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

INTRODUCTION

The following management's discussion and analysis ("**MD&A**") supplements the condensed interim consolidated financial statements and related notes for the three months ended March 31, 2021 ("**Financial Statements**") of Farmers Edge Inc. ("**Farmers Edge**" or "**the Company**"). This MD&A has been prepared by management to help readers interpret the consolidated financial results and should be read in conjunction with the Financial Statements of the Company for the three months ended March 31, 2021, its annual consolidated financial statements for the year ended December 31, 2020, and its annual MD&A for the year ended December 31, 2020. 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 May 13, 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.

Initial Public Offering

On March 3, 2021, Farmers Edge completed an initial public offering and its shares began trading on the Toronto Stock Exchange under the symbol "FDGE". The successful initial public offering, which included a 15% over-allotment option exercised in full and a small President's List private placement for some directors and employees from outside of Canada, raised gross proceeds of $144.2 million by issuing 8,481,683 common shares at $17.00 per share.

At the time of the initial public offering, the Company's capital structure changed with the conversion of all the Company's outstanding convertible debentures and accrued interest converting into Common Shares, the exercising of all of the Company's outstanding warrants, and a share consolidation on a 7:1 basis. More details around the initial public offering and these transactions are described in the "*Liquidity and Capital Resources*" section. All share numbers in the MD&A are after the share consolidation unless otherwise indicated.

The initial public offering and the restructuring of the Company's capital provides management the opportunity to execute on its growth strategies and fund negative Free Cash Flow from operations in the short term as it scales its business. The growth strategies include adding high margin subscribed acres to the Company's platform, enhancing and developing new features on its platform, expanding its business analytic solution product offerings, and considering merger and acquisition opportunities.

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 May 13, 2021 and is subject to change after such date.

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 securities laws in Canada.

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. The Company leverages our data and analytics to develop a unique portfolio of products, disrupting 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 can 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 (except for 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 generates streams of revenue enhancing opportunities under its business analytics solutions, which expands its scope of market beyond the farm. This contributes to the Company generating multiple revenue streams on the same acre. Initially, this area is focused on key participants in the crop insurance industry. The Company's Smart Claim solution 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 where claims are encountered with additional fees charged on a per query basis.

BUSINESS UPDATE

The Company announced a strategic collaboration with Munich Re in 2020 to leverage its insights and assist in the design of specialty risk management products for agriculture. In April 2021, the Company announced a Canola Heat Blast Yield Protection product being offered in Canada with Munich Re underwriting the contracts. This innovative digital product will help Canadian farmers protect the substantial investment in their canola crop while mitigating the financial damage that an extreme heatwave can have on yields. This parametric insurance solution is affordable, easy to use, and eliminates the paperwork and hassle of filing a claim for busy farmers. The Company's customers simply choose which fields they wish to insure, and their digital platform FarmCommand does the rest. It will passively collect all the data (temperature, field conditions, planting date), trigger a guaranteed claim when the weather and cumulative growing degree day thresholds are met, and automatically send it to Munich Re. All of this is done in real-time, expediting the insurance settlement process and eliminating the need for a claim adjustment. Best of all, it is fully transparent and requires no supervision on the part of farmers. The Company plans to add more parametric insurance products like this that cover 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. 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. This is the first of what we expect will be a series of products over upcoming seasons.

Our insurance partnerships with Munich Re, ProAg, Hudson and Fairfax Brazil also provide access points to acres and revenue opportunities. The more recent partnerships with ProAg and Hudson gives us channel partner access to the United States. We have been working with them and seeing progress on Smart Claim opportunities in addition to access to their customers in offering Progressive Grower subscription opportunities which started to gain traction in late March and into the second quarter. Beyond insurance, we entered a partnership with an agronomy consulting company in April where they committed to adding 650,000 acres with their customers in the Progressive Grower program. They see the benefits coming from our platform by getting access to use tools for better insights for the agronomy services they are providing to the growers.

Governments and regulatory bodies are continuing to focus on carbon-neutrality and the development of carbon credit markets. Corporations are also voluntarily starting to look for ways to reduce or eliminate their carbon footprint to attract environmentally conscious consumers and investors and are pursuing their own green corporate missions. This drives up the opportunity for the Company as growers can create carbon offsets by implementing new management practices such as nitrogen efficiency, conservation tillage and cover crops. To capitalize on these opportunities, growers need to provide prospective buyers with a significant amount of data to validate their claims under the applicable carbon protocols. Our fertility products, Smart VR and Smart Nutrient, provide growers with the tools they need to capture the required data in an automated format to qualify under these carbon protocols. Our partnership with Radicle provides us superior access to the carbon offset market. Radicle will manage the carbon credit development process, while Farmers Edge will provide the technology for carbon management. We expect that this partnership will support growth and retention in digital subscriptions as growers look to the Company to enhance their revenue streams by obtaining access to the carbon offsets. The Company has also been involved in the sale of carbon credits in the regulated market in Alberta.

Most of last year's growth of 6.8 million Subscribed Acres occurred during the second and third quarters. In the 2020 first quarter Subscribed Acres grew by 0.2 million, on a net basis. In the first quarter of 2021, we had stronger acre sales adding 2.1 million new acres, mostly in North America under the Progressive Grower program which is our premiere go to market product. These additions were partially offset by 1.6 million in discontinued acres (primarily in Eastern Europe which had negligible annualized revenue of $150 thousand). This was a conscious decision by management to no longer subsidize and provide significant discounts on Smart Imagery subscriptions. Our focus and strategy is to sell the Progressive Grower acres and attract customers at this higher price point with a more comprehensive suite of services. The Company added approximately 1 million of Progressive Grower acres in April 2021.

