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 and six months ended June 30, 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 and six months ended June 30, 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 August 12, 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 August 12, 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 grower returns on investment, 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

Smart Carbon

Governments and regulatory bodies around the world 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 creates a significant opportunity for the Company as growers create carbon offsets by implementing new management practices such as nitrogen efficiency, conservation tillage and cover crops. Our FarmCommand platform provides growers with the data to serialize their carbon offsets and we will provide them with markets to sell their offsets primarily in Canada in 2021 as the United States market determines carbon protocols.

The Company launched its Smart Carbon program in Canada in early June with the focus of helping growers use our platform to validate the serialization of carbon offsets that their farming practices already create and aggregate the carbon offsets from multiple growers in order to sell the carbon offsets into a voluntary marketplace. Since going into the Canadian marketplace with the Smart Carbon program, the Company has contractually signed up 1.5 million acres with growers in Canada. This covers a significant portion of the Company's existing subscription customers. We are expecting to sign up over 1 million more acres in Canada over the next couple of months. An equivalent program for the US customers, using a similar but different protocol for the serialization, is being discussed with multiple global registries and the program is anticipated to be approved for implementation in 2022. This opportunity for the Company supports the environment and also opens up significant new revenue streams as growers create carbon credits.

The first revenue stream comes from the grower needing to sign up to our subscriptions, including fertility products to capture the carbon data, and the second revenue stream comes from the sale proceeds of the carbon offset in a voluntary or involuntary marketplace. The Company will share approximately 70% of the gross revenue from the sale of the carbon credits with the grower after taking an aggregation fee of 30% which will be shared with our aggregation partners including Radicle. The positive impacts coming from the success of our Smart Carbon program tied to the platform's capabilities is also contributing to the Company's ability to convert growers from free acres under the 2020 Elite and 2021 Progressive Grower programs to paying contracts. In some cases, growers were given extensions to make their conversion decision, so they fully understood the benefits from the new Smart Carbon program. The later than originally expected conversion decision date negatively impacted revenue in the current period. However, the Company's goal is converting more customers to multi-year paying subscriptions which creates long term value for the Company. The Smart Carbon program is positively contributing to customers moving up and committing to fertility subscriptions at the top of the product price ladder. This will lead to higher revenue per acre opportunities for the Company and a greater customer dependence on the platform.

The Company is also working on processing carbon offsets that can be claimed in certain jurisdictions for previous years. This will lead to a larger amount of carbon offsets in the first year and then a more stable level going forward. The Company's focus is on transacting carbon offsets in Canada before the end of December 2021, which would include multiple years in the first year, and will record the related revenue generally when the services are completed. Given the significant volume being processed, it will take significant effort by the Company and our aggregation partner in getting the offsets serialized and sold in that timing. Some of the services and carbon credits may not be sold until 2022. Overall, the Company is excited about the opportunity coming to realization and support from our growers who are interested in accessing an income stream that they historically did not have.

We believe that a range of 2.25 – 3.0 million acres signed up for carbon offsets could translate into an uplift to business analytics revenue of approximately $13 – $16 million in year one, including the prior year claims, plus additional digital fertility revenue of over $1 million as growers move up to a fertility product to gain access to more carbon offset credits.

Conversions

As noted above, the Smart Carbon program is contributing positively to the conversion of free period acres from the 2020 Elite program into paying acres. As of the date of this report, the Company remains confident that it will reach its internal target of approximately 2/3rd conversion of the 2020 Elite acres into multi-year paying contracts. The vast majority of the 2020 Elite acres will reach their conversion decision date in the third quarter at which time those acres will become revenue generating.

Acres

The Company continues to add acres to Digital Agronomy subscriptions, mostly with the Progressive Grower Program which will not add revenue until their one-year free period expires. On a global basis, the Company added 3.4 million Digital Agronomy acres over the first half of 2021 with 1.3 million acres in the second quarter of 2021. The Company's Digital Agronomy acres have grown primarily by adding 2.4 million new acres in North America which is aligned to our strategy. The Company expanded the Progressive Grower Program beyond North America and experienced new acre growth in Australia in the second quarter adding 0.2 million digital subscription acres (36% growth in that country). In Brazil, the Company has added 0.5 million new Digital Agronomy acres with a traditional Brazilian product mix that has subscriptions lower on the product ladder. The Company is starting to offer a fertility based Progressive Grower Program in Brazil to attract more growers to the higher priced subscriptions and expects to have success from that in the coming quarters. On a net basis, the Company's Digital Agronomy acres increased by 0.9 million acres which includes the reduction of 1.6 million acres discontinued in the first quarter of 2021 in Eastern Europe which had negligible annualized revenue of $150K.

The Company also has new commitments from several new commercial partners which should lead to strong Progressive Grower Program subscriptions in the back half of 2021. Our pipeline for new acres continues to be strong and is growing as new partners bring their existing customers to us.

During the second quarter, the Company also lost two satellite imagery-only customers in North America. As a result, North America's Other acres decreased by 1.5 million acres. This resulted from the transition of satellite suppliers for the Company and had annualized revenue of approximately $1 million. These imagery-only acres were not a strategic focus for the Company and adding Digital Agronomy acres.

Subscribed Acres as at June 30, 2021 of 22.8 million consists of much higher quality acres compared to the 23.4 million acres as at December 31, 2020. Although revenue has been impacted in the short term, our future revenue potential has grown substantially with the success of the Progressive Grower Program and Smart Carbon program as evidenced by an increase in our ARR to $62.4 million at June 30, 2021 from $53.4 million as at December 31, 2020.

Satellite Imagery

As previously communicated, in the second quarter the Company entered into a new satellite imagery arrangement. It had a liability recorded as at December 31, 2020 for $18.1 million for the service the Company received in fiscal 2020. The Company successfully negotiated and entered an agreement to provide the Company with satellite imagery services up to the first quarter of 2024 and settle the balance recorded in accounts payable and accrued liabilities at a discounted amount. This resulted in recording a one-time settlement gain within Data and Technology Infrastructure expenses of $8.2 million in the current period.

