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 and six months ended June 30, 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 August 10, 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.

Fairfax Financial Holdings credit facility of $75 million and its ongoing support (see notes 8 and 12 of the interim Consolidated Financial Statements) provide management the opportunity to execute on its growth strategies and fund the current Adjusted Free Cash Flow Deficiency 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 revenue growth are key focuses for management.

OPERATING HIGHLIGHTS

in thousands, except per share amounts	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
FINANCIAL PERFORMANCE				
Digital Ag and Fertility solutions revenues	$ 4,005	$ 5,032	$ 8,669	$ 10,709
Business analytics solutions and Agronomic services	101	271	179	631
Crop input sales	1,075	2,375	2,631	4,899
Revenues	$ 5,181	$ 7,678	$ 11,479	$ 16,239
Operating expenses (1)	(19,482)	(27,376)	(41,060)	(55,557)
Non-recurring items (2)	1,289	1,487	1,897	3,273
Adjusted EBITDA (3)	$ (13,012)	$ (18,211)	$ (27,684)	$ (36,045)
Net loss	$ (18,551)	$ (23,519)	$ (37,243)	$ (45,701)
Loss per share - basic & diluted	$ (0.44)	$ (0.56)	$ (0.89)	$ (1.09)
Adjusted Free Cash Flow Deficiency(3)	$ (13,886)	$ (26,343)	$ (29,066)	$ (42,670)

	June 30, 2023	December 31, 2022
FINANCIAL POSITION as at date specified		
Total assets	$ 66,709	$ 87,018
Total liabilities	$ 81,875	$ 66,529
Total equity (deficiency)	$ (15,166)	$ 20,489

	June 30, 2023	December 31, 2022
KEY PERFORMANCE INDICATORS AND OTHER FINANCIAL MEASURES as at date specified		
Digital Agronomy Acres (4)	6,645	9,773
Annual Recurring Revenue (ARR) (4)	$ 23,504	$ 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 $0.1 million and legal and consulting fees of $1.2 million in Q2 2023 compared to restructuring expenses of $0.4 million and $1.1 million related to legal and consulting fees in Q2 2022. Non-recurring items also include restructuring expenses of $0.3 million and legal fees of $1.6 million in Q2 YTD 2023 compared to $1.2 million in restructuring costs and legal fees of $2.1 million in Q2 YTD 2022.
(3) Adjusted EBITDA and Adjusted Free Cash Flow Deficiency 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 Deficiency 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.

SECOND 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.

- **Improved Profitability & Cash Flow:** The Q2 Adjusted EDBITDA deficiency improved by 29% over the comparable 2022 period. For the six month period ended June 30, 2023, the Q2 Adjusted EBITDA deficiency improved by 23% over the comparable 2022 period. The Free Cash Flow deficiency in Q2 2023 improved by 26% over the comparable three month period and 27% for the comparable six month ended June 30. The Q2 price per acre for ARR improved by 20% over the comparable 2022 period.
- **Cost-turnaround plan:** The Company remains steadfast in its pursuit of achieving $20 million in annualized cost savings from phase 1 of the cost reduction plan. As part of this effort, the workforce in North America has undergone realignment, including head count reductions of 20%, to more effectively support the implementation of the new business model.
- **Operational Optimization:** During Q2, management devised a plan to consolidate operations and deliver a virtual delivery model in specific regions in North America. This new operating model was approvedin July 2023 and aims to enhance the customer experience, reduce customer acquisition costs, and drive significant free cash flow savings of approximately $20 million annualized mostly in 2024, furthering the Company's path to profitability. In line with this approach, the Company decided to close its Australian operations in the fall of this year.
- **Revenue growth**: Management continues to prioritize its actions to drive top-line growth through a combination of B2B and B2C strategies. We have received positive feedback from Agri-fuel and Ag-retail customers pilots within the B2B segment. Management continues to focus on engaging with potential enterprise partners. In the B2C domain, we're fortifying our sales team by refining prospecting techniques. Additionally, a new VP-Sales was hired to spearhead the Sales function in the US. These actions are aimed at accelerating our growth trajectory and strengthening our market position.
- **Acres:** Acre profitability remains a top priority. Management is focused on high-profitability acres, aggressively retaining existing high value acres, and signing new acres to increase profitability across all regions in the coming quarters. During Q2, 0.1 million new high value Digital Agronomy acres were added and 1.0 million acres, most of which are low value were discontinued. Our sales team remains committed to build a foundation to drive new acre sales during the third and fourth quarters.
- **E-Commerce**: The Company has transitioned its e-commerce operations to a non-asset-based third-party model. As a result, the Company will cease carrying any physical inventory and will focus on building the platform to offer an attractive marketplace to ag-retailers.
- **Marketing:** In Q2, the Company launched two new initiatives; a digital marketing plan focused on enterprise customers, growers, and sustainability; and increased market awareness of our new Ag-retail & direct to grower product offerings.
- **Carbon Offsetting and Smart Reporting**: In the voluntary carbon market, challenges include declining prices, slow sales cycles for ag carbon credits, and limitations in carbon offsets in the Canadian CSA CleanProjects Registry. However, the Company remains committed to selling carbon credits from their Soil Carbon (CCP) Projects. The focus is now on preparing an updated carbon program for the 2024 crop, incorporating soil sequestration and nitrogen management based on a US protocol to attract greater interest and higher value.