OPERATING HIGHLIGHTS

in thousands, except per share amounts	Three Months Ended	
	2021	**2020**
FINANCIAL PERFORMANCE for periods ended March 31		
Revenues	$9,883	$7,374
Operating expenses (1)	$18,236	$24,043
EBITDA (2)	$(8,353)	$(16,669)
Net loss	$(17,264)	$(28,733)
Loss per share - basic & diluted (3)	$(0.81)	$(2.91)
Free Cash Flow (2)	$(10,265)	$(22,241)

	March 31, 2021	December 31, 2020
FINANCIAL POSITION as at date specified		
Total assets	$193,989	$79,484
Total liabilities	$43,990	$370,887
Total equity	$149,999	$(291,403)

	March 31, 2021	December 31, 2020
KEY PERFORMANCE INDICATORS as at date specified		
Total Subscribed Acres (4)	23,858	23,357
Annual Recurring Revenue (ARR) (4)	$56,051	$53,421

(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. The loss per share – basic and diluted for the periods ending March 31, 2020 have been retrospectively adjusted to reflect the consolidation of common shares on a 7:1 basis.

(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		Change
for the periods ended March 31	**2021**	**2020**	
Digital agronomy solutions	$8,897	$6,802	$2,095
Business analytic solutions	820	460	360
Other	166	112	54
Total revenue	**$9,883**	**$7,374**	**$2,509**
Annual Recurring Revenue (ARR) (1)	**$56,051**	**$32,672**	**$23,379**

(1) ARR is defined in "Key Performance Indicators and Non-IFRS measures."

Revenues generated for the first quarter of 2021 were $9.9 million (2020 — $7.4 million), representing an increase of $2.5 million (34%) over the comparative period.

The Company's digital agronomy solutions revenue includes revenue from both digital and fertility solution subscription contracts with growers and represents the majority of the Company's revenue. Digital agronomy solutions revenue was $8.9 million for the first quarter of 2021 compared to $6.8 million for the first quarter of 2020, representing an increase of $2.1 million or 31%. The increase in digital agronomy revenue is attributable to the increase in digital agronomy acres of 6.4 million (52%) over the comparative period and consistent with the trend late in 2020. Digital agronomy solutions revenue for the fourth quarter of 2020 was $11.7 million. Digital agronomy solutions revenue in the first quarter of 2021 was lower than the previous quarter by $2.8 million as a higher proportion of revenue from fertility services performed was recognized in the fourth quarter of 2020 versus the first quarter of 2021. The Progressive Grower program acres from 2020 with free digital solutions will contribute revenue when the first-year free period ends for those customers later in 2021.

Business analytics solutions revenue represents analytic and technology solutions. For the first quarter of 2021, business analytics solutions revenue was $0.8 million (2020 – $0.5 million) for an increase of $0.3 million (60%) over the comparative period. The business analytics earnings for the first quarter of 2021 is split between revenue from the Company's Smart Claim insurance solution as well as revenue earned for the carbon credit program. The Company first generated revenue for the sale of carbon credits in the fourth quarter of 2020 and continued with $0.4M of revenue in the current period. There is no carbon credit revenue in the comparative period.

Total revenue in the current period was negatively impacted by approximately $0.7 million in comparison to the first quarter of 2020 due to the strengthening of the Canadian dollar versus both the United States and Brazilian currencies.

The Company's ARR as at March 31, 2021 was $56.0 million (2020 – $32.7 million), an increase of $23.3 million or 71% from the comparable period. This increase reflects a combination of new Digital Agronomy Acres signed since March 31, 2020 as well as new contracts signed under business analytics solutions and is adjusted for foreign exchange rate differences at the respective measurement dates. ARR increased slightly from year end and was negatively impacted by $0.7 million due to the strengthening of the Canadian dollar over the first quarter of 2021. It is expected to increase significantly in the second quarter with the new acre developments discussed earlier being contracted.

Cost of Revenues

in thousands	Three Months Ended		Change
for the periods ended March 31	**2021**	**2020**	
Employee compensation & benefits	$4,654	$5,426	$(772)
Vehicle & travel	1,049	1,361	(312)
Soil testing costs	731	648	83
Other	682	1,286	(604)
Total costs of revenue	**$7,116**	**$8,721**	**$(1,605)**

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 first quarter of 2021 were $7.1 million (2020 — $8.7 million), representing a decrease of $1.6 million (18%) over the comparative period. Most of the decrease was tied to employee compensation and benefit costs, which decreased by $0.8 million in the first quarter over the comparative period. The decrease is explained by streamlining the business as well as a reduction in the incentive pay accrual. Total costs of revenue in the fourth quarter of 2020 were $8.6 million, which included more seasonal costs for the fertility season, including seasonal staff.

Vehicle and travel costs relate to costs to support teams operating in rural geographies. These costs decreased by $0.3 million (23%) over the comparative period. There was reduced traveling in the current period due to COVID-19 pandemic restrictions on travel and face-to-face visits with clients. The impacts from the pandemic were not felt in 2020 until the second quarter.

The decrease in Other costs for the current period was largely tied to premises costs, which saw a decrease of $0.3 million. This is attributable to a change in presentation in the current period with a larger allocation of costs to general and administrative costs compared to the comparative period.

Data and technology infrastructure expenses

in thousands	Three Months Ended		Change
for the periods ended March 31	**2021**	**2020**	
Direct costs	$3,158	$3,769	$(611)
Imagery costs, indirect	—	3,347	(3,347)
Total data and technology infrastructure expenses	**$3,158**	**$7,116**	**$(3,958)**

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 expense was $3.2 million (2020 — $7.1 million) for the first quarter of 2021, representing a decrease of $3.9 million (55%) over the comparative period. The Company changed satellite imagery providers effective for the beginning of 2021. The change had a significant cost reduction from the unlimited acre contract with the previous provider and the market rates for satellite imagery also came down. The current period's cost for satellite imagery was $1.6 million, which is a decrease of $3.8 million or 71% from the comparative period. The Company also entered into a new cloud hosting agreement effective in 2021 with Google Cloud Canada ("Google") that resulted in more favourable terms. The benefit to the Company is expected to improve as the full transition over to Google takes place in 2021.

