MANAGEMENT’s DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following management’s discussion and analysis (“**MD&A**”) of financial condition and results of operations has been prepared by management to help readers interpret the consolidated financial results of the Company for the three months and year ended December 31, 2020 and 2019. This document should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2020 and 2019. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board.

This MD&A has been prepared as of March 29, 2021. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated. The Financial Statements presented herein include the accounts of the Company and all of its subsidiaries. All references to the Company include its subsidiaries as applicable.

The Company’s audited consolidated financial statements for the year ended December 31, 2020 and 2019 have been prepared using IFRS and are presented on a going concern. This takes into consideration that the Company has completed its initial public offering which closed on March 3, 2020 and raised net proceeds after expenses and repayment of debt of approximately $117.6 million, including the underwriter’s overallotment option, and exercising all convertible debt principal and accrued interest into Common Shares (non-cash). Management expects the net proceeds to fund its operations for the foreseeable future.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains “forward-looking information” within the meaning of applicable securities laws. Particularly, information regarding our expectations of future results of operations, performance, business prospects, and opportunities of the Company is forward-looking information. Discussions containing forward-looking information may be found, among other places, under “*Business Overview*”, “*Outlook*”, “*Liquidity and Capital Resources*” and “*Risk Factors*”. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “plan”, “will” or variations of such words or similar expressions suggesting future conditions or events. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

The forward-looking information contained in this MD&A is based on management’s opinions, estimates and assumptions in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe to be appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of our anticipated growth prospects, the state of the agricultural industry and global economy, and the expected impact and adoption of digital tools by farmers are material factors in preparing the forward-looking information and management's expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management's expectations as at March 29, 2021 and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

Forward -looking information is subject to known and unknown risks and uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including the factors discussed under "*Forward-Looking Information*" and "*Risk Factors*" in the Company's annual information form dated March 29, 2021 and under "*Risk Factors*" below. The Company cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect the Company's results. Readers are urged to consider the risks, uncertainties and assumptions associated with these statements carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. The Company does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

BUSINESS OVERVIEW

The Company provides digital tools to growers and other key participants in the agricultural ecosystem. Through FarmCommand, its proprietary, cloud-based analytics software platform, the Company integrates data from multiple field-level sources, and depending on the subscription level, includes data from weather stations, soil moisture probes, telematics devices (specifically its proprietary CanPlug device that can be installed on most hardware and equipment already deployed on a grower's farm to enable passive collection of machine and agronomic data), location tracking devices, grain cart weighing devices, soil sampling, irrigation monitoring and satellite imagery. All data is ingested into the FarmCommand platform to provide growers real-time monitoring and alerts, predictive models and sophisticated outcome-based data recommendations on their fields to help them make proactive, informed decisions to improve their yields and profitability.

With the Company enabling the growers' farm to become digitalized using our platform, this brings more digital solutions to those customers with other agriculture ecosystem commercial entities. The data gathered about the growers' farms can guide their decisions and connect with these other agriculture ecosystem commercial players. We are starting to leverage our data and analytics to develop a unique portfolio of products which could disrupt large agriculture verticals including the crop insurance and other financial services, carbon offset, and broader agriculture technology industries. The Company focuses both on getting acres on subscription with growers, which then allows for multiple opportunities with the broader agriculture ecosystem, and on building partnerships with other agribusinesses who offer our platform alongside their own solutions.

Growers working with the Company are able to reach new levels of improved yields and profitability on their farming operations, while supporting sustainable farming. The Company offers a comprehensive suite of digital agronomy solutions to growers which are sold in five principal tiers of subscriptions and are priced on an annual, per acre basis. All tiers (with the exception of Smart Imagery which is sold on a one-year contract) are typically sold on a four-year contract or, in the case of the Progressive Grower program, a five-year contract with the option to cancel at the end of the first year. In some cases, early opt-out provisions may apply.

The Company categorizes the five principal tiers of digital agronomy solutions into two categories: digital contracts and fertility contracts. A digital contract is a subscription package that provides access to the FarmCommand software plus certain other elements, including hardware for certain products, depending on the tier. A fertility contract is a contract that comprises the Smart package plus a fertility service.

The Company sells its platform solutions through a network of channel partners, comprised of global crop input manufacturers and retailers, seed and crop protection companies, equipment manufacturers, grain companies, insurance companies and agencies, and food manufacturers. These sales efforts are complemented by smaller regional partners and direct sales teams in North America, Brazil, Australia and Eastern Europe.

By providing an easy to use, comprehensive, and independent platform for growers, the goal is to ease adoption of the technology, create value-added insights and recommendations for the grower, improve ROI, and contribute to a more sustainable farming operation. The Company assists the farm in becoming digitized and this creates an ability for that data to be used both by the grower and with other players in the agriculture ecosystem.

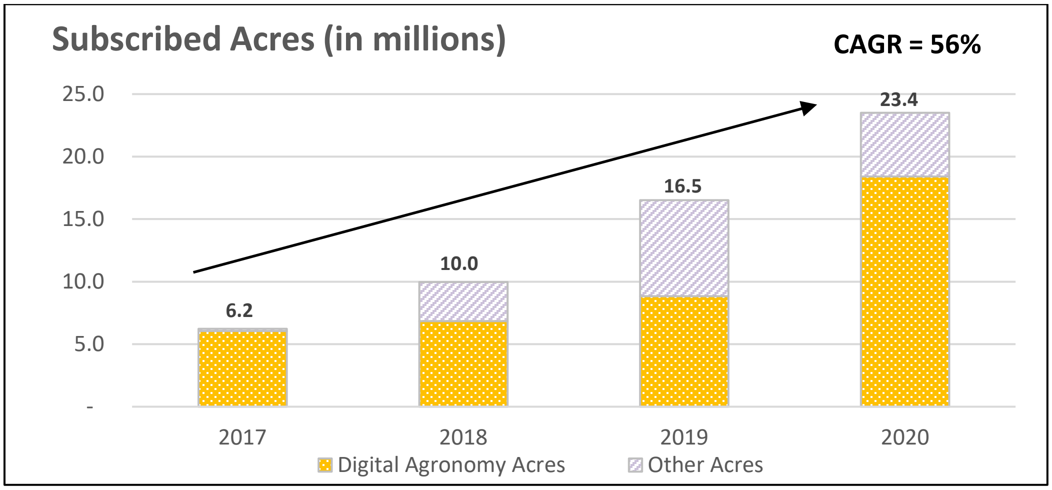
As the Company continues to capture data, provide insights to growers and grow its platform, the wealth of real-time, high-quality data generated also contributes to ongoing product enhancements. These enhancements, in turn, have the potential to drive broader adoption, protect customer retention, and generate future revenue opportunities with the grower and others in the agricultural ecosystem. In addition, one of the ancillary by-products of the Company's unique and robust aggregated dataset is that the Company can also work with its commercial partners to build new products for growers, thus perpetuating the value cycle to the grower.

In addition to its digital agronomy solutions, the Company also recently launched a new stream of revenue enhancing opportunities under its business analytics solutions, which will expand its scope of market beyond the farm. This can contribute to the Company generating multiple revenue streams on the same acre. Initially, this area is focused on key participants in the crop insurance industry. In mid-2019, the Company announced the launch of its new Smart Claim solution under its business analytics solutions. Smart Claim uses advanced field-centric data, satellite imagery and other data driven tools to automate claim predictions, event notifications, claim adjustments, crop classifications, fraud detection and record-keeping. Smart Claim delivers a streamlined, digital experience through automated insurance reporting and claim management, which allows insurers to more accurately price policies to account for variations in the success of the individual farmer and specific regional conditions. Smart Claim products are offered to insurance companies on a subscription basis typically for $1.50/acre per year where claims are encountered, with additional fees charged on a per query basis. This pricing may be subject to change based on geography or local market conditions.
At December 31, 2020, the Company had approximately 1.7 million subscribed acres for our Smart Claim product, including agreements with Fairfax Brazil. The Company also recently announced a strategic collaboration with Munich Re to leverage its insights and assist in the design of specialty risk management products for agriculture. Agricultural parametric insurance covers areas that are excluded from all-risks indemnity policies, such as excess moisture or heat, to protect growers against preventable high-intensity and catastrophic losses. These policies are designed to offer claim payouts as soon as events are triggered, eliminating the typical loss adjustment and reporting period. Where traditional insurance claims can take months, these new parametric solutions are designed to be completely automated by data and the Company's platform features.
The Company has recently formed new partnerships with global insurance, reinsurance and other large agriculture industry participants, some of whom will serve as agents to sell our products, as well as help us continue to enhance our products to sell to these verticals. As at the date of this MD&A, the Company's insurance partners include Munich Re, ProAg, Hudson and Fairfax Brazil.

