1601	$ 1.2683	$1.2474	$1.3394	$ 1.3840	$ 1.2971

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

Summary of Quarterly Results

(000's)	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016
Sales	$10,298	$9,618	$9,964	$12,096	$7,741	$7,567	$11,644	$15,489
Gross margin	5,492	3,928	4,037	5,524	3,245	3,297	2,763	6,674
	53%	41%	41%	46%	42%	44%	24%	43%
Expenses:								
Research and development	1,643	1,860	1,636	1,512	896	1,424	2,896	1,949
Sales and marketing	1,545	1,529	1,419	1,531	1,235	945	1,693	1,918
General and administrative	2,773	1,456	1,631	1,854	1,689	1,727	3,163	2,540
	5,961	4,845	4,686	4,897	3,820	4,096	7,752	6,407
Operating income (loss)	(469)	(917)	(649)	627	(575)	(799)	(4,989)	267
Goodwill impairment	-	-	15,856	-	-	-	-	-
Intangible impairment	-	-	-	-	-	-	4,714	-
Foreign exchange (gain) loss	85	46	12	104	2	16	81	23
Interest and other (income) loss	-	(37)	(1)	(1)	(1)	(23)	1	-
(Gain) loss on sale of property, plant and equipment	(9)	(10)	-	-	39	(2)	96	1
(Gain) on sale of other assets, net of liabilities	-	-	-	-	(1,623)	-	-	-
	76	(1)	15,867	103	(1,583)	(9)	4,892	24
Net income (loss) before income taxes	(545)	(916)	(16,516)	524	1,008	(790)	(9,881)	243
Income taxes	42	(100)	-	-	-	-	-	-
Net income (loss)	(587)	(816)	(16,516)	524	1,008	(790)	(9,881)	243
Earnings (loss) per common share:								
Basic and diluted	($0.01)	($0.01)	($0.23)	$0.01	$0.01	($0.01)	($0.09)	$0.00
Weighted Average Diluted Shares	72,161	72,251	72,243	72,322	72,331	72,322	122,829	124,001

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

For the Quarter Ended

(000's)	30-Jun 2014	30-Sep 2014	31-Dec 2014	31-Mar 2015	30-Jun 2015	30-Sep 2015	31-Dec 2015	31-Mar 2016
Americas	$7,746	$6,616	$4,648	$5,005	$3,992	$1,452	$5,399	$7,456
APAC	317	1,045	599	1,910	364	1,092	908	3,013
EMEA	2,235	1,957	4,717	5,181	3,385	5,023	5,430	5,020
	$10,298	$9,618	$9,964	$12,096	$7,741	$7,567	$11,737	$15,489

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.

Quarter Ended March 31, 2016 versus Quarter Ended March 31, 2015

Revenues

For the quarter ended March 31, 2016, revenues were $15.5 million representing an increase of 28% from $12.1 million in the same period of 2015.

(000's)	**2016**	**2015**	**Change**
Agriculture	$ 15,489	$ 12,096	28%

Sales by geographic region

(000's)	**2016**	**2015**	**Change**
Americas	$ 7,456	$ 5,005	49%
APAC	3,013	1,910	58%
EMEA	5,020	5,181	(3%)
	$ 15,489	$ 12,096	28%

In the first quarter of 2016, revenue in the Americas increased by $2.5 million or 49%, due largely to $3.7 million in additional sales resulting from the fourth quarter of 2015 acquisition of Novariant Inc., offset by $0.7 million in Agronomy Services revenue which was present in the first quarter of 2015 and further offset by $0.5 million relating to a general decline in the agriculture market. Sales in APAC increased $1.1 million or 58%, of which

$0.7 relates to the acquisition of Novariant and the remainder relates to strengthened OEM relationships. Sales in EMEA saw a slight decrease of 3%.

Sales to customers in the Americas represented 48% of total revenues in the first quarter of 2016 (2015 - $41%). Sales in APAC represented 19% of total revenues in 2016 (2015 – 16%). EMEA sales represent 33% of 2016 total revenues (2015 – 43%).