Included in the comparative period's data and technology infrastructure expenses are "indirect" imagery costs, which are considered fixed costs and not directly tied to the Company's solution offerings. There is no comparable cost in the current period due to the new contract for satellite imagery that started January 1, 2021. The new contract does not have exclusivity terms and costs can be considered more directly tied to usage and acreage, without carrying the fixed cost component of the prior contract. As such, an indirect cost component will not be allocated under the new contract.

Adjusted Gross Profit (Loss)

in thousands	Three Months Ended		Change
for the periods ended March 31	**2021**	**2020**	
Revenues	$9,883	$7,374	$2,509
Cost of revenues	7,116	8,721	(1,605)
Data & technology infrastructure expenses	3,158	7,116	(3,958)
Less: Imagery costs, indirect	—	(3,347)	3,347
Adjusted Gross Profit (Loss) [1]	**$(391)**	**$(5,116)**	**$4,725**

(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 adjusted historically for certain indirect imagery costs (see "Data and Technology Infrastructure Expenses"). The Adjusted Gross Loss for the first quarter of 2021 was $0.4 million (2020 — $5.1 million), an improvement of $4.7 million (92%) over the comparative period. The Company's results continue the momentum of showing improvements in Adjusted Gross Profit that was seen in the fourth quarter of 2020, which included the positive impacts from commercial contract revenue and fertility services.

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 first quarter of 2021 were $2.2 million (2020 — $3.6 million), reflecting a decrease of $1.4 million (39%) over the comparative period and relatively consistent with the costs incurred in the fourth quarter of 2020. The primary driver for the reduced costs versus the comparable period relates to decreased employee costs of the Company's internal sales teams, with total employee costs lower by $0.9 million in the current period. The lower costs in 2021 reflect lower headcount in the sales teams as the Company has increased its use of third-party channel partners to assist with selling efforts. Vehicle and travel expenses also decreased over the comparative period by $0.3 million and is attributed to the lower headcount, as well as COVID-19 related impacts on fuel and travel spending as trade shows and other marketing events have been significantly reduced.

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 first quarter of 2021 were $1.4 million (2020 — $1.5 million), reflecting a decrease of $0.1 million (7%) over the comparative period. 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 first quarter of 2021 (adding back capitalized costs) were $2.9 million (2020 — $4.1 million), reflecting a decrease of $1.2 million (29%). As discussed below in "*Investing Activities*", the Company reduced spending tied to headcount and reduced outsourced third-party software development as the platform became more mature. The total product research and development costs in the current period are relatively consistent with the costs incurred in the fourth quarter of 2020.

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 first quarter of 2021 were $4.3 million (2020 — $3.1 million), reflecting an increase of $1.2 million (39%), but fairly consistent with the costs incurred in the fourth quarter of 2020. Professional fees account for the largest increase over the comparative period and were higher by $0.8 million as the Company incurred some specific costs in the current period associated with closing the initial public offering with all outstanding options vesting and resulting in a one-time increase of the share compensation expense of $0.4 million. The Company also issued new share-based awards at the closing of the initial public offering. Certain directors received restricted share units ("RSUs") totaling 90,000 RSUs with a 36-month time-based vesting period and certain management received performance share units ("PSUs") totaling 747,500 with a 48-month time-based vesting period plus performance conditions. The expense in the current period for the RSUs and PSUs was $0.3 million representing approximately one month.

EBITDA and Net Loss

in thousands	Three Months Ended		Change
for the periods ended March 31	**2021**	**2020**	
EBITDA [1]	$(8,353)	$(16,669)	$8,316
Foreign exchange (gain) loss	(1,014)	753	(1,767)
Depreciation of property and equipment	2,486	2,290	196
Amortization of intangible assets	1,865	1,637	228
Finance costs	7,348	7,837	(489)
Other income	(1,774)	(453)	(1,321)
Net loss	**$(17,264)**	**$(28,733)**	**$11,469**

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

EBITDA for the first quarter of 2021 was a loss of $8.4 million (2020 — loss of $16.7 million), reflecting an improvement of $8.3 million (50%) over the comparative period. The improvement in reducing the EBITDA loss is a result of growing revenues and the reduction of costs. EBITDA per acre (computed as EBITDA for the period, over the average of Subscribed Acres for the period) was a loss of $0.35 per acre for the three months ended March 31, 2021, compared to a loss of $1.00 per acre in the comparative period, reflecting an improvement of 65%. 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 $0.5 million when excluding the various costs expensed by the Company for the initial public offering that closed on March 3, 2021.

The Company's net loss (before and after taxes) for the first quarter of 2021 was $17.3 million (2020 — $28.7 million), an improvement of $11.4 million (40%) over the comparative period. The reduction to net loss for the first quarter of 2021 is mainly the result of the improvement in EBITDA of $8.3 million. In addition, the Company earned higher government grant income, a favourable foreign exchange impact, and lower financing costs in the current period over the comparative period.

Foreign Exchange Gain

The foreign exchange gain for the first quarter of 2021 was $1.0 million (2020 — $0.8 million foreign exchange loss). 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 foreign exchange gain in the current period primarily relates to a strengthening of the Canadian dollar over the first quarter of 2021, relative to the United States dollar in particular, which includes the Company's 2020 satellite imagery payable (US $15.0 million).

Depreciation and Amortization

Combined depreciation and amortization expenses for the first quarter of 2021 were $4.4 million (2020 — $3.9 million). The increase in the current period over the comparable period of $0.5 million is a result of additions for hardware equipment, right of use vehicles, capitalized platform development costs and other intangible assets since the first quarter of 2020. 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 first quarter of 2021 were $7.3 million (2020 $7.8 million), representing a decrease of $0.5 million over the comparative period. As part of the Company's initial public offering on March 3, 2021, all convertible debentures and accrued interest were converted into common shares. As such, interest charges on the convertible debentures only included approximately two months of interest in the current period. Interest charges on long term debt was impacted with the repayment of long-term debt using proceeds from the initial public offering and also included $11.0 million of new long-term debt drawn during the first quarter of 2021 that was also repaid using proceeds from the initial public offering. The Company will have negligible interest costs going forward.