In late 2020, the Company completed a sale of carbon credits to a corporate North American power producer from growers in Alberta. The requirements to create carbon credits utilize the data being gathered from the growers using the Company's automated digital agronomy (Smart) subscription services. The Company compensates the grower and then transacts with the purchaser of the carbon credits who wishes to offset emissions.

"**Subscribed Acres**" means the aggregate of all digital agronomy solution subscribed acres, including those acres under the Progressive Grower program ("**Digital Agronomy Acres**") and all other subscribed acres ("**Other Acres**") that are tied to certain imagery and business analytics solution products without a digital agronomy solution subscription, in each case including both new and renewal acres as measured at each reporting date.

Since the Company began operating under a SaaS-based revenue model in late 2014, the Company has achieved tremendous growth, growing from 2.3 million Subscribed Acres in 2015 to 23.4 million Subscribed Acres at December 31, 2020. Since the end of 2017, the Company's Subscribed Acres grew by an average compound annual growth rate ("**CAGR**") of 56%. The increase in Other Acres added since 2017 in the following graph reflects the Company's ongoing diversification of revenue opportunities associated with its platform.



In 2020, the Company also introduced the Progressive Grower program to promote the adoption of its Smart package, which is its full-service digital package and is the base package from which a grower can convert to either a Smart VR or Smart Nutrient product. Under the current program, growers sign a five-year contract for Smart, with the ability to opt-out after the initial year. The initial year is generally provided to the grower at no cost, allowing the opportunity to trial the product before finalizing a longer-term commitment. During 2020, in connection with joint marketing initiatives developed with some of its channel partners, a portion of the first-year discount was paid by its partners, such that the Company was partially compensated for the use of Smart during this trial period. Over 2020, the Company added 4.7 million Digital Agronomy Acres under the Progressive Grower program. The Company expects to continue to offer this program to new growers through its portfolio of channel partners, including those in the insurance vertical, to accelerate adoption and allow the grower to experience the benefits of the Company's solutions with no upfront commitment. Under similar pilot programs run in 2019 but on a smaller scale, the Company experienced high retention rates, with over 75% of its growers committing with a multi-year paid contract. Additionally, with a lower initial cost to the grower, the Company anticipates that there is a higher probability of upselling the Progressive Growers into Smart VR or Smart Nutrient. The Company believes that this initial investment to promote customer adoption will reduce its other customer acquisition and retention costs over the longer term, accelerate the closing of new acre sign-ups and ultimately translate to longer term recurring subscription customers.

KEY PERFORMANCE INDICATORS & NON-IFRS MEASURES

Key Performance Indicators

KPIs help the Company evaluate its business activities, measure performance, identify key trends affecting the business, formulate business plans and make key strategic decisions. Investors are cautioned that the Company's KPIs should not be viewed as an alternative to measures that are recognized under IFRS. The Company's KPIs may be calculated in a manner different than similar KPIs used by other companies and therefore may not be comparable to such measures.

Subscribed Acres means the aggregate of all Digital Agronomy Acres and Other Acres, including both new and renewal acres as measured at each reporting date. The Company views Subscribed Acres as an important metric since these acres are contributing to the revenue of the Company.

Annual Recurring Revenue ("**ARR**") measures the expected annualized subscription revenue associated with the Company's contracts at the end of a reporting period. The recurring nature of the Company's revenue provides high visibility into future performance. However due to the revenue recognition policies under IFRS for Subscribed Acres, new acres may not immediately contribute to quarterly or annual revenues, depending on the timing and type of the new acres signed. The Company assesses its ARR at the end of each reporting period to reflect the expected annualized revenue associated with its committed contracts at a point in time.

ARR is measured by taking the annual contract value at each period end date and adjusting for any committed recurring discounts or premiums on the contract and excluding any first-year discounts, including those under the Progressive Grower program. Contracts denominated in a foreign currency are translated to Canadian dollars based on the period end exchange rate. Management believes that ARR is a good predictor of its future revenue streams. Recurring revenue may fluctuate by the amount and timing of acre changes or cancellations on subscribed contracts and by the foreign exchange impact of contracts held in foreign operations. For Subscribed Acres in the Progressive Grower program, ARR excludes the potential future upsell of converting to fertility contracts that would increase recurring revenue and excludes the potential lower recurring revenue as a result of an opt-out option offered.

Non-IFRS Measures

The information presented within this MD&A includes certain financial measures such as Adjusted Gross Profit (Loss), EBITDA and Free Cash Flow. These are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather these measures are provided as additional information to complement IFRS measures by providing a further understanding of the Company's results of operations from management's perspective, and to discuss the Company's financial outlook. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The definitions of these measures will likely differ from those used by other companies.

Adjusted Gross Profit (Loss) is measured by the excess of the Company's revenues over the costs of revenue and data and technology expenses of the Company, adjusted for indirect costs related to certain imagery costs.

In 2017, the Company entered into a contract for high-frequency, high-resolution imagery services. With the imagery services provided under this contract, the Company was able to add additional features to its base Smart package and introduce two new digital products to its product portfolio (Smart Imagery and Smart Insite).

In computing its Adjusted Gross Profit (Loss), the Company adjusts for that portion of its indirect imagery costs that are not considered to be directly tied to the Company's current revenue generating activities. These imagery costs represent costs that are allocated to research and product development efforts and to the intellectual property developed as a consequence of exclusivity terms in the contract. Exclusivity provisions under this contract expired at the end of 2020. The Company has a new imagery contract commencing in the 2021 fiscal year that does not include similar exclusivity provisions and will result in a significantly lower cost for the Company. The methodology used to allocate the imagery costs up to the end of 2020 is based on a prescribed rate per average acre in the period, with such prescribed rate fixed for each period under the contract. Accordingly, such indirect imagery costs are excluded from the calculation of the Company's Adjusted Gross Profit (Loss) to provide a more reliable measure of costs directly associated with subscription revenues. See reconciliation in "*Results of Operations*".

EBITDA is the operating loss before foreign exchange, depreciation and amortization as set out in the Company's consolidated statement of operations and comprehensive loss in the financial statements. We use the term EBITDA interchangeably with the term operating loss before foreign exchange, depreciation and amortization. The Company's management and 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. This measure may not be comparable to similar measures presented by other companies. See reconciliation under "*Operating Highlights*". The Company may also quantify Adjusted EBITDA at certain times to highlight unusual items impacting EBITDA in the period.

Free Cash Flow is EBITDA as defined above, adjusted for government grant income, non-cash stock-based compensation expense, net additions to property and equipment and intangible assets, repayment of right-of-use obligations, and any unusual non-recurring items. See reconciliation in "*Results of Operations*".

Free Cash Flow is useful as a performance measure to analyze the cash used in operations before the seasonal impact of changes in working capital items or other unusual items.

OPERATING HIGHLIGHTS

in thousands, except per share amounts	Three months ended December 31		Year ended December 31	
	2020	**2019**	**2020**	**2019**
FINANCIAL PERFORMANCE				
Revenues	$19,120	$6,696	$45,880	$23,802
Operating expenses (1)	23,717	24,425	92,851	97,987
EBITDA (2)	$(4,597)	$(17,729)	$(46,971)	$(74,185)
Net loss	$(17,078)	$(34,104)	$(84,633)	$(117,960)
Loss per share - basic & diluted (3)	$(1.55)	$(3.46)	$(8.01)	$(11.97)
Free Cash Flow (2)	$(4,081)	$(24,518)	$(51,257)	$(96,631)

	2020	**2019**
FINANCIAL POSITION as at December 31st		
Total assets	$79,484	$77,492
Total long-term liabilities	$4,760	$3,908

	2020	**2019**
KEY PERFORMANCE INDICATORS as at December 31st		
Total Subscribed Acres (4)	23,357	16,523
Annual Recurring Revenue (ARR) (4)	$53,421	$29,521

(1) Operating Expenses include Cost of revenue, Data and technology infrastructure expenses, Selling and marketing expenses, Product research and development expenses, and General and administrative expenses as set out on the Company's Statements of Operations and Comprehensive Loss in its Financial Statements.
(2) EBITDA, Adjusted EBITDA and Free Cash Flow are non-IFRS measures. See "Key Performance Indicators and Non-IFRS Measures". This table reconciles these measures to their most comparable IFRS measures. Adjusted EBITDA excludes costs incurred by the Company for getting ready to become a public company.
(3) Due to net losses incurred, potentially dilutive securities have been excluded from the calculation of diluted loss per share because including them would be anti-dilutive.
(4) Subscribed Acres and ARR are defined in "Key Performance Indicators and Non-IFRS measures". Subscribed Acres and ARR are unaudited.

