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

INTRODUCTION

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations have been prepared by management to help readers interpret the unaudited condensed interim consolidated financial results of Farmers Edge Inc ("the Company" or "Farmers Edge") for the three months ended March 31, 2023 ("**Interim Financial Statements**"). This document should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2022 ("**Financial Statements**"). 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 contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such forward-looking statements, including, but not limited to, the factors described in the Company's public filings available on SEDAR at www.sedar.com. See "Forward-Looking Information" in **Appendix A**.

This MD&A has been prepared as of May 11, 2023. All dollar amounts are in thousands of Canadian dollars unless otherwise indicated. The Interim 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.

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

The IPO and the restructuring of the Company's capital along with the Fairfax Financial Holdings credit facility of $75 million and its ongoing support discussed in the MD&A provides management the opportunity to execute on its growth strategies and fund the current negative Adjusted Free Cash Flow from operations in the short term as it scales the business. The growth strategies include developing enterprise partnerships, adding higher revenue generating Digital Agronomy Acres to the Company's platform, converting current acres to higher revenue generating acres, enhancing and developing new features on its platform to monetize data, and expanding its business analytics solutions product offerings. The estimate of future cash flows uses considerable judgement and includes key assumptions for revenue growth and expenses, including the implementation of cost reduction initiatives, and may be subject to variability. Management believes that the Company currently has access to sufficient funds to operate over the next 12 months and continues to refine its strategic plan and forecasts. The reduction of the cash burn rate and accelerating growth are key focuses for management.

OPERATING HIGHLIGHTS

in thousands, except per share amounts	Three Months Ended	
	2023	**2022**
FINANCIAL PERFORMANCE for periods ended March 31		
Digital Ag and Fertility solutions revenues	$ 4,665	$ 5,677
Business analytics solutions and Agronomic services	78	360
Crop input sales	1,555	2,524
Revenues	$ 6,298	$ 8,561
Operating expenses [(1)]	(21,578)	(28,181)
Non-recurring items [(2)]	608	1,786
Adjusted EBITDA [(3)]	$ (14,672)	$ (17,834)
Net loss	$ (18,692)	$ (22,182)
Loss per share - basic & diluted	$ (0.44)	$ (0.53)
Free Cash Flow [(3)]	$ (15,903)	$ (22,079)

	March 31, 2023	**December 31, 2022**
FINANCIAL POSITION as at date specified		
Total assets	$ 74,807	$ 87,018
Total liabilities	$ 71,982	$ 65,554
Total equity	$ 2,825	$ 21,464

	March 31, 2023	**December 31, 2022**
KEY PERFORMANCE INDICATORS AND OTHER FINANCIAL MEASURES as at date specified		
Digital Agronomy Acres [(4)]	7,459	9,773
Annual Recurring Revenue (ARR) [(4)]	$ 27,916	$ 34,429

(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 including restructuring expenses and non-recurring legal fees as set out in the Company's Statements of Operations and Comprehensive Loss in its Interim Financial Statements.
(2) Non-recurring items include restructuring expenses of $0.2 million and legal and consulting fees of $0.4 million in Q1 2023 compared to $1.0 million and $0.8 million, respectively, in Q1 2022.
(3) Adjusted EBITDA and Free Cash Flow are non-GAAP financial measures used throughout this MD&A. See "Key Performance Indicators and Non-GAAP and Other Financial Measures" for more information on each non-GAAP financial measure. A quantitative reconciliation of Adjusted EBITDA to Net loss and Free Cash Flow, the most directly comparable IFRS financial measures are disclosed in our interim Financial Statements to which Adjusted EBITDA, Free Cash Flow, and Adjusted Free Cash Flow relates, is in the "Results of Operations" section of this MD&A.
(4) Digital Agronomy Acres and ARR are supplementary financial measures used throughout this MD&A. See "Key Performance Indicators and Non-GAAP and Other Financial Measures" for more information on each supplementary financial measure. These numbers are unaudited.

FIRST QUARTER BUSINESS UPDATE

Management's top priority for 2023 is to increase revenue while carrying out its Q3 2022 turnaround plan to reduce cash burn, stabilize operations, and provide a strong foundation for future growth.

- **Cost-turnaround plan**: The Company continues to be on target to achieve $20 million of annualized cost savings and is continuing to assess and further optimize its cost structure.

- **Revenue growth**: Management's top priority for 2023 is to increase revenue with a focus on boosting our customer pipeline with enterprise partnerships in the agriculture ecosystem, including the Agri-fuel, food, and protein sectors. In addition, the Company is improving its product offering, delivery methods, and enhancing the customer experience.

- **Sales**: The management is implementing measures to establish a solid sales foundation by incorporating customer feedback and introducing tailored solutions that cater to the requirements of our growers and enterprise partners thereby reducing entry barriers.

- **Marketing:** Management continued to refine its digital marketing plan with an emphasis on enterprise customers. In Q1 2023, the Company launched two new initiatives; the first was to increase market penetration with enterprise customers and the second was to introduce an Ag-retail/Cooperative product offering. The Company also executed on its plan to identify and implement critical touchpoints to improve the customer experience and develop stronger brand loyalty.

- **Sustainability**: During Q1 2023, management continued the development of its sustainability strategy. In addition, management is continuing to build a healthy pipeline of enterprise clients seeking solutions in carbon offsets, insets, and carbon intensity traceability.

- **Acres:** Acre profitability remains a top priority. The Company achieved list pricing on the final tranche of the PGP program with a due date of April 1, 2023. The acre contraction resulting from the last tranche of PGP conversions and discontinued low value acres will have only a small impact on future revenue.

- **New Revenue Stream:** The Company is in the process of executing its strategy to build a pipeline to unlock value from the Company's rich data assets.

