Farmers Edge Inc.

Consolidated Financial Statements
December 31, 2019, 2018 and 2017

Independent auditor's report

To the Shareholders of Farmers Edge Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Farmers Edge Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018 and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of operations and comprehensive loss for each of the three years in the period ended December 31, 2019;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2019;
- the consolidated statements of changes in shareholders' (deficiency) equity for each of the three years in the period ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(signed) PricewaterhouseCoopers LLP
Chartered Professional Accountants

Winnipeg, Manitoba
February 24, 2021

Farmers Edge Inc.

Consolidated Balance Sheets

As at December 31, 2019 and December 31, 2018

(expressed in Canadian dollars)

	December 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	4,775,094	8,588,643
Accounts receivable (note 6)	18,697,343	11,512,516
Prepaid expenses and other current assets	2,553,847	1,934,181
	26,026,284	22,035,340
Property and equipment (note 8)	31,269,122	27,327,458
Intangible assets (note 9)	19,081,738	13,696,043
Goodwill (note 9)	1,114,961	1,114,961
	51,465,821	42,138,462
Total assets	77,492,105	64,173,802
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	30,566,897	31,261,438
Deferred revenue (note 5)	9,310,201	4,174,803
Deferred government grant (note 7)	—	636,455
Current portion of right-of-use obligation (note 13)	2,533,516	2,676,237
Current portion of long-term debt (note 14)	3,000,000	3,000,000
Current portion of convertible debentures and accrued interest (note 15)	238,548,294	121,504,311
	283,958,908	163,253,244
Right-of-use obligation (note 13)	3,908,332	4,320,518
Long-term debt (note 14)	—	—
	3,908,332	4,320,518
Total liabilities	287,867,240	167,573,762
Shareholders' (deficiency) equity		
Share capital (note 16)	124,757,924	124,422,757
Equity component of debentures (note 15)	24,342,728	13,749,279
Contributed surplus	4,519,109	3,749,868
Accumulated other comprehensive (loss) income	(557,893)	154,947
Deficit	(363,437,003)	(245,476,811)
Total shareholders' (deficiency) equity	(210,375,135)	(103,399,960)
Total liabilities and shareholders' (deficiency) equity	77,492,105	64,173,802

Commitments (note 20), Contingencies (note 24) and Subsequent Events (note 26)

Approved by the Board of Directors

(Signed) R. WILLIAM MCFARLAND
Chair of the Board

(Signed) STEVEN MILLS
Chair of the Audit Committee

The accompanying notes are an integral part of these consolidated financial statements.

Farmers Edge Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2019, 2018 and 2017

(expressed in Canadian dollars)

	2019	2018	2017
Revenues (note 5)	23,802,053	18,140,744	14,368,262
Operating expenses			
Cost of revenue (excluding depreciation, amortization and data and technology infrastructure expenses)	30,858,250	29,656,135	21,363,717
Data and technology infrastructure expenses	29,671,083	28,336,828	16,098,866
Selling and marketing expenses	16,808,620	16,247,161	12,830,293
Product research and development expenses	6,754,704	7,193,491	7,945,217
General and administrative expenses	13,894,685	13,154,545	9,942,490
Operating loss before foreign exchange, depreciation and amortization (note 2)	(74,185,289)	(76,447,416)	(53,812,321)
Foreign exchange (gain) loss	(946,598)	1,749,827	(84,312)
Depreciation of property and equipment (note 8)	8,966,896	8,084,593	6,754,457
Amortization of intangible assets (note 9)	6,276,015	3,510,658	1,611,579
Operating loss	(88,481,602)	(89,792,494)	(62,094,045)
Finance costs (note 11)	32,300,008	17,180,989	1,806,109
Other income	(2,821,418)	(814,527)	(1,616,722)
Loss before income tax expense	(117,960,192)	(106,158,956)	(62,283,432)
Income tax expense (note 12)	—	—	—
Net loss	(117,960,192)	(106,158,956)	(62,283,432)
Other comprehensive (loss) income			
Items that are or may be reclassified to profit or loss			
— Foreign currency translation differences of foreign operations, net of tax (nil)	(712,840)	625,953	(471,006)
Total comprehensive loss	(118,673,032)	(105,533,003)	(62,754,438)
Loss per share — basic and diluted (note 18)	(1.71)	(1.55)	(1.06)

The accompanying notes are an integral part of these consolidated financial statements.

Farmers Edge Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019, 2018 and 2017

(expressed in Canadian dollars)

	2019	2018	2017
Operating activities			
Net loss for the year	(117,960,192)	(106,158,956)	(62,283,432)
Items not affecting cash and cash equivalents:			
Depreciation of property and equipment	8,966,896	8,084,593	6,754,457
Amortization of intangible assets	6,276,015	3,510,658	1,611,579
Amortization of deferred financing costs	21,517	75,224	—
Accretion in convertible debentures	11,908,387	11,608,031	480,460
Accrued interest on convertible debentures	19,207,528	4,430,970	69,136
Accrued interest converted to principal	—	236,106	—
Unrealized foreign exchange (gain) loss	(11,219)	732,628	26,741
Gain on disposal of property and equipment	(162,201)	(55,176)	(41,328)
Stock-based compensation (note 17)	892,044	2,195,358	1,044,790
	(70,861,225)	(75,340,564)	(52,337,597)
Changes in operating assets and liabilities:			
Accounts receivable	(7,184,827)	(2,701,629)	(1,279,257)
Prepaid expenses and other current assets	(619,666)	(219,947)	(526,227)
Accounts payable and accrued liabilities	(694,541)	16,262,881	5,139,044
Deferred revenue	5,135,398	2,663,491	1,374,099
Deferred government grant	(636,455)	1,194,307	148,211
Net cash used in operating activities	(74,861,316)	(58,141,461)	(47,481,727)
Investing activities			
Additions to property and equipment	(11,384,376)	(10,745,471)	(8,630,425)
Additions to intangible assets	(11,661,710)	(12,111,227)	(2,539,662)
Proceeds from disposal of property and equipment	210,409	70,248	116,938
Net cash used in investing activities	(22,835,677)	(22,786,450)	(11,053,149)
Financing activities			
Repayment of right-of-use obligation	(3,105,255)	(3,419,031)	(3,073,916)
(Repayment) issuance of bank indebtedness	—	(2,621,920)	1,170,959
Repayment of long-term debt	—	—	(232,030)
Issuance of convertible debentures and debentures	96,500,000	95,000,000	36,011,210
Issuance of shares, net of issuance costs	212,364	33,733	25,733,088
Net cash provided from financing activities	93,607,109	88,992,782	59,609,311
Effect of foreign exchange rate on cash	276,335	(648,905)	(56,046)
Net (decrease) increase in cash during the year	(3,813,549)	7,415,966	1,018,389
Cash — Beginning of year	8,588,643	1,172,677	154,288
Cash — End of year	4,775,094	8,588,643	1,172,677
Interest paid	1,131,146	693,402	702,635
Income taxes paid	—	—	—

The accompanying notes are an integral part of these consolidated financial statements.

Farmers Edge Inc.

Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

For the years ended December 31, 2019, 2018 and 2017

(expressed in Canadian dollars)

	Common share capital	Preferred share capital	Equity component of debentures	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' (deficiency) equity
Balance as at January 1, 2017	3,406,853	78,748,412	875,728	517,122	—	(77,034,423)	6,513,692
Total comprehensive loss	—	—	—	—	(471,006)	(62,283,432)	(62,754,438)
Exercise of stock options	10,407	—	—	(7,402)	—	—	3,005
Stock-based compensation	—	—	—	1,044,790	—	—	1,044,790
Issuance of common shares	41,347,624	—	—	—	—	—	41,347,624
Conversion of debentures and preferred shares	79,624,140	(78,748,412)	(875,728)	—	—	—	—
Balance as at December 31, 2017	124,389,024	—	—	1,554,510	(471,006)	(139,317,855)	(13,845,327)
Total comprehensive loss	—	—	—	—	625,953	(106,158,956)	(105,533,003)
Exercise of stock options	33,733	—	—	—	—	—	33,733
Stock-based compensation	—	—	—	2,195,358	—	—	2,195,358
Issuance of warrants	—	—	13,749,279	—	—	—	13,749,279
Balance as at December 31, 2018	124,422,757	—	13,749,279	3,749,868	154,947	(245,476,811)	(103,399,960)
Total comprehensive loss	—	—	—	—	(712,840)	(117,960,192)	(118,673,032)
Exercise of stock options	335,167	—	—	(122,803)	—	—	212,364
Stock-based compensation	—	—	—	892,044	—	—	892,044
Issuance of convertible debentures	—	—	10,593,449	—	—	—	10,593,449
Balance as at December 31, 2019	124,757,924	—	24,342,728	4,519,109	(557,893)	(363,437,003)	(210,375,135)

The accompanying notes are an integral part of these consolidated financial statements.

(in Canadian dollars except as otherwise indicated)

1. Corporate information

Farmers Edge Inc. ("the Company") was formed on August 21, 2014 under the Manitoba Corporations Act. The Company's registered offices are located at 242 Hargrave Street, Suite 1700, Winnipeg, Manitoba, Canada. The Company provides advanced digital tools to growers and other key participants in the agricultural value chain. The Company's technology platform integrates remote imagery from satellites with other data sources including equipment and field sensors, on-farm weather stations, and detailed soils data to provide growers with specific decision tools and insights on their fields.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and include the accounts of the Company and all of its subsidiaries as follows:

	Country of Incorporation	Ownership interest (directly and indirectly)
Farmers Edge (US), Inc.	United States	100%
Farmers Edge (US), LLC	United States	100%
DigiAg Risk Management (US), LLC	United States	100%
DigiAg Risk Management Inc.	Canada	100%
7050160 Manitoba Inc.	Canada	100%
Farmers Edge (Brasil) Consultoria Em Atividades Agricolas Ltda.	Brazil	100%
Farmers Edge Australia PTY Ltd.	Australia	100%
Farmers Edge LLC	Russia	100%
Farmers Edge Ukraine LLC	Ukraine	100%

These consolidated financial statements were approved by the Company's Board of Directors on February 24, 2021.

Operating loss before foreign exchange, depreciation and amortization

The Company presents, as an additional IFRS measure, operating loss before foreign exchange, depreciation and amortization in the consolidated statement of operations to assist users in assessing financial performance. The Company's management and the Board use this measure to evaluate consolidated operating results. In addition, this measure is used to make operating decisions as it is an indicator of the performance of the business and how much cash is being used by the Company and assists in determining resource allocation decisions. Operating loss before foreign exchange, depreciation and amortization is referred to as an additional IFRS measure and may not be comparable to similar measures presented by other companies.

3. Significant accounting policies

Significant accounting policies applied consistently to all periods presented in these consolidated financial statements are summarized below.

Principals of consolidation

The consolidated financial statements include the accounts of the Company's subsidiaries, all of which are wholly-owned, and controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which control is obtained until the date that control ceases. The financial statements of all subsidiaries are prepared as of the same reporting date using consistent accounting policies. All intercompany balances and transactions, including any unrealized profits arising from inter-company transactions have been eliminated.

3. Significant accounting policies (Continued)

Revenue

The Company's main source of revenue comes from the sale of Digital Ag and Fertility Solution subscriptions to agricultural growers. In addition, the Company may generate revenue from its commercial agreements with third parties and revenue from the sale of agronomic consulting and services as described below.

Digital Ag Solutions subscription revenue

Digital Ag Solutions comprise a suite of bundled packages sold as a subscription service to growers. A basic Digital Ag Solutions package includes access to the Company's software platform, and depending on the level of subscription service the grower has enrolled in, may include access to satellite imagery, the use of localized weather stations, telematics and other field sensors, as well as initial set-up and maintenance services provided over the term of the contract.

The Company enters into a contract with a grower with the total transaction price over the life of the subscription being determined by the rate per acre for the selected solution multiplied by the total acres enrolled. Revenue from Digital Ag subscription services are recognized over the life of the subscription on a straight-line basis as the grower obtains control of the relevant output from the service.

The Company's contracts with growers can include multiple services or performance obligations. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted for as a separate unit of accounting. In the case of Digital Ag Solutions subscriptions, the Company has determined that the service and performance obligations under the contract do not meet the criteria of a distinct performance obligation, but rather a series of performance obligations that are delivered over the term of the contract. Accordingly, revenue on its Digital Ag Solution service contracts is recognized on a subscription basis, with revenue recognized evenly over the life of the contract.

Sales taxes collected from growers and remitted to government authorities is excluded from revenue.

Fertility Solution subscription revenue

Growers subscribed to a full-service Digital Ag Solution service can elect to include a fertility package as an add-on to their base subscription which provides for certain agronomic services. While bundled with the base subscription contract, these services are considered to be separate performance obligations and accordingly, are accounted for as distinct from the base subscription package.

The transaction price over the life of a contract for a Fertility Solution package is determined based on the rate per acre for the selected fertility service, multiplied by the total acres enrolled for each service.

Revenue from Fertility Solution subscription services are recognized as the services under contract are provided.

Sales taxes collected from growers and remitted to government authorities is excluded from revenue.

Business analytics solutions

Business analytics solutions are built for corporate customers. The Company's initial solutions are focused on the crop insurance industry with the introduction of the Smart Claim product which delivers crop damage reporting technology. Revenue from business analytics solutions are recognized as the services under contract are provided.

Commercial contract revenue

The Company has commercial agreements in place with a number of strategic partners. These strategic partners market and sell Digital Ag Solutions to growers in various geographic markets. In many cases, the agreements provide for guarantees from the strategic partner to deliver a minimum number of contracted acres by certain performance dates. In the event these guarantees are not met, the agreements provide for a variable prescribed payment of cash compensation to the Company related to the amount of shortfall. In the event of such shortfall, the Company may provide price concessions or additional incentives to continue its strategic relationship. Revenue on such commercial contracts is recognized to an extent that the variable consideration is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved and there are no modifications to the original contract which would change the performance obligations originally agreed upon. The Company may receive payments under the terms of these agreements in advance of satisfying their performance obligations in which case the payments are recorded in deferred revenue until the performance obligations are met.

3. Significant accounting policies (Continued)

Other revenue

For sales of other consulting services, revenue is recognized as the services are provided.

Cost of revenue

Cost of revenue includes payroll and related expenses for employees involved in the initial customer setup and ongoing customer service needs. Cost of revenue also includes vehicle and travel, shipping and soil testing costs and other expenses necessary to support the customer service requirements. These expenses are generally expensed as incurred.

Data and technology infrastructure expenses

Data and technology infrastructure expense includes satellite imagery, cloud hosting services, network data for CanPlugs™ and weather stations and software licenses. These expenses are generally expensed as incurred.

Other income

Government grants are recorded in other income. Scientific research and experimental development investment tax credits are recorded as government grant and assistance revenue when there is reasonable assurance that the benefits of the credits will be realized prior to the expiration date.