RESULTS OF OPERATIONS

Revenues

in thousands	Three months ended December 31		Increase (decrease)	Year ended December 31		Increase (decrease)
	2020	**2019**	**$**	**2020**	**2019**	**$**
Digital agronomy solutions	$11,695	$3,702	$7,933	$35,549	$19,208	$16,341
Business analytic solutions	1,058	438	620	2,607	438	2,169
Commercial contract revenue	5,731	2,080	3,651	6,516	3,226	3,290
Other	636	476	160	1,208	930	278
Total revenue	**$19,120**	**$6,696**	**$12,424**	**$45,880**	**$23,802**	**$22,078**
Annual Recurring Revenue (ARR) (1)				**$53,421**	**$29,521**	**$23,900**

Revenues generated for the fourth quarter of 2020 were $19.1 million (2019 — $6.7 million) and $45.9 million (2019 — $23.8 million) for the year ended December 31, 2020, representing an increase of 186% and 93%, respectively, over the comparative periods.

The Company's digital agronomy solutions revenue includes revenue from both its digital and fertility solution subscription contracts with its growers and represents the majority of the Company's revenue. Digital agronomy solutions revenue increased by $8.0 million (116%) in the fourth quarter of 2020 and by $16.3 million (85%) for the year ended December 31, 2020. The increase in 2020 is partly attributed to new acres signed in the prior year contributing a full twelve months of revenue in the current period, compared to a prorated portion in the same period of 2019. The increase in revenue also reflects new grower contracts signed for the 2020 crop season, with Digital Agronomy Acres increasing by 9.6 million acres since December 2019, mostly under the Company's Progressive Grower program. The Progressive Grower program offers select customers of the Company's channel partners to sign up for Smart with initial discounts for a defined period of up to twelve months. For the 2020 spring program, the Company was compensated by certain partners for a portion of the discount offered to their growers who signed up under the program, with such revenue being amortized over the initial one-year term of the contract. Growers under this program will have an option to convert to Smart VR or Smart Nutrient in the fall or continue under a Smart contract once they reach the first anniversary date of their contract. Under similar programs provided in the second quarter of 2019 but in a smaller sample size, over 75% of customers that trialed the product for the first year converted to a fully paid contract by the second year (either as a digital or fertility contract). With the larger size of the Progressive Grower program in 2020, the Company may experience a lower overall retention rate in the first half of 2021 when the 2020 Progressive Grower acres reach the end of their opt-out period. Also contributing to the year-over-year increase in digital agronomy solutions revenue is the increase in fertility acres, notably during the fourth quarter of 2020 when 530,000 acres were added. Fertility products offer the greatest product margin and generate revenue in the fourth quarter provided the fertility prescription service is delivered before the end of the year.

Business analytics solutions revenue represents revenues from analytic and technology solutions derived from corporate customers. To date, this primarily includes revenues from the Company's Smart Claim solution launched late in 2019. Business analytics solutions revenue was $1.1 million (2019 - $0.4 million) in the fourth quarter and $2.6 million (2019 - $0.4 million) for the year ended December 31, 2020, representing increases of $0.7 million and $2.2 million, respectively. The Company also recognized its first carbon credit revenue of $0.4 million in the fourth quarter of 2020 tied to regulated market in Alberta.

Commercial contract revenue for the fourth quarter was $5.7 million (2019 - $2.1 million) and for the year ended December 31, 2020 was $6.5 million (2019 - $3.2 million), representing increases of $3.6 million and $3.3 million, respectively. This revenue relates to certain strategic contracts with the Company's channel partners, whereby the partners guarantee to deliver a minimum number of contracted grower acres. In the event the channel partners do not deliver on their minimum acre targets, one-time payments will partially compensate the Company for the acre shortfall. Management is continuing to work with the channel partners experiencing these shortfalls on new commercial arrangements.

The Company's ARR as at December 31, 2020 was $53.4 million, an increase of $23.9 million or 81% since the end of 2019. This increase reflects a combination of new Digital Agronomy Acres signed over the period and new contracts signed under its business analytics solutions and is adjusted for foreign exchange rate differences at the measurement dates.

Cost of Revenues

in thousands	**Three months ended December 31**		**Increase (decrease)**	**Year ended December 31**		**Increase (decrease)**
	2020	**2019**	**$**	**2020**	**2019**	**$**
Employee compensation & benefits	$5,876	$6,210	$(334)	$21,631	$19,953	$1,678
Vehicle & travel	1,095	1,435	(340)	4,420	5,395	(975)
Shipping and soil testing costs	798	785	13	2,706	2,103	603
Other	825	(77)	902	3,540	3,407	133
Total costs of revenue	**$8,594**	**$8,353**	**$241**	**$32,297**	**$30,858**	**$1,439**

Direct cost of revenue includes payroll and related expenses for employees involved in initial customer setup and ongoing customer service needs. Direct cost of revenue also includes vehicle and travel, shipping and soil testing costs and other expenses necessary to support customer service requirements.

Total costs of revenue for the fourth quarter of 2020 were $8.6 million (2019 — $8.4 million) and $32.3 million (2019 — $30.9 million) for the year ended December 31, 2020, representing an increase of $0.2 million (3%) and an increase of $1.4 million (5%), respectively, over the comparative periods. These relatively small increases highlight the ability of the Company to scale by growing Subscribed Acres and revenues without increasing cost of revenues at the same level. Looking at fiscal 2020, the Company's revenue increased by 93% over the prior year.

Employee compensation and benefit costs associated with servicing Digital Agronomy Acres decreased by $0.3 million in the fourth quarter over the comparative period and increased by $1.7 million (8%) in 2020 compared to 2019. Despite the increase in overall compensation costs for the fiscal year, the Company increased the acres being serviced and results in employee costs per Digital Agronomy Acres to decrease. The reduction in employee costs per Digital Agronomy Acre reflects efficiencies driven by the Company's increased scale in its operational footprint and improved internal technology tools which in turn, increases the capacity of acres serviced by operational employees.

Vehicle and travel costs relate to costs to support teams operating in rural geographies. While these costs continued to decline in the fourth quarter, the most notable decline was in the second quarter, which contributed $0.6 million towards the year-to-date reduction of costs over the comparable period. The decline is attributed mainly to lower fuel and travel costs, which were a combination of lower gasoline prices, as well as a reduction in on-site farm visits in 2020 due to the impact of COVID-19.

Soil testing costs were higher by $0.6 million (29%) for the year ended December 31, 2020 over the comparable period and relatively flat for the fourth quarter current and comparative period. The 2019 harvest in North America was unseasonably late and caused additional costs to be incurred to perform all the soil sampling in early 2020 that was spilling past the end of 2019. Higher costs in the third quarter reflect a return to more normal timing of soil sampling activities in the fall of 2020 and higher acre volumes. With more normal soil sampling activities in the fourth quarter of 2020, the Company's fiscal 2020 soil sampling included more than a single growing season of normal soil sampling in North America.

Data and technology infrastructure expenses

in thousands	**Three months ended December 31**		**Increase (decrease)**	**Year ended December 31**		**Increase (decrease)**
	2020	**2019**	**$**	**2020**	**2019**	**$**
Direct costs	$3,492	$3,666	$(174)	$15,901	$15,121	$780
Imagery costs, indirect	3,286	3,496	(210)	13,147	$14,550	(1,403)
Total data & technology infrastructure expenses	**$6,778**	**$7,162**	**$(383)**	**$29,048**	**$29,671**	**$(623)**

Data and technology infrastructure expense includes satellite imagery costs, cloud hosting services, network data costs for CanPlugs and weather stations and the costs of certain software licenses.