Objective	Progress to Date
Improve profitability and free cash flow	• Adjusted EBITDA deficiency reduced by 18% in Q1 2023 over the comparable 2022 period. • Free cash flow deficiency improved by approximately 28% on a year-over-year basis in Q1 2023.
Expand customer base, increase acres and revenues	• New Digital Agronomy acres sold during the quarter ending March 31, 2023 were 0.1 million acres. The new acres acquired were contracted at list prices. • New Digital Agronomy acres added were offset by discontinued acres of 2.4 million in Q1 2023 primarily related to non-paying PGP acres and discontinued low value acres. • ARR on March 31, 2023, was $27.9 million and is lower than December 31, 2022 due to lower Digital Agronomy acres described above.
PGP	• Conversion of acres from the last tranches of the PGP '22 program with a due date of April 1, 2023 was 17%. There are no further tranches of PGP acres to be converted.
Carbon offsets and Smart Reporting	• Weakness in the Carbon market for Canadian voluntary agriculture offsets continued into Q1 2023. No sales of serialized carbon offset occurred during the quarter. Management continues to work with third parties to sell its 0.6 million metric tonnes of serialized carbon offsets. • During the first quarter of 2023, the Company re-launched its Smart Reporting product within the North American market and is scaling its Smart Reporting product to the Latin American market.

BUSINESS OVERVIEW

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 periods when the service is provided, and others are recognized evenly over the life of the contract. The Company generally experiences increased seasonal labour costs shortly after harvest is completed. The Company issues sales invoices to its customers semiannually or annually in advance, in April and October each year for its Digital Agronomy solution. Fertility solution subscription invoices are issued in either August or December. The accounting for fertility services results in revenues being recognized generally in the fourth and following first quarter when these services are completed. Carbon sales are also recorded when the offsets are sold to third parties which is dependent upon the timing of the serialization and market conditions.

The CommoditAg business is highly seasonal, with most sales expected just prior to or during the planting season.

RESULTS OF OPERATIONS

Revenues

in thousands	Three Months Ended		Change
for the periods ended March 31	**2023**	**2022**	
Digital Ag and Fertility solutions revenues	$4,665	$5,677	$(1,012)
Business analytics solutions and Agronomic services	78	360	(282)
Crop input sales	1,555	2,524	(969)
Total revenue	**$6,298**	**$8,561**	**$(2,263)**
Digital Agronomy Operations	$4,743	$6,037	$(1,294)
E-commerce Operations	1,555	2,524	(969)
Total Revenue	**$6,298**	**$8,561**	**$(2,263)**
Annual Recurring Revenue (ARR) (1)	**$27,916**		

(1) ARR is defined in "Key Performance Indicators and Non-GAAP and Other Financial Measures."

Revenues generated for the three months ended March 31, 2023 ("Q1 2023") were 6.3 million (Q1 2022 – $8.6 million).

The Company's Digital Ag and Fertility solutions subscription revenues include revenue from both Digital and Fertility solution subscription contracts with growers and represent the majority of the Company's revenue. Digital Ag and Fertility solutions subscription revenue was $4.7 million for Q1 2023 (Q1 2022 – $5.7 million). This decrease resulted from lower Digital Agronomy Acres at March 31, 2023, compared to March 31, 2022. The revenue decline was limited due to better pricing and a significant number of acres in Q1 2022 were non-paying PGP and low value discontinued acres.

Business analytics solutions revenue represents analytics and technology solutions for agribusiness and insurance. For Q1 2023, business analytics solutions revenue was nominal (Q1 2022 – $0.4 million) due to no insurance revenue earned. Management is in discussions with insurance enterprise customers for the newly launched Smart Reporting and Smart Claim tools and expects insurance revenue to start to rebound in the 2nd half of this year.

Crop input sales represent e-commerce revenue of $1.6 million for Q1 2023 (Q1 2022 – $2.5 million), the $1.0 million decrease is due to a continued supply-demand mismatch caused by a weaker market and an oversupply of products. A new e-commerce platform was launched recently to improve customer service experience and ultimately drive sales growth for the balance of the year.

Annual Recurring Revenue

The Company's ARR declined in the first quarter of 2023 primarily due to lower Digital Agronomy Acres.

Operating Expenses

Operating expenses for the three months ended March 31, 2023, were $21.6 million (2022 – $28.2 million). The decrease of $6.6 million in operating expenses is mainly driven by the Company's cost reduction strategy and lower non recurring items. Specifically, people costs have been reduced by $4.0 million, vehicle costs by $0.7 million, legal and consulting fees by $0.7

million and advertising and promotion costs by $0.5 million. As expected, Q1 2023 costs were slightly below Q4 2022 expenses of $21.9 million. Refer to the details below for additional guidance and commentary.

Cost of Revenues

in thousands	Three Months Ended		Change
for the periods ended March 31	**2023**	**2022**	
Employee compensation & benefits	$ 4,195	$ 5,023	$ (828)
Cost of goods sold	1,951	2,197	(246)
Vehicle & travel	679	1,529	(850)
Soil testing costs	558	827	(269)
Other	277	793	(516)
Total costs of revenue	**$ 7,660**	**$ 10,369**	**$ (2,709)**
Digital Agronomy operations	$ 5,675	$ 8,172	$ (2,497)
E-commerce operations	1,985	2,197	(212)
Total costs of revenue	**$ 7,660**	**$ 10,369**	**$ (2,709)**

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, direct costs associated with the Company's carbon program, cost of goods sold related to the Company's e-commerce operations and other expenses necessary to support customer service requirements.

Total costs of revenue for Q1 2023 were $7.7 million (Q1 2022 – $10.4 million), representing a decrease of $2.7 million over the comparative period. The Company's cost reduction program realized significant savings with decreases in quarterly vehicle and travel costs of $0.9 million, a reduction in people costs of $0.8 million, and a decrease in other costs of $0.5 million primarily driven by lower field and office supplies purchased in the period. The e-commerce costs of revenue decrease is due to the lower sales volume.

Data and technology infrastructure expenses

in thousands	Three Months Ended		Change
for the periods ended March 31	**2023**	**2022**	
Total data and technology infrastructure expenses	**$4,308**	**$4,045**	**$263**

Data and technology infrastructure expenses relate to the digital agronomy operations and include satellite imagery costs, cloud hosting services, network data costs for CanPlugs and weather stations, and the costs of certain software licenses.

The data and technology infrastructure expense is higher in the current quarter due to a cloud hosting initiative. Management expects to realize savings in the second half of the year.

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 Q1 2023 were $3.3 million (Q1 2022 — $5.0 million). The primary drivers were reductions in people costs of $0.9 million, advertising of $0.3 million and $0.3 million related to lower commissions.