Insurance

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 was designed to help Canadian farmers protect the substantial investment in their canola crop while mitigating the financial damage that an extreme heatwave can have on yields. We had considerable interest for the product from over 0.5 million acres on approximately 1 million quoted acres, but developing an interactive platform with Munich Re and the related infrastructure, which is now completed, took more time than expected and resulted in lower business analytics revenue in the second quarter of 2021 than was expected.

The Company plans to add more parametric insurance products covering areas that are excluded from all-risks indemnity policies in the future. These new parametric solutions are designed to be completely automated and use the Company's platform features. The Company now has the systems in place to execute on these plans.

Subsequent Event – CommoditAg Acquisition

The Company has reached an agreement to acquire CommoditAg, LLC ("CommoditAg"), an e-commerce platform developed and owned by nine influential cooperatives in the United States. These owners and existing retail distribution partners of CommoditAg service farmers on over 70 million acres. CommoditAg partners with local retailers to offer farmers a differentiated, comprehensive, and convenient online marketplace with access to various products and technologies. This acquisition will allow the Company to expand and diversify its revenue, expand its product service offering, and promote the Company's suite of Smart products through CommoditAg's online marketplace. The purchase price is US $4.6 million of cash on closing, normal closing adjustments and an earn-out to a maximum of US $7.2 million of additional cash based upon the business meeting certain performance targets over the next three years. The Company plans to finalize the acquisition over the next several business days.

The Company and the current owners of CommoditAg are concurrently entering into agreements committing the group of cooperatives, on a best-efforts basis, to provide introductions to farmers with the goal of signing at least 14.5 million new Progressive Grower Program acres to our FarmCommand platform by December 31, 2023. The owners will be paid a commission incentivizing them to identify strategic farmers and for the conversion of such farmers to paid acres after the one-year free period.

OPERATING HIGHLIGHTS

in thousands, except per share amounts	Three Months Ended		Six Months ended	
	2021	**2020**	**2021**	**2020**
FINANCIAL PERFORMANCE for periods ended June 30				
Revenues	$6,150	$9,053	$16,033	$16,427
Operating expenses [1,5]	$15,158	$22,568	$33,394	$46,611
EBITDA [2,5]	$(9,008)	$(13,515)	$(17,361)	$(30,184)
Net loss [5]	$(9,993)	$(18,965)	$(27,257)	$(47,698)
Loss per share - basic & diluted [3,5]	$(0.24)	$(1.93)	$(0.86)	$(4.84)
Free Cash Flow [2,5]	$(9,266)	$(13,681)	$(19,531)	$(35,922)

	June 30, 2021	**December 31, 2020**
FINANCIAL POSITION as at date specified		
Total assets	$163,824	$79,484
Total liabilities	$21,749	$370,887
Total equity	$142,075	$(291,403)

	June 30, 2021	**December 31, 2020**
KEY PERFORMANCE INDICATORS as at date specified		
Digital Agronomy Acres [4]	19,173	18,256
Other Acres [4]	3,597	5,101
Total Subscribed Acres [4]	22,770	23,357
Annual Recurring Revenue (ARR) [4]	$62,380	$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 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 June 30, 2020 have been retrospectively adjusted to reflect the consolidation of common shares on a 7:1 basis.
(4) Digital Agronomy Acres, Other Acres, Subscribed Acres and ARR are defined in "Key Performance Indicators and Non-IFRS measures". These are unaudited. Growth year-to-date in Digital Agronomy Acres of 13% has a stronger mix of acres and revenue generating potential. ARR as at June 30, 2021 excludes the one-time benefit of carbon offset claims related to prior years.
(5) The satellite imagery settlement gain of $8.2 million in the second quarter of 2021 is included in these results.

Seasonality

Seasonality impacts 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, and others 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, including carbon related services, results in revenue being recognized generally in the fourth quarter and first quarter when these services are completed.

RESULTS OF OPERATIONS

Revenues

in thousands	Three Months Ended		Change	Six Months Ended		Change
for the periods ended June 30	**2021**	**2020**		**2021**	**2020**	
Digital agronomy solutions	$5,071	$8,349	$(3,278)	$13,968	$15,151	$(1,183)
Business analytic solutions	828	464	364	$1,648	$924	724
Commercial contract revenue	—	—	—	—	—	—
Other	251	240	11	$417	$352	65
Total revenue	**$6,150**	**$9,053**	**$(2,903)**	**$16,033**	**$16,427**	**$(394)**
Annual Recurring Revenue (ARR) (1)	**$62,380**	**$43,162**	**$19,218**			

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

Revenues generated for the three months ended June 30, 2021 (“Q2 2021”) were $6.2 million (2020 — $9.0 million), and $16.0 million (2020 — $16.4 million) for the six-month period ended June 30, 2021, representing a decrease of 32% and 2%, respectively, over the comparative periods.

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 $5.1 million for the second quarter of 2021 (2020 – $8.3 million) and $14.0 million (2020 – $15.2 million) for the six-month period ended June 30, 2021, representing a decrease of $3.3 million and $1.2 million, respectively, over the comparative periods. In the comparative second quarter the Company received subsidies from channel partners in North America associated with acres they helped put into the Elite and Progressive Grower Program. The level of subsidies was $1.5 million lower in the second quarter of 2021 as the Company’s strategy is to use the funds generated from the initial public offering to add acres. The Company’s decision to extend the conversion decision date for some of the 2020 Elite program acres in order to give growers more time to understand and convert to paid acres with the Smart Carbon program, resulted in lower revenue for the current period of $0.9 million. In addition, in 2021 virtually all the fertility services were completed and recognized by the end of the first quarter of 2021 as compared to $1.6 million of fertility service revenue being included in the second quarter of 2020. The success of the Company’s strategy is around offering growers the Progressive Grower Program, the Smart Carbon program, and converting more acres into fertility a fertility product. These acres will not be reflected in revenue until the free period ends or the fertility and carbon services are delivered in the future. The foreign operations revenues, in particular in the US and Brazil, were also negatively impacted by the strengthening of the Canadian dollar.