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 as income when there is reasonable assurance that the benefits of the credits will be realized prior to their expiration date. See "*Investing Activities*".

Income Taxes

The Company has not recorded any current or deferred income tax benefit in any reporting periods. The Company has significant levels of accumulated non-capital losses (December 31, 2020 of approximately $362 million with expiry ranging between 2030 and 2040) which may be available to be used to offset future taxable income. The Company is analyzing the loss of a relatively small portion of these accumulated non-capital losses as a result of the initial public offering in certain foreign jurisdictions and will update on this as the analysis is completed later in the year. In addition, the Company has undeducted Scientific Research and Experimental Development expenditures of approximately $40 million which may be carried forward indefinitely and unused investment tax credits of approximately $3 million which expire between 2034 and 2039.

Free Cash Flow

in thousands	**Three Months Ended**		**Change**
for the periods ended March 31	**2021**	**2020**	
EBITDA [(1)]	$(8,353)	$(16,669)	$8,316
Government subsidies and financial assistance	1,735	369	1,366
Stock-based compensation	848	223	625
Additions to property and equipment (net of proceeds)	(2,730)	(2,838)	108
Additions to intangible assets (net of proceeds)	(1,456)	(2,625)	1,169
Repayment of right-of-use obligations	(778)	(701)	(77)
Costs incurred for becoming public	469	—	469
Free Cash Flow [(1)]	**$(10,265)**	**$(22,241)**	**$11,976**

(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 first quarter of 2021 was $10.3 million (2020 – $22.2 million), an improvement of $11.9 million (54%) over the comparative period. Free Cash Flow will fluctuate by quarter due to the timing of capital expenditures for both tangible and intangible assets, government subsidies, and the seasonality and timing of revenue recognition. 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 first quarter of 2021 were $2.7 million (2020 — $2.8 million), reflecting an increase of $0.1 million (4%). Most of the Company's expenditures are for farm equipment, including CanPlugs, weather stations and other sensors used to collect and transfer data.

Right-of-Use Repayments

The Company's right-of-use repayments relating to leased assets for the first quarter of 2021 were $0.8 million and $0.7 million for the comparative period. 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, were $1.4 million for the first quarter of 2021 (2020 — $2.6 million), reflecting a decrease of $1.2 million (46%). The decrease in the current period is a result of lower capitalized platform development software that started in the second half of 2020 and continues in 2021. 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 $1.7 million (2020 - $0.4 million) for the first quarter, reflecting an increase of $1.3 million. The Company started receiving innovation funding through Protein Industries Canada (PIC) near the end of March 2020, which has continued through the first quarter of 2021.

OUTLOOK

The completion of the initial public offering in March gives the Company the ability to work on our growth strategy moving out of the first quarter of 2021. 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. The growth in acres is planned around 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 channel partners. The capital gained from the initial public offering net proceeds allows us to expand our channel partner portfolio as there is no upfront financial commitment and they get 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 introduce us to their customers. This results in acres being added throughout the year. Acre additions showed strong momentum in the back end of the first quarter, which is continuing in the second quarter. The US based insurance channel partners finished up their window of annual crop insurance applications and we expect to see those channel partners start to add significant acre volume on our Progressive Grower program in the middle part of the year. 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 also started to market the Progressive Grower program in Australia. The Australia agriculture industry is starting to show more promise with weather in that region improving after Australia has suffered drought conditions for the last couple years. The Company is taking advantage of the momentum in that marketplace.

The Company is still tracking to our medium-term goals from the initial public offering in March of reaching 40 million Subscribed Acres and annualized revenue growth of 45-50% that will contribute to improved EBITDA and reaching breakeven Free Cash Flow. The growth strategy utilizing the Progressive Grower program with a free period before contributing revenues when a grower converts to a paying contract and the growth in the business analytics revenue components will contribute more to the Company's results in the future. The first quarter of 2021 included the free period for the 2020 Progressive Grower (Elite) acres and the Company is focused on converting those acres as their free periods end over the remainder of this year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet and capital structure has changed significantly during the first quarter of 2021 with the successful initial public offering that closed in March 2021, including the overallotment. We have significant cash on hand to fund our growth over the medium term.

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 cost savings are realized from the Company's recent contract negotiations with reduced costs for satellite imagery and cloud hosting. The Company is not subject to any externally imposed capital requirements.

Sources and Uses of Cash

The Company's sources and uses of cash for the three months ended March 31 2021 and 2020 are summarized below:

in thousands	Three Months Ended		Change
for the periods ended March 31	**2021**	**2020**	
Issuance of convertible debentures	$-	$14,500	$(14,500)
Net repayment of long-term debt	(3,000)	—	(3,000)
Issue of common shares, net of issuance costs	144,776	—	144,776
Repayment of right-of-use obligations	(778)	(701)	(77)
Net cash provided by financing activities	**$140,998**	**$13,799**	**$127,199**
EBITDA (1)	**$(8,353)**	**$(16,669)**	**$8,316**
Free Cash Flow (1)	**$(10,265)**	**$(22,241)**	**$11,976**

(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 closing of the initial public offering was the main contributor to the Company's net cash provided by financing activities in the first quarter of 2021. The Company used the net proceeds to repay long-term debt, including accrued interest that was outstanding plus the $11.0 million of new non-convertible debt it drew in the first quarter of 2021. In the comparative period, the Company used convertible debentures for funding operations and negative Free Cash Flow.

The factors leading to the improvements in EBITDA and Free Cash Flow in the current period are described in "*Results of Operations*".