Total data and technology infrastructure expenses for the fourth quarter of 2020 was $6.8 million (2019 — $7.2 million), and $29.0 million (2019 — $29.7 million) for the year ended December 31, 2020, representing a decrease of $0.4 million and $0.7 million, respectively, over the comparative periods. The decrease in the current periods is the result of lower cloud hosting service costs as the Company migrated to Google's cloud services over 2020 and was able to negotiate more favourable terms. The cost savings are expected to continue into 2021. The strengthening of the Canadian dollar also contributed to a lower cost in the fourth quarter of 2020 for the US based costs, most significant being satellite imagery.

Included in data and technology infrastructure expenses are certain imagery costs that are not considered to be directly tied to the Company's solution offerings. Such imagery costs represent estimated indirect fixed costs associated with the contract that are instead allocated to the Company's research and product development efforts and to the costs associated with intellectual property developed as a consequence of the exclusivity terms in the Company's current satellite imagery contract that ended December 31, 2020. After adjusting for the indirect fixed costs associated with the Company's satellite imagery contract, the Company's direct data and technology infrastructure expenses for the fourth quarter of 2020 were $3.5 million (2019 — $3.7 million), and $15.9 million (2019 — $15.1 million) for the year ended December 31, 2020, representing a decrease of $0.2 million and an increase of $0.8 million, respectively, over the comparative periods. The increase is attributable to higher imagery costs allocable to operations as a result of the increase in average acres in the current periods, together with modestly higher average foreign exchange rates associated with the United States dollar over the first nine months of 2020 based direct costs under the imagery contract.

During the fourth quarter of 2020, the Company signed new multi-year contracts for satellite imagery and cloud hosting services commencing at the beginning of 2021. The new supplier of satellite imagery will reduce the annual imagery costs by approximately 60%. The new agreement for cloud hosting costs is expected to reduce 2020 level costs by approximately $2.9 million. These contractual changes would have reduced costs by approximately $15 million had they been in place for 2020 compared to actual costs incurred.

Adjusted Gross Profit (Loss)

in thousands	**Three months ended December 31**		**Increase (decrease)**	**Year ended December 31**		**Increase (decrease)**
	2020	**2019**	**$**	**2020**	**2019**	**$**
Revenues	$19,120	$6,696	$12,424	$45,880	$23,802	$22,078
Cost of revenues	8,594	8,353	241	32,297	30,858	1,439
Data & technology infrastructure expenses	6,778	7,162	(383)	29,048	29,671	(623)
Less: Imagery costs, indirect	(3,286)	(3,496)	210	(13,147)	(14,550)	1,403
Adjusted Gross Profit (Loss) [1]	**$7,034**	**$(5,323)**	**$12,357**	**$(2,318)**	**$(22,177)**	**$19,859**

(1) Adjusted Gross Profit (Loss) is a non-IFRS measures. See "Key Performance Indicators and Non-IFRS Measures". This table reconciles this term to its most comparable IFRS measures.

In computing its Adjusted Gross Profit (Loss), the Company adjusts for certain indirect imagery costs (see "Data and Technology Infrastructure Expenses"). The Adjusted Gross Profit for the fourth quarter of 2020 was $7.0 million (2019 — loss of $5.3 million) and the Adjusted Gross Loss was $2.3 (2019 — $22.2 million) for the year ended December 31, 2020, reflecting an improvement of $12.3 million (232%), and $19.9 million (90%), respectively, over the comparative periods. Adjusted Gross Profit earned during the fourth quarter of 2020 included $5.5 million (2019 - $2.1 million) relating to a commercial contract that is non- recurring. Attaining positive Adjusted Gross Profit in the fourth quarter for the first time in the Company's history shows its ability to scale by increasing revenue without the same level of increase in costs. The elements contributing to the variances in the revenues and costs included in Adjusted Gross Profit (Loss) are discussed above.

Selling and Marketing Expenses

Selling and marketing expenses include commissions paid to third-party sales representatives, the cost of the Company's sales, business development and related management teams, and marketing and advertising costs.

Total selling and marketing expenses for the fourth quarter of 2020 were $2.2 million (2019 — $3.9 million), and $11.7 million (2019 — $16.8 million) for the year ended December 31, 2020, reflecting a decrease of $1.7 million (44%) and $5.2 million (31%), respectively, over the comparative periods.

The primary driver for the reduced costs relates to the employee costs of the Company's internal sales teams, with total employee costs falling by $0.6 million in the fourth quarter and $2.9 million for the year ended December 31, 2020. The lower costs in 2020 reflect lower headcount in the sales teams as the Company has increased its use of third-party channel partners to assist with selling efforts. Also contributing to the decline in costs are related vehicle and travel expenses, which declined $0.4 million and $1.3 million for the fourth quarter and twelve-month period, respectively. The reduction in these costs is attributed to the lower headcount, as well as COVID-19 related impacts on fuel and travel spend. Also due to COVID-19 impacts, trade shows and other face-to-face marketing events were eliminated in 2020.

Product Research and Development Expenses

Product research and development expenses consist primarily of employee expenses related to the technology and research and development components of the business.

Total product research and development expenses for the fourth quarter of 2020 were $1.6 million (2019 — $0.8 million), and $5.3 million (2019 — $6.8 million) for the year ended December 31, 2020, reflecting an increase of $0.8 million (110%) and a decrease of $1.5 million (22%), respectively, over the comparative periods. The Company also capitalizes qualifying costs related to employee costs on internally generated software and third-party outsourcing costs. The total product research and development costs for the fourth quarter of 2020 (adding back capitalized costs) were $3.3 million (2019 — $4.5 million), and $15.1 million (2019 — $18.4 million) for the year ended December 31, 2020, reflecting reductions overall of $1.2 million and

$3.3 million, respectively. Reductions in total product and development costs, including capitalized costs, are mainly attributable to lower third-party outsourcing costs versus comparable period amounts as the Company has streamlined its software development activities and achieved improved internal efficiencies, which in turn, has lessened the need for external outsourcing costs.

General and Administrative Expenses

General and administrative expenses include the shared employee costs encompassing finance, human resources, legal, internal information technology and the Company's executive team. These costs also include other professional fees, costs associated with corporate systems, and general corporate expenses.

Total general and administrative expenses for the fourth quarter of 2020 were $4.5 million (2019 — $4.2 million), and $14.6 million (2019 — $13.9 million) for the year ended December 31, 2020, reflecting increases of $0.3 million (7%) and $0.7 million (5%), respectively. The increase in the fourth quarter is attributable to legal, assurance and accounting fees of $1.1 million in preparation and planning for the Company's initial public offering that closed in the first quarter of 2021.

EBITDA and Net Loss

in thousands	**Three months ended December 31**		**Increase (decrease)**	**Year ended December 31**		**Increase (decrease)**
	2020	**2019**	**$**	**2020**	**2019**	**$**
EBITDA [(1)]	**$(4,597)**	**$(17,729)**	**$13,132**	**$(46,971)**	**$(74,185)**	**$27,214**
Gain on foreign exchange	(627)	(207)	(420)	(74)	(947)	873
Depreciation of property and equipment	3,040	2,550	490	10,280	8,967	1,313
Amortization of intangible assets	2,438	2,227	211	7,925	6,276	1,649
Finance costs	10,446	13,384	(2,938)	35,636	32,300	3,336
Other (income) expenses	(2,816)	(1,579)	(1,237)	(16,105)	(2,821)	(13,284)
Net loss	**$(17,078)**	**$(34,104)**	**$17,026**	**$(84,633)**	**$(117,960)**	**$33,327**

(1) EBITDA is a non-IFRS measure. See "Key Performance Indicators and Non-IFRS Measures."

EBITDA for the fourth quarter of 2020 was a loss of $4.6 million (2019 — loss of $17.7 million), and a loss of $47.0 million (2019 — loss of $74.2 million) for the year ended December 31, 2020, reflecting improvements of $13.1 million (74%) and $27.2 million (37%), respectively, over the comparative periods.