Business analytics solutions revenue represents analytic and technology solutions. For the second 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 and a $0.7 million increase for the six months ended June 30, 2021 (78%). The increase in both the three- and six-month periods can be attributed to the continued revenue generated from carbon offsets generated for some growers in Alberta being sold in the regulated market. The Company first generated revenue for the sale of carbon credits in the fourth quarter of 2020 and has continued to add carbon credit revenue for each quarter in 2021. There is no carbon credit revenue in the comparative period.

Annual Recurring Revenue

As per the Company’s definition in the “*Key Performance Indicators & Non-IFRS Measures*”, 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. 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.

The Company's ARR as at June 30, 2021 was $62.4 million (June 30, 2020 – $43.2 million), an increase of $19.2 million or 45% from the comparable period. The increase from June 30, 2020 reflects a combination of new Digital Agronomy Acres signed since June 30, 2020, as well as new contracts signed under business analytics solutions, including carbon offsets and is adjusted for foreign exchange rate differences at the respective measurement dates.

The addition of carbon offset revenue potential is added to ARR by using the estimated carbon offsets created on an annualized basis, excluding the initial year of carbon offsets when multiple years are serialized. The Company's ARR included the revenue estimate on the 1.5 million Smart Carbon acres currently under contract. The expectation is that a growers' first year will be able to serialize approximately two historical years of carbon offsets under the Canadian protocol.

The Company's ARR as at December 31, 2020 was $53.4 million. It has increased by $9.0 million over the first six months of 2021. The increase is mainly attributable to the new acres added in North America under the Progressive Grower Program (2.4 million acres) and the addition of carbon offset revenue. This is partially offset by a combination of acres discontinued and the strengthening of the Canadian dollar as at the end of June 2021 that values the foreign ARR lower in Canadian dollars.

Cost of Revenues

in thousands	**Three Months Ended**		**Change**	**Six Months Ended**		**Change**
for the periods ended June 30	**2021**	**2020**		**2021**	**2020**	
Employee compensation & benefits	$5,391	$4,975	$416	$10,044	$10,401	$(357)
Vehicle & travel	1,046	793	253	2,095	2,154	(59)
Soil testing costs	718	626	92	1,449	1,275	174
Other	1,185	1,235	(50)	1,868	2,520	(652)
Total costs of revenue	**$8,340**	**$7,629**	**$711**	**$15,456**	**$16,350**	**$(894)**

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 second quarter of 2021 were $8.3 million (2020 — $7.6 million) and $15.5 million (2020 - $16.4 million) for the six-month period ended June 30, 2021, representing an increase of $0.7 million (9%) and a decrease of $0.9 million (5%) over the comparative periods. Most of the increase for the three-month period is due to employee compensation and benefit costs, which increased by $0.4 million. We continue to invest in people and talent to drive the expected revenue growth in both digital acres and business analytics solutions. For the six-month period, the employee compensation and benefit costs decreased in 2021 because of streamlining the business and lower incentive pay accruals.

Vehicle and travel costs relate to costs to support teams operating in rural geographies. These costs increased by $0.3 million (38%) over the comparative period for the three-month period and is flat for the six-month period. The impacts of the pandemic on travel and client visits started in the second quarter of 2020. With higher acre volumes and more travelling occurring in the second quarter of 2021, the expenses have grown in the current quarter and include more face-to-face customer care visits with clients.

Soil testing costs have increased because of the higher number of acres of Smart VR and Smart Nutrient fertility products that require soil testing to determine the baseline nutrient content of the soil. The decrease in Other costs for the three and six month periods is largely tied to premise costs that decreased given a change in presentation with a larger allocation of costs to general and administrative expenses.

Data and technology infrastructure expenses

in thousands	Three Months Ended		Change	Six Months Ended		Change
for the periods ended June 30	**2021**	**2020**		**2021**	**2020**	
Direct costs (recovery)	$(5,255)	$4,228	$(9,483)	$(2,156)	$7,997	$(10,153)
Imagery costs, indirect	—	3,442	(3,442)	—	6,789	(6,789)
Total data and technology infrastructure expenses (recovery)	**$(5,255)**	**$7,670**	**$(12,925)**	**$(2,156)**	**$14,786**	**$(16,942)**

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 significantly impacted by the successful negotiation and the resulting one-time settlement gain that the Company recorded in the second quarter of 2021 as described in the "*Business Update*" section and the "*Critical Accounting Policies and Estimates*" section. The settlement gain of $8.2 million offset by $2.9 million of direct costs resulted in a net recovery of $5.3 million in the second quarter of 2021.

The $2.9 million of direct costs before the settlement gain for the three-month period in 2021 is $1.2 million (30%) lower than the comparable period in 2020 and similarly the pre settlement costs decreased $1.8 million (23%) for the six-month period in 2021 compared to the same period in 2020. The satellite imagery is priced with US dollars and the strengthening of the Canadian dollar has also contributed to the lower costs in the current periods.

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 contracts for satellite imagery that started in 2021. The new contracts do 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 2021 contracts.

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.

Adjusted Gross Profit (Loss)

in thousands	Three Months Ended		Change	Six Months Ended		Change
for the periods ended June 30	**2021**	**2020**		**2021**	**2020**	
Revenues	$6,150	$9,053	$(2,903)	$16,033	$16,427	$(394)
Cost of revenues	8,340	7,629	711	15,456	16,350	(894)
Data & technology infrastructure expenses (recovery)	(5,255)	7,670	(12,925)	(2,097)	14,786	(16,883)
Less: Imagery costs, indirect	—	(3,442)	3,442	—	(6,789)	6,789
Adjusted Gross Profit (Loss) [1]	**$3,065**	**$(2,804)**	**$5,869**	**$2,674**	**$(7,920)**	**$10,594**

(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 Profit for the second quarter of 2021 was $3.1 million (2020 —loss of $2.8 million), and $2.7 million (2020 – loss of $7.9 million) for the six-month period ended June 30, 2021, an improvement of $5.9 million and $10.6 million over the comparative periods. This includes the one-time settlement gain of $8.2 million and without that the Company's Adjusted Gross Profit (Loss) would be losses of $5.1 million and $5.5 million for the three-month and six-month periods ended June 30, 2021, respectively. The lower revenues in the second quarter of 2021 contributed to the $2.3 million larger Adjusted Gross Profit (Loss). For the six-month period, the Company has improved the Adjusted Gross Profit (Loss) by $2.4 million (30%) after adjusting for the one-time settlement gain.