Product Research and Development Expenses

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

Total product research and development expenses for Q1 2023 were $1.7 million (Q1 2022 – $1.5 million). The increase is attributed to higher third party development costs to improve our product offering and experience for customers.

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, bad debt expense and general corporate expenses.

Total general and administrative expenses for Q1 2023 were $4.6 million (Q1 2022 — $7.3 million), reflecting a decrease of $2.7 million. The decrease in general and administrative expenses was due to the Company's cost reduction initiatives resulting in reduced people cost of $0.8 million and lower corresponding LTIP expenses of $0.7 million. In addition, lower restructuring costs of $0.7 million were related to the Q1 2022 executive leadership change. Third party professional and consulting fees also reduced year-over-year by $0.6 million.

Adjusted EBITDA and Net Loss

in thousands	Three Months Ended		Change
for the periods ended March 31	**2023**	**2022**	
Digital Agronomy operations	$ (13,969)	$ (17,356)	$ 3,387
E-commerce operations	(703)	(478)	(225)
Adjusted EBITDA [(1)]	(14,672)	(17,834)	3,162
Foreign exchange loss	90	334	(244)
Depreciation of property and equipment	1,806	2,433	(627)
Amortization of intangible assets	1,482	1,612	(130)
Finance costs	1,083	153	930
Other income	(1,049)	(1,970)	921
Non-recurring items [(2)]	608	1,786	(1,178)
Net loss	**$ (18,692)**	**$ (22,182)**	**$ 3,490**
Digital Agronomy operations	$ (17,966)	$ (21,733)	$ 3,767
E-commerce operations	(726)	(449)	(277)
Total net loss	**$ (18,692)**	**$ (22,182)**	**$ 3,490**

(1) Adjusted EBITDA is a non-GAAP financial measure. See "Key Performance Indicators and Non-GAAP and Other Financial Measures" for more information on each non-GAAP financial measure. This table provides a quantitative reconciliation of Adjusted EBITDA to Net loss, the most directly comparable IFRS financial measure disclosed in our interim Financial Statements to which Adjusted EBITDA relates.
(2) Non-recurring items include restructuring expenses of $0.2 million and legal and consulting fees of $0.4 million in Q1 2023 compared to $1.0 million and $0.8 million in Q1 2022, respectively.

Adjusted EBITDA for Q1 2023 was a loss of $14.7 million (Q1 2022 — $17.8 million loss). Adjusted EBITDA improved by $3.1 million due to lower expenses as a result of the Company's cost reduction efforts which was partially offset by lower revenues.

Foreign Exchange Loss

The foreign exchange loss for Q1 2023 was $0.1 million (Q1 2022 – $0.3 million loss). The Interim Financial Statements are presented in Canadian dollars, which is the Company's functional and presentation currency. Foreign exchange gains 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 and primarily related to the changes in the U.S. dollar.

Depreciation and Amortization

Combined depreciation and amortization expenses for Q1 2023 were $3.3 million (Q1 2023 – $4.0 million). The decrease in depreciation is due to management's review and extension of the useful lives of weather stations and CanPlugs equipment in September 2022.

Finance Costs

Finance costs in Q1 2023 of $1.1 million (Q1 2022 – $0.2 million) include interest and accretion expenses on the Company's right-of-use assets and other long-term debt. The Fairfax loan accounted for $0.9 million of interest and accretion expense in Q1 2023.

Other Income

Other income for Q1 2023 was $1.0 million compared to $2.0 million in Q1 2022. The decrease of $1.0 million primarily resulted from a decrease in grant income.

Income Taxes

The Company has not recorded any current or deferred income tax benefit for tax losses in any reporting periods. The Company had $470.0 million of accumulated non-capital losses as of December 31, 2022, with expiry dates ranging between 2030 and 2042. These losses may be used to offset future taxable income. In addition, the Company has undeducted Scientific Research and Experimental Development expenditures of approximately $39.0 million which may be carried forward indefinitely and unused investment tax credits of approximately $3.0 million, which expire between 2034 and 2039.

Free Cash Flow

in thousands	Three Months Ended		Change
for the periods ended March 31	**2023**	**2022**	
Net loss	$ (18,692)	$ (22,182)	$ 3,490
Foreign exchange loss	90	334	(244)
Depreciation of property and equipment	1,806	2,433	(627)
Amortization of intangible assets	1,482	1,612	(130)
Finance costs	1,083	153	930
Other income excluding government subsidies and financial assistance	(681)	(414)	(267)
Stock-based compensation	292	921	(629)
Additions to property and equipment (net of proceeds)	56	(4,607)	4,663
Additions to intangible assets (net of proceeds)	(1,272)	(1,213)	(59)
Repayment of right-of-use obligations	(675)	(902)	227
Non-recurring items [(1)]	608	1,786	(1,178)
Free Cash Flow [(2)]	**$ (15,903)**	**$ (22,079)**	**$ 6,176**
Changes in non-cash working capital	723	5,752	(5,029)
Adjusted Free Cash Flow [(2)]	**$ (15,180)**	**$ (16,327)**	**$ 1,147**

(1) Non-recurring items include restructuring expenses of $0.2 million and legal and consulting fees of $0.4 million in Q1 2023 compared to $1.0 million and $0.8 million in Q1 2022, respectively.

(2) Free Cash Flow and Adjusted Free Cash Flow are non-GAAP financial measures. See "Key Performance Indicators and non-GAAP and Other Financial Measures". This table provides a quantitative reconciliation of Free Cash Flow and Adjusted Free Cash Flow to Net Loss during the period, the most directly comparable IFRS financial measure disclosed in our interim Financial Statements to which Free Cash Flow and Adjusted Free Cash Flow relates.

The Free Cash Flow deficiency improved in Q1 2023 by 28% given the EBITDA improvement and lower capital expenditures and non-recurring items.

Q1 2022 included a one-time reduction in accounts receivable from a major customer that impacted the adjusted free cash flow comparability.

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 to support a portion of the costs of its investment in its research and development efforts.