Commission assets

The Company records commission assets for selling commissions at the inception of a contract that are incremental costs of obtaining the contract, if the Company expects to recover those costs. Commission assets are subsequently amortized on a straight-line basis over the expected life of the customer contract. Incremental selling commissions to obtain a renewal of a contract are capitalized and amortized on a straight-line basis over the renewal period of the contract. For certain contracts where the amortization period of the contract costs would have been one year or less, the Company uses the practical expedient that allows it to recognize the incremental costs of obtaining those contracts as an expense when incurred and not consider the time value of money. These expenses are presented in selling and marketing expenses in the consolidated statement of operations and comprehensive loss.

Deferred revenue

Deferred revenue mainly comprises fees collected or contractually due for services in which the applicable revenue recognition criteria have not been met. Deferred revenue is recognized as revenue as the services are performed, which is generally expected to occur over a period of up to a year.

Cash and cash equivalents

The Company considers all short term highly liquid investments purchased with original maturities at their acquisition date of three months or less to be cash equivalents.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Depreciation is provided over the assets' estimated useful lives on a declining balance basis at the following annual rates:

Buildings	4%
Leasehold improvements	Term of the lease
Equipment	20% - 55%
Furniture	20%
Right-of-use vehicles	30%
Right-of-use facilities	Term of the lease

Property and equipment in progress are not depreciated until the related assets are ready for use.

3. Significant accounting policies (Continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset — this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use;
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at of before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received prior to the commencement date. Any costs related to the removal and restoration of leasehold improvements are assessed under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, which is considered the appropriate useful life of these assets. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability, to the extent necessary.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate if the rate implicit in the lease arrangement is not readily determinable. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments and variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, lease term, or if the Company changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

On the statement of cash flows, lease payments related to short-term leases, low value assets and variable lease payments not included in lease liabilities are classified as cash outflows from operating activities on the cash flow statement whereas the remaining lease payments are classified as cash flows from financing activities.

Intangible assets

Intangible assets, which are considered to have finite lives, are initially recorded at cost and are amortized as follows:

Software	2 - 5 years straight-line
Platform development software	33% declining balance
Patents	10 years straight-line

Costs are reviewed by management while considering forecasts and business plans to assess whether the related costs meet the criteria for capitalization as an internally generated intangible asset, such as; future economic benefits attributable to the asset are probable and the costs can be reliably measured. The amount recognized as an internally generated intangible asset is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria. If the recognition criteria are not met, expenditures

3. Significant accounting policies (Continued)

are charged to expense in the period in which they are incurred. Subsequent to initial recognition, an internally generated intangible asset is reported at cost less accumulated amortization and impairment losses, on the same basis as an acquired intangible asset. The Company does not capitalize research costs.

Impairment of long-lived assets

The Company evaluates its property and equipment and definite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets, known as cash-generating units ("CGUs").

Business combinations

Business combinations are accounted for using the acquisition method of accounting whereby the consideration transferred is measured at fair value at the date of acquisition. This consideration may include cash paid and the fair value at the date of exchange of assets given, liabilities assumed, and equity instruments issued by the Company. The identifiable assets acquired, and liabilities assumed are initially recognized at fair value. Acquisition-related costs are recorded as an expense as incurred.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the consideration of the acquisition over the Company's interest in the net fair value of the identifiable assets of the entity recognized at the date of the acquisition. On an annual basis, or more frequently if there are indicators of impairment, the carrying value of a CGU inclusive of its allocated goodwill is compared to its recoverable amount, with any goodwill impairment measured as the excess of the carrying amount over the recoverable amount. The goodwill CGU's recoverable amount is the higher of the goodwill CGU's fair value less costs of disposal and its value in use.

Management has determined that the Company consists of a single goodwill CGU and as such, goodwill is tested for impairment at the consolidated level.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party.

Subsequent measurement depends on the classification of a financial instrument. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Financial assets

Initial recognition and measurement
The Company's financial assets comprise cash and accounts receivable. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset. Purchases and sales of financial assets are recognized on the settlement date being the date that the Company receives or delivers the asset. Accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for those with maturities greater than 12 months after the reporting period.

Subsequent measurement and impairment
Cash and cash equivalents are carried at fair value with gains and losses recognized in the consolidated statement of loss and comprehensive loss. Accounts receivable are carried at amortized cost using the effective interest rate method.

Impairment of financial assets
The Company assesses at each reporting date whether there is any evidence that its accounts receivable are impaired. The Company uses the simplified approach for measuring impairment for its accounts receivable as these financial assets do not have a significant financing component as defined under IFRS 15 *Revenue from Contracts with Customers*. Therefore, the Company does not determine if the credit risk for these instruments has increased significantly since initial recognition. Instead, a loss allowance is recognized based on

3. Significant accounting policies (Continued)

lifetime expected credit losses ("ECL") at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due. The Company has established a provision matrix that is based on its historical credit loss experiences, adjusted for forward-looking factors specific to the debtors and the economic environment. Impairment losses and subsequent reversals are recognized in profit or loss and are the amounts required to adjust the loss allowance at the reporting date to the amount that is required to be recognized based on the aforementioned policy.

Derecognition
Financial assets are derecognized when the rights to receive cash flows from the asset have expired.

Financial liabilities

Initial recognition and measurement
The Company's financial liabilities comprise bank indebtedness, accounts payable and accrued liabilities, long-term debt and debentures. All financial liabilities are recognized initially at fair value adjusted for transaction costs. The debt and equity components of a convertible debenture are separate financial instruments and the proceeds are bifurcated into a liability and an equity component, with the fair value and transaction costs allocated to each component on the date of issuance. The Company assesses whether embedded derivative financial instruments are required to be separated from host contracts when the Company first becomes a party to the contract.

Subsequent measurements
After initial recognition, bank indebtedness, accounts payable and accrued liabilities, long-term debt and debentures are subsequently measured at amortized cost using the effective interest method. The effective interest method amortization is included in finance costs in the consolidated statement of operations and comprehensive loss. Gains and losses are recognized in the consolidated statement of operations and comprehensive loss when the liabilities are derecognized. Amounts are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Financial liabilities continue to be measured at amortized cost using the effective interest rate method however when a financial liability is modified but not extinguished the modification will be accounted for by discounting the revised cash flows at the original effective interest rate. If the financial liability was determined to be settled or extinguished, then a gain or loss on extinguishment is recognized.

Derecognition
Financial liabilities are derecognized when the obligation is discharged, cancelled, or expires.

Research costs and investment tax credits

Research costs are expensed as incurred. The Company's research costs consist primarily of salaries. Scientific research and experimental development investment tax credits are recorded as other income when there is reasonable assurance that the benefits of the credits will be realized prior to the expiration date.

Stock-based compensation

The Company has a stock option plan for issuance of options to directors and employees of the Company to purchase common shares, subject to certain terms and conditions.

The Company records all stock-based payments, including grants of stock options, at their respective fair values. The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option pricing model. The Company recognizes stock-based compensation expense over the vesting period using the graded vesting approach. The Company also estimates forfeitures at the time of grant and revises its estimate, if necessary, in subsequent periods if actual forfeitures differ from these estimates. Any consideration paid by employees on exercising stock options and the corresponding portion previously credited to additional paid-in capital are credited to share capital. The Black-Scholes option pricing model requires assumptions, including expected option life, volatility, risk-free interest rate and dividend yield, which affect the calculated values.

3. Significant accounting policies (Continued)

Employee contribution matching plan

The Company has a matching contribution plan to its employees under which the company pays fixed contribution based on what the employee contributes to a retirement savings plan. Contributions are expensed in the period in the which the employment services qualifying for the benefits are provided. The expense for the year is $1,803,866 (2018 — $1,560,329).

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The financial statements of entities that have a functional currency different from that of the Company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities — at the closing exchange rate at the date of the statement of financial position, and income and expenses — at the average exchange rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

If the Company disposes of its entire interest in a foreign operation, or, loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation that remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in foreign exchange gain (loss).