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 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 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 June 30		Change	Six Months Ended June 30		Change
	2023	**2022**		**2023**	**2022**	
Digital Ag and Fertility solutions revenues	$4,005	$5,032	$(1,027)	$8,669	$10,709	$(2,040)
Business analytics solutions and Agronomic services	101	271	(170)	179	631	(452)
Crop input sales	1,075	2,375	(1,300)	2,631	4,899	(2,268)
Total revenue	**$5,181**	**$7,678**	**$(2,497)**	**$11,479**	**$16,239**	**$(4,760)**
Digital Agronomy Operations	$4,106	$5,303	$(1,197)	$8,848	$11,340	$(2,492)
E-commerce Operations	1,075	2,375	(1,300)	2,631	4,899	(2,268)
Total Revenue	**$5,181**	**$7,678**	**$(2,497)**	**$11,479**	**$16,239**	**$(4,760)**
Annual Recurring Revenue (ARR) [1]				**$23,504**		

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

Revenues generated for the three months ended June 30, 2023 (“Q2 2023”) were $5.2 million (Q2 2022 – $7.7 million) and $11.5 million (Q2 YTD 2022 - $16.2 million) for the six months ended June 30, 20232 (”Q2 YTD 2022”).

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 solution subscription revenue was $4.0 million for Q2 2023 (Q2 2022 – $5.0 million), whereas Digital Ag and Fertility solution subscriptions revenue for Q2 YTD 2023 was $8.7 million, a decrease of $2.0 million from Q2 YTD 2022 comparative revenue of $10.7 million. These decreases are the result of lower Digital Agronomy Acres at June 30, 2023. The revenue decline primarily resulted from weakness in new acres in North America, discontinued low value acres in Brazil, and the closure of Australian operations.

Business analytics solutions revenue represents analytics and technology solutions for agribusiness and insurance. For Q2 2023, business analytics solutions revenue was nominal (Q2 2022 – $0.3 million) and for Q2 YTD 2022, $0.2 million (Q2 YTD 2022 - $0.6 million). The decrease is due to no insurance revenue being earned in these periods. Management is in discussions with insurance enterprise customers for the newly launched Smart Reporting and Smart Claim tools.

Crop input sales represent e-commerce revenue of $1.1 million for Q2 2023 (Q2 2022 – $2.4 million), and for Q2 YTD 2023, $2.6 million (Q2 YTD 2022 - $4.9 million). The $2.3 million YTD 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 the customer service experience and improve the product selection to growers without taking on inventory risk.

Annual Recurring Revenue

The Company's decline in ARR for the three and six month period ending June 30, 2023, can be attributed primarily to reduced Digital Agronomy acres, which includes the impact of conversion rate adjustments, cancellation of the Progressive Growing Program, and a lack of market for agriculture carbon offsets.

Operating Expenses

Operating expenses for the three months ended June 30, 2023, were $19.5 million (2022 Q2 – $27.4 million) and for Q2 YTD 2023 were $41.0 million (Q2 YTD 2022 - $55.6 million). The decreases in operating expenses are mainly driven by the Company's cost reduction program and lower non-recurring items. Specifically, for Q2 2023, people costs have been reduced by $3.7 million, vehicle costs by $0.9 million, legal and consulting fees by $0.6 million, and advertising and promotion costs by $0.6 million. For Q2 YTD 2023, people costs have been reduced by $7.8 million, vehicle costs by $1.6 million, legal and consulting fees by $1.1 million, and advertising and promotion costs by $1.3 million.

As expected, Q2 2023 costs were also slightly below Q1 2023 expenses of $21.6 million. Refer to the details below for additional commentary.

Cost of Revenues

in thousands	Three Months Ended June 30		Change	Six Months Ended June 30		Change
	2023	**2022**		**2023**	**2022**	
Employee compensation & benefits	$ 3,404	$ 5,570	$ (2,166)	$ 7,599	$ 10,594	$ (2,995)
Cost of goods sold	1,578	2,219	(641)	3,529	4,416	(887)
Vehicle & travel	580	1,635	(1,055)	1,259	3,163	(1,904)
Soil testing costs	613	852	(239)	1,171	1,679	(508)
Other	367	717	(350)	644	1,510	(866)
Total costs of revenue	**$ 6,542**	**$ 10,993**	**$ (4,451)**	**$ 14,202**	**$ 21,362**	**$ (7,160)**
Digital Agronomy operations	$ 5,353	$ 8,774	$ (3,421)	$ 11,028	$ 16,946	$ (5,918)
E-commerce operations	1,189	2,219	(1,030)	3,174	4,416	(1,242)
Total costs of revenue	**$ 6,542**	**$ 10,993**	**$ (4,451)**	**$ 14,202**	**$ 21,362**	**$ (7,160)**

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 Q2 2023 were $6.5 million (Q2 2022 – $11.0 million), representing a decrease of $4.5 million over the comparative period. The Company's cost reduction program realized significant savings with decreases in quarterly vehicle and travel costs of $1.1 million, a reduction in people costs of $2.2 million, and a decrease in other costs of $0.4 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.