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 second quarter of 2021 were $3.2 million (2020 — $2.8 million), and $5.4 million (2020 – $6.4 million) for the six-month period ended June 30, 2021, reflecting an increase of $0.4 million (14%) and a decrease of $1.0 million (16%) over the comparative periods, respectively. The primary driver for the increased costs in the second quarter relate to representative and referral discounts, which are commissions paid to third-party sales representatives. The Company has increased its use of third-party channel partners to assist with selling efforts and had lower levels of headcount of its internal sales team compared to the comparative period. The Company incurred $0.3 million of lower salary costs for the second quarter of 2021 and $1.2 million for the six-months ended June 30, 2021.

Vehicle and travel expenses were relatively flat for the three months ended June 30, 2021 compared to the second quarter of 2020 as COVID-19 began to impact travel in that comparable period. For the six-month period ended June 30, 2021, vehicle and travel costs decreased by $0.3 million over the comparative period with a lower level of sales personnel and lower costs in the first quarter's costs of 2021 due to COVID-19 restrictions.

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 second quarter of 2021 were $2.0 million (2020 — $1.1 million), and $3.4 million (2020 – $2.6 million) on a year-to-date basis, reflecting an increase of $0.9 million (82%) and $0.8 million (31%) 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 second quarter of 2021 (adding back capitalized costs) were $2.6 million (2020 — $3.9 million) and on a year-to-date basis were $5.4 million (2020 – $8.0 million), reflecting decreases of $1.3 million (33%) and $2.6 million (32%), respectively. 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. Therefore, the allocation of the total product research and development costs to what was expensed increased in the current periods even though the total costs reduced.

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 three months ended June 30, 2021 were $6.9 million (2020 — $3.4 million), reflecting an increase of $3.5 million (103%). The Company's compensation expense increased by $1.8 million in the quarter, which includes $0.9 million of new share-based compensation for the new long-term incentive plan granted in the first quarter tied to the initial public offering. Professional fees increased by $0.7 million, which is mainly tied to higher legal related expenses, such as legal experts and legal support on various claims.

Total general and administrative expenses for the six months ended June 30, 2021 were $11.3 million (2020 — $6.4 million), reflecting an increase of $4.9 million (76%). In addition to the items noted for the current quarter, the Company incurred higher expenses in the first three months of 2021 related to professional fees ($0.8 million increase), including for the closing of the initial public offering, plus accelerated expense for the Company's stock options that vested with the initial public offering ($0.4 million increase), and having approximately one month of expense ($0.3 million) for the Company's new long-term incentive plan post-closing the initial public offering in early March.

EBITDA and Net Loss

in thousands	Three Months Ended		Change	Six Months Ended		Change
for the periods ended June 30	**2021**	**2020**		**2021**	**2020**	
EBITDA (1)	$(9,008)	$(13,515)	$4,507	$(17,361)	$(30,184)	$12,823
Foreign exchange (gain) loss	(766)	(393)	(373)	(1,780)	360	(2,140)
Depreciation of property and equipment	2,549	2,359	190	5,035	4,649	386
Amortization of intangible assets	1,802	1,799	3	3,667	3,436	231
Finance costs	83	7,851	(7,768)	7,431	15,688	(8,257)
Other income	(2,683)	(6,166)	3,483	(4,457)	(6,619)	2,162
Net loss	**$(9,993)**	**$(18,965)**	**$8,972**	**$(27,257)**	**$(47,698)**	**$20,441**

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

EBITDA for the second quarter of 2021 was a loss of $9.0 million (2020 — $13.5 million), reflecting an improvement of $4.5 million (33%) over the comparative period. On a year-to-date basis, the Company improved EBITDA by $12.8 million (42%). The improvement in reducing the EBITDA loss includes the one-time settlement gain of $8.2 million in the second quarter of 2021 in data and technology infrastructure expenses. EBITDA per acre (computed as EBITDA for the period, over the average of Subscribed Acres for the period) was a loss of $0.39 per acre for the three months ended June 30, 2021, compared to a loss of $0.72 per acre in the comparative period, reflecting an improvement of 47%. The Company's EBITDA and EBITDA per subscribed acre for the three months ended June 30, 2021 would have been a loss of $17.2 million and $0.74 per acre, respectively, if the impact of the one-time settlement gain is excluded.

The Company's net loss (before and after taxes) for the second quarter of 2021 was $10.0 million (2020 — $19.0 million), and $27.3 million (2020 – $47.7 million) for the six-month period ended June 30, 2021, an improvement of $9.0 million (47%) and $20.4 million (43%), respectively, over the comparative periods. The reduction in net loss for the second quarter of 2021 is driven by a reduction in finance costs of $7.8 million and higher EBITDA. This was partially offset by a reduction in other income relating to a decrease in government grant income, which decreased by $3.4 million for the second quarter of 2021 compared to 2020.

Foreign Exchange Gain

The foreign exchange gain for the second quarter of 2021 was $0.8 million (2020 — $0.4 million) and $1.8 million (2020 – $0.4 million loss) for the six-month period ended June 30, 2021. 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 second quarter of 2021, relative to the United States dollar in particular, which included the Company's satellite imagery contract liability before being settled in the second quarter of 2021.

Depreciation and Amortization

Combined depreciation and amortization expenses for the second quarter of 2021 were $4.4 million (2020 — $4.2 million) and $8.7 million (2020 – $8.1 million) on a year-to-date basis. The increase in the current period over the comparable period of $0.2 million is a result of additions for hardware equipment, right of use vehicles, capitalized platform development costs and other intangible assets since the second 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 second quarter of 2021 were $0.1 million (2020 – $7.8 million), and $7.4 million (2020 – $15.7 million) for the six-month period ended June 30 2021, representing a decrease of $7.7 million and $8.3 million, respectively, over the comparative periods. 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, there were no interest charges on convertible debentures for the second quarter and approximately two months of interest in the first quarter of 2021. Interest charges on long term debt was impacted with the repayment of long-term debt using proceeds from the initial public offering. The Company will continue to see negligible interest costs going forward tied to right-of-use leasing obligations.