Income taxes

The provision or recovery for income taxes comprises current and deferred income tax. Income taxes are recognized in the consolidated statement of operations, except when related to items recognized in other comprehensive income or directly in equity. In those cases, the income taxes are also recognized in other comprehensive income or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generate taxable income.

Deferred income tax is calculated under the liability method whereby deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases at current substantively enacted tax rates. With the exception of initial recognition of deferred income tax arising from business combinations, changes in deferred income tax associated with components of other comprehensive income are recognized in other comprehensive income while all other changes in deferred income tax are included in the provision or recovery for income taxes in the consolidated statement of operations.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and there is a legally enforceable right of offset.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the year.

3. Significant accounting policies (Continued)

Diluted loss per share is calculated by dividing net loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the year, plus the effect of dilutive potential common shares outstanding during the year. This method requires that diluted loss per share be calculated as if all dilutive potential common shares had been exercised at the later of the beginning of the year or on the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase common shares of the Company at the average fair value of the common shares during the year.

Segmented Information

The Company's Chief Operating Decision-Maker (CODM) is the group comprising the Chief Executive Officer, the Chief Financial Officer and the President. The CODM is responsible for assessing the Company's overall performance, making operational decisions such as resource allocations related to operations, service priorities, and delegations of authority. Management has determined that the Company operates in a single operating segment.

4. Significant accounting estimates and assumptions

Use of estimates

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. The Company bases its assumptions on a number of factors including historical experience, current events, actions that the Company may take in the future, and other assumptions it believes are reasonable under the circumstances. Actual results could differ from those estimates under different conditions or assumptions. Key estimates and assumptions are discussed below.

Revenue recognition

Management assessed the criteria for the recognition of revenue related to arrangements that have multiple components as set out in IFRS 15. Also, judgment is necessary to determine when components can be recognized separately and the allocation of the related consideration allocated to each component.

Useful lives of property and equipment and intangible assets

The Company's property and equipment and intangible assets are recorded at cost and depreciated/amortized over their estimated useful lives. The Company determines depreciation/amortization rates based on management's best estimate of each asset's useful life. Management will periodically review the appropriateness of the useful lives based on changes in economic circumstances and other factors. Changes in these estimates would result in a change in future depreciation/amortization expense.

Valuation of debentures

Where warrants or other convertible rights are issued together with debentures, the carrying value of the two financial instruments must equal the proceeds received. The carrying value of the debentures is determined by estimating their fair value using an industry accepted discounted cash flow model that incorporates the Company's credit spread, assuming no warrants or conversion options existed in such instruments. The difference between the fair value of the debentures and the proceeds of the issuance is considered to be the carrying value of the equity component of the debentures.

Valuation of stock options

Compensation expense relating to stock-based awards granted by the Company to directors, consultants, and employees in exchange for services rendered is based on the fair value of the option granted. The stock option's fair value is determined using the Black-Scholes option valuation model which requires the use of assumptions and is, by its nature, subject to measurement uncertainty. Refer to note 17 for additional disclosures related to stock-based compensation.

Assessment of goodwill for impairment

Goodwill is assessed annually for impairment or more frequently if there are indicators of impairment. The Company estimates the recoverable amount of its goodwill CGU using one or more generally accepted valuation techniques, which requires making a number of assumptions, including assumptions about future cash flows, capital expenditures, discount rates, and growth rates. The recoverable

(in Canadian dollars except as otherwise indicated)

4. Significant accounting estimates and assumptions (Continued)

amount of the goodwill CGU is compared to its carrying value, inclusive of assigned goodwill and the excess of carrying value over the recoverable amount is recognized as a goodwill impairment loss in the consolidated statement of operations and comprehensive loss. The goodwill CGU's recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use.

Allowance for doubtful accounts

The Company estimates and recognizes an allowance for doubtful accounts receivable to cover anticipated and unexpected uncollectible amounts that may materialize in future periods. In determining the amount of the allowance, assumptions and estimates are made regarding expected recoverability of accounts receivables based on historical trends and current knowledge of customers.

5. Revenue and Deferred Revenue

The disaggregation of the Company's revenue from contracts with customers was as follows:

	2019	2018	2017
Digital Ag and Fertility solutions subscriptions	19,207,741	16,555,228	13,420,135
Commercial contract revenue	3,225,746	579,380	—
Other (agronomic consulting and service)	930,221	1,006,136	948,127
Business analytics solutions	438,345	—	—
Total revenue	23,802,053	18,140,744	14,368,262

The Company discloses revenue by geographic area in note 22.

Performance obligations

The Company discloses its policies for how it identifies, satisfies, and recognizes its performance obligations associated with its contracts with customers in note 3. The Company generally expects to recognize the deferred revenue within a year.

Deferred revenue

Digital Ag and Fertility solutions subscriptions and Business analytics solutions are initially recorded as deferred revenue and then recognized as revenue as the services are performed.

	2019	2018	2017
Balance, beginning of the year	4,174,803	1,511,312	137,213
Deferral of revenue	24,781,484	19,218,720	14,794,234
Recognition of deferred revenue	(19,646,086)	(16,555,229)	(13,420,135)
Balance, end of year	9,310,201	4,174,803	1,511,312

6. Accounts receivable

	December 31, 2019	December 31, 2018
Trade accounts receivable	17,021,611	8,661,298
Accrued receivable	2,732,925	2,323,264
Other receivable	742,637	2,395,954
Allowance for doubtful accounts (note 21)	(1,799,830)	(1,868,000)
	18,697,343	11,512,516

(in Canadian dollars except as otherwise indicated)

6. Accounts receivable (Continued)

The Company's accrued receivable relates to services rendered during the period that were not invoiced by the end of the Company's fiscal year and amounts receivable for commercial contract revenue.

7. Government grants and assistance

The Company receives funding by way of a grants from Sustainable Development Technology Canada ("SDTC"), Industrial Research Assistance Program ("IRAP") and Scientific Research and Experimental Development tax credits ("SRED") that support future technology initiatives.

	2019	2018
Deferred government grant as at January 1	636,455	486,532
Installments received	1,966,071	1,944,033
Grant offset against capital assets	—	(1,044,384)
Government other income recognized	(2,602,526)	(749,726)
Deferred government grant as at December 31	—	636,455

The deferred government grant related to a grant received from SDTC in 2016 which was subject to various performance requirements which were fully satisfied in 2019. The grant provided funding equal to the lesser of 33% of the eligible project costs or $6,170,563, payable in instalments between 2016 and 2019.