Property and Equipment Additions

The Company had nominal property and equipment purchases in Q1 2023 (Q1 2022 - $4.9 million) by utilizing available equipment and reducing capital expenditures as part of its cost reduction strategy. Most of the Company's expenditures are for farm hardware, including CanPlugs, weather stations and other sensors that are installed on the farm and are used to collect and transfer data.

Right-of-Use Repayments

The Company's right-of-use repayments relating to leased assets for Q1 2023 were $0.7 million (Q1 2022 – $0.9 million). The assets being leased mainly comprise fleet vehicles, building space for operations team members and warehouse space for farm equipment. The fleet size has not changed significantly from the prior year so these payments are relatively consistent over the comparable period.

Intangible Asset Investments

The Company's intangible assets additions include internal and third-party software development expenses. Additions were $1.3 million for Q1 2023 (Q1 2022 – $1.2 million). The capitalized platform development software costs included refinements made to improve the platform. The amount of capitalized platform development costs will fluctuate from period to period as new features and functions on the platform are designed and developed to create future economic benefits and improve customer satisfaction.

OUTLOOK

Farmers Edge remains committed to greater operational efficiency in 2023 while continuing to execute the turn-around plan formulated last year. Management is focused on new acre sales and growth and continues to review its cost structure to balance the Company's footprint and operational effectiveness. The Company launched a new multi-tiered pricing strategy to address the needs of customers in April 2023 aiming to drive sales growth and is aggressively pursuing enterprise partnerships, including working with large enterprises in Agri-fuels, Agri-feed/protein, and Agri-food/beverage to develop a proof of concept for low CI score grain and ethanol, Scope 3 insets and full crop traceability from farm to market.

A key goal is to move to cash flow positive in the medium term.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet and capital structure changed significantly during the first quarter of 2021 with the initial public offering that closed in March 2021, including the overallotment subscription. Since its initial public offering, the Company's cash has been deployed to fund an operating deficiency and capital expenditures.

On July 8, 2022, the Company closed a secured $75.0 million credit agreement with Fairfax Financial Holdings Limited and certain of its affiliates (collectively, "Fairfax") (the "Facility"). The Facility bears interest at a rate of 6% per annum and will mature January 31, 2025. The net proceeds of the Facility are being used for working capital and general corporate purposes. The Company pays an annual commitment fee of 1% of the total undrawn amount of the Facility. As of March 31, 2023, the Company has drawn $50.0 million against the Facility which was offset by $0.8 million of deferred transaction costs paid. Fairfax has also committed to provide financial support to the Company for the next twelve months to fund losses as required.

The Company's cash flow forecast uses considerable judgement applied by management and includes key assumptions for revenue growth and expenses including the implementation of cost reduction initiatives and may be subject to variability. Management believes that the Company currently has sufficient funds to operate over the next twelve months and continues to refine its strategic plan and forecasts. Reduction of the cash burn rate and accelerating growth are key focuses for management.

The Company is not subject to any externally imposed capital requirements.

Sources and Uses of Cash

The Company's sources and uses of cash for the three months ended March 31, 2023, and 2022 are summarized below:

in thousands	Three Months Ended		Change
for the periods ended March 31	**2023**	**2022**	
Proceeds from long-term debt	$10,000	$—	$10,000
Payment of transaction costs	(83)	—	(83)
Repayment of right-of-use obligations	(675)	(902)	227
Net cash (used) provided by financing activities	**$9,242**	**$(902)**	**$10,144**
Adjusted EBITDA (1)	**$(14,672)**	**$(17,834)**	**$3,162**
Adjusted Free Cash Flow (1)	**$(15,180)**	**$(16,327)**	**$1,147**

(1) Adjusted EBITDA and Adjusted Free Cash Flow are non-GAAP financial measures. See "Key Performance Indicators and non-GAAP and Other Financial Measures". Quantitative reconciliations of Adjusted EBITDA and Adjusted Free Cash Flow to the most directly comparable IFRS financial measure disclosed in our interim Financial Statements to which they relate are in the "Results of Operations" section of this MD&A.

The factors leading to the Adjusted EBITDA loss and Adjusted Free Cash Flow deficit in the current period are described in "*Results of Operations*". The Company used cash on hand in Q1 2023 and the Facility to fund the Adjusted Free Cash Flow deficiency.

Key Working Capital Items

The Company's cash position as at March 31, 2023, was $14.9 million. The Company's working capital position as at March 31, 2023 and 2022 is summarized below and includes $0.7 million of working capital related to e-commerce operations:

in thousands		
as at	**March 31, 2023**	**December 31, 2022**
Accounts Receivable	$8,386	$11,683
Less: Deferred Revenue	(5,361)	(8,582)
Net	**$3,025**	**$3,101**
Inventories	1,509	2,766
Prepaid expenses	1,480	1,494
Accounts payable and accrued liabilities	(11,792)	(12,416)
Net working capital	**$(5,778)**	**$(5,055)**

Credit Facilities and Long-Term Debt

The Company has a $0.7 million demand facility for the funding of its corporate credit card program, secured by a $0.4 million pledge of the Company's cash deposits. As at March 31, 2023, the Company had not drawn on this facility (March 31, 2022 – $nil).

Share Capital

Share capital increased by $0.1 million as 48,672 RSUs vested during Q1 2023.

Contractual Obligations

The following table describes the Company's maturity analysis of the undiscounted cash flows of leases, long-term debt, purchase and other obligations as at March 31, 2023.

in thousands	As at March 31, 2023				
	< 1 Year	1-3 Years	4-5 Years	> 5 years	Total
Right-of-use obligations	$ 2,636	$ 3,412	$ —	$ —	$ 6,048
Purchase obligations	12,770	23,457	—	—	36,227
Long-term debt	336	50,581	—	—	50,917
Accounts payable and accrued liabilities	11,792	—	—	—	11,792
Total	**$ 27,534**	**$ 77,450**	**$ —**	**$ —**	**$ 104,984**

Off-Balance Sheet Arrangements

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

RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 11 to the interim Financial Statements or elsewhere in the MD&A. The related party transactions of the Company are in the normal course of operations for financing, revenue earned with a subsidiary of a shareholder and for the compensation of directors and key management who are designated as related parties.