Gross Margins

Gross margins were $6.7 million for the quarter, up by $1.2 million from gross margins of $5.5 million in 2015. Gross margins, as a percentage of revenue, were 43% in 2016 compared to 46% in 2015. The majority of the decline in gross margin, as a percentage of revenue, relates to the release of $0.3 million in fair value step up on Novariant inventory, acquired in the fourth quarter of 2015. No additional step up remains after this release.

Expenses

Total operating expenses for the quarter were $6.4 million in 2016, up by 31% or $1.5 million from $4.9 million in 2015. A break out of expenses by line item follows.

Sales and marketing expenses for the period were $1.9 million in 2016, up by 27% or $0.4 million from $1.5 million in 2015, due largely to the acquisition of Novariant in the fourth quarter of 2015. Novariant expenses amounted to approximately $0.5 million for the three months ended March 31, 2016.

Research and development expenditures of $1.9 million increased from $1.5 million in 2015 representing an increase of $0.4 million or 27%. Of this increase, approximately $0.3 million relates to amortization of the $11.7 million technology related intangible purchased in the acquisition of Novariant in the fourth quarter of 2015. The remaining $0.1 million relates to an increase in compensation costs also associated with the acquisition of Novariant.

General and administrative expenses for first quarter of 2016 were $2.5 million compared to $1.9 million in 2015 representing an increase of $0.6 million or 32% due largely to the acquisition of Novariant in the fourth quarter of 2015. Novariant expenses amounted to $0.6 million for the three months ended March 31, 2016.

Interest and Foreign Exchange

For the first quarter of 2016, the company recorded $173 of interest and other income compared to $1 thousand in the comparative quarter.

During the quarter, the Company realized a foreign exchange loss of $23 thousand compared to a loss of $104 thousand during the same quarter in 2015.

Income Taxes

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

Net Income (Loss)

In the first quarter of 2016, the Company realized net income from continuing operations of $0.2 million or $0.00 per share (basic and diluted), compared to net income from continuing operations of $0.5 million or $0.01 per share (basic and diluted) in the first quarter of 2015.

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

Revenues

Revenues during the fourth quarter were as follows:

(000's)	Q1 2016	Q4 2015	Change
Agriculture	$ 15,489	$ 11,644	33%

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

(000's)	Q1 2016	Q4 2015	Change
Americas	$ 7,456	$ 5,311	40%
APAC	3,013	908	232%
EMEA	5,020	5,425	(7)%
	$15,489	$11,644	33%

American revenues for the quarter were up 40% from the fourth quarter of 2015 due to North American agriculture markets' seasonality whereby agricultural buying largely occurs in the first half of the year. The increase in APAC revenues of $2.1 million or 232% from the previous period is due to strong OEM sales into China. Sales in the EMEA showed minimal decrease of $0.4 million or 7%.

Gross Margins

Gross margins in the first quarter of 2016 were $6.7 million (43%) compared to $2.8 million (24%) in the fourth quarter of 2015. The low gross margin in the fourth quarter of 2015 relates to increased inventory write-downs of $1.0 million, $0.6 million in released fair value step ups on Novariant inventory, acquired in the fourth quarter of 2015, $0.3 million in increased warranty expenses and $0.2 million in miscellaneous one-time expenses associated with the fourth quarter acquisition of Novariant.

Expenses

Operating expenses were $6.4 million in the first quarter of 2016, down $1.4 million or 18% from $7.8 million in the fourth quarter of 2015. A break out of expenses by line item follows.

Sales and marketing expenses of $1.9 million increased by $0.2 million (12%) from $1.7 million in the fourth quarter of 2015. Of this increase, approximately $0.1 million relates to 2016 sales promotions while the remainder relates to increased expense around magazine advertising, commissions, and travel expense.

Research and development expenses were $2.0 million for the period, representing a decrease of $0.9 million or 31% from the previous quarter. Of this decrease, approximately $0.5 million relates to amortization of impaired intangibles which were written down to zero at the end of 2015, $0.2 million relates to a decreases in compensation costs, and $0.1 million relates to the one-time restructuring expense recorded in the fourth quarter of 2015.