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*" for a discussion on the analytics of amounts received in current and comparable periods.

Income Taxes

The Company has not recorded any current or deferred income tax benefit in any reporting periods. The Company has $346 million of accumulated non-capital losses after filing its 2020 tax returns, with expiry dates ranging between 2030 and 2040. These losses may be used to offset future taxable income. In addition, the Company has undeducted Scientific Research and Experimental Development expenditures of approximately $39 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**	**Six Months Ended**		**Change**
for the periods ended June 30	**2021**	**2020**		**2021**	**2020**	
EBITDA (1)	$(9,008)	$(13,515)	$4,507	$(17,361)	$(30,184)	$12,823
Government subsidies and financial assistance	2,439	5,883	(3,444)	4,174	6,252	(2,078)
Stock-based compensation	926	170	756	1,774	393	1,381
Additions to property and equipment (net of proceeds)	(2,284)	(2,677)	393	(5,014)	(5,515)	501
Additions to intangible assets (net of proceeds)	(578)	(2,751)	2,173	(2,034)	(5,376)	3,342
Repayment of right-of-use obligations	(761)	(791)	30	(1,539)	(1,492)	(47)
Costs incurred for becoming public	—	—	—	469	—	469
Free Cash Flow (1)	**$(9,266)**	**$(13,681)**	**$4,415**	**$(19,531)**	**$(35,922)**	**$16,391**

(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 second quarter of 2021 was $9.3 million (2020 – $13.7 million), and $19.5 million (2020 - $35.9 million) for the six-month period ended June 30, 2021, an improvement of $4.4 million (32%) and $16.4 million (46%), respectively, over the comparative periods. Free Cash Flow benefited in the current period from the one-time settlement gain of $8.2 million in the second quarter of 2021 in EBITDA which reflects a cash savings from a reduction to the liability that existed before the settlement agreement. Free Cash Flow traditionally 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, including the reduction in the amount of capitalized product development costs within the additions to intangible assets of $2.2 million for the second quarter and $3.3 million on a year-to-date basis.

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, were $2.3 million for the second quarter of 2021 (2020 — $2.7 million), and $5.0 million (2020 – $5.5 million) for the six-month period ending June 30, 2021, reflecting decreases of $0.4 million and $0.5 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. A significant portion of these capitalized items are purchased in foreign currency and the stronger Canadian dollar in the current period contributed to the lower amount capitalized.

Right-of-Use Repayments

The Company's right-of-use repayments relating to leased assets for the second quarter of 2021 were $0.8 million (2020 – $0.8 million) and $1.5 million (2020 – $1.5 million) for the six-month period ending June 30, 2021. The assets being leased are made up mostly of fleet vehicles and building space for operations team members and some warehousing for farm equipment. The change to the size of the fleet was not significant and were offset with changes in foreign currency, resulting in a consistent amount over the comparable periods.

Intangible Asset Investments

The Company's intangible asset additions, which include both internal and third-party software development expenses, were $0.6 million for the second quarter of 2021 (2020 – $2.8 million), and $2.0 million (2020 – $5.4 million) for the six-month period ending June 30, 2021, reflecting decreases of $2.2 million and $3.3 million, respectively. The decrease in the current periods is a result of lower capitalized platform development software that started in the second half of 2020 and continues in these 2021 periods. 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 $2.4 million (2020 – $5.9 million) for the second quarter of 2021, and $4.2 million (2020 – $6.3 million) for the six-month period ending June 30, 2021, reflecting decreases of $3.4 million and $2.1 million, respectively. The timing and amount collected by the Company for government subsidies and financial assistance can vary between periods. During the second quarter of 2020, the Company recognized an additional $1.5 million of refundable investment tax credits and higher levels of direct grants, including some which came from North American government bodies with funding associated with COVID-19.

OUTLOOK

The Company's strategy coming out of its initial public offering at the end of the first quarter was to get on more acres with our digital agronomy subscription services and expand the capabilities and offerings of our platform using our Progressive Grower Program. Our strategy is focused on those acres generating revenue for the Company in the future when they convert into paying acres. The success of our initial public offering supports this strategy by using some of the funds raised to pay for that investment, for selective accretive acquisitions, and to fund operating losses in the short-term. We continue to add channel partners from different verticals to support this strategy. These channel partners want to have their farm customers connected as the industry moves into digitalization. Our channel partner pipeline has access to tens of millions of new acres and continues to grow.

We are also working on ways to expand the capabilities and offerings of our platform through a combination of internal development activities and potential acquisitions. The deployment of the Company's Smart Carbon program in Canada in the latter part of the second quarter will have a significant long-term impact on our business analytics revenue profile given the significant number of growers signing up in Canada and the large potential opportunity for the United States market in 2022.

Our FarmCommand platform is unique in its ability to compile and process the required data to generate carbon offsets. The new carbon economy continues to develop as companies globally start to focus on their net zero commitments and we expect this trend to increase the demand for agricultural carbon offsets. This new revenue stream supports our growers in maximizing the productivity and profitability of their operations, while enabling climate-friendly practices that make a positive impact on the environment.

The demand from global re-insurance companies continues to grow as it gives companies the ability to sell grower and field centric insurance products without sales and administrative teams and to use our claims reporting capabilities. The features of our platform gives the Company a competitive advantage in servicing insurance companies. This has been seen especially with some of the poor growing conditions in Brazil and North America this year. We are working with insurance partners on the potential to provide them with claims support and are optimistic of growth in this area in the near future.

With the acquisition of CommoditAg in the third quarter (see "*Business Update")*, the Company is expanding the capabilities of the platform for growers into ecommerce in the United States. With their operations dealing mainly in the crop input sales business, the revenues of CommoditAg are seasonal with the higher levels of sales in the first and second calendar quarters. Beyond the addition of the ecommerce capabilities, through representative agreements entered between the Company and the group of US cooperatives that were the owners of CommoditAg, this group of US cooperatives are committed on a best-efforts basis to provide introductions to farmers with the goal of signing at least 14.5 million new Progressive Grower Program acres to our FarmCommand platform by December 31, 2023. The owners will be paid a commission incentivizing them to identify farmers and for the conversion of these farmers to paid acres after the one-year free period. We expect over a million Progressive Grower Program acres to sign up under these arrangements before the end of this year.