EBITDA per acre (computed as EBITDA for the period, over the average of Subscribed Acres for the period) was a loss of $2.36 per acre for the year ended December 31, 2020, compared to a loss of $5.60 per acre in Fiscal 2019, reflecting an improvement of 58%. Higher subscription revenues, together with overall reduced costs as the Company realizes additional economies of scale associated with its growing acre base, technology advances and its growing commercial partner network contributed to the overall improvement in EBITDA for this period.

The Company's current period EBITDA loss would have improved by $1.1 million when excluding the various costs incurred by the Company in preparation for the Initial Public Offering that closed in the first quarter of 2021.

in thousands	**Three Months ended December 31**		**Increase (decrease)**	**Year ended December 31**		**Increase (decrease)**
	2020	**2019**	**$**	**2020**	**2019**	**$**
EBITDA [(1)]	$(4,597)	$(17,729)	$13,132	$(46,971)	$(74,185)	$27,214
Add Back: Costs incurred for becoming public	1,085	—	1,085	1,085	—	1,085
Adjusted EBITDA [(1)]	**$(3,512)**	**$(17,729)**	**$14,217**	**$(45,886)**	**$(74,185)**	**$28,299**

(1) EBITDA and Adjusted EBITDA are non-IFRS measures. See "Key Performance Indicators and Non-IFRS Measures."

The Company's net loss (before and after taxes) for the fourth quarter of 2020 was $17.1 million (2019 — $34.1 million), and $84.6 million (2019 — $118.0 million) for the year ended December 31, 2020, improving $17.0 million (50%) and $33.4 million

(28%), respectively, over the comparative periods. The lower net loss for fiscal 2020 reflects the improvement in EBITDA of $27.2 million, higher government grant income, and is offset in part, by increased finance costs, foreign exchange losses, and higher depreciation and amortization expenses compared to the same period in 2019.

Foreign Exchange

The foreign exchange gain for the fourth quarter of 2020 was $0.6 million (2019 — $0.2 million), reflecting an increase of $0.4 million over the comparative period. The foreign exchange gain for the year ended December 31, 2020 was $0.1 million, compared to $0.9 million in the comparative period. The Financial Statements are presented in Canadian dollars, which is the Company's functional and presentation currency. Foreign exchange gains or losses included above comprise translation differences arising from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in a foreign currency. The smaller gain in 2020 primarily relates to a modest strengthening of the Canadian dollar relative to the United States dollar (December 31, 2019 — 0.77; December 31, 2020 — 0.79) compared to the strengthening of the Canadian dollar relative to the United States dollar in the prior comparative period (December 31, 2018 — 0.73; December 31, 2019 — 0.77).

Depreciation and Amortization

Combined depreciation and amortization expenses for the fourth quarter of 2020 were $5.5 million (2019 — $4.8 million), and $18.2 million (2019 — $15.2 million) for the year ended December 31, 2020. The increases in the current periods over the comparable periods is a result of additions for hardware equipment, right of use vehicles, capitalized platform development costs and other intangible assets. See "*Investing Activities*".

Finance Cost

Finance costs include interest and accretion expense on the Company's convertible debentures, plus interest expense on the Company's right of use assets and long-term debt. Finance costs for the fourth quarter of 2020 were $10.4 million (2019 $13.4 million), representing a decrease of $3.0 million over the comparative period. The Company's interest was higher in the current quarter but accretion expense tied to the Company's convertible debentures was lower. Finance costs for the year ended December 31, 2020 were $35.6 million (2019 — $32.3 million), representing an increase of $3.3 million over the comparative period. For the year ending December 31, 2020, the accrued interest and accretion on the convertible debentures of $34.9 million (2019 - $31.1 million) was due to higher levels of convertible debentures and compounding interest. See "Liquidity and Capital Resources". The Company expects to have minimal interest costs in 2021 after the completion of the initial public offering with the conversion of all convertible debentures into common shares and repaying the long-term debt owing to shareholders.

Other Income and Expenses

Other income includes government subsidies and financial assistance, including direct grants together with refundable investment tax credits ("**ITCs**") received by the Company for its qualifying Scientific Research and Development ("**SRED**") activities, which are recorded in income when there is reasonable assurance that the benefits of the credits will be realized prior to their expiration date. In 2019, government grant revenue reflected the recognition of final milestone payments received from Sustainable Development and Technology Canada ("**SDTC**") which was paid out over three years, plus ITC refunds received in respect of prior tax years.

The increase in other income in 2020 includes higher ITC amounts in the first half of 2020, plus a number of new innovation grants that the Company was awarded in late 2019 and early 2020, some of which are coming from North American government bodies with funding associated with COVID-19.

Income Taxes

As noted in the Company's audited consolidated financial statements, the Company has not recorded any current or deferred income tax benefit in any reporting periods. As at December 31, 2020, the Company has accumulated non-capital losses of approximately $362 million (2019 - $309 million) which may be available to be used to offset future taxable income. These losses expire between 2030 and 2040. In addition, the Company has undeducted Scientific Research and Experimental Development expenditures of $39 million (2019 - $19 million) which may be carried forward indefinitely and unused investment tax credits of $3 million (2019 - $1.6 million) which expire between 2034 and 2039.

Free Cash Flow

in thousands	Three Months ended December 31		Increase (decrease)	Year ended December 31		Increase (decrease)
	2020	**2019**	**$**	**2020**	**2019**	**$**
EBITDA [(1)]	**$(4,597)**	**$(17,729)**	**$13,132**	**$(46,971)**	**$(74,185)**	**$27,214**
Government subsidies and financial assistance	2,780	1,430	1,350	15,654	2,603	13,051
Stock-based compensation	211	41	170	830	892	(62)
Additions to property and equipment (net of proceeds)	(1,025)	(3,709)	2,684	(8,931)	(11,174)	2,243
Additions to intangible assets (net of proceeds)	(1,755)	(3,798)	2,043	(9,859)	(11,662)	1,803
Repayment of right-of-use obligations	(780)	(753)	(27)	(3,065)	(3,105)	40
Less: Costs incurred for becoming public	1,085	—	1,085	1,085	—	1,085
Free Cash Flow [(1)]	**$(4,081)**	**$(24,518)**	**$20,437**	**$(51,257)**	**$(96,631)**	**$45,374**

(1) EBITDA and Free Cash Flow are non-IFRS measures. See "Key Performance Indicators and Non IFRS Measures".

The Company's negative Free Cash Flow for the fourth quarter of 2020 was $4.1 million (2019 - $24.5 million) and for fiscal 2020 was $51.3 million (2019 - $96.6 million), which are improvements of $20.4 million (83%) and $45.3 million (47%), respectively. The Company's higher revenue and cost management are the primary drivers of the improvement in Free Cash Flow. The higher level of government subsidies and financial assistance was also a significant factor to the improvement for the Company. These factors are described in more detail above.

The Company's Free Cash Flow excludes $1.1 million of various costs incurred by the Company during the fourth quarter of 2020 in preparation for the Initial Public Offering that closed in the first quarter of 2021.

During the fourth quarter of 2020, the Company signed new multi-year contracts for satellite imagery and cloud hosting services. The new supplier of satellite imagery will reduce the annual imagery costs by approximately 60% and cloud hosting costs are expected to be reduced by approximately $2.9 million compared to the actual expense incurred in fiscal 2020. These contractual changes would have reduced costs by approximately $15 million had they been in place for 2020 compared to actual costs incurred and will positively impact EBITDA, Net Loss and Free Cash Flow going forward into 2021.

See "*Investing Activities"* below for a discussion on the other cash flow items impacting Free Cash Flow.

INVESTING ACTIVITIES

The Company's investing activities consist of expenditures made for tangible property and intangible assets plus the repayments of right-of-use obligations associated with leased assets. The Company has historically received government funding for research and development which offsets a part of the investments the Company makes.

Property and Equipment Investments

The Company's property and equipment expenditures, net of disposal proceeds, for the fourth quarter of 2020 were $1.0 million (2019 — $3.7 million), and $8.9 million (2019 — $11.2 million) for the year ended December 31, 2020, reflecting decreases of $2.7 million and $2.3 million, respectively. Most of the Company's expenditures are for farm equipment, including CanPlugs, weather stations and other sensors used to collect and transfer data.