General and administrative expenses of $2.5 million decreased $0.7 million, or 22%, from $3.2 million in the fourth quarter of 2015. Incurred in the fourth quarter of 2015 were one-time compensation costs associated with the entry of a new CEO and the departure of the former CEO which amounted to approximately $0.6 million. Also included in the fourth quarter of 2015 is $0.1 million of restructuring expense.

Interest and Foreign Exchange

Interest and other income in the first quarter of 2016 was $173 compared to loss of $2 thousand in the fourth quarter of 2015.

The Company reported a foreign exchange loss in the first quarter of 2016 of $23 thousand, compared to a loss of $81 thousand in the previous quarter. Foreign exchange losses arise primarily from the translation and settlement of non-US dollar working capital.

Income Taxes

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

Earnings (Loss)

In the first quarter of 2016, the Company generated net income of $0.2 million or $0.00 per share (basic and diluted), compared to a net loss of $9.9 million or $0.09 per share (basic and diluted) in the fourth quarter of 2015.

Liquidity and Capital Resources

Working Capital

The Company held cash of $14.6 million at March 31, 2016 compared to $13.0 million at December 31, 2015. Working capital was $27.6 million, up from $26.7 million at December 31, 2015. The primary items impacting working capital during the three month period were:

- Accounts receivable at March 31, 2016 was $9.1 million versus $8.2 million at December 31, 2015.
- Inventories consist of components, work in process and finished goods related to the products sold by the Company. Inventory was $10.7 million at March 31, 2016 versus $11.8 million at December 31, 2015.
- Accounts payable and accrued liabilities at march 31, 2016 were $6.4 million versus $6.0 million at December 31, 2015.
- Cash generated from continuing operations was $1.7 million in the three months ended March 31, 2016 compared to cash generated of $0.4 million in the three months ended March 31, 2015.
- Total tangible capital spending in the three months ended March 31, 2016 was $0.1 million (2015 - $43 thousand).

The Company obtained an operating line of credit with its bank for $3 million in February 2014. At March 31, 2016, the full line of credit was available.

Critical Accounting Policies and Estimates

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

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

1. The Company maintains an allowance for doubtful accounts for estimated losses that may occur if customers are unable to pay balances owing to the Company. This allowance is determined based on a review of specific customers, historical experience and economic circumstances.

2. Inventories are carried at the lower of cost and net realizable value. Provisions for excess or obsolete inventory are recorded based on Management's assessment of the estimated net realizable value of component, work in process, and finished goods inventory.
3. The Company performs the required test for goodwill impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In performing the required test, Management determines the recoverable amount, which is the greater of the fair value less cost to sell and value in use. An impairment loss would be measured as the difference between the carrying amount of the goodwill and its recoverable amount. Fair value less cost to sell takes into consideration the market capitalization of the Company as there is only one cash generating unit, relevant multiples, and peer transactions. Value in use is determined using a detailed discounted cash flow analysis using management's estimates.
4. The Company evaluates its deferred tax assets and recognizes deferred tax assets to the extent there is available taxable income. At March 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.

Internal Controls over Financial Reporting

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

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

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

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, Management has conducted an evaluation of the effectiveness of our internal controls over financial reporting as of December 31, 2015. Based on its evaluation, the certifying officers concluded that our internal controls over financial reporting were effective as of that date.

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Forward-Looking Information

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

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

- financial results;

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

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

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

With respect to forward-looking statements contained in this document, we have made assumptions regarding, among other things: future technological developments; availability of key supplies, components, services, networks and developments; future exchange rates; future operating costs; that there are no unforeseen events preventing the performance of contracts; the cost of expanding AgJunction's product lines; the impact of increasing competition; the nature and outcome of legal proceedings; the continuity of existing business relationships; conditions in general economic and financial markets; and our ability to obtain financing on acceptable terms.

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