LEGAL MATTERS

The Company is defending a patent infringement claim filed by AGI Suretrack LLC ("AGI") (formerly Farmobile, LLC), which went to trial in the Federal Court of Canada in August, 2022. AGI seeks estimated damages of approximately $65.2 million, including interest, up to December 2021, plus an unspecified amount after such date for alleged ongoing infringement to the date of the decision. The parties are waiting for a decision. The Company is also defending a related claim filed by AGI Suretrack LLC in the United States District Court for the District of Nebraska. A trial is scheduled for May 2024. The Company disagrees with AGI's position in both claims and believes that it has a meritorious defense and is continuing to vigorously pursue such defense.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting policies of the Company used in the determination of the results for the year ended December 31, 2022 and the comparative period that are discussed in this report are described in detail in Note 3 of the Company's interim Financial Statements.

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

In preparing the interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were described in detail in Note 4 of the interim Financial Statements.

DISCLOSURE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR").

DC&P refers to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under securities legislation is recorded, processed, summarized and reported within the time frame specified in applicable securities legislation.

The ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of interim Financial Statements for external purposes in accordance with IFRS. Management, under the supervision of the 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.

Management, including our CEO and CFO, does not expect that our DC&P and 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 public disclosure filings and financial statement preparation and presentation.

National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") requires our CEO and CFO to certify that they are responsible for establishing and maintaining DC&P and ICFR and that those internal controls have been designed and are effective in providing reasonable assurance regarding public disclosure filings and the reliability of financial reporting and the preparation of the interim 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.

As at December 31, 2022 and 2021, management assessed the design and operational effectiveness of our ICFR and concluded that the Company's ICFR and DC&P were effective.

There have been no changes in the Company's ICFR during the three months ended March 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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 most recent Annual Information Form, 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-GAAP AND OTHER FINANCIAL MEASURES

Key Performance Indicators ("KPIs")

KPIs are supplementary financial measures that 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 from similar KPIs used by other companies and therefore may not be comparable to such measures.

Digital Agronomy Acres means the aggregate of all subscribed Digital Agronomy Acres, including both new and renewal acres as measured at each reporting date. Digital Agronomy Acres are the subject of a contract with a grower and are priced on a per acre basis. The Company views Digital Agronomy Acres as an important metric since these acres are expected to contribute to the future revenue of the Company.

Annual Recurring Revenue ("**ARR**") measures the expected annualized recurring subscription revenue associated with the Company's contracts at the end of a reporting period. ARR is a supplementary financial measure. The recurring nature of the Company's revenue provides visibility into future performance. However, due to the revenue recognition policies under IFRS for Digital Agronomy 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 recurring revenue associated with its committed contracts at a point in time. ARR includes carbon offsets revenues from acres under contract with the Smart Carbon program. The carbon offsets revenue potential is added to ARR by using the estimated carbon offsets created on an annual basis at an estimate of the market value for carbon offsets in a voluntary marketplace, excluding any additional years of carbon offsets that may accrue if multiple years are serialized. ARR also excludes any sales revenues associated with CommoditAg as these revenues are not based on a subscription model.

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 or those that are expected to be recovered upon a sale of carbon offsets. 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 Digital Agronomy Acres in the Progressive Grower program, ARR historically excluded the potential future upsell of converting to fertility contracts that would increase recurring revenue and excluded the potential lower recurring revenue as a result of an opt-out option exercised by the grower.

Non-GAAP Financial Measures

The information presented within this MD&A includes certain financial measures, including non-GAAP financial measures of Adjusted EBITDA, Free Cash Flow, and Adjusted 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 EBITDA is the net loss before income tax expense, other income, finance costs, foreign exchange (gain) loss, depreciation and amortization after adjusting for the effects of any unusual non-recurring items. Adjusted EBITDA is a non-GAAP financial measure and its more directly comparable financial measure that is disclosed in our interim Financial Statements is net loss. 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 "*Results of Operations*".

Free Cash Flow is net loss, adjusted for other income excluding government subsidies and financial assistance, finance costs, foreign exchange (gain) loss, depreciation and amortization as set out in the Company's consolidated statement of operations and comprehensive loss in the interim Financial Statements, stock-based compensation, net additions to property and equipment and intangible assets, repayment of right-of-use obligations, and any unusual non-recurring items. Free Cash Flow is a non-GAAP financial measure and its more directly comparable financial measure that is disclosed in our interim Financial Statements is net loss during the period. The Company's management and Board use this measure to assess the availability of the Company's cash. See reconciliation in "*Results of Operations*".

Adjusted Free Cash Flow is net loss, adjusted for other income excluding government subsidies and financial assistance, finance costs, foreign exchange (gain) loss, depreciation and amortization as set out in the Company's consolidated statement of operations and comprehensive loss in the interim Financial Statements, stock-based compensation, net additions to property and equipment and intangible assets, repayment of right-of-use obligations, any unusual non-recurring items and changes in non-cash working capital. Adjusted Free Cash Flow is a non-GAAP financial measure and its more directly comparable financial measure that is disclosed in our interim Financial Statements is net loss during the period. The Company's management and Board use this measure to assess the availability of the Company's cash. See reconciliation in "*Results of Operations*".

Adjusted 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	2023 Quarter		2022 Quarters				2021 Quarters	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	$6,298	$10,589	$5,943	$7,678	$8,561	$13,315	$6,824	$6,150
Adjusted EBITDA (1)	(14,672)	(7,825)	(15,830)	(18,211)	(17,833)	(15,698)	(15,964)	(16,171)
Net Loss	(18,692)	(20,057)	(21,125)	(23,519)	(22,182)	(19,735)	(19,359)	(9,993)
-per share basic	(0.44)	(0.48)	(0.50)	(0.56)	(0.53)	(0.47)	(0.46)	(0.24)
-per share fully diluted	(0.44)	(0.48)	(0.50)	(0.56)	(0.53)	(0.47)	(0.46)	(0.24)
Adjusted Free Cash Flow (1)	$(15,180)	$(6,425)	(15,061)	(26,343)	(16,327)	(14,475)	(18,295)	(26,779)

(1) Adjusted EBITDA and Adjusted Free Cash Flow are non-GAAP financial measures. See "Key Performance Indicators and Non-GAAP and Other Financial Measures." A reconciliation of these measures to the most directly comparable IFRS financial measures disclosed in our interim Financial Statements to which they relate are in the "Results of Operations" in this MD&A.