Customers subscribed to a digital agronomy solution are provided with certain hardware, which is included in the annual subscription price. However, since the Company retains ownership of the hardware, these amounts are capitalized for accounting purposes. Generally, hardware spend is commensurate with increases in Smart Solution digital agronomy acres, however, the Company may, from time to time, retain a stock of undeployed hardware as some of the component parts may require longer lead times to source.

The amount of farm equipment spending was higher in the fourth quarter of 2019 and was curtailed by the unusually late harvest that year in North America. Partially offsetting the lower levels of farm equipment expenditures were purchases that the Company made for fleet vehicles that were higher in the current period.

Right-of-Use Repayments

The Company's right-of-use repayments relating to leased assets for the fourth quarter of 2020 was $0.8 million and $3.1 million for the year ended December 31, 2020, which was consistent with the comparative periods. The assets being leased are made up mostly of fleet vehicles and building space for operations team members and some warehousing for farm equipment.

Intangible Asset Investments

The Company's intangible asset additions, which include both internal and third-party software development expenses, for the fourth quarter of 2020 were $1.8 million (2019 — $3.8 million), and $9.9 million (2019 — $11.7 million) for the year ended December 31, 2020, reflecting decreases of $2.0 million and $1.8 million, respectively. The decrease in the current period is a result of lower capitalized platform development software. The amount being invested in the platform is lower as less resources are needed with the platform being more mature. This is relatively consistent with the reduced amount of expenses for product research and development as the Company has built a leaner, more efficient development team and reduced outsourced third-party software development. The amount of capitalized platform development costs will fluctuate as new features and functions on the platform are designed and developed towards future economic benefits to justify being capitalized under IFRS.

Government Subsidies and Financial Assistance

Government subsidies and financial assistance includes direct grants and refundable investment tax credits received by the Company for its qualifying scientific research and development activities. The Company's government subsidies and financial assistance was $2.8 million (2019 - $1.4 million) for the fourth quarter, and $15.7 million (2019 - $2.6 million) for the year ended December 31, 2020, reflecting increases of $1.4 million and $13.1 million, respectively. The increases overall include collections of higher amounts of scientific research and development activities plus a number of new innovation grants that the Company was awarded in late 2019 and early 2020, some of which are coming from North American government bodies with funding associated with COVID-19. This same heightened level of government grants is not expected to continue into 2021.

OUTLOOK

The completion of the initial public offering is an exciting opportunity as it showed us the strong support for our vision and gave us the capital to accelerate growth. Our growth strategy is directed around a land grab strategy of getting on acres with our digital agronomy subscription services and expanding our platform's capabilities and offerings.

We are still early in the digital agriculture revolution and both growers and other players in the greater agriculture ecosystem are seeing the transition to digital. Each year stakeholders are being drawn into accepting to try platform decision making tools like FarmCommand to improve their operation's profitability, whether that is a grower deciding on what seed to use in their field or insurance companies that have data to help them make better risk products.

The Company successfully grew the Subscribed Acre base throughout 2020 and this was done mainly through the channel partner strategy and our Progressive Grower program being offered to growers with the first-year free. In previous years, the Company shared the cost of the first-year free solution offered with the Progressive Grower program with those channel partners. The capital gained from the initial public offering net proceeds allows us to accelerate growth while working with channel partners. Our Progressive Grower program encourages our channel partners to get our platform onto more of their customers and providing us access to more acres. Additionally, this program allows us to expand our channel partner portfolio as there is no upfront financial commitment for them and they see the opportunity to expand their customer networks.

There is some seasonality with the timing of getting growers added to our platform and our preference is always to try to get the grower connected before the start of the growing season so that they get a full year of service to experience the benefits the platform gives them throughout the crop season. There is also channel partner timing where they are more motivated to getting us introduced to their customers. This results in acres being added throughout the year. Early 2021 shows the Company continuing to add acres with strong momentum in the back end of the first quarter, which is aligned with our growers starting to focus more on their upcoming crop season. As our US based insurance channel partners, Hudson Insurance Company and ProAg, get through their window of annual crop insurance applications at the end of March, we expect to see those channel partners start to add significant acre volume on our Progressive Grower program going into the second quarter. In 2020, most of the acres added in North America came over the second and third quarters and the Company anticipates that trend to continue for 2021.

The Company is successfully working with its insurance partners in delivering to growers in Canada new insurance products, such as yield shortfall derivatives. This disruption to the crop insurance industry is coming from companies like Munich Re who are using the grower centric data from our platform to build grower specific products and leads to growers moving away from traditional crop insurance with limited risk management for the growers. The Company anticipates growing this type of product in Canada and moving similar products to other markets in the future.

The focus on carbon offsets within the agriculture industry is also growing and this is being helped by governmental bodies in North America who have plans for carbon reduction plans. The Company's platform allows for that data collection for carbon credits (nitrogen reduction) for growers that have a Smart VR subscription. As a result, the Company is working on expanding its communication and offering to growers so they understand the potential to sell carbon credit offsets as a biproduct of our solution. The Company expects this to be an important attraction for both existing and new growers. As well, the US federal government program looks at encouraging growers to generate carbon credits by providing reduced crop insurance premiums.

The strengthening of the Canadian dollar in late 2020 and continuing into early 2021 puts pressure on the Company's revenues and ARR, but this also positively impacts those foreign currency cost areas, including the Company's cost of satellite imagery and cloud hosting.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet and capital structure has changed significantly subsequent to December 31, 2020 with the successful initial public offering that closed in March 2021. The following discusses both the position at the end of the reporting period and the subsequent changes in the first quarter of 2021 associated with the initial public offering that gives an indication of the liquidity and capital resources of the Company moving forward after that event.

Prior to the initial public offering, liquidity risk was managed based on financial forecasts and anticipated cash flow. The Company's principal uses of funds during these reported periods of growth were for operating expenses, research and development expenses, working capital requirements, repayment of right-of-use obligations, and capital expenditures to support the Company's growth. The Company is not subject to any externally imposed capital requirements.

Primary sources of cash flow were from revenues and capital raises, mainly through issuing convertible debentures to shareholders. The Company's convertible debentures and the $3 million Promissory Note had a maturity date of June 30, 2021 and are accordingly classified as current liabilities in the Company's December 31, 2020 financial statements. In January 2021, the Company entered into a short-term debenture financing agreement with a related party that provides the Company with up to $11 million of financing to cover estimated operational cash flow requirements for the beginning of 2021. This was drawn by the Company over the first two months of 2021.

As part of its growth business plan, the Company expects to continue to incur a cash flow deficiency in the short-term. This deficiency will continue to decrease as revenues increase and benefiting from the Company's recent contract negotiations with reduced costs for satellite imagery and cloud hosting.

Overview of Capital Structure

The Company's capital structure before the initial public offering is summarized below:

in thousands	As at December 31	
	2020	**2019**
Current portion of long-term debt	$3,000	$3,000
Long term debt	908	—
Current portion of convertible debentures and accrued interest	318,049	238,548
Equity component of debentures	23,411	24,343
Common shares	129,701	124,758
	$475,069	**$390,649**

The impact of the initial public offering on the Company's capital structure in March 2021 includes: i) raising $143.8 million gross proceeds by issuing from Treasury 8,455,950 Common Shares at $17.00 per share, including the overallotment (approximately $117.6 million net proceeds); ii) having all the Company's outstanding convertible debentures principal and accrued interest convert to Common Shares; and iii) using the net proceeds to pay off any principal and accrued interest relating to any non-convertible debt financing with shareholders. Common Shares increases with the combination of the new equity raised and transferring on a non-cash basis the exercise of the convertible debentures, including accrued interest, into equity. At the time of closing, principal and accrued interest on the non-convertible debt financing totaled $14.5 million. These transactions result in the Company having $1.0 million of long-term debt principal outstanding after the initial public offering.