8. Property and equipment

	Buildings	Leasehold improvements	Equipment	Furniture	Right of use vehicles	Right of use facilities	Total
Cost							
As at January 1, 2019	31,636	1,863,318	30,993,922	467,148	9,347,054	6,228,012	48,931,090
Additions	—	16,354	11,351,800	16,222	2,241,074	281,079	13,906,529
Disposals	—	—	—	—	(171,342)	—	(171,342)
As at December 31, 2019	31,636	1,879,672	42,345,722	483,370	11,416,786	6,509,091	62,666,277
Accumulated depreciation							
As at January 1, 2019	4,685	232,849	13,375,534	123,906	6,045,366	1,915,794	21,698,134
Depreciation	1,078	163,676	5,307,801	48,304	2,180,385	1,265,652	8,966,896
Disposals	—	—	—	—	(147,850)	—	(147,850)
As at December 31, 2019	5,763	396,525	18,683,335	172,210	8,077,901	3,181,446	30,517,180
Exchange differences	—	(11,436)	(538,843)	(4,967)	(232,973)	(91,756)	(879,975)
Net book value — December 31, 2019	25,873	1,471,711	23,123,544	306,193	3,105,912	3,235,889	31,269,122

(in Canadian dollars except as otherwise indicated)

8. Property and equipment (Continued)

	Buildings	Leasehold improvements	Equipment	Furniture	Right of use vehicles	Right of use facilities	Total
Cost							
As at January 1, 2018	31,636	472,031	22,804,836	346,434	6,941,563	4,655,964	35,252,464
Additions	—	1,391,287	8,189,086	120,714	2,541,087	1,572,048	13,814,222
Disposals	—	—	—	—	(135,596)	—	(135,596)
As at December 31, 2018	31,636	1,863,318	30,993,922	467,148	9,347,054	6,228,012	48,931,090
Accumulated depreciation							
As at January 1, 2018	3,562	128,778	8,925,737	78,625	3,823,634	773,729	13,734,065
Depreciation	1,123	104,071	4,449,797	45,281	2,342,256	1,142,065	8,084,593
Disposals	—	—	—	—	(120,524)	—	(120,524)
As at December 31, 2018	4,685	232,849	13,375,534	123,906	6,045,366	1,915,794	21,698,134
Exchange differences	—	1,014	58,267	540	26,335	8,346	94,502
Net book value — December 31, 2018	26,951	1,631,483	17,676,655	343,782	3,328,023	4,320,564	27,327,458

9. Intangible assets and goodwill

	Platform development software	Software	Patents	Total
Cost				
As at January 1, 2019	21,439,712	1,139,656	1,075,948	23,655,316
Additions	11,592,742	26,883	42,085	11,661,710
As at December 31, 2019	33,032,454	1,166,539	1,118,033	35,317,026
Accumulated amortization				
As at January 1, 2019	9,108,017	388,639	462,617	9,959,273
Amortization	5,943,009	231,950	101,056	6,276,015
As at December 31, 2019	15,051,026	620,589	563,673	16,235,288
Net book value as at December 31, 2019	17,981,428	545,950	554,360	19,081,738

(in Canadian dollars except as otherwise indicated)

9. Intangible assets and goodwill (Continued)

	Platform development software	Software	Patents	Total
Cost				
As at January 1, 2018	9,691,645	931,978	988,254	11,611,877
Additions	11,815,855	207,678	87,694	12,111,227
Disposals	(67,788)	—	—	(67,788)
As at December 31, 2018	21,439,712	1,139,656	1,075,948	23,655,316
Accumulated amortization				
As at January 1, 2018	5,939,904	176,891	365,689	6,482,484
Amortization	3,201,982	211,748	96,928	3,510,658
Disposals	(33,869)	—	—	(33,869)
As at December 31, 2018	9,108,017	388,639	462,617	9,959,273
Net book value as at December 31, 2018	12,331,695	751,017	613,331	13,696,043

Impairment analysis

Goodwill is entirely attributable to the single operating segment of the Company, as it represents the lowest level at which management internally monitors goodwill. The recoverable amount of the sole cash generating unit ("goodwill CGU") is determined based on the higher of fair value less cost to dispose and value-in-use. The recoverable amount was determined based on management's fair value less cost to dispose assessment by applying market multiples to the Company's trailing twelve month revenue.

The Company performed the annual impairment analysis on its goodwill CGU, which represents the single operating segment of the Company. The recoverable amount of the goodwill CGU was based on fair value less costs to dispose, determined by applying a market multiple of 4.6 to the trailing twelve-month revenue of the Company at December 31, 2019. The market multiple was considered to be a level 3 input within the IFRS 13 fair value hierarchy. The cost of sale was assumed to be 2.5% of the fair value amount.

As a result of the impairment analysis performed during 2019, 2018 and 2017, the Company concluded that no impairment charge was required.

The factors used in the impairment analysis are inherently subject to uncertainty. Management believes that it has made reasonable estimates and assumptions to determine the fair value of the CGU. If actual results are not consistent with these estimates and assumptions, goodwill may be overstated, which could trigger an impairment charge to the consolidated financial statements.

Sensitivity of recoverable amounts

Sensitivity testing is conducted as part of the annual impairment tests. Management believes that any reasonable change in the key assumptions used to determine the recoverable amount would not cause the carrying amount of the CGU to exceed its recoverable amount.

10. Bank indebtedness

The Company has a facility in the amount of $900,000 immediately repayable on demand, for the purpose of supporting its corporate credit card program. As at December 31, 2019 the Company had not drawn on this facility (December 31, 2018 — $nil). For collateral, the Company has pledged to the bank a first ranking security interest on all property of the Company.

The Company previously had a $16 million facility, subject to margin requests, and payable on demand with interest at the bank's prime lending rate plus 2.5%. For collateral, the Company had pledged to the bank a first ranking security interest on all property of the Company. In 2019, the facility was extinguished and no longer available to the Company.

(in Canadian dollars except as otherwise indicated)

11. Finance costs

	2019	2018	2017
Interest on bank indebtedness	325,562	156,731	79,254
Interest on long-term debt	360,000	360,000	383,356
Interest on right-of-use obligation	477,014	383,063	389,293
Interest on convertible debenture	19,207,528	4,597,940	473,746
Amortization of deferred financing costs	21,517	75,224	—
Accretion in carrying value of debentures	11,908,387	11,608,031	480,460
	32,300,008	17,180,989	1,806,109

12. Income taxes

Provision for income taxes

The income tax provision recorded differs from the income tax obtained by applying a consolidated statutory income tax rate of 26.9% (2018 — 26.9%, 2017 — 26.9%) to the Company's net loss and is reconciled as follows:

	2019	2018	2017
Net loss before income taxes	(117,960,192)	(106,158,956)	(62,283,432)
Statutory income tax rates	26.9%	26.9%	26.9%
Income tax recovery at statutory rates	(31,731,292)	(28,556,759)	(16,754,243)
Increase resulting from:			
Non-deductible expenses	2,569,199	115,747	746,290
Effects of subsidiary tax rates differing from statutory rates	2,078,944	2,313,370	2,026,930
Change in unrecognized deferred income tax assets	27,083,149	26,127,642	13,981,023
Provision for income taxes	—	—	—

The Company's statutory rate is the Canadian combined tax rate in the applicable jurisdictions in which it operates. The consolidated statutory income tax rate remained consistent with 2018 and 2017 at 26.9%.

Deferred Income Tax Balances

The Company has deferred tax assets which have not been recognized within the December 31, 2019 and December 31, 2018 financial statements as follows:

	December 31, 2019	December 31, 2018
Total deductible temporary differences	343,892,544	239,350,568
Total taxable temporary differences	(25,968,838)	(13,600,770)
Net deductible temporary differences	317,923,706	225,749,798
Unrecognized deductible temporary differences	(317,923,706)	(225,749,798)
Net deferred income tax assets	—	—

The Company has accumulated non-capital losses of approximately $309,006,000 (2018 — $198,922,000) which can be used to offset future taxable income. These losses expire between 2030 and 2039. In addition, the Company has undeducted Scientific Research and Experimental Development unused investment tax credits expenditures of $19,252,000 (2018 — $19,252,000) which may be carried forward indefinitely and $1,562,000 (2018 — $1,562,000) of unused investment tax credits which expire between 2034 and 2039. The benefit of these losses, investment tax credits and undeducted expenditures have not been recorded in these consolidated financial statements.

(in Canadian dollars except as otherwise indicated)

13. Right-of-use obligation

The Company has entered into leases for vehicles, buildings and equipment, with a weighted average interest rate of 4.0% based on individual lease rates ranging between 0.8% and 6.5%, expiring between 2020 and 2025. Related interest expense for 2019 was $477,014 (2018 — $383,063, 2017 — $389,293).