ADDITIONAL INFORMATION

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

APPENDIX A - 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, including the planned further expansion into the carbon credit market, and the anticipated benefits therefrom, 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 and Uncertainties*". 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, including growth in new business analytics solutions, such as sales of financial services products and the sale of carbon offsets, the state of the agricultural industry and global economy, and the expected impact and adoption of digital tools by farmers are material factors in preparing the forward-looking information and management's expectations contained in this MD&A.

The forward-looking information contained in this MD&A represents management's expectations as at May 11, 2023 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 most recent annual information form and under "Risk and Uncertainties" above. 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.

Farmers Edge Inc.

Unaudited Condensed Interim Consolidated Financial Statements

March 31, 2023

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

As at	March 31, 2023	December 31, 2022
Assets		
Cash	$ 14,907	$ 20,788
Accounts receivable	8,386	11,683
Inventories (note 5)	1,509	2,766
Prepaid expenses and other current assets	1,480	1,494
Current assets	26,282	36,731
Property and equipment	31,542	33,193
Intangible assets	15,868	15,979
Goodwill	1,115	1,115
	48,525	50,287
Total assets	**$ 74,807**	**$ 87,018**
Liabilities		
Accounts payable and accrued liabilities	$ 11,792	$ 12,416
Deferred revenue	5,361	8,582
Current portion of right-of-use obligations	2,439	2,836
Current portion of long-term debt (note 8)	336	336
Current portion of other long-term liabilities	75	157
Current liabilities	20,003	24,327
Right-of-use obligations	2,989	3,533
Long-term debt (note 8)	48,990	38,583
Other long-term liabilities	—	86
	51,979	42,202
Total liabilities	**71,982**	**66,529**
Shareholders' equity		
Share capital	614,152	614,005
Contributed surplus	8,495	7,930
Accumulated other comprehensive loss	(1,256)	(1,518)
Long-term incentive plan reserve	1,430	1,376
Deficit	(619,996)	(601,304)
Total shareholders' equity (deficiency)	**2,825**	**20,489**
Total liabilities and shareholders' equity	**$ 74,807**	**$ 87,018**

Contingencies (note 14)

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss (Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

For the three months ended March 31		**2023**		**2022**
Revenues (note 6)	$	6,298	$	8,561
Operating expenses				
Cost of revenue		7,660		10,369
Data and technology infrastructure expenses		4,308		4,045
Selling and marketing expenses		3,344		4,962
Product research and development expenses		1,698		1,503
General and administrative expenses		4,568		7,302
Operating loss before foreign exchange, depreciation and amortization		(15,280)		(19,620)
Foreign exchange loss		90		334
Depreciation of property and equipment		1,806		2,433
Amortization of intangible assets		1,482		1,612
Operating loss		(18,658)		(23,999)
Finance costs		1,083		153
Other income (note 7)		(1,049)		(1,970)
Loss before income tax expense		(18,692)		(22,182)
Income tax expense (note 10)		—		—
Net loss	**$**	**(18,692)**	**$**	**(22,182)**
Loss per share - basic and diluted (note 10)	**$**	**(0.44)**	**$**	**(0.53)**
Other comprehensive loss				
Net loss		(18,692)		(22,182)
Items that are or may be reclassified to profit or loss				
- Foreign currency translation differences of foreign operations, net of tax (nil)		262		709
Total comprehensive loss	**$**	**(18,430)**	**$**	**(21,473)**

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

For the three months ended March 31	**2023**	**2022**
Operating activities		
Net loss for the period	$ (18,692)	$ (22,182)
Items not affecting cash and cash equivalents:		
Depreciation of property and equipment	1,806	2,433
Amortization of intangible assets	1,482	1,612
Accretion of long term debt (note 8)	246	6
Amortization of deferred financing costs (note 8)	91	—
Interest on long-term debt (note 8)	651	—
Gain on fair value adjustment on other long term liabilities (note 7)	(200)	—
Unrealized foreign exchange loss (gain)	(25)	330
Gain on disposal of property and equipment (note 7)	(293)	(82)
Other long-term liabilities	33	55
Stock-based compensation expense (note 9)	268	921
	(14,633)	(16,907)
Changes in operating assets and liabilities	723	5,752
Net cash used in operating activities	**(13,910)**	**(11,155)**
Investing activities		
Additions to property and equipment	(227)	(4,869)
Additions to intangible assets	(1,272)	(1,213)
Proceeds from disposal of property and equipment	283	262
Net cash used in investing activities	**(1,216)**	**(5,820)**
Financing activities		
Repayment of right-of-use obligations	(675)	(902)
Repayment of long-term debt	(83)	—
Proceeds from long-term debt (note 8)	10,000	—
Net cash provided from financing activities	**9,242**	**(902)**
Effect of foreign exchange rate on cash	3	(46)
Net decrease in cash during the period	**(5,881)**	**(17,923)**
Cash - Beginning of period	20,788	54,720
Cash - End of period	**$ 14,907**	**$ 36,797**
Interest paid	$ 90	$ 92
Income taxes paid	—	—

Farmers Edge Inc.

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

(expressed in thousands of Canadian dollars, except per share amounts)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Long-term incentive plan reserve	Deficit	Total shareholders' equity (deficiency)
Balance as at December 31, 2021	$ 613,773	$ 5,156	$ (3,501)	3,027	$ (514,421)	104,034
Total comprehensive loss	—	—	709	—	(22,182)	(21,473)
Stock-based compensation	—	14	—	907	—	921
Balance as at March 31, 2022	**$ 613,773**	**$ 5,170**	**$ (2,792)**	**3,934**	**$ (536,603)**	**83,482**
Balance as at December 31, 2022	$ 614,005	$ 7,930	$ (1,518)	1,376	$ (601,304)	20,489
Total comprehensive loss	—	—	262	—	(18,692)	(18,430)
Vested RSUs	147	—	—	(147)	—	—
Stock-based compensation (note 9)	—	67	—	201	—	268
Capital contribution (note 8)	—	498	—	—	—	498
Balance as at March 31, 2023	**$ 614,152**	**$ 8,495**	**$ (1,256)**	**$ 1,430**	**$ (619,996)**	**2,825**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

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, FarmCommand, integrates remote imagery from satellites with other data sources, including equipment and field sensors, on-farm weather stations, and detailed soil data to provide growers with specific decision tools and insights on their fields. Growers may also access the Company's e-commerce platform to purchase the Company's suite of solution products and other crop inputs available through this online marketplace.