Key Working Capital Items

The Company's cash position as at March 31, 2021 was $120.4 million ($6.1 million December 31, 2020). The Company's non-cash working capital position as at March 31, 2021 and December 31, 2020 are summarized below:

in thousands		
as at	**March 31, 2021**	**December 31, 2020**
Accounts Receivable	$16,913	$18,548
Less: Deferred Revenue	(2,721)	(7,405)
Net	**$14,192**	**$11,143**
Prepaid expenses	3,031	1,562
Accounts payable and accrued liabilities	(34,035)	(35,339)
Non-Cash working capital	**$(16,812)**	**$(22,634)**

The Company's net account receivable grew by $3.0 million to $14.2 million as at March 31, 2021 from the balance at the end of 2020. The increase was tied to the decrease in the Company's deferred revenue as revenue was recognized over the first quarter, including the completion of the majority of the fertility season services in North America. Both periods also include the $5.5 million of accrued receivables relating to commercial contract revenue tied to a subsidy arrangement with a commercial partner and we anticipate collection of that in the second quarter.

The Company's accounts payable and accrued liabilities grew as a result of some initial public offering costs that were still outstanding as at March 31, 2021 and were paid by the Company in the second quarter.

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's long-term debt of $0.9 million relates to a loan from Western Economic Diversification Canada and 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.

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.

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 11 to the Financial Statements for the first quarter of 2021. 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. As described above, the Company's capital structure changed with the initial public offering, which included certain shareholders of the Company converting all outstanding convertible debentures into common shares and exercising all warrants. As a result of this, the Company has no convertible debentures outstanding as at the time of this report that will incur interest.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies used in determining the results for the first quarter of 2021 and the comparative period that are discussed and analyzed in this report are described in detail in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2020 and Note 3 to the interim condensed consolidated financial statements for the period ended March 31, 2021 and should be read in conjunction with these statements.

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 5.3 of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company has filed an interim certificate in the Form 52-109F2 - IPO/RTO relating to its interim financial statements and the accompanying notes and the MD&A for the three months ended March 31, 2021 because it is the first interim period that has ended after the Company became a reporting issuer, the Company became a reporting issuer by filing a prospectus and the first financial period that ended after the Company became a reporting issuer is an interim period.

In particular, the certifying officers filing the certificate in the Form 52-109F2 - 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. There were no changes to the Company's principal risks and uncertainties from those reported in the Company's Annual Information Form. 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.

KEY PERFORMANCE INDICATORS & NON-IFRS MEASURES

Key Performance Indicators ("KPI")

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.

Seasonality

Seasonality can impact the Company's interim results from factors that generally affect the agriculture industry. In North America, harvest traditionally occurs in the last four months of the calendar year and planting typically occurs in the second quarter of the calendar year. Certain subscriptions have revenues recognized in line with those seasonal services when the service is provided but most are recognized evenly over the life of the contract and over the reporting period. The Company generally experiences increased seasonal labour costs shortly after harvest is completed. The Company issues to its customers sales invoices semi- annually or annually in advance, in April and October each year for its Digital Ag Solution and similarly Fertility Solution subscription invoices are issued in either August or December. The accounting for fertility services performed results in seasonal revenue recognition which are traditionally in the fourth quarter and first quarter when the services are completed.

SELECTED QUARTERLY INFORMATION

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

in thousands, except per share amounts	**2021 Quarter**	2020 Quarters				2019 Quarters		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**$9,883**	$19,120	$10,334	$9,052	$7,374	$6,696	$5,350	$5,201
EBITDA [1]	**(8,353)**	(4,597)	(12,190)	(13,515)	(16,669)	(17,729)	(19,280)	(19,001)
Net Loss	**(17,264)**	(17,078)	(19,857)	(18,965)	(28,733)	(34,104)	(33,045)	(26,523)
-per share basic [2]	**(0.81)**	(1.55)	(2.01)	(1.92)	(2.91)	(3.46)	(3.35)	(2.69)
-per share fully diluted [2]	**(0.81)**	(1.55)	(2.01)	(1.92)	(2.91)	(3.46)	(3.35)	(2.69)
Free Cash Flow [1]	**(10,265)**	(4,081)	(11,253)	(13,682)	(22,241)	(24,518)	(26,472)	(23,985)

(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.

Farmers Edge Inc.

Condensed Interim Consolidated Financial Statements

March 31, 2021

Farmers Edge Inc.

Condensed Interim Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

As at	**March 31, 2021**	**December 31, 2020**
Assets		
Current assets		
Cash	$ 120,429	$ 6,072
Accounts receivable	16,913	18,548
Prepaid expenses and other current assets	3,031	1,562
	140,373	26,182
Property and equipment	32,079	31,321
Intangible assets	20,422	20,866
Goodwill	1,115	1,115
	53,616	53,302
Total assets	**$ 193,989**	**$ 79,484**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 34,035	$ 35,339
Deferred revenue	2,721	7,405
Current portion of right-of-use obligations	2,400	2,334
Current portion of long-term debt (note 6)	—	3,000
Current portion of convertible debentures and accrued interest (note 7)	—	318,049
	39,156	366,127
Right-of-use obligations	3,921	3,852
Long-term debt (note 6)	913	908
	4,834	4,760
Total liabilities	**43,990**	**370,887**
Shareholders' equity (deficiency)		
Share capital (note 8)	612,563	129,701
Equity component of debentures (note 7)	—	23,411
Contributed surplus	5,642	5,325
Accumulated other comprehensive loss	(3,157)	(1,770)
Long-term incentive plan reserve (note 9)	285	—
Deficit	(465,334)	(448,070)
Total shareholders' equity (deficiency)	**149,999**	**(291,403)**
Total liabilities and shareholders' equity (deficiency)	**$ 193,989**	**$ 79,484**

Contingencies (note 14)

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

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(expressed in thousands of Canadian dollars except per share figures)