Minimum lease payments due in the next 5 years are as follows:

2020	2,650,087
2021	1,763,221
2022	1,244,969
2023	551,922
2024 and subsequent years	648,216
Total minimum lease payments	6,858,415
Less: amounts representing interest	(416,567)
	6,441,848
Less: current portion	(2,533,516)
Right-of-use obligation — long-term portion	3,908,332

The change in the right-of use-liability is as follows:

January 1, 2018	6,219,351
Additions to right of lease liabilities	4,196,435
Principal payments on right of use lease liabilities	(3,419,031)
December 31, 2018	6,996,755
Additions to right of lease liabilities	2,550,348
Principal payments on right of use lease liabilities	(3,105,255)
December 31, 2019	6,441,848

14. Long-term debt

	December 31, 2019	December 31, 2018
Promissory note	3,000,000	3,000,000
Less: current portion	(3,000,000)	(3,000,000)
	—	—

The Company's Promissory note bears interest at 12% per year and matures on January 15, 2020. The Promissory note was originally due March 31, 2019 the related amendment was treated as a modification. The Company has pledged as collateral a general security agreement. Subsequent to December 31, 2019, the Promissory note was refinanced to mature June 30, 2021 (note 26).

(in Canadian dollars except as otherwise indicated)

15. Convertible Debentures

Date issued	Maturity Date	December 31, 2019	December 31, 2018
February 1, 2018[(a)]	January 15, 2020[(f)]	84,236,106	84,236,106
August 17, 2018[(b)]	January 15, 2020[(f)]	21,000,000	21,000,000
November 15, 2018[(c)]	January 15, 2020[(f)]	14,000,000	14,000,000
Various dates during 2019[(d)]	January 15, 2020[(f)]	96,500,000	—
Face value		215,736,106	119,236,106
Less: equity portion of debentures		(24,342,728)	(13,749,279)
Add: accretion in carrying value		23,516,418	11,608,031
Unamortized transaction cost		—	(21,517)
Accrued interest	January 15, 2020	23,638,498	4,430,970
		238,548,294	121,504,311
Less: current portion of debentures		(238,548,294)	(121,504,311)
Long-term portion of debentures		—	—

(a) On January 19, 2018 the Company issued $7,000,000 of new debentures with a maturity date of January 31, 2018. On February 1, 2018 the Company refinanced the $24,000,000 of debentures outstanding as at December 31, 2017, the $7,000,000 issued on January 19, 2018 and the related accrued interest of $236,106. Concurrent with these transactions the Company also issued new debentures totaling $53,000,000. The debentures issued and refinanced on February 1, 2018 bear interest at a rate of 5% per annum. Beginning January 1, 2019, the interest rate increases to 10% per annum. In connection with the issuance of the February 1, 2018 debentures, the Company issued 24,280,793 warrants at a strike price of $0.0001 Canadian per common share. The warrants expire on the earlier of 1) the completion of an initial public offering; and 2) February 1, 2022.

(b) The debentures issued August 17, 2018 were originally scheduled to mature on January 7, 2019 and bear interest at a rate of 5% per annum. Beginning January 1, 2019, the interest rate increases to 12% per annum. In connection with the issuance of the August 17, 2018 debentures, the Company issued 2,079,649 warrants to the debenture holders for additional common shares at a strike price of $0.0001 Canadian per common share. The warrants expire on the earlier of 1) the completion of an initial public offering; and 2) August 17, 2022.

(c) The debentures issued November 15, 2018 were originally scheduled to mature on January 7, 2019 and bear interest at a rate of 5% per annum. Beginning January 1, 2019, the interest rate increases to 12% per annum. In connection with the issuance of the November 15, 2018 debentures, the Company issued 1,386,433 warrants to the debenture holders for additional common shares at a strike price of $0.0001 Canadian per common share. The warrants expire on the earlier of 1) the completion of an initial public offering; and 2) August 17, 2022.

(d) In May 2019 the Company refinanced the $119,236,106 which represented all issued and outstanding debentures and the accrued interest outstanding as at December 31, 2018. In February, March, May and June 2019 the Company also issued new debentures of $39,000,000 that bear interest at a rate of 12% per annum and $57,500,000 at 10% per annum. All refinanced and new debentures issued mature January 15, 2020 and include an equity conversion option, whereby on or before January 15, 2020 the holder will have the option to convert all or part of the unpaid principal amount and the accrued and unpaid interest at a conversion price of $2.40 per common share on a pre-share consolidation basis.

(e) Subsequent to December 31, 2019, the Company renegotiated all its outstanding debentures, resulting in the maturity dates being extended to June 30, 2021 (note 26).

The Company has pledged all of its assets as collateral under a general security agreement related to all debentures and accrued interest outstanding. All refinancing transactions have been treated as extinguishment and no amount has been recognized as a gain or loss as a result.

(in Canadian dollars except as otherwise indicated)

16. Share capital

The Company has unlimited authorized share capital without par value. Common shares rank equally with regard to the Company's residual assets and are entitled to one vote per share at general meetings of the Company.

	Common shares	
	Number of shares	Carrying value
As at December 31, 2017	68,656,892	124,389,024
Exercise of options	18,333	33,733
As at December 31, 2018	68,675,225	124,422,757
Exercise of options	366,000	335,167
As at December 31, 2019	69,041,225	124,757,924

17. Stock-based compensation

The Company has a stock option plan which authorizes the issue of up to 6,642,190 options for the purchase of common shares to certain directors, consultants and employees. Options issued on or prior to August 20, 2014 are all fully vested. Options issued after August 20, 2014 under the plan vest over a four-year period, with the first 25% of the shares vesting following 12 months of continuous employment or service to the Company, with the remaining shares vesting in equal monthly instalments over the following 36 months. All options have a maximum term ending on March 8, 2023.

	Number of options	Weighted average exercise price ($)
Outstanding, December 31, 2017	**3,615,427**	**1.49**
Granted	1,769,000	1.90
Forfeited	(384,502)	(1.84)
Exercised	(18,333)	(1.84)
Outstanding, December 31, 2018	**4,981,592**	**1.61**
Granted	658,000	1.46
Forfeited	(281,000)	(2.71)
Exercised	(366,000)	(0.58)
Outstanding, December 31, 2019	**4,992,592**	**1.65**

In December 2019, the Board of Directors approved the repricing of the stock options originally issued at an exercise price of $2.86 per share to a revised exercise price of $1.90 per share.

(in Canadian dollars except as otherwise indicated)

17. Stock-based compensation (Continued)

The following stock options were outstanding as at December 31, 2019:

	Options outstanding			Options exercisable		
Exercise price ($)	Number of options	Weighted average remaining life (years)	Weighted average exercise price	Number of options	Weighted average remaining life (years)	Weighted average exercise price
0.53	449,700	4	0.53	449,700	4	0.53
0.54 to 1.04	264,521	1	1.04	264,521	1	1.04
1.05 to 1.84	1,849,536	4	1.68	1,149,872	4	1.82
1.85 to 1.90	2,428,835	4	1.90	1,182,004	4	1.90
	4,992,592	3.8	1.65	3,046,097	2.7	1.11

The following stock options were outstanding as at December 31, 2018:

	Options outstanding			Options exercisable		
Exercise price ($)	Number of options	Weighted average remaining life (years)	Weighted average exercise price	Number of options	Weighted average remaining life (years)	Weighted average exercise price
0.53	779,700	5	0.53	779,700	5	0.53
0.54 to 1.04	300,521	2	1.04	300,521	2	1.04
1.05 to 1.84	1,439,536	5	1.82	878,571	5	1.81
1.85 to 2.86	2,461,835	5	1.90	245,379	5	1.90
	4,981,592	4.8	1.61	2,204,171	4.6	1.26

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility for a market index of listed companies with similar characteristics. The inputs used in the measurement of the fair values of the stock options granted are as follows:

	2019	2018
Number of options granted	658,000	1,769,000
Weighted average share price ($)	1.46	1.90
Average term to exercise (years)	4	4
Share price volatility (%)	61%	61%
Weighted average expected annual dividend ($)	—	—
Risk-free interest rate (%)	1.78%	1.81%

The total compensation cost with respect to the stock option plan for the year ended December 31, 2019 was an expense of $892,044 (2018 — $2,195,358, 2017 — $1,044,790) included in general and administrative expense in the consolidated statement of operations and comprehensive loss.