The Company is still confident in meeting our medium-term goals from the initial public offering in March with medium term growth in high value Subscribed acres of 35% - 45% per year for revenue, ARR growth of over 45% per year and improvements in EBITDA and Free Cash Flow.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet and capital structure 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 and six months ended June 30, 2021 and 2020 are summarized below:

in thousands	**Three Months Ended**		**Change**	**Six Months Ended**		**Change**
for the periods ended June 30	**2021**	**2020**		**2021**	**2020**	
Issuance of convertible debentures	$ —	$10,000	$(10,000)	$ —	$24,500	$(24,500)
Net repayment of long-term debt	—	—	—	(3,000)	—	(3,000)
Issue of common shares, net of issuance costs	686	—	686	134,732	—	134,732
Repayment of right-of-use obligations	(761)	(791)	30	(1,539)	(1,492)	(47)
Net cash (used) provided by financing activities	**$(75)**	**$9,209**	**$(9,284)**	**$130,193**	**$23,008**	**$107,185**
EBITDA (1)	**$(9,008)**	**$(13,515)**	**$4,507**	**$(17,361)**	**$(30,184)**	**$12,823**
Free Cash Flow (1)	**$(9,266)**	**$(13,681)**	**$4,415**	**$(19,531)**	**$(35,922)**	**$16,391**

(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 in the first quarter was the main contributor to the Company's net cash provided by financing activities for the six-month period in 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 June 30, 2021 was $94.3 million. The Company's non-cash working capital position as at June 30, 2021 and December 31, 2020 are summarized below:

in thousands		
as at	**June 30, 2021**	**Dec 31, 2020**
Accounts Receivable	$13,806	$18,548
Less: Deferred Revenue	(2,242)	(7,405)
Net	**$11,564**	**$11,143**
Prepaid expenses	2,371	1,562
Accounts payable and accrued liabilities	(12,221)	(35,339)
Non-Cash working capital	**$1,714**	**$(22,634)**

The Company's accounts payable and accrued liabilities decreased mainly as a result of the settlement of the US $15.0 million liability for satellite imagery that occurred in the second quarter of 2021.

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 second 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 June 30, 2021 and should be read in conjunction with these statements.

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 except as described in the Financial Statements.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Our internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our management is responsible for establishing and maintaining adequate ICFR. Management, including our CEO and CFO, does not expect that our ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

National Instrument 52-109 of the Canadian Securities Administrators requires our CEO and CFO to certify that they are responsible for establishing and maintaining ICFR and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Our CEO and CFO are also responsible for disclosing any changes to our internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our management under the supervision of our CEO and CFO has evaluated the design of our ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. As at June 30, 2021, management assessed the design of our ICFR and concluded that our ICFR is appropriately designed and there are no material weaknesses that have been identified.

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 includes carbon offset revenues from acres under contract with the Smart Carbon program. The carbon offset revenue potential is added to ARR by using the estimated carbon offsets created on an annualized basis at an estimate of the market value for carbon offsets in a voluntary marketplace, excluding the initial year of carbon offsets when multiple years are serialized.

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.

SELECTED QUARTERLY INFORMATION

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

in thousands, except per share amounts	**2021 Quarters**		2020 Quarters				2019 Quarters	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$6,150**	$9,883	$19,120	$10,334	$9,053	$7,374	$6,696	$5,350
EBITDA (1)	**(9,008)**	(8,353)	(4,597)	(12,190)	(13,515)	(16,669)	(17,729)	(19,280)
Net Loss	**(9,993)**	(17,264)	(17,078)	(19,857)	(18,965)	(28,733)	(34,104)	(33,045)
-per share basic (2)	**(0.24)**	(0.81)	(1.55)	(2.01)	(1.93)	(2.91)	(3.46)	(3.35)
-per share fully diluted (2)	**(0.24)**	(0.81)	(1.55)	(2.01)	(1.93)	(2.91)	(3.46)	(3.35)
Free Cash Flow (1)	**(9,266)**	(10,265)	(4,081)	(11,253)	(13,682)	(22,241)	(24,518)	(26,472)

(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

June 30, 2021

Farmers Edge Inc.

Condensed Interim Consolidated Balance Sheets

(expressed in thousands of Canadian dollars)