	Three Months Ended	
For the periods ended March 31	**2021**	**2020**
Revenues (note 4)	$ 9,883	$ 7,374
Operating expenses		
Cost of revenue (excluding depreciation, amortization and data and technology infrastructure expenses)	7,116	8,721
Data and technology infrastructure expenses	3,158	7,116
Selling and marketing expenses	2,221	3,642
Product research and development expenses	1,415	1,489
General and administrative expenses	4,326	3,075
Operating loss before foreign exchange, depreciation and amortization	(8,353)	(16,669)
Foreign exchange (gain) loss	(1,014)	753
Depreciation of property and equipment	2,486	2,290
Amortization of intangible assets	1,865	1,637
Operating loss	(11,690)	(21,349)
Finance costs	7,348	7,837
Other income (note 5)	(1,774)	(453)
Loss before income tax expense	(17,264)	(28,733)
Income tax expense (note 10)	—	—
Net loss	**$ (17,264)**	**$ (28,733)**
Loss per share - basic and diluted (note 10)	**$ (0.81)**	**$ (2.91)**
Other comprehensive loss		
Net loss	(17,264)	(28,733)
Items that are or may be reclassified to profit or loss		
- Foreign currency translation differences of foreign operations, net of tax (nil)	(1,387)	(191)
Total comprehensive loss	**$ (18,651)**	**$ (28,924)**

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

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars)

	Three Months Ended	
For the periods ended March 31	**2021**	**2020**
Operating activities		
Net loss for the period	$ (17,264)	$ (28,733)
Items not affecting cash and cash equivalents:		
Depreciation of property and equipment	2,486	2,290
Amortization of intangible assets	1,865	1,637
Accretion in convertible debentures	631	967
Accretion in long term debt	5	—
Accrued interest on convertible debentures	6,481	6,695
Unrealized foreign exchange (gain) loss	(848)	209
Gain on disposal of property and equipment	(26)	(58)
Stock-based compensation	848	223
	(5,822)	(16,770)
Changes in operating assets and liabilities:		
Accounts receivable	1,635	2,464
Prepaid expenses and other current assets	(1,469)	1,071
Accounts payable and accrued liabilities	(1,308)	2,754
Deferred revenue	(4,684)	4,111
Net cash used in operating activities	**(11,648)**	**(6,370)**
Investing activities		
Additions to property and equipment	(2,756)	(2,936)
Additions to intangible assets	(1,456)	(2,625)
Proceeds from disposal of property and equipment	26	98
Net cash used in investing activities	**(4,186)**	**(5,463)**
Financing activities		
Repayment of right-of-use obligations	(778)	(701)
Repayment of long-term debt	(14,000)	—
Proceeds from long-term debt	11,000	—
Issuance of convertible debentures	—	14,500
Issuance of shares	144,776	
Share issuance costs	(10,730)	—
Net cash provided from financing activities	**130,268**	**13,799**
Effect of foreign exchange rate on cash	(77)	(57)
Net increase in cash during the period	**114,357**	**1,909**
Cash - Beginning of period	6,072	4,775
Cash - End of period	**$ 120,429**	**$ 6,684**
Interest paid	$ 74	$ 79
Income taxes paid	—	—

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

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (deficiency)

(expressed in thousands of Canadian dollars)

	Share capital	Equity component of debentures	Contributed surplus	Accumulated other comprehensive loss	Long-term incentive plan reserve	Deficit	Total shareholders' equity (deficiency)
Balance as at December 31, 2019	$ 124,758	$ 24,343	$ 4,519	$ (558)	$ —	$ (363,437)	$ (210,375)
Total comprehensive loss	—	—	—	(191)	—	(28,733)	(28,924)
Stock-based compensation (note 9)	—	—	223	—	—	—	223
Issuance of convertible debentures	—	1,644	—	—	—	—	1,644
Balance as at March 31, 2020	**$ 124,758**	**$ 25,987**	**$ 4,742**	**$ (749)**	**$ —**	**$ (392,170)**	**$ (237,432)**
Balance as at December 31, 2020	$ 129,701	$ 23,411	$ 5,325	$ (1,770)	$ —	$ (448,070)	$ (291,403)
Total comprehensive loss	—	—	—	(1,387)	—	(17,264)	(18,651)
Exercise of stock options (note 8)	831	—	(246)	—	—	—	585
Stock-based compensation (note 9)	—	—	563	—	285	—	848
Conversion of convertible debentures (note 7, 8)	339,687	(14,527)	—	—	—	—	325,160
Exercise of warrants (note 8)	8,886	(8,884)	—	—	—	—	2
Issuance of shares (note 8)	144,188	—	—	—	—	—	144,188
Share issuance costs (note 8)	(10,730)	—	—	—	—	—	(10,730)
Balance as at March 31, 2021	**$ 612,563**	**$ —**	**$ 5,642**	**$ (3,157)**	**$ 285**	**$ (465,334)**	**$ 149,999**

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

(in thousands of 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.

On March 3, 2021, the Company completed an initial public offering (“IPO”) and its shares began trading on the Toronto Stock Exchange under the symbol "FDGE".

The Company’s interim results are impacted by seasonality factors that generally affect the agriculture industry. In North America, harvest traditionally occurs in the last four months of the calendar year and planting typically occurs in the second quarter of the calendar year. Certain subscriptions have revenues recognized in line with those seasonal services when the service is provided but most are recognized evenly over the life of the contract and over the reporting period. The Company generally experiences increased seasonal labour costs shortly after harvest is completed. The Company issues to its customers sales invoices semi- annually or annually in advance, in April and October each year for its Digital Ag Solution and similarly Fertility Solution subscription invoices are issued in either August or December. The accounting for fertility services performed results in seasonal revenue recognition which are traditionally in the fourth quarter and first quarter when the services are completed.

2. Basis of presentation

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

On March 2, 2021, the Company consolidated all the outstanding common shares, warrants and stock options on a 7:1 basis (notes 8, 9 and 10). All references to common shares and per share data presented in these financial statements have been retrospectively adjusted to reflect the consolidation of common shares on a 7:1 basis unless otherwise noted.

These condensed interim consolidated financial statements 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%
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%

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance International Accounting Standards ("IAS") 34 *Interim Financial Reporting* and do not include all of the information required for full annual consolidated financial statements.

These unaudited condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 13, 2021.

Use of estimates and judgments

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2020.