Total costs of revenue for Q2 YTD 2023 were $14.2 million (Q2 YTD 2022 — $21.4 million), representing a decrease of $7.2 million over the comparative period. Most of the decrease for the period relates to the reduction of people costs of $3.0 million and $1.9 million of lower vehicle costs as a result of a leaner workforce and fleet.

Data and technology infrastructure expenses

in thousands	Three Months Ended June 30		Change	Six Months Ended June 30		Change
	2023	**2022**		**2023**	**2022**	
Total data and technology infrastructure expenses	**$3,848**	**$3,786**	**$62**	**$8,156**	**$7,831**	**$325**

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 which is expected 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 Q2 2023 were $2.8 million (Q2 2022 — $5.4 million). The primary drivers were reductions in people costs of $2.0 million, $0.3 million related to lower commissions and reduced advertising costs of $0.1 million.

Total selling and marketing expenses for Q2 YTD 2023 were $6.2 million (Q2 YTD 2022 - $10.4 million), a decrease of $4.2 million. The decrease is primarily the result of $2.9 million in decreased people costs, $0.6 million in lower commissions and $0.4 million in decreased advertising costs.

Product Research and Development Expenses

Product research and development expenses relate to digital agronomy software and operations and consist primarily of employee expenses, and outsourcing costs related to the technology and research and development.

Total product research and development expenses for Q2 2023 were $1.6 million (Q2 2022 – $1.7 million), and for Q2 YTD 2023 were $3.3 million (Q2 YTD 2022 - $3.2 million). The change in YTD Product research and development expenses has increased nominally due to higher outsourcing costs offset by people cost savings.

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 Q2 2023 were $4.6 million (Q2 2022 — $5.5 million), reflecting a decrease of $0.9 million. The decrease in general and administrative expenses was mostly due to lower legal fees of $0.6 million and bad debt expenses of $0.6 million. The Q2 2022 people costs included a $1.5 million recovery of share based compensation related to the forfeitures of long-term incentive plan units.

Total general and administrative expenses for Q2 YTD 2023 were $9.2 million (Q2 YTD 2022 — $12.8 million), reflecting a decrease of $3.6 million. The decrease in general and administrative expenses when compared to Q2 YTD 2022 was primarily a result of a decrease of people costs of $1.6 million, a decrease of $1.1 million in legal fees, and lower bad debt expenses of $0.4 million.

Adjusted EBITDA and Net Loss

in thousands	Three Months Ended June 30		Change	Six Months Ended June 30		Change
	2023	**2022**		**2023**	**2022**	
Digital Agronomy operations	$ (12,662)	$ (15,902)	$ 3,240	$ (26,631)	$ (35,257)	$ 8,626
E-commerce operations	(350)	(2,309)	1,959	(1,053)	(788)	(265)
Adjusted EBITDA [(1)]	(13,012)	(18,211)	5,199	(27,684)	(36,045)	8,361
Foreign exchange (gain) loss	(148)	208	(356)	(58)	542	(600)
Depreciation of property and equipment	1,726	2,603	(877)	3,532	5,036	(1,504)
Amortization of intangible assets	1,369	1,677	(308)	2,851	3,289	(438)
Finance costs	1,326	138	1,188	2,409	291	2,118
Other income	(23)	(805)	782	(1,072)	(2,775)	1,703
Non-recurring items [(2)]	1,289	1,487	(198)	1,897	3,273	(1,376)
Net loss	**$ (18,551)**	**$ (23,519)**	**$ 4,968**	**$ (37,243)**	**$ (45,701)**	**$ 8,458**
Digital Agronomy operations	$ (18,241)	$ (23,150)	$ 4,909	$ (36,207)	$ (44,883)	$ 8,676
E-commerce operations	(310)	(369)	59	(1,036)	(818)	(218)
Total net loss	**$ (18,551)**	**$ (23,519)**	**$ 4,968**	**$ (37,243)**	**$ (45,701)**	**$ 8,458**

(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 $0.1 million and legal and consulting fees of $1.2 million in Q2 2023 compared to restructuring expenses of $0.4 million and $1.1 million related to legal and consulting fees in Q2 2022. Non-recurring items also include restructuring expenses of $0.3 million and legal fees of $1.6 million in Q2 YTD 2023 compared to $1.2 million in restructuring costs and legal fees of $2.1 million in Q2 YTD 2022.