Sources and Uses of Cash

The Company's sources and uses of cash for the fiscal periods are summarized below:

in thousands	Year ended December 31		Increase (decrease)
	2020	**2019**	**$**
Issuance of convertible debentures	$48,500	$96,500	$(48,000)
Proceeds from long-term debt	1,000	—	1,000
Issue of common shares, net of issuance costs	53	212	(159)
Repayment of right-of-use obligation	(3,065)	(3,105)	40
Net cash provided by financing activities	**$46,488**	**$93,607**	**$(47,119)**
EBITDA (1)	**$(46,971)**	**$(74,185)**	**$27,214**
Free Cash Flow (1)	**$(51,257)**	**$(96,631)**	**$45,374**

(1) EBITDA and Free Cash Flow are non-IFRS measures. See "Key Performance Indicators and Non IFRS Measures". A reconciliation of these measures is in "Operating Highlights".

During the year ended December 31, 2020, the Company issued $48.5 million of convertible debentures which were used to fund the Company's operating activities, working capital requirements and capital expenditures. This compares to $96.5 million issued in the comparative period. The amount of convertible debenture financing obtained in 2020 decreased because of the improvement in the Company's Free Cash Flow that improved by $45.4 million (47%). As discussed above and seen in the table, the Company's Free Cash Flow improved mainly because of improvements in EBITDA and higher levels of government subsidies and financial assistance over the comparable period. The Company anticipates continuing to have a much lower negative Free Cash Flow for 2021 and will utilize the net proceeds from the initial public offering to fund operations.

Key Working Capital Items

The Company's non-cash working capital position as at December 31, 2020 and 2019 are summarized below:

in thousands	As at December 31	
	2020	**2019**
Accounts Receivable	$18,548	$18,697
Less: Deferred Revenue	(7,405)	(9,310)
Net	11,143	9,387
Prepaid expenses	1,562	2,554
Accounts payable and accrued liabilities	(35,339)	(30,567)
Non-Cash working capital	**$(22,634)**	**$(18,626)**

Customers on subscription contracts are invoiced either annually or semi-annually based on the customer's election, and billing periods were set to accommodate expected seasonal variations associated with each type of contract and expected cash flow cycles for the growers. Billing periods for digital contracts occur in April and October, while fertility contracts are billed in December and August. As amounts billed typically include amounts billed in advance of revenue recognition, the amounts billed are initially recorded in deferred revenue and drawn down to revenue over the term. As a result, the Company considers the net of accounts receivable and deferred revenue a more relevant measurement.

The Company's account receivable of $18.5 million as at December 31, 2020 is flat to the comparative period but was impacted by the offset of higher accrued receivables and lower trade accounts receivables. The higher accrued receivable includes the $5.5 million relating to commercial contract revenue tied to a subsidy arrangement with a commercial partner, which is higher than the comparative period similar accruals. The Company reduced trade accounts receivable amounts outstanding because of process improvements around billing and customer collections before the end of the reporting period.

Deferred revenue was lower as at December 31, 2020 by $1.9 million and was impacted by fertility revenue recognized in the fourth quarter of 2020. The weather conditions and timing of harvest in North America in the fourth quarter of 2020 was normal and allowed for soil sampling and lab work to be completed in order to recognize revenue on a good portion of fertility services. The 2019 harvest season was late due to weather and pushed soil sampling activities into 2020 once the crops were off the fields.

The Company's accounts payable and accrued liabilities include an amount accrued under a supplier contract for satellite imagery services, which has been replaced, where arrangements under the contract provided for a one-year deferral of payments after the services were received. This amount of US$16.25 million as at December 31, 2020 has been accrued in full and makes up close to 60% of the total accounts payable and accrued liabilities. The comparable balance at the end of 2019 was lower by US$2.1 million mainly due to the current period having an extra month of cost because of the December 2020 payment clearing at the beginning of January 2021. This obligation is expected to reverse throughout 2021. The remainder of the increase in accounts payable and accrued liabilities in 2020 is a result of professional legal and assurance related services in association with its initial public offering, for scientific research and experimental development tax credit claims administration, and costs related to legal claim experts. Higher Digital Agronomy acres and subscription revenues also led to higher a commission accrual.

The Company's non-cash working capital balance was negative in both reporting periods. Included in non-cash working capital balances are liabilities for deferred revenue. Deferred revenue represents amounts invoiced in advance for revenue that has not yet been recognized, in accordance with the revenue recognition policies described in the Financial Statements. As a result, deferred revenue does not represent a liability that will be settled with a direct outflow of cash but instead is released as revenue is recognized on the subscriptions the Company provides.

Credit Facilities and Long-Term Debt

The Company had a $0.9 million demand facility for the funding of its corporate credit card program, secured by a $1.0 million pledge of the Company's cash deposits. In January 2021, the Company decreased the size of the demand facility to $0.65 million and the size of pledge to $0.4 million.

The Company received loan proceeds totaling $1.0 million from Western Economic Diversification Canada spread over the third and fourth quarters. The loan is repayable in monthly installments commencing in January 2023 and ending in December 2025. No interest is charged on the loan if it is repaid by the December 2025 maturity date.

The Company's long-term debt of $3.0 million relates to a shareholder promissory note with a June 30, 2021 maturity date. The principal and accrued interest was repaid with the net proceeds from the Company's initial public offering. Subsequent to December 31, 2020, the Company obtained $11.0 million of debenture financing from a related party that was also repaid in the first quarter of 2021 from the initial public offering net proceeds.

Convertible Debt Financing

The majority of the Company's financing during its development and growth over the last few years consisted of the issuance of convertible debentures to related parties. All outstanding convertible debentures of the Company had a mandatory conversion feature that provided that all outstanding principal and accrued interest be converted to Common Shares immediately prior to the completion of an initial public offering.

In June 2020, the Company renegotiated all its outstanding debentures, resulting in the maturity dates being extended to June 30, 2021 and all debentures previously bearing a 10% interest rate were amended to an interest rate of 12% per annum compounded daily. During 2020, $48.5 million of new debentures were issued bearing interest at a rate of 12% per annum compounded daily. The new debentures include an equity conversion option with terms consistent with the existing debentures. During the fourth quarter of 2020, the conversion price for all convertible debentures were amended to the lower of the conversion Price of $2.40 per common share and the IPO price per common share on a pre-share consolidation basis.

As the date of this MD&A, there is no remaining convertible debenture liabilities as all convertible debentures principal and accrued interested were converted into Common Shares as part of the initial public offering.

Share Capital

The Company's changes in shares outstanding and carrying value over the reporting periods are summarized below:

in thousands, excluding shares	**Common shares**	
	Number of shares	**Carrying value**
As at December 31, 2018	68,675,225	$124,423
Exercise of options	366,000	335
As at December 31, 2019	69,041,225	124,758
Exercise of options	100,000	77
Exercise of warrants	9,538,490	4,866
As at December 31, 2020	78,679,715	$129,701

The Company's fully diluted share position as at December 31, 2020 is summarized below:

in thousands, excluding shares	**As at December 31, 2020**	
	Issued & Outstanding	**Fully Diluted**
Common shares	78,679,715	78,679,715
Common share warrants		18,208,384
Stock options issued and outstanding		5,363,391
Convertible debentures		133,334,167
Total	**78,679,715**	**235,585,657**

At the time of the initial public offering, part of the closing included i) the conversion of all convertible debentures into Common Shares at a conversion price of $2.40 and ii) a share consolidation on a 7:1 basis. Looking at the fully diluted share position as at December 31, 2020, this means that the equivalent share base would be 33,007,285. All stock options outstanding vested as a result of the initial public offering.

The terms of the convertible debentures accrue interest and both the principal and accrued interest is converted into shares. At the time of closing of the initial public offering, the convertible debentures balance of principal and accrued interest was $326.5 million and converted into 19,433,493 Common Shares, including the 7:1 share consolidation.

The Company issued from Treasury as part of the initial public offering a total of 8,455,950 Common Shares (at $17.00 gross per share), which includes 7,353,000 from the base initial public offering and 1,102,950 from the over-allotment option. The gross proceeds from the raise is $143.8 million and the Company estimates closing costs and professional fees of approximately $11.7 million, resulting in net proceeds of $132.1 million. The Company is still completing the analysis around the closing costs and professional fees to determine the allocation between capitalized within equity and expensed in the first quarter 2021. This will be done for the Company's first quarter reporting in May 2021. As described above, the Company paid off shareholder debt principal and accrued interest of $14.5 million from the net proceeds, leaving approximately $117.6 million net proceeds for growth, operations and non-cash working capital changes.