As at		**June 30, 2021**		**December 31, 2020**
Assets				
Current assets				
Cash	$	94,269	$	6,072
Accounts receivable		13,806		18,548
Prepaid expenses and other current assets		2,371		1,562
		110,446		26,182
Property and equipment		33,050		31,321
Intangible assets		19,213		20,866
Goodwill		1,115		1,115
		53,378		53,302
Total assets	**$**	**163,824**	**$**	**79,484**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	12,221	$	35,339
Deferred revenue		2,242		7,405
Current portion of right-of-use obligations		2,724		2,334
Current portion of long-term debt (note 6)		—		3,000
Current portion of convertible debentures and accrued interest (note 7)		—		318,049
		17,187		366,127
Right-of-use obligations		3,643		3,852
Long-term debt (note 6)		919		908
		4,562		4,760
Total liabilities		**21,749**		**370,887**
Shareholders' equity (deficiency)				
Share capital (note 8)		613,773		129,701
Equity component of debentures (note 7)		—		23,411
Contributed surplus		5,119		5,325
Accumulated other comprehensive loss		(2,701)		(1,770)
Long-term incentive plan reserve (note 9)		1,211		—
Deficit		(475,327)		(448,070)
Total shareholders' equity (deficiency)		**142,075**		**(291,403)**
Total liabilities and shareholders' equity (deficiency)	**$**	**163,824**	**$**	**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		Six Months Ended	
For the periods ended June 30	**2021**	**2020**	**2021**	**2020**
Revenues (note 4)	$ 6,150	$ 9,053	$ 16,033	$ 16,427
Operating expenses				
Cost of revenue (excluding depreciation, amortization and data and technology infrastructure expenses)	8,340	7,629	15,456	16,350
Data and technology infrastructure expenses (recovery) (note 2)	(5,255)	7,670	(2,097)	14,786
Selling and marketing expenses	3,174	2,785	5,395	6,427
Product research and development expenses	1,974	1,115	3,389	2,604
General and administrative expenses	6,925	3,369	11,251	6,444
Operating loss before foreign exchange, depreciation and amortization	(9,008)	(13,515)	(17,361)	(30,184)
Foreign exchange (gain) loss	(766)	(393)	(1,780)	360
Depreciation of property and equipment	2,549	2,359	5,035	4,649
Amortization of intangible assets	1,802	1,799	3,667	3,436
Operating loss	(12,593)	(17,280)	(24,283)	(38,629)
Finance costs	83	7,851	7,431	15,688
Other income (note 5)	(2,683)	(6,166)	(4,457)	(6,619)
Loss before income tax expense	(9,993)	(18,965)	(27,257)	(47,698)
Income tax expense (note 10)	—	—	—	—
Net loss	**$ (9,993)**	**$ (18,965)**	**$ (27,257)**	**$ (47,698)**
Loss per share - basic and diluted (note 10)	**$ (0.24)**	**$ (1.93)**	**$ (0.86)**	**$ (4.84)**
Other comprehensive loss				
Net loss	(9,993)	(18,965)	(27,257)	(47,698)
Items that are or may be reclassified to profit or loss				
- Foreign currency translation differences of foreign operations, net of tax (nil)	456	(659)	(931)	(850)
Total comprehensive loss	**$ (9,537)**	**$ (19,624)**	**$ (28,188)**	**$ (48,548)**

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		Six Months Ended	
For the periods ended June 30	**2021**	**2020**	**2021**	**2020**
Operating activities				
Net loss for the period	$ (9,993)	$ (18,965)	$ (27,257)	$ (47,698)
Items not affecting cash and cash equivalents:				
Depreciation of property and equipment	2,549	2,359	5,035	4,649
Amortization of intangible assets	1,802	1,799	3,667	3,436
Accretion in convertible debentures	—	371	631	1,338
Accretion in long term debt	6	—	11	—
Accrued interest on convertible debentures	—	7,287	6,481	13,982
Unrealized foreign exchange loss (gain)	112	41	(736)	250
Gain on disposal of property and equipment	(120)	—	(146)	(58)
Gain on settlement of supply agreement (note 2)	(8,172)	—	(8,172)	—
Stock-based compensation	926	170	1,774	393
	(12,890)	(6,938)	(18,712)	(23,708)
Changes in operating assets and liabilities:				
Accounts receivable	3,107	716	4,742	3,180
Prepaid expenses and other current assets	660	(101)	(809)	970
Accounts payable and accrued liabilities	(13,638)	656	(14,946)	3,410
Deferred revenue	(479)	(1,604)	(5,163)	2,507
Net cash used in operating activities	**(23,240)**	**(7,271)**	**(34,888)**	**(13,641)**
Investing activities				
Additions to property and equipment	(2,432)	(2,677)	(5,188)	(5,613)
Additions to intangible assets	(578)	(2,751)	(2,034)	(5,376)
Proceeds from disposal of property and equipment	148	—	174	98
Net cash used in investing activities	**(2,862)**	**(5,428)**	**(7,048)**	**(10,891)**
Financing activities				
Repayment of right-of-use obligations	(761)	(791)	(1,539)	(1,492)
Repayment of long-term debt	—	—	(14,000)	—
Proceeds from long-term debt	—	—	11,000	—
Issuance of convertible debentures	—	10,000	—	24,500
Issuance of shares	686	—	145,462	—
Share issuance costs	—	—	(10,730)	—
Net cash (used) provided from financing activities	**(75)**	**9,209**	**130,193**	**23,008**
Effect of foreign exchange rate on cash	17	(67)	(60)	(124)
Net (decrease) increase in cash during the period	**(26,160)**	**(3,557)**	**88,197**	**(1,648)**
Cash - Beginning of period	120,429	6,684	6,072	4,775
Cash - End of period	**$ 94,269**	**$ 3,127**	**$ 94,269**	**$ 3,127**
Interest paid	$ 77	$ 92	$ 151	$ 171
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	—	—	—	(850)	—	(47,698)	(48,548)
Stock-based compensation (note 9)	—	—	393	—	—	—	393
Issuance of convertible debentures	—	2,495	—	—	—	—	2,495
Balance as at June 30, 2020	**$ 124,758**	**$ 26,838**	**$ 4,912**	**$ (1,408)**	**$ —**	**$ (411,135)**	**$ (256,035)**
Balance as at December 31, 2020	$ 129,701	$ 23,411	$ 5,325	$ (1,770)	$ —	$ (448,070)	$ (291,403)
Total comprehensive loss	—	—	—	(931)	—	(27,257)	(28,188)
Exercise of stock options (note 8)	2,041	—	(769)	—	—	—	1,272
Stock-based compensation (note 9)	—	—	563	—	1,211	—	1,774
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 June 30, 2021	**$ 613,773**	**$ —**	**$ 5,119**	**$ (2,701)**	**$ 1,211**	**$ (475,327)**	**142,075**

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 with 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 August 12, 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, except for the following:

<u>Satellite Imagery Contract Settlement and Renewal</u>

During the second quarter of 2021, the Company entered an agreement with a satellite imagery provider to provide the Company with satellite imagery services up to the first quarter of 2024. In conjunction with this agreement, the Company settled an amount owing of$18,066 recorded within accounts payable and accrued liabilities which related to a prior agreement with the same satellite imagery provider. Judgement was necessary in determining the appropriate allocation of the combined cash flows to the settlement of the existing liability under the prior agreement and the cost of the future imagery services to be provided under the new agreement.