Adjusted EBITDA for Q2 2023 was a loss of $13.0 million (Q2 2022 — $18.2 million loss), and for Q2 YTD 2023 was $27.7 million loss (Q2 YTD 2022 - $36.0 million loss). Adjusted EBITDA for Q2 2023 improved by $5.2 million and for YTD 2023 by $8.4 million primarily 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 gain for Q2 2023 was $0.1 million (Q2 2022 – $0.2 million loss), and a $0.1 million gain in Q2 YTD 2023 (Q2 YTD 2022 - $0.5 million loss). The results 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 compared to the Canadian dollar.

Depreciation and Amortization

Combined depreciation and amortization expense for Q2 2023 was $3.1 million (Q2 2023 – $4.3 million) and Q2 YTD 2023 was $6.4 million (Q2 YTD 2022 - $8.3 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 which was recorded on a prospective basis.

Finance Costs

Finance costs in Q2 2023 of $1.3 million (Q2 2022 – $0.1 million) and Q2 YTD 2023 of $2.4 million (Q2 YTD 2022 - $0.3 million) includes interest and accretion expenses on the Company's right-of-use assets and long-term debt. The Fairfax loan accounted for $1.3 million of interest and accretion expense in Q2 2023 (Q2 YTD 2023 - $2.2 million).

Other Income

Other income for Q2 2023 is nominal compared to $0.8 million in Q2 2022 (Q2 YTD 2023 - $1.1 million; Q2 YTD 2022 - $2.8 million). The decrease in other income is driven primarily by lower government grant revenues for both periods.

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 unused 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 June 30		Change	Six Months Ended June 30		Change
	2023	**2022**		**2023**	**2022**	
Net loss	$ (18,551)	$ (23,519)	$ 4,968	$ (37,243)	$ (45,701)	$ 8,458
Foreign exchange (gain) loss	(148)	208	(356)	(58)	542	(600)
Depreciation of property and equipment	1,726	2,603	(877)	3,532	5,036	(1,504)
Amortization of intangible assets	1,369	1,677	(308)	2,851	3,289	(438)
Finance costs	1,326	138	1,188	2,409	291	2,118
Other income excluding government subsidies, financial assistance, and gain on contingent liability	(237)	(187)	(50)	(918)	(601)	(317)
Stock-based compensation	143	(451)	594	435	470	(35)
Additions to property and equipment (net of proceeds)	(633)	(1,162)	529	(577)	(5,769)	5,192
Additions to intangible assets (net of proceeds)	(1,488)	(1,164)	(324)	(2,760)	(2,377)	(383)
Repayment of right-of-use obligations	(611)	(913)	302	(1,286)	(1,815)	529
Non-recurring items (1)	1,289	1,487	(198)	1,897	3,273	(1,376)
Free Cash Flow (2)	**$ (15,815)**	**$ (21,283)**	**$ 5,468**	**$ (31,718)**	**$ (43,362)**	**$ 11,644**
Changes in non-cash working capital	1,929	(5,060)	6,989	2,652	692	1,960
Adjusted Free Cash Flow Deficiency (2)	**$ (13,886)**	**$ (26,343)**	**$ 12,457**	**$ (29,066)**	**$ (42,670)**	**$ 13,604**

(1) Non-recurring items include restructuring expenses of $0.1 million and legal and consulting fees of $1.2 million in Q2 2023 compared to restructuring expenses of $0.4 million and $1.1 million related to legal and consulting fees in Q2 2022. Non-recurring items also include restructuring expenses of $0.3 million and legal fees of $1.6 million in Q2 YTD 2023 compared to $1.2 million in restructuring costs and legal fees of $2.1 million in Q2 YTD 2022.

(2) Free Cash Flow and Adjusted Free Cash Flow Deficiency 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 Deficiency 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 Deficiency relates.

The Company's strategic cost cutting initiative, lower capital expenditures and reduced non-recurring items have improved the Adjusted Free Cash Flow Deficiency in Q2 2023 by 47% over the comparable three month period and 32% for the comparable six month ended June 30, 2022. See also Outlook section for further cost reduction initiatives.

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 lower property and equipment purchases in Q2 2023 by $0.8 million (Q2 2022 - $1.4 million) and $1.0 million in Q2 YTD 2023 (Q2 YTD 2022 - $6.2 million). The reduction in costs reflected the utilization of available equipment and reduction of 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 Q2 2023 were $0.6 million (Q2 2022 – $0.9 million) and $1.3 million in Q2 YTD 2023 (Q2 YTD 2022 - $1.8 million). The assets being leased mainly comprise fleet vehicles, building space for operations team members and warehouse space for farm equipment. The Company has been working in the current quarter to reduce its fleet size as part of its broader business strategy and headcount reductions.

Intangible Asset Investments

The Company's intangible assets additions include internal and third-party software development expenses. Additions were $1.5 million for Q2 2023 (Q2 2022 – $1.2 million) and $2.8 million for Q2 YTD 2023 (Q2 YTD 2022 - $2.4 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

The Company's commitment to operational excellence and improved efficiency is reflected in the reduction of operating expenses and improvement in cashflow compared to previous periods.