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 condensed interim 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.

COVID-19

In March 2020, financial markets were negatively impacted by a novel strain of coronavirus ("COVID-19"), which was declared a pandemic by the World Health Organization. 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 eventual government measures that may have to be implemented to limit its spread.

3. Significant accounting policies

These condensed interim consolidated financial statements follow the same significant accounting policies as described and used in the Company's audited consolidated financial statements for the year ended December 31, 2020 and should be read in conjunction with these statements except for the following:

Stock-based Compensation

Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") were awarded in March 2021 and will be settled with common shares of the Company. The RSUs vest at the end of 36 months. The PSUs vest at the end of 48 months and upon the achievement of certain non-market performance conditions. The grant date fair values equals the share price on the grant date of the RSUs and PSUs and are recognized as an expense, with a corresponding increase in equity (LTIP reserve), over the vesting period. The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures or the achievement of performance conditions are likely to differ from the estimate. No related tax benefit has been recorded in these financial statements.

(in thousands of Canadian dollars except as otherwise indicated)

4. Revenue

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

	Three Months Ended	
For the periods ended March 31	**2021**	**2020**
Digital Ag and Fertility solutions subscriptions	$ 8,897	$ 6,802
Business analytics solutions	820	460
Other (agronomic consulting and service)	166	112
Total revenue	$ 9,883	$ 7,374

The Company discloses revenue by geographic area in note 13.

5. Other Income

	Three Months Ended	
For the periods ended March 31	**2021**	**2020**
Government subsidies and financial assistance	$ 1,735	$ 369
Gain on disposal of property and equipment	26	58
Other	13	26
	$ 1,774	$ 453

The Company has fulfilled all conditions set out in the terms of the government funding and no related contingencies exist.

6. Long-term debt

As at	**March 31, 2021**	**December 31, 2020**
Loan - Western Economic Diversification Canada	$ 913	$ 908
Promissory note	—	3,000
	913	3,908
Less: current portion	—	(3,000)
	$ 913	$ 908

The Company's promissory note of $3,000, held by Fairfax Shareholders, bore interest at 12% per year and had a maturity of June 30, 2021 and was repaid using the Company’s net proceeds from its IPO.

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 $11,000 of financing to cover estimated operational cash flow requirements for the first quarter of 2021 and $5,000 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. The principal and accrued interest related to the $11,000 short term debenture was repaid on March 3, 2021 with the proceeds of the IPO.

(in thousands of Canadian dollars except as otherwise indicated)

7. Convertible Debentures

On March 2, 2021, all of the principal and accrued interest relating to the outstanding convertible debentures, in the amount of $326,483 was converted to 136,034,435 common shares at a $2.40 conversion price on a pre-share consolidation basis.

The carrying value of the convertible debentures, immediately prior to conversion was $325,160, which included $1,323 of unaccreted debenture value. The carrying value of the convertible debentures as of March 2, 2021, combined with the equity component of debentures of $14,527 totalled $339,687, which was reallocated to common shares as a result of the conversion of the convertible debentures. The conversion of debentures to common shares had no impact on the condensed interim consolidated statements of operations and comprehensive loss.

As a result of the conversion of debentures, the Company is required to remit withholding taxes of $4,920 relating to the settlement of the accrued interest. The full amount of withholding taxes is to be reimbursed by the Fairfax Shareholders and as a result no amount has been recognized in these condensed interim consolidated financial statements.

8. Share capital

The Company has unlimited authorized share capital without par value. Authorized share capital consists of (i) an unlimited number of Common Shares and (ii) an unlimited number of preferred shares, issuable in series. 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, 2020	11,239,959	$	129,701
Exercise of options	91,063		831
Exercise of warrants	2,601,198		8,886
Conversion of debentures	19,433,491		339,687
Issuance of shares	8,481,683		144,188
Share issuance costs, net of tax (nil)	—		(10,730)
As at March 31, 2021	41,847,394	$	612,563

On March 2, 2021, the Company converted all of the outstanding convertible debentures principal and accrued interest into common shares. As well, the total outstanding warrants of 18,208,384, were exercised by Fairfax Shareholders into common shares at the price of $0.0001 per common share on a pre-share consolidation basis. The equity component of debentures that related to the warrants of $8,884 was credited to common shares upon exercise of the warrants.

On March 3, 2021, the Company completed its IPO by issuing 7,353,000 common shares from treasury at $17.00 per common share for gross proceeds of $125,001. Concurrent with the IPO, the Company closed a private placement of 25,733 common shares to certain directors, officers and employees of the Company residing or located outside of Canada for gross proceeds of $437. As well, the Company issued an additional 1,102,950 common shares at $17.00 per common share for gross proceeds of $18,750 as part of the over-allotment option granted to the underwriters. The Company incurred $10,730 of direct costs associated with the issuance of shares and recorded these costs against share capital, net of tax (nil).

(in thousands of Canadian dollars except as otherwise indicated)

9. Stock-based compensation

The Company has a stock option plan which authorizes the issue of common shares to certain directors and employees. All options have a maximum term ending on March 8, 2023. All outstanding stock options vested immediately upon the completion of the IPO.

	Number of options	Weighted average exercise price ($)
Outstanding, December 31, 2020	766,199	$ 11.02
Granted	—	—
Forfeited	(5,883)	(10.26)
Exercised	(91,063)	(6.43)
Outstanding, March 31, 2021	**669,253**	**$ 11.66**

On March 2, 2021, the Company consolidated all the outstanding common shares and stock options on a 7:1 basis and as such the above table and all amounts in these financial statements have been adjusted retrospectively unless otherwise indicated.

On March 3, 2021, the Company adopted a new long-term incentive plan ("LTIP"), under which the Company granted 90,000 RSUs to certain board of director members and 747,500 PSUs to certain senior management.