18. Loss Per Share

The Company has two categories of dilutive potential common shares: stock options and equity conversion options and warrants related to the debentures. Diluted loss per share excludes all dilutive potential shares if their effect is anti-dilutive. As a result of net losses incurred in these reported periods, all potentially dilutive securities have been excluded from the calculation of diluted loss per share because including them would be anti-dilutive. All outstanding warrants (note 15) could potentially dilute earnings per share in the future.

(in Canadian dollars except as otherwise indicated)

18. Loss Per Share (Continued)

Basic and diluted loss per share are as follows for the years ended December 31:

	2019	2018	2017
Net loss	(117,960,192)	(106,158,956)	(62,283,432)
Weighted average number of common shares outstanding — basic and diluted	68,993,439	68,666,822	58,549,676
Loss per share — basic and diluted	(1.71)	(1.55)	(1.06)

19. Related Party Transactions

Interest expense of $19,207,528 (2018 — $4,597,940, 2017 — $473,746) related to outstanding debentures of $215,736,106 (2018 — $119,236,106) (note 15) issued to certain shareholders. One shareholder who accounts for $176,736,106 (2018 — $80,236,106) of the total outstanding debentures has significant influence over the Company.

Subsequent to December 31, 2019, the shareholder mentioned above, assumed the outstanding $3,000,000 long-term debt from the original lender and extended the maturity date to June 30, 2021 (note 26).

Revenue was recognized for the twelve months ended December 31, 2019 of $438,345 (2018 and 2017 — $nil) related to business analytics solutions provided to this same shareholder.

Compensation of Directors and Key Management

Remuneration to the Company's key management personnel was as follows for the years ended December 31:

	2019	2018	2017
Salaries, bonuses and benefits	2,080,253	1,577,515	1,139,970
Stock-based compensation	658,388	1,591,189	776,839
	2,738,641	3,168,704	1,916,809

Remuneration to the Company's Board of Directors was as follows for the years ended December 31:

	2019	2018	2017
Salaries, bonuses and benefits	150,000	90,000	67,500
Stock-based compensation	100,602	237,994	133,570
	250,602	327,994	201,070

20. Commitments

Future minimum payments at December 31, 2019 related to service agreements were as follows:

2020	18,824,965
2021	19,482,000
Total	38,306,965

(in Canadian dollars except as otherwise indicated)

21. Financial instruments

Fair value

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are 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 the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability.

The Company estimated the fair value of its financial instruments as described below.

The fair value of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt are considered to be equal to their respective carrying values due to their short-term maturities.

Fair value of the debentures are valued using level 3 inputs, based on the present value of estimated cash flows. The discount rate is determined by using a risk free benchmark bond yield for instruments of similar maturity adjusted for the Company's specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions and other indicators of the Company's credit worthiness. The carrying amount of the debentures is a reasonable approximation of their fair value. During the year there were no transfers of financial instruments between the levels within the fair value hierarchy.

Capital risk management objectives and policies

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. The main objective of the Company's risk management process is to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The Company is subject to certain negative covenants that limit the extent of additional financing without prior approval from certain of its existing lenders. The Company capital structure consists of cash, long-term debt, convertible debentures and shareholders' deficiency. The Company manages capital to ensure an appropriate balance between debt and equity.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its bank indebtedness, accounts payable and accrued liabilities, long-term debt, debentures and lease obligations. The Company manages its liquidity risk by forecasting cash flows from operations and seeking additional financing for growth and operations.

The maturity profile of the Company's financial liabilities at December 31, 2019 was as follows:

	<1 Year	1 to 3 Years	4 to 5 Years	>5 Years	Total
Accounts payable and accrued liabilities	30,566,897	—	—	—	30,566,897
Long-term debt	3,014,795	—	—	—	3,014,795
Convertible debentures and accrued interest	240,456,708	—	—	—	240,456,708
Right-of-use obligations	2,650,087	3,560,112	648,216	—	6,858,415

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main credit risk relates to its accounts receivable. The Company provides credit to its customers in the normal course of its operations.

The Company maintains a provision for doubtful accounts receivable. The Company estimates expected losses from doubtful accounts based upon the collectability of all accounts receivable, which considers the number of days past due, collection history, identification of specific customer exposure, and current economic trends.

(in Canadian dollars except as otherwise indicated)

21. Financial instruments (Continued)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

The loss allowance as at December 31, 2019 was determined as follows for trade receivables:

	<90 days	91 - 365 days	>365 days	Total
Expected loss rate	4%	11%	100%	
Gross carrying value of trade receivables	12,570,808	3,599,082	851,721	17,021,611

Changes in the allowance for doubtful accounts were as follows:

	December 31, 2019	December 31, 2018
Balance, beginning of the year	1,868,000	1,400,000
Increase in loss allowance recognized in net loss in the statement of operations	1,064,970	1,216,374
Receivables written off during the year	(1,133,140)	(748,374)
Balance, end of the year	1,799,830	1,868,000

Credit risk with respect to cash and cash equivalents is managed by maintaining balances only with high credit quality financial institutions.

Foreign currency risk

The Canadian dollar is the Company's functional and presentation currency. Fluctuations in the exchange rate between the Canadian dollar ("CAD") and United States dollar ("USD") will affect the Company's reported results.

At December 31, 2019, if CAD had strengthened by 10% against USD with all other variables held constant, net loss for the year would have been lower by approximately $1,950,000 respectively. Conversely, if CAD had weakened by 10% against USD with all other variables held constant, net loss for the year would have been higher by approximately $1,950,000.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's borrowings are at fixed rates which minimizes interest rate cash flow risk exposures on financing. The exposure to interest rates for the Company's short-term deposits are considered immaterial.

22. Geographic information

The geographic segmentation of the Company's assets are as follows:

	December 31, 2019		
	Property and equipment	Intangible assets	Goodwill
Canada	13,437,299	17,737,471	1,114,961
United States	11,464,122	1,075,049	—
Brazil	5,492,616	269,218	—
Australia	600,330	—	—
Russia and Ukraine	274,755	—	—
	31,269,122	19,081,738	1,114,961

(in Canadian dollars except as otherwise indicated)

22. Geographic information (Continued)

	December 31, 2018		
	Property and equipment	Intangible assets	Goodwill
Canada	12,330,306	12,721,384	1,114,961
United States	11,241,223	760,231	—
Brazil	2,932,899	214,333	—
Australia	612,673	—	—
Russia and Ukraine	210,357	95	—
	27,327,458	13,696,043	1,114,961

Geographic revenue based on the allocation of customer and commercial partner contracts are detailed as follows:

	2019	2018	2017
Canada	14,140,888	11,206,517	9,715,910
United States	6,208,541	5,339,992	3,770,234
Brazil	2,613,861	1,234,822	610,431
Australia	698,480	359,413	271,687
Russia and Ukraine	140,283	—	—
Total revenue	23,802,053	18,140,744	14,368,262