To further enhance growth, management remains focused on retaining high-value acres on its platform, while acquiring new acres at higher prices. A new multi-tiered pricing strategy was implemented in April 2023, tailored to meet market needs, and acquire business at a higher price per acre. The Company continues to strengthen its sales force with the appointment of sales VPs for our key geographies.

To further optimize the business model, management implemented a virtual delivery model in July 2023 in certain regions which will result in a 20 percent reduction in the workforce without compromising on grower quality and experience. This new model will deliver an improved and consistent customer experience.

Management's focus remains on developing 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.

Additionally, Commoditag, our e-commerce operations, has undergone a significant restructuring, moving to a non-inventory, third-party commission-based model. The goal is to establish a powerful marketplace for agriculture inputs through technology without carrying the risk of inventory.

With these strategic changes in place, management anticipates an accelerated turnaround in the coming months.

LIQUIDITY AND CAPITAL RESOURCES

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 on January 31, 2025. The net proceeds of the Facility are being used for working capital and general corporate purposes. As of June 30, 2023, the Company has drawn $62.0 million against the Facility (see note 8 to the interim financial statements for further information). Fairfax has also committed to provide financial support to the Company for the next twelve months to fund loses 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 access to 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 June 30, 2023, and 2022 are summarized below:

in thousands	Three Months Ended June 30		Change	Six Months Ended June 30		Change
	2023	**2022**		**2023**	**2022**	
Proceeds from long-term debt	$12,000	$—	$12,000	$22,000	$—	$22,000
Payment of transaction costs	(56)	—	(56)	(139)	—	(139)
Repayment of right-of-use obligations	(611)	(913)	302	(1,286)	(1,815)	529
Net cash (used) provided by financing activities	**$11,333**	**$(913)**	**$12,246**	**$20,575**	**$(1,815)**	**$22,390**
Adjusted EBITDA (1)	**$(13,012)**	**$(18,211)**	**$5,199**	**$(27,684)**	**$(36,045)**	**$8,361**
Adjusted Free Cash Flow Deficiency(1)	**$(13,886)**	**$(26,343)**	**$12,457**	**$(29,066)**	**$(42,670)**	**$13,604**

(1) Adjusted EBITDA and Adjusted Free Cash Flow Deficiency 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 Deficiency 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 Deficiency in the current period are described in "*Results of Operations*". The Company used cash on hand in Q2 2023 and the Facility to fund the Adjusted Free Cash Flow Deficiency.

Key Working Capital Items

The Company's cash position as at June 30, 2023, was $11.9 million. The Company's working capital position as at June 30, 2023 and 2022 is summarized below. A nominal amount of working capital is related to e-commerce operations.

in thousands *as at*	**June 30, 2023**	**December 31, 2022**
Accounts Receivable	$5,952	$11,683
Less: Deferred Revenue	(4,276)	(8,582)
Net	**$1,676**	**$3,101**
Inventories	115	2,766
Prepaid expenses	1,271	1,494
Accounts payable and accrued liabilities	(10,772)	(12,416)
Net working capital	**$(7,710)**	**$(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 June 30, 2023, the Company had not drawn on this facility (June 30, 2022 – $nil).

Share Capital

Share capital remained generally unchanged from March 31, 2023.

Contractual Obligations

The following table describes the Company's maturity analysis of the undiscounted cash flows of leases, long-term debt, purchases and other obligations as at June 30, 2023.

in thousands	As at June 30, 2023				
	< 1 Year	1-3 Years	4-5 Years	> 5 years	Total
Right-of-use obligations	$ 2,305	$ 2,873	$ —	$ —	$ 5,178
Purchase obligations	10,885	21,184	—	—	32,069
Long-term debt	336	62,525	—	—	62,861
Accounts payable and accrued liabilities	10,772	—	—	—	10,772
Total	**$ 24,298**	**$ 86,582**	**$ —**	**$ —**	**$ 110,880**

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

See note 14 to the Interim Financial Statements for details.

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 Annual 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 Annual 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 Financial Statements for external purposes in accordance with IFRS. Management, under the supervision of the CEO and recently appointed VP Finance 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 VP Finance, 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 VP Finance, 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 Financial Statements in accordance with IFRS. Our CEO and VP Finance 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 and six months ended June 30, 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 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. The impacts related to the Progressive Grower Program are nil at June 30, 2023 as the program has been eliminated.