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".

Effective August 15, 2022, the Company continued out of the jurisdiction of The Corporations Act (Manitoba) and into the jurisdiction of the Canada Business Corporations Act (the "Continuance"). The Continuance was approved at the annual and special meeting of shareholders held on June 15, 2022.

2. Basis of presentation

These unaudited 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").

These unaudited condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries as stated in the audited consolidated financial statements as at the year ended December 31, 2022.

Statement of compliance

These unaudited 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.

The presentation currency of the condensed interim consolidated financial statement is Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise stated.

These unaudited condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 11, 2023.

Operating loss before foreign exchange, depreciation and amortization

The Company presents, as an additional IFRS measure, operating loss before foreign exchange, depreciation and amortization in the consolidated statements of operations and comprehensive loss 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.

(expressed in thousands of Canadian dollars, except as otherwise indicated)

3. Significant accounting policies

These unaudited 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, 2022, and should be read in conjunction with these statements.

4. Significant accounting estimates and assumptions

Use of estimates and judgements

The preparation of unaudited condensed interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amount of revenue and expenses during the reporting period. The Company bases its assumptions on a number of factors, including historical experience, current events, actions that the Company may take in the future, and other assumptions it believes are reasonable under the circumstances. Actual results could differ from those estimates under different conditions or assumptions. In preparing these unaudited 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, 2022.

5. Inventories

	March 31, 2023	December 31, 2022
Raw Materials	$ 257	$ 257
Work in Progress	72	72
Goods available for resale	1,180	2,437
	$ 1,509	$ 2,766

Cost of inventories recognized as an expense and included in cost of revenue during the three months ended March 31, 2023, was $1,932 (2022 - $2,197).

6. Revenue

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

	For the three months ended March 31	
	2023	2022
Digital Ag and Fertility solutions revenue	$ 4,665	$ 5,677
Business analytics solutions and Agronomic services	78	360
Crop input sales	1,555	2,524
Total revenue	$ 6,298	$ 8,561

The Company discloses revenue by geographic area in note 13.

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 periods when the service is provided, and others are recognized evenly over the life of the contract. The Company generally experiences increased seasonal labour costs shortly after harvest is completed. The Company issues sales invoices to its customers semi- annually or annually in advance, in April and October each year for its digital agronomy solution. Fertility solution subscription invoices are issued in either August or December. The accounting for fertility services results in revenue being recognized generally in the fourth quarter and first quarter when these services are completed. Carbon sales are also recorded when the offsets are sold to third parties which is dependent upon the timing of the serialization and market conditions.

(expressed in thousands of Canadian dollars, except as otherwise indicated)

The CommoditAg business is highly seasonal with most sales expected just prior to or during planting season.

Performance obligations

The Company discloses its policies for how it identifies, satisfies, and recognizes its performance obligations associated with its contracts with customers in note 3 of the 2022 annual consolidated financial statements. The Company generally expects to recognize the deferred revenue within a year.

7. Other Income

	For the three months ended March 31	
	2023	2022
Government subsidies and financial assistance	$ 368	$ 1,556
Gain on disposal of property and equipment	293	82
Gain on fair value adjustment of contingent liability recorded on CommoditAg acquisition	200	—
Other	188	332
	$ 1,049	$ 1,970

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

8. Long-term debt

	March 31, 2023	December 31, 2022
Related party loan payable	$ 48,451	$ 37,966
Loan - Western Economic Diversification Canada	875	953
	49,326	38,919
Less: current portion	336	336
	$ 48,990	$ 38,583

On July 8, 2022, the Company entered into a $75,000 credit agreement (the “Facility”) with Fairfax Financial Holdings Limited and certain of its affiliates (collectively, “Fairfax”) which matures on January 31, 2025 and is available for working capital and general corporate purposes. $10,000 was drawn in the three months ended March 31, 2023. The Facility bears interest at a rate of 6% per annum and interest is added to the loan balance. As part of the lending agreement, the Company advanced in 2022 $750 relating to an annual commitment fee which was recorded as prepaid transactions costs.

The Company determined that the rate per the credit agreement is below the market rate of interest and recorded an initial benefit of the below interest rate loan of $2,430 as contributed capital. An additional benefit of the below interest rate of $498 was recorded in Q1 2023. These amounts will be expensed over the loan term to bring the loan to face value at maturity and resulted in an effective rate of 8.95%. The amount recorded as deferred transaction costs is presented as an offset to the loan balance within the condensed interim consolidated financial statements and is expensed over the term of the Facility. For the quarter ended March 31, 2023, the Company recorded interest expense of $651 excluding accretion expense of $240. Additionally, the Company recognized an expense of $91 related to prepaid transaction costs.

(expressed in thousands of Canadian dollars, except as otherwise indicated)

Interest accretion for the WEDC loan for the three months ended March 31, 2023, was $6 (2022 - $6).

9. Stock-based compensation

The Company has a stock option plan which authorizes the issue of common shares to certain directors and employees. The following table summarizes stock options outstanding for the three months ended March 31, 2023.

	Number of options		Weighted average exercise price ($)
Outstanding, December 31, 2022	872,057	$	8.58
Granted	500,000		0.19
Expired	(583,857)		11.22
Outstanding, March 31, 2023	**788,200**	**$**	**1.31**

The following table summarizes the change in the LTIP balances for the three months ended March 31, 2023:

Type of grant	Director RSU	PSU	RSU	Total
Outstanding, December 31, 2022	90,000	415,329	231,392	736,721
Forfeited	—	(13,200)	(13,234)	(26,434)
Vested	—	—	(48,672)	(48,672)
Outstanding, March 31, 2023	**90,000**	**402,129**	**169,486**	**661,615**

The total stock-based compensation expense for the three months ended March 31, 2023, was $268 (2022 - $921), which includes stock options expense of $67 (2022 - $14), and PSUs and RSUs expenses of $201 (2022 - $907).