Management determined the fair value of the services to be provided under the new agreement by using comparable market values on an annual per acre basis. The estimated fair value of the services to be provided under the new agreement was used to allocate a portion of the combined cash flows to the cost of the future imagery services to be provided, with the residual of the combined cash flows being allocated to the settlement of the prior agreement. This allocation resulted in the Company recording a gain on settlement relating to the prior agreement of $8,172 in the second quarter of 2021 in data and technology infrastructure expenses (recovery) in the Company's Statement of Operations. A change in the estimated fair value of the future services that are to be provided would result in a change to the settlement gain recorded in the current period as well as future data and technology infrastructure expenses.

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.

(in thousands of Canadian dollars except as otherwise indicated)

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 financial 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 (Long-term incentive plan 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.

4. Revenue

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	**2020**	**2021**	**2020**
Digital Ag and Fertility solutions subscriptions	$ 5,071	$ 8,349	$ 13,968	$ 15,151
Business analytics solutions	828	464	1,648	924
Other (agronomic consulting and service)	251	240	417	352
Total revenue	$ 6,150	$ 9,053	$ 16,033	$ 16,427

The Company discloses revenue by geographic area in note 13.

5. Other Income

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	**2020**	**2021**	**2020**
Government subsidies and financial assistance	$ 2,439	$ 5,883	$ 4,174	$ 6,252
Gain on disposal of property and equipment	120	—	146	58
Other	124	283	137	309
	$ 2,683	$ 6,166	$ 4,457	$ 6,619

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

(in thousands of Canadian dollars except as otherwise indicated)

6. Long-term debt

		June 30, 2021		December 31, 2020
Loan - Western Economic Diversification Canada	$	919	$	908
Promissory note		—		3,000
		919		3,908
Less: current portion		—		(3,000)
	$	919	$	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 March 3, 2021.

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.

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 was required to remit withholding taxes of $4,920 relating to the settlement of the accrued interest. The full amount of withholding taxes was reimbursed by the Fairfax Shareholders.

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	151,794		2,041
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 June 30, 2021	41,908,125	$	613,773

(in thousands of Canadian dollars except as otherwise indicated)

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).

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	(6,882)		(10.45)
Exercised	(151,794)		(8.38)
Outstanding, June 30, 2021	**607,523**	**$**	**11.69**

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 and six month periods ended June 30, 2021 was $926 and $1,774, respectively (2020 - $170 and $393, respectively). The increase in stock-based compensation during 2021 relates to the new LTIP and 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 periods ended June 30, 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		Six Months Ended	
For the periods ended June 30	**2021**	**2020**	**2021**	**2020**
Net loss	$ (9,993)	$ (18,965)	$ (27,257)	$ (47,698)
Basic weighted average number of common shares outstanding	41,878,046	9,863,032	31,671,657	9,863,032
Effect of dilutive securities:				
RSUs	—	—	—	—
PSUs	—	—	—	—
Stock options	—	—	—	—
Convertible debentures	—	—	—	—
Warrants	—	—	—	—
Diluted basis weight average number of shares	41,878,046	9,863,032	31,671,657	9,863,032
Loss per share (retrospectively adjusted) - basic and diluted	$ (0.24)	$ (1.93)	$ (0.86)	$ (4.84)

11. Related Party Transactions

The Fairfax Shareholders, directly or indirectly, have an approximate 59.7% 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 for the three and six month periods ended June 30, 2021 was $nil and $5,617, respectively (2020 - $6,146 and $11,740, respectively) 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 month and six month periods ended June 30, 2021 of $383 and $751, respectively (2020 - $464 and $924, respectively) 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.

The fair value of cash, accounts receivable, accounts payable and accrued liabilities and 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's 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.

The Company has significant cash on hand to fund the planned growth over the medium term. As part of the 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.

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.

(in thousands of Canadian dollars except as otherwise indicated)

The loss allowance of $1,043 as at June 30, 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	$ 1,219	$ 273	$ 1,027	$ 2,519

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:

	June 30, 2021		
	Property and equipment	Intangible assets	Goodwill
Canada	$ 17,331	$ 17,161	$ 1,115
United States	10,914	1,851	—
Brazil	3,523	201	—
Australia	1,026	—	—
Russia and Ukraine	256	—	—
	$ 33,050	$ 19,213	$ 1,115

	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

(in thousands of Canadian dollars except as otherwise indicated)

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

	Three Months Ended		Six Months Ended	
For the periods ended June 30	**2021**	**2020**	**2021**	**2020**
Canada	$ 3,338	$ 4,578	$ 7,489	$ 7,639
United States	1,316	2,973	4,850	5,933
Brazil	1,278	927	2,722	1,858
Australia	150	297	872	610
Russia and Ukraine	68	278	100	387
Total revenue	$ 6,150	$ 9,053	$ 16,033	$ 16,427

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	**June 30, 2021**
Convertible debentures	318,049	$ —	$ —	$ —	6,481	(325,161)	631	$ —	$ -
Long-term debt	3,908	11,000	(14,000)	—	—	—	11	—	919
Right-of-use obligations	6,186	—	(1,539)	1,720	—	—	—	—	6,367
Total liabilities from financing activities	$ 328,143	$ 11,000	$ (15,539)	$ 1,720	$ 6,481	$ (325,161)	$ 642	—	$ 7,286

		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	**June 30, 2020**
Convertible debentures	$ 238,548	$ 24,500	$ —	$ —	$ 13,982	(2,495)	$ 1,338	$ —	$ 275,873
Long-term debt	3,000	—	—	—	—	—	—	—	3,000
Right-of-use obligations	6,442	—	(1,492)	1,298	—	—	—	—	6,248
Total liabilities from financing activities	$ 247,990	$ 24,500	$ (1,492)	$ 1,298	$ 13,982	$ (2,495)	$ 1,338	—	$ 285,121

16. Subsequent Events

On August 12, 2021, the Company reached an agreement to acquire 100% of CommoditAg, LLC ("CommoditAg"), an ecommerce platform developed by a group of agriculture cooperatives in the United States. CommoditAg partners with local retailers to offer farmers a differentiated, comprehensive, and convenient online marketplace with access to various products and technologies. The purchase price is US $4.6 million of cash on closing, normal closing adjustments and an earn-out to a maximum of US $7.2 million of additional cash based upon the business meeting certain performance targets over the next three years. The Company plans to finalize the acquisition over the next several business days.