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 Deficiency. 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 Deficiency 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 Deficiency 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 Deficiency 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 Quarters		2022 Quarters				2021 Quarters	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	$5,181	$6,298	$10,589	$5,943	$7,678	$8,561	$13,315	$6,824
Adjusted EBITDA (1)	(13,012)	(14,672)	(7,825)	(15,830)	(18,211)	(17,833)	(15,698)	(15,964)
Net Loss	18,551	(18,692)	(20,057)	(21,125)	(23,519)	(22,182)	(19,735)	(19,359)
-per share basic (2)	(0.44)	(0.44)	(0.48)	(0.50)	(0.56)	(0.53)	(0.47)	(0.46)
-per share fully diluted (2)	(0.44)	(0.44)	(0.48)	(0.50)	(0.56)	(0.53)	(0.47)	(0.46)
Adjusted Free Cash Flow Deficiency (1)	$(13,886)	$(15,180)	$(6,425)	(15,061)	(26,343)	(16,327)	(14,475)	(18,295)

(1) Adjusted EBITDA and Adjusted Free Cash Flow Deficiency 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 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 August 10, 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

June 30, 2023

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

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

As at	June 30, 2023	December 31, 2022
Assets		
Cash	$ 11,884	$ 20,788
Accounts receivable	5,952	11,683
Inventories (note 5)	115	2,766
Prepaid expenses and other current assets	1,271	1,494
Current assets	19,222	36,731
Property and equipment	30,405	33,193
Intangible assets	15,967	15,979
Goodwill	1,115	1,115
	47,487	50,287
Total assets	**$ 66,709**	**$ 87,018**
Liabilities		
Accounts payable and accrued liabilities	$ 10,772	$ 12,416
Deferred revenue	4,276	8,582
Current portion of right-of-use obligations	2,305	2,836
Current portion of long-term debt (note 8)	336	336
Current portion of other long-term liabilities	173	157
Current liabilities	17,862	24,327
Right-of-use obligations	2,370	3,533
Long-term debt (note 8)	61,643	38,583
Other long-term liabilities	—	86
	64,013	42,202
Total liabilities	**81,875**	**66,529**
Shareholders' equity		
Share capital	614,152	614,005
Contributed surplus	9,040	7,930
Accumulated other comprehensive loss	(1,396)	(1,518)
Long-term incentive plan reserve	1,585	1,376
Deficit	(638,547)	(601,304)
Total shareholders' equity (deficiency)	**(15,166)**	**20,489**
Total liabilities and shareholders' equity	**$ 66,709**	**$ 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)

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Revenues (note 6)	$ 5,181	$ 7,678	$ 11,479	$ 16,239
Operating expenses				
Cost of revenue	6,542	10,993	14,202	21,362
Data and technology infrastructure expenses	3,848	3,786	8,156	7,831
Selling and marketing expenses	2,838	5,433	6,182	10,395
Product research and development expenses	1,616	1,669	3,314	3,172
General and administrative expenses	4,638	5,495	9,206	12,797
Operating loss before foreign exchange, depreciation and amortization	(14,301)	(19,698)	(29,581)	(39,318)
Foreign exchange (gain) loss	(148)	208	(58)	542
Depreciation of property and equipment	1,726	2,603	3,532	5,036
Amortization of intangible assets	1,369	1,677	2,851	3,289
Operating loss	(17,248)	(24,186)	(35,906)	(48,185)
Finance costs	1,326	138	2,409	291
Other income (note 7)	(23)	(805)	(1,072)	(2,775)
Loss before income tax expense	(18,551)	(23,519)	(37,243)	(45,701)
Income tax expense (note 10)	—	—	—	—
Net loss	**$ (18,551)**	**$ (23,519)**	**$ (37,243)**	**$ (45,701)**
Loss per share - basic and diluted (note 10)	**$ (0.44)**	**$ (0.56)**	**$ (0.89)**	**$ (1.09)**
Other comprehensive loss				
Net loss	(18,551)	(23,519)	(37,243)	(45,701)
Items that are or may be reclassified to profit or loss				
- Foreign currency translation differences of foreign operations, net of tax (nil)	(140)	221	122	930
Total comprehensive loss	**$ (18,691)**	**$ (23,298)**	**$ (37,121)**	**$ (44,771)**