The total stock-based compensation for the three month period ended March 31, 2021 was $848 (2020 - $223). This expense was comprised of $563 with respect to the old stock option plan and $285 relating to the new LTIP. The increase in stock-based compensation related to the stock options is a result of recognizing the remainder of the unamortized compensation expense due to the immediate vesting of all the outstanding stock options triggered upon the completion of the IPO. Stock-based compensation expense is included in general and administrative expense in the condensed interim consolidated statement of operations and comprehensive loss.

10. Loss Per Share

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. No tax benefit has been recorded related to the losses incurred to date.

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

The loss per share – basic and diluted for the period ended March 31, 2020 has been retrospectively adjusted to reflect the consolidation of common shares on a 7:1 basis.

(in thousands of Canadian dollars except as otherwise indicated)

Basic and diluted loss per share are as follows:

	Three Months Ended	
For the periods ended March 31	**2021**	**2020**
Net loss	$ (17,264)	$ (28,733)
Basic weighted average number of common shares outstanding	21,351,864	9,863,032
Effect of dilutive securities:		
RSUs	—	—
PSUs	—	—
Stock options	—	—
Convertible debentures	—	—
Warrants	—	—
Diluted basis weight average number of shares	21,351,864	9,863,032
Loss per share (retrospectively adjusted) - basic and diluted	$ (0.81)	$ (2.91)

11. Related Party Transactions

The Fairfax Shareholders, directly or indirectly, have an approximate 59.9% interest in the Company through ownership of, or control or direction over 25,023,193 Common Shares. Fairfax is a leading Canadian financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and the associated investment management. Fairfax's corporate objective is to achieve a high rate of return on invested capital and build long-term shareholder value.

Interest expense of $5,617 (2020 - $5,594) related to Fairfax's portion of the convertible debentures and accrued interest that were converted to common shares on March 2, 2021 and the $14,000 of long-term debt that was repaid on March 3, 2021.

Revenue was recognized for the three months ended March 31, 2021 of $368 (2020 - $460) related to business analytics solutions provided to this same shareholder.

12. 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.

(in thousands of Canadian dollars except as otherwise indicated)

The fair value of cash, accounts receivable, 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 were valued using level 3 inputs, based on the present value of estimated cash flows. The discount rate was 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, prior to being converted into common shares on March 2, 2021, is a reasonable approximation of their fair value. 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 was previously subject to certain negative covenants that limited the extent of additional financing without prior approval from certain of its existing lenders. The Company capital structure after the IPO consists of cash, long-term debt, and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity. The Company's capital structure was impacted upon completion of the IPO (note 8).

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 accounts payable and accrued liabilities, long-term debt and lease obligations. The Company manages its liquidity risk by forecasting cash flows from operations and seeking additional financing for growth and operations. Concurrently with the IPO, 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 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.

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 of $1,335 as at March 31, 2021 (December 31, 2020 – $1,632) 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	$ 2,184	$ 479	$ 1,228	$ 3,891

(in thousands of Canadian dollars except as otherwise indicated)

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 other foreign currencies, mainly the United States dollar ("USD"), Brazilian Real and Australian 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 and following the IPO the Company has no significant debt. The exposure to interest rates for the Company's short-term deposits is considered immaterial.

13. Geographic information

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

As at	**March 31, 2021**		
	Property and equipment	**Intangible assets**	**Goodwill**
Canada	$ 16,801	$ 18,118	$ 1,115
United States	10,821	2,117	—
Brazil	3,174	187	—
Australia	1,043	—	—
Russia and Ukraine	240	—	—
	$ 32,079	$ 20,422	$ 1,115

As at	**December 31, 2020**		
	Property and equipment	**Intangible assets**	**Goodwill**
Canada	$ 15,903	$ 18,581	$ 1,115
United States	10,744	2,075	—
Brazil	3,512	210	—
Australia	899	—	—
Russia and Ukraine	263	—	—
	$ 31,321	$ 20,866	$ 1,115

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

	Three Months Ended	
For the periods ended March 31	**2021**	**2020**
Canada	$ 4,151	$ 3,061
United States	3,534	2,960
Brazil	1,444	931
Australia	722	313
Russia and Ukraine	32	109
Total revenue	$ 9,883	$ 7,374

(in thousands of Canadian dollars except as otherwise indicated)

14. Contingencies

The Company is defending various legal claims, including a patent infringement claim and breach of contract counterclaim, filed against the Company. The Company believes that it has a meritorious defense with respect to the patent infringement claim and breach of contract counterclaim and is vigorously pursuing such defense.

Litigation outcomes are inherently unpredictable, and it is therefore not possible at this time to predict with certainty the outcome of the proceedings described above. No provisions have been recorded in the financial statements relating to these claims.

15. Supplementary Cash Flow information

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

		Cash Flows		Non-Cash Changes					
	January 1, 2021	Proceeds	Repayments	New lease obligations	Accrued interest	Conversion of debentures	Accretion in carrying value	Portion classified as Government Grant	**March 31, 2021**
Convertible debentures	318,049	$ —	$ —	$ —	6,481	(325,161)	631	$ —	$ -
Long-term debt	3,908	11,000	(14,000)	—	—	—	5	—	913
Right-of-use obligations	6,186	—	(778)	913	—	—	—	—	6,321
Total liabilities from financing activities	$ 328,143	$ 11,000	$ (14,778)	$ 913	$ 6,481	$ (325,161)	$ 636	—	$ 7,234

		Cash Flows		Non-Cash Changes					
	January 1, 2020	Proceeds	Repayments	New lease obligations	Accrued interest	Equity portion of debentures	Accretion in carrying value	Portion classified as Government Grant	**March 31, 2020**
Convertible debentures	$ 238,548	$ 14,500	$ —	$ —	$ 6,695	(1,644)	$ 967	$ —	$ 259,066
Long-term debt	3,000	—	—	—	—	—	—	—	3,000
Right-of-use obligations	6,442	—	(701)	581	—	—	—	—	6,322
Total liabilities from financing activities	$ 247,990	$ 14,500	$ (701)	$ 581	$ 6,695	$ (1,644)	$ 967	—	$ 268,388