The Company's fully diluted share base in March 2021 is 41,781,669 after the initial public offering, including pre-closing transactions, the share consolidation and the over-allotment option. The only dilutive factor at closing of the initial public offering to the Company's issued Common Shares is 710,530 relating to options outstanding and these all have vested as a result of the initial public offering.

Contractual Obligations

in thousands	**As at December 31, 2020 - after impact of initial public offering**				
	< 1 Year	**1-3 Years**	**4-5 Years**	**> 5 years**	**Total**
Right-of-use obligations – undiscounted value	$2,578	$3,067	$982	$ —	$6,627
Purchase obligations	6,710	24,506	17,443	—	48,659
Long-term debt – principal value (1)	—	334	666	—	1,000
	—	—	—	—	—
Total	**$9,288**	**$27,907**	**$19,091**	**$ —**	**$56,286**

(1) The above table reflects removing obligations associated with the Company's convertible debentures that were converted to Common Shares as part of the pre-closing of the initial public offering and repayment of $3 million of shareholder debt with the net proceeds of the initial public offering. These items are excluded from the table above as no longer cash flow obligations of the Company as the date of this report.

As part of the closing of the Company's initial public offering in March 2021, all of the Company's outstanding convertible debentures principal and accrued interest was converted in Common Shares on a non-cash basis and long-term debt owing to shareholders was repaid with net proceeds.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements as of the date of this MD&A.

RELATED PARTY TRANSACTIONS

The Company has no related party transactions other than those described in Note 19 to the consolidated financial statements for the year ended December 31, 2020. The related party transactions of the Company are in normal course of operations pertaining to shareholder financing, some revenue earned with another subsidiary of a shareholder and the compensation of directors and key management who are designated as related parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies of the Company used in the determination of the results for years ended December 31, 2020, and 2019 that are discussed and analyzed in this report are described in detail in Note 3 of the Corporation's 2020 consolidated financial statements.

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

The amount of revenue recognized in digital ag and fertility solutions subscriptions and commercial contracts reflects the expected consideration to be received which includes estimates for variable consideration. Revenue on such contracts is recognized to an extent that it is highly probable 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. A change in the estimated amount of variable consideration could significantly impact the revenue recognized by the Company.

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 of the Fiscal 2020 Financial Statements for additional disclosures related to stock-based compensation.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The information provided in this report, including the information derived from the Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

In accordance with Item 4.3 of National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”), the Company has filed an annual certificate in the Form 52-109F1 - IPO/RTO relating to its annual information form, annual financial statements and the accompanying notes and the MD&A for the year ended December 31, 2020 because it is the first financial year that has ended and being reported after the Company became a reporting issuer.

In particular, the certifying officers filing the certificate in the Form 52-109F1 - IPO/RTO required under NI 52-109 are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's IFRS.

The CEO and CFO of the Company are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate.

RISK AND UNCERTAINTIES

In addition to the risks identified in this section and elsewhere in this MD&A, a number of factors that could cause actual results to vary significantly from the results discussed herein are noted in the Company's Annual Information Form, filed on March 29, 2021, a copy of which is available on SEDAR at www.sedar.com. The occurrence of any of such risks, or other risks not presently known to the Company or that the Company currently believes are immaterial, could materially and adversely affect the Company's results of operations, cash flows or financial condition.

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's capital structure consists of cash, long-term debt, convertible debentures and shareholders' deficiency.

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, convertible debentures and repayment of right-of-use obligations. The Company manages its liquidity risk by forecasting cash flows from operations and seeking additional financing for growth and operations. Concurrently with the initial public offering, all the convertible debentures and accrued interest were converted into common shares and the long-term debt owing to shareholders plus accrued interest was repaid.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily related to trade and commercial partner receivables. For trade receivables, the nature of a subscription-based business results in payments being received in advance of the majority of the services delivered; as a result, the Company's exposure to credit risk is low. As the majority of the Company's revenues are amortized over a period of time, the potential impact on operating results in the event of a customer default is low as any uncollectible amounts would primarily impact trade receivables and deferred revenue. Furthermore, due to a diverse customer base, there is no particular concentration of credit risk related to the Company's trade accounts receivable. Both trade and commercial partner receivables are managed and reviewed on a regular basis to ensure that allowances for doubtful accounts are established and maintained at an appropriate amount.

Foreign Currency Risk

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 Financial Statements are presented in Canadian dollars, which is the Company's functional and presentation currency. Fluctuations in the exchange rate between the Canadian dollar and the United States dollar will affect the Company's reported results.

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.

SUBSEQUENT EVENTS

On January 5, 2021, the Company entered into a short-term debenture financing agreement with the Fairfax Shareholders which provides the Company with up to $11.0 million of financing to cover estimated operational cash flow requirements for the first quarter of 2021 and $5.0 million was drawn from this debenture in January 2021 and $6,000 was drawn from this debenture in February 2021. This debenture bore an 8% interest rate per annum.

On March 3, 2021, the Company completed its initial public offering of 7,353,000 common shares for gross proceeds of $125 million. The initial public offering consisted of an offering of common shares issued from treasury. As well, the Company issued an additional 1,103 common shares for gross proceeds of $18.8 million as part of the over-allotment option granted to the underwriters. Concurrently with initial public offering, all the convertible debentures were converted into common shares, Fairfax Shareholders exercised all of the outstanding warrants held by them for common shares and the Company closed a private placement of 25,735 common shares to certain directors, officers and employees of the Company residing or located outside of Canada for gross proceeds of $0.4 million. As well, the Company repaid the principal and accrued interest on the promissory note (Note 14 in the December 31, 2020 Financial Statements) and repaid the short-term debenture financing and related accrued interest noted above.

Prior to closing of the initial public offering, the Company consolidated the common shares on a 7:1 basis.

Upon completion of the initial public offering, the Company's financial position included approximately $120.0 million of cash, $1.0 million of loan obligations and $150.0 million of total shareholders equity.

At the time of the initial public offering, the Company has implemented a long-term incentive plan for certain directors and key management by issuing 90,000 restricted share units and 680,000 performance share units that will impact the Company's fully diluted loss per share calculation.

SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table provides selected annual information for the Company for the years ended and as at December 31, 2018 through to 2020:

in thousands, except per share amounts	**For the years ended December 31,**		
	2020	**2019**	**2018**
Total revenues	$45,880	$23,802	$18,141
EBITDA (1)	$(46,971)	$(74,185)	$(76,447)
Net loss	$(84,633)	$(117,960)	$(106,159)
Loss per share - basic and diluted	$(8.01)	$(11.97)	$(10.85)
Free Cash Flow (1)	$(51,257)	$(96,631)	$(99,707)
Total Assets	$79,484	$77,492	$64,174
Total long-term liabilities	$4,760	$3,908	$4,321

(1) EBITDA and Free Cash Flow are non-IFRS measures. See "– Key Performance Indicators and Non-IFRS Measures." A reconciliation of these measures is in "– Operating Highlights."

The following summary reflects quarterly results of the Company for the past two years:

in thousands, except per share amounts	**2020 Quarters**				**2019 Quarters**			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$19,120**	**$10,334**	**$9,052**	**$7,374**	$6,696	$5,350	$5,201	$6,555
EBITDA (1)	**(4,597)**	**(12,190)**	**(13,515)**	**(16,669)**	(17,729)	(19,280)	(19,001)	(18,174)
Net Loss	**(17,078)**	**(19,857)**	**(18,965)**	**(28,733)**	(34,104)	(33,045)	(26,523)	(24,289)
-per share basic (2)	**(1.55)**	**(2.01)**	**(1.92)**	**(2.91)**	(3.46)	(3.35)	(2.69)	(2.47)
-per share fully diluted (2)	**(1.55)**	**(2.01)**	**(1.92)**	**(2.91)**	(3.46)	(3.35)	(2.69)	(2.47)
Free Cash Flow (1)	**(4,081)**	**(11,253)**	**(13,682)**	**(22,241)**	(24,518)	(26,472)	(23,985)	(21,656)

(1) EBITDA and Free Cash Flow are non-IFRS measures. See "Key Performance Indicators and Non-IFRS Measures." A reconciliation of these measures is in "Operating Highlights."
(2) Adjusted retrospectively to reflect the consolidation of common shares on a 7:1 basis.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR at www.sedar.com.