Farmers Edge Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Operating activities				
Net loss for the period	$ (18,551)	$ (23,519)	$ (37,243)	$ (45,701)
Items not affecting cash and cash equivalents:				
Depreciation of property and equipment	1,726	2,603	3,532	5,036
Amortization of intangible assets	1,369	1,677	2,851	3,289
Accretion of long-term debt (note 8)	344	5	590	11
Amortization of deferred financing costs (note 8)	33	—	124	—
Interest on long-term debt (note 8)	867	—	1,518	—
Gain on fair value adjustment other long-term liabilities (note 7)	—	—	(200)	—
Unrealized foreign exchange loss (gain)	(47)	219	(72)	549
Gain on disposal of property and equipment (note 7)	(96)	(205)	(389)	(287)
Other long-term liabilities	98	60	131	115
Stock-based compensation expense (note 9)	167	(451)	435	470
	(14,090)	(19,611)	(28,723)	(36,518)
Changes in operating assets and liabilities	1,929	(5,060)	2,652	692
Net cash used in operating activities	**(12,161)**	**(24,671)**	**(26,071)**	**(35,826)**
Investing activities				
Additions to property and equipment	(757)	(1,420)	(984)	(6,289)
Additions to intangible assets	(1,488)	(1,164)	(2,760)	(2,377)
Proceeds from disposal of property and equipment	124	258	407	520
Net cash used in investing activities	**(2,121)**	**(2,326)**	**(3,337)**	**(8,146)**
Financing activities				
Repayment of right-of-use obligations	(611)	(913)	(1,286)	(1,815)
Repayment of long-term debt	(56)	—	(139)	—
Proceeds from long-term debt (note 8)	12,000	—	22,000	—
Net cash provided from financing activities	**11,333**	**(913)**	**20,575**	**(1,815)**
Effect of foreign exchange rate on cash	(74)	86	(71)	40
Net decrease in cash during the period	**(3,023)**	**(27,824)**	**(8,904)**	**(45,747)**
Cash - Beginning of period	14,907	36,797	20,788	54,720
Cash - End of period	**$ 11,884**	**$ 8,973**	**$ 11,884**	**$ 8,973**
Interest paid	$ 78	$ 73	$ 168	$ 165
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	—	—	930	—	(45,701)	(44,771)
Stock-based compensation	—	156	—	314	—	470
Balance as at June 30, 2022	**$ 613,773**	**$ 5,312**	**$ (2,571)**	**3,341**	**$ (560,122)**	**59,733**
Balance as at December 31, 2022	$ 614,005	$ 7,930	$ (1,518)	1,376	$ (601,304)	20,489
Total comprehensive loss	—	—	122	—	(37,243)	(37,121)
Vested employee RSUs	147	—	—	(147)	—	—
Stock-based compensation (note 9)	—	79	—	356	—	435
Capital contribution (note 8)	—	1,031	—	—	—	1,031
Balance as at June 30, 2023	**$ 614,152**	**$ 9,040**	**$ (1,396)**	**$ 1,585**	**$ (638,547)**	**$ (15,166)**

1. Corporate information

Farmers Edge Inc. ("the Company") was formed on August 21, 2014, under the Manitoba Corporations Act and continued into the jurisdiction of the Canada Business Corporations Act on August 15, 2022. 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.

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 August 10, 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.

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

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

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

	June 30, 2023	December 31, 2022
Raw Materials	$ —	$ 257
Work in Progress	—	72
Goods available for resale	115	2,437
	$ 115	$ 2,766

Cost of inventories recognized as an expense and included in cost of revenue during the three and six months ended June 30, 2023, was $791 and $2,651, respectively (2022 - $2,219 and $4,416, respectively).

6. Revenue

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
Digital Ag and Fertility solutions revenue	$ 4,005	$ 5,032	$ 8,669	$ 10,709
Business analytics solutions and Agronomic services	101	271	179	631
Crop input sales	1,075	2,375	2,631	4,899
Total revenue	$ 5,181	$ 7,678	$ 11,479	$ 16,239

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.

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

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Government subsidies and financial assistance	$ (214)	$ 618	$ 154	$ 2,174
Gain on disposal of property and equipment	96	205	389	287
Gain on fair value adjustment of contingent liability recorded on CommoditAg acquisition	—	—	200	—
Other	141	(18)	329	314
	$ 23	$ 805	$ 1,072	$ 2,775

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

8. Long-term debt

	June 30, 2023	December 31, 2022
Related party loan payable	$ 61,143	$ 37,966
Loan - Western Economic Diversification Canada	836	953
	61,979	38,919
Less: current portion	336	336
	$ 61,643	$ 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. Amounts drawn were $12,000 and $22,000, respectively in the three and six months ended June 30, 2023. At June 30, 2023, an additional $13,000 is available to be drawn.

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 Facility 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 $533 and $1,031 was recorded in the three and six month period ended June 30, 2023. These amounts will be expensed over the loan term to bring the loan to face value at maturity and result in an effective interest 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 three and six month period ended June 30, 2023, the Company recorded interest expense of $867 and $1,518 excluding accretion expense of $328 and $568. Additionally, the Company recognized an expense for the three and six month period ended June 30, 2023, of $33 and $124 related to prepaid transaction costs. There are no comparative amounts for the three and six month period ended June 30, 2022.

Interest accretion for the WEDC loan for the three and six months period ending June 30, 2022, was $16 and $22, respectively (2022 - $5 and $11, respectively).

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

9. Stock-based compensation

The Company has a stock option ("LTIP") plan which authorizes the issue of common shares to certain directors and employees. The following table summarizes stock options outstanding for the six months ended June 30, 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, June 30, 2023	**788,200**	**$**	**1.31**

The following table summarizes the change in the LTIP balances for the six months ended June 30, 2023:

Type of grant	Director RSU	Employee PSU	Employee RSU	Total
Outstanding, December 31, 2022	90,000	415,329	231,392	736,721
Granted	—	3,000,000	—	3,000,000
Forfeited	—	(33,500)	(35,460)	(68,960)
Vested	—	—	(51,871)	(51,871)
Outstanding, June 30, 2023	**90,000**	**3,381,829**	**144,061**	**3,615,890**

The total stock-based compensation expense for the three and six months ended June 30, 2023, was $167 and $435 (2022 - $451 recovery and $470, respectively), which includes stock options expense of $12 and $79 (2022 - $142 and $156 respectively), and PSUs and RSUs expenses of $155 and $356 (2022 - $593 recovery and $314, respectively).