The board of directors granted cash bonuses in lieu of the regular LTIP for 2023. These grants vest over three years and require management to be employed by the Company when they become payable.

(expressed in thousands of Canadian dollars, except as otherwise indicated)

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 as including them would be anti-dilutive. No tax benefit has been recorded related to the losses incurred to date.

Basic and diluted loss per share are as follows:

	For the three months ended March 31	
	2023	**2022**
Net loss	$ (18,692)	$ (22,182)
Basic weighted average number of common shares outstanding	42,008,554	41,908,125
Effect of dilutive securities:		
RSUs, PSUs, and stock options	—	—
Diluted basis weight average number of shares	42,008,554	41,908,125
Loss per share - basic and diluted	$ (0.44)	$ (0.53)

11. Related Party Transactions

Fairfax has an approximate 61.22% interest in the Company through ownership of, or control or direction over 25,718,393 Common Shares.

On July 8, 2022, the Company entered into a $75,000 credit agreement with Fairfax, the details of which are described in note 8. For the three months ended March 31, 2023, the Company has recorded a related interest expense in the amount of $651.

Revenue was recognized for the three months ended March 31, 2023, of $nil (2022 - $220) related to business analytics solutions provided to this same shareholder.

The Company expensed $30 (2022 - $10) for its 1st Excess Director and Officer liability insurance provided by Allied World, a Fairfax affiliated company, for the three months ending March 31, 2023. These costs are included in general and administrative expenses.

12. Fair value and risk management

Risk management

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 manages capital to ensure an appropriate balance between debt and equity.

The Company’s activities expose it to a variety of financial risks as disclosed in note 21 of the audited 2022 financial statements. They include market risk (primarily foreign currency and interest rate risk), credit risk, and liquidity risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary. The following describes the significant changes to risks as at March 31, 2023.

(expressed in thousands of Canadian dollars, except as otherwise indicated)

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, and lease obligations. The Company manages its liquidity risk by forecasting cash flows from operations and seeking additional financing for growth and operations, through it's credit facility to further manage the Company's liquidity which is described in note 8. Additionally, Fairfax has committed to provide financial support to the Company for no less than twelve months from the date of approval of these unaudited condensed interim consolidated financial statements. The Company believes that its financial support from Fairfax, cash on hand and amounts available from the credit facility will be sufficient to fund its projected requirements over the next 12 months.

13. Segment information

The Company has two reportable segments, digital agronomy operations and e-commerce operations. These two strategic business units offer different products, services, and are managed separately as they require different technology and marketing strategies. For each of these strategic business units, the Company's CEO and CFO reviews internal management reports on a monthly basis.

The digital agronomy operations derives its revenue from offering a comprehensive suite of digital agronomy solutions to growers sold in five principal tiers of subscriptions and priced on an annual, per acre basis.

The e-commerce operations derives its revenue from selling crop inputs through an online marketplace.

There are no inter-segment revenues. Goodwill is included in the Digital Agronomy segment.

Segment information is as follows:

	For the three months ended March 31	
	2023	2022
Revenue		
Digital Agronomy Operations	$ 4,743	$ 6,037
E-commerce Operations	1,555	2,524
Consolidated	$ 6,298	$ 8,561
Operating expenses		
Digital Agronomy Operations	$ 19,320	$ 25,179
E-commerce Operations	2,258	3,002
Consolidated	$ 21,578	$ 28,181
Operating loss before foreign exchange, depreciation and amortization		
Digital Agronomy Operations	$ (14,577)	$ (19,142)
E-commerce Operations	(703)	(478)
Consolidated	$ (15,280)	$ (19,620)
Net loss		
Digital Agronomy Operations	$ (17,966)	$ (21,733)
E-commerce Operations	(726)	(449)
Consolidated	$ (18,692)	$ (22,182)

(expressed in thousands of Canadian dollars, except as otherwise indicated)

Supplemental Information	**March 31, 2023**	**December 31, 2022**
Total assets		
Digital Agronomy Operations	$ 71,817	$ 83,948
E-commerce Operations	2,990	3,070
Consolidated	$ 74,807	$ 87,018
Total liabilities		
Digital Agronomy Operations	$ 70,698	$ 65,773
E-commerce Operations	1,284	756
Consolidated	$ 71,982	$ 66,529

	For the three months ended March 31	
	2023	**2022**
Depreciation and Amortization		
Digital Agronomy Operations	$ 3,196	$ 4,007
E-commerce Operations	92	38
Consolidated	$ 3,288	$ 4,045
Purchase of Property and Equipment		
Digital Agronomy Operations	$ 227	$ 4,850
E-commerce Operations	—	19
Consolidated	$ 227	4,869

The Company’s property and equipment, intangible assets and goodwill are as follows:

	March 31, 2023		
	Property and equipment	**Intangible assets**	**Goodwill**
Canada	$ 16,647	$ 12,743	$ 1,115
United States	9,196	2,864	—
Brazil	4,904	261	—
Australia	795	—	—
	$ 31,542	$ 15,868	$ 1,115

	December 31, 2022		
	Property and equipment	**Intangible assets**	**Goodwill**
Canada	$ 17,559	$ 12,965	$ 1,115
United States	9,893	2,754	—
Brazil	4,894	260	—
Australia	847	—	—
	$ 33,193	$ 15,979	$ 1,115

(expressed in thousands of Canadian dollars, except as otherwise indicated)

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

	For the three months ended March 31	
	2023	**2022**
Canada	$ 1,983	$ 2,305
United States	2,889	4,543
Brazil	1,294	1,344
Australia	132	339
Russia and Ukraine	—	30
Total revenue	$ 6,298	$ 8,561

14. Contingencies

The Company is defending various legal claims, including a patent infringement claim and breach of contract counterclaim, filed against the Company. AGI Suretrack LLC ("AGI") (formerly Farmobile, LLC) is seeking damages of approximately $65.2 million plus an unspecified amount after December 2021 in a case that went to trial in Canada in 2022. The ruling is still pending. AGI has also filed a claim in the United States. 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. 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 consolidated financial statements relating to these claims.