23. Supplemental Expense information

	2019	2018	2017
Employee compensation and benefits	19,953,400	18,435,298	14,193,943
Vehicles and travel	5,394,902	4,933,129	3,082,147
Shipping and soil testing costs	2,103,218	2,863,369	1,906,549
Other	3,406,730	3,424,339	2,181,078
Total costs of revenue	30,858,250	29,656,135	21,363,717

	2019	2018	2017
Total employee compensation and benefits incurred in product development	10,664,010	11,090,770	6,661,541
Less: employee compensation capitalized as part of platform development software	(5,530,517)	(5,499,938)	(1,424,921)
Employee compensation and benefits in product development expenses	5,133,493	5,590,832	5,236,620
Employee compensation and benefits in cost of revenue	19,953,400	18,435,298	14,193,943
Employee compensation and benefits in selling and marketing expenses	10,731,699	10,679,795	6,697,549
Employee compensation and benefits in general and administrative expenses	5,427,316	3,986,300	3,011,199
Total employee compensation and benefit expense	41,245,908	38,692,225	29,139,311

(in Canadian dollars except as otherwise indicated)

24. Contingencies

In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings. Management does not expect any of the current claims to have a material adverse effect on the Company's financial position, results of operations or cash flows.

25. Supplementary Cash Flow information

Information on the change in liabilities for which cash flows have been classified as financing activities in the consolidated statement of cash flows is presented below.

	Cash Flows				Non-Cash Changes				
	January 1, 2019	Borrowings	Repayments	Accretion of deferred financing fees	New lease obligations	Accrued interest	Equity portion of debentures	Accretion in carrying value	December 31, 2019
Convertible debentures	121,504,311	96,500,000	—	21,517	—	19,207,528	(10,593,449)	11,908,387	238,548,294
Right-of-use obligations	6,996,755	—	(3,105,255)	—	2,550,348	—	—	—	6,441,848
Total liabilities from financing activities	128,501,066	96,500,000	(3,105,255)	21,517	2,550,348	19,207,528	(10,593,449)	11,908,387	244,990,142

	Cash Flows				Non-Cash Changes					
	January 1, 2018	Borrowings	Repayments	Accretion of deferred financing fees	Deferred financing fees	New lease obligations	Accrued interest	Equity portion of debentures	Accretion in carrying value	December 31, 2018
Convertible debentures	24,069,136	95,000,000	—	75,224	(96,741)	—	4,597,940	(13,749,279)	11,608,031	121,504,311
Right-of-use obligations	6,219,351	—	(3,419,031)	—		4,196,435	—	—	—	6,996,755
Bank indebtedness	2,621,920	—	(2,621,920)	—		—	—	—	—	—
Total liabilities from financing activities	32,910,407	95,000,000	(6,040,951)	75,224	(96,741)	4,196,435	4,597,940	(13,749,279)	11,608,031	128,501,066

	Cash Flows				Non-Cash Changes			
	January 1, 2017	Borrowings	Repayments	Conversion of debentures	New lease obligations	Accrued interest	Accretion in carrying value	December 31, 2017
Convertible debentures	3,563,100	36,011,210	—	(16,054,770)	—	69,136	480,460	24,069,136
Long-term debt	3,232,030	—	(232,030)	—	—	—	—	3,000,000
Right-of-use obligations	4,695,895	—	(3,073,916)	—	4,597,372	—	—	6,219,351
Bank indebtedness	1,450,961	1,170,959	—	—	—	—	—	2,621,920
Total liabilities from financing activities	12,941,986	37,182,169	(3,305,946)	(16,054,770)	4,597,372	69,136	480,460	35,910,407

26. Subsequent events

The Company has evaluated the subsequent events from the balance sheet date through February 24, 2021, the date at which the financial statements are available to be issued. The Company has noted the following items:

In January 2020, the Company was advanced another $6,000,000 under a convertible debenture bearing interest at 10% per annum, compounded daily. Between February and March, the Company also then issued a series of convertible debentures totaling $8,500,000, due on demand, with interest at 12% per annum compounded daily. These debentures all include an equity conversion option, whereby on or before maturity, the holder will have the option to convert all or part of the unpaid principal amount and the accrued interest at a conversion price of $2.40 per common share on a pre-share consolidation basis.

In April 2020, a shareholder of the Company committed to support the Company with up to an additional $34,000,000 in a new debenture bearing interest at a rate of 12% per annum compounded daily. The new debenture includes an equity conversion option

26. Subsequent events (Continued)

with terms consistent with the existing debentures. A total of $34,000,000 was received by the Company during April to November 20, 2020 relating to this new debenture.

In June 2020, the Company renegotiated all its outstanding debentures and long-term debt, resulting in the maturity dates being extended to June 30, 2021 and all debentures previously bearing a 10% interest rate now bearing an interest rate of 12% per annum compounded daily. As well, all of these debentures include an equity conversion option, whereby the holder will have the option to convert all or part of the unpaid principal amount and the accrued interest at a conversion price of $2.40 per common share on a pre-share consolidation basis. However, if the Company is successful in issuing a public offering ("IPO"), the holders of the equity conversion option would be required to exercise the conversion feature at that time. During the fourth quarter of 2020, the conversion price for all convertible debentures were amended to "the lower amount of the conversion price of $2.40 per Common Share and the IPO price per Common Share" on a pre-share consolidation basis.

On October 16, 2020 the Company issued 9,538,490 common shares as a result of outstanding warrants being exercised at an exercise price of $0.0001 per share.

On November 2, 2020, an additional $500,000 of loan proceeds were received from Western Economic Diversification Canada. The Company has now received the maximum loan amount of $1,000,000.

On January 5, 2021, the Company entered into a short-term debenture financing agreement with Fairfax Shareholders which provides the Company with up to $11,000,000 of financing to cover estimated operational cash flow requirements for the first quarter of 2021 and $5,000,000 was drawn from this debenture in January 2021 and $6,000,000 was drawn from this debenture in February 2021. This debenture bears a 8% interest rate per annum.

On February 24, 2021, the Company filed a final prospectus with the securities regulatory authorities in each of the provinces and territories of Canada in connection with an IPO of common shares of the Company for gross proceeds of $125,001,000. The IPO will consist of an offering of common shares issued from treasury payable on closing of the IPO and subject to the terms and conditions of an underwriting agreement to be entered to into between the Company and the underwriters in connection with the IPO. Following receipt of shareholder approval at a special meeting to be held on or about March 2, 2021, the Company will file articles of amendment prior to Closing to, among other things, consolidate the common shares on an anticipated 7:1 basis. In addition, concurrently with Closing, the convertible debentures will be converted into common shares, the Company will repay the unpaid principal and accrued unpaid interest on the promissory note (note 14) and the short-term debenture financing and the Fairfax Shareholders will exercise all of the outstanding warrants held by the Fairfax Shareholders for common shares.

Subsequent to December 31, 2019, financial markets were negatively impacted by a novel strain of coronavirus (COVID-19), which was declared a pandemic by the World Health Organization (WHO) on March 11, 2020. As a company supporting the agriculture industry, the Company is considered an essential business and is working to maintain normal business activities by having field and lab staff practice responsible social distancing and other safety measures, and requiring many non-field personnel to work from home. To date, the Company has not experienced any material disruption to the business, but the eventual impact to the business cannot be reliably measured given the uncertainty on the continued spread of the coronavirus and the government or other measures that may have to be implemented to limit its spread. The Company has received various government subsidies and financial assistance of approximately $5,900,000, as a means to mitigate any negative impact that may have been caused by coronavirus related business disruptions.