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

On June 28,2023, the Company granted to the CEO 3,000,000 PSUs to be settled in shares which have various performance conditions to be met over the period to December 31, 2025, based on certain cumulative and annual cash flow targets and the average 30 day share price following the release of the annual 2025 Financial results. This grant had no related expense at June 30, 2023.

(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 of approximately $470,000.

Basic and diluted loss per share are as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Net loss	$ (18,551)	$ (23,519)	$ (37,243)	$ (45,701)
Basic weighted average number of common shares outstanding	42,008,554	41,908,125	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	42,008,554	41,908,125
Loss per share - basic and diluted	$ (0.44)	$ (0.56)	$ (0.89)	$ (1.09)

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.

The Company expensed for the three and six months ended June 30, 2023, $40 and $70, respectively (2022 - $30 and $40, respectively) for its Director and Officer liability insurance provided by Allied World, a Fairfax affiliated company.

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 June 30, 2023.

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 its 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.

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

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 VP Finance reviews internal management reports on a monthly basis.

The digital agronomy operations derive its revenue from offering a comprehensive suite of digital agronomy solutions to growers and others in the agriculture ecosystem.

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

There are no inter-segment revenues. Goodwill is related to the Digital Agronomy segment.

Segment information is as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Revenue				
Digital Agronomy Operations	$ 4,106	$ 5,303	$ 8,848	$ 11,340
E-commerce Operations	1,075	2,375	2,631	4,899
Consolidated	$ 5,181	$ 7,678	$ 11,479	$ 16,239
Operating expenses				
Digital Agronomy Operations	$ 18,056	$ 24,690	$ 37,376	$ 49,870
E-commerce Operations	1,426	2,686	3,684	5,687
Consolidated	$ 19,482	$ 27,376	$ 41,060	$ 55,557
Operating loss before foreign exchange, depreciation and amortization				
Digital Agronomy Operations	$ (13,950)	$ (19,387)	$ (28,528)	$ (38,530)
E-commerce Operations	(351)	(311)	(1,053)	(788)
Consolidated	$ (14,301)	$ (19,698)	$ (29,581)	$ (39,318)
Net loss				
Digital Agronomy Operations	$ (18,241)	$ (23,173)	$ (36,207)	$ (44,906)
E-commerce Operations	(310)	(346)	(1,036)	(795)
Consolidated	$ (18,551)	$ (23,519)	$ (37,243)	$ (45,701)

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

Supplemental Information	**June 30, 2023**	**December 31, 2022**
Total assets		
Digital Agronomy Operations	$ 66,096	$ 83,948
E-commerce Operations	613	3,070
Consolidated	$ 66,709	$ 87,018
Total liabilities		
Digital Agronomy Operations	$ 81,735	$ 65,773
E-commerce Operations	140	756
Consolidated	$ 81,875	$ 66,529

	Three Months Ended June 30		**Six Months Ended June 30**	
	2023	**2022**	**2023**	**2022**
Depreciation and Amortization				
Digital Agronomy Operations	$ 3,066	$ 4,249	$ 6,262	$ 8,256
E-commerce Operations	29	31	121	69
Consolidated	$ 3,095	$ 4,280	$ 6,383	$ 8,325
Purchase of Property and Equipment				
Digital Agronomy Operations	$ 757	$ 1,408	$ 984	$ 6,258
E-commerce Operations	—	12	—	31
Consolidated	$ 757	1,420	$ 984	6,289

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

	June 30, 2023		
	Property and equipment	**Intangible assets**	**Goodwill**
Canada	$ 15,937	$ 12,622	$ 1,115
United States	8,855	3,057	—
Brazil	4,902	288	—
Australia	711	—	—
	$ 30,405	$ 15,967	$ 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:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	**2022**	**2023**	**2022**
Canada	$ 1,641	$ 2,120	$ 3,624	$ 4,425
United States	2,544	3,580	5,433	8,123
Brazil	938	1,344	2,232	2,688
Australia	58	634	190	973
Russia and Ukraine	—	—	—	30
Total revenue	$ 5,181	$ 7,678	$ 11,479	$ 16,239

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 and trial is scheduled for May, 2024. The Company believes that it has a meritorious defense with respect to the patent infringement claims and breach of contract counterclaims 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.

15. Subsequent events

On July 13, 2023, the Company approved a comprehensive cost reduction program and refined its business model, incorporating software enhancements to enable more self-delivery of services in specific geographic regions. As a part of this initiative, the Company expects to reduce its headcount by 72 employees, resulting in related severance costs of $554, which will be recorded in the third quarter of 2023.