



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

AGT FOOD AND INGREDIENTS INC.
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The following Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations has been prepared by management to help readers interpret AGT Food and Ingredients Inc.'s ("**AGT**" or the "**Company**") consolidated financial results for the three months ended March 31, 2017 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2016. The consolidated financial statements have been prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("**IFRS**"). Additional information related to AGT, including periodic quarterly and annual reports and the Annual Information Form ("**AIF**"), filed with Canadian securities regulatory authorities and certain production and market information as prepared periodically by management, is available on SEDAR at www.sedar.com and/or on AGT's website at www.agtfoods.com.

This MD&A has been prepared as at May 6, 2017. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights for the Three Months Ended March 31, 2017

- **Consolidated revenue** for the three month period ended March 31, 2017 increased 18.01% to \$520.9 million compared to \$441.4 million for the three months ended March 31, 2016.
- **Gross profit** for the three month period ended March 31, 2017 decreased 28.32% to \$32.9 million compared to \$45.9 million for the three months ended March 31, 2016.
- **Adjusted EBITDA*** for the three month period ended March 31, 2017 decreased 35.99% to \$20.1 million compared to \$31.4 million for the three months ended March 31, 2016.
- **Working capital as a percentage of trailing twelve month revenue** improved to 18.97% at March 31, 2017 compared to 24.32% at March 31, 2016.
- **Adjusted net earnings per share*** increased to \$0.28 (\$0.28 fully diluted) for the three months ended March 31, 2017 compared to \$0.20 (\$0.20 fully diluted) for the three months ended March 31, 2016.
- **Bulk handling and distribution** segment contributed \$3.2 million Adjusted EBITDA* for the three months ended March 31, 2017 compared to \$1.8 million Adjusted EBITDA* for the three months ended March 31, 2016.

- **Food ingredients and packaged foods** contributed to 41.2% of Adjusted EBITDA* for the three months ended March 31, 2017 compared to 29.2% for the three months ended March 31, 2016.
- **Dividend** of \$0.15 per share for the quarter (\$0.60 per share on an annualized basis).

The decrease in gross profit and Adjusted EBITDA* are attributable principally to the financial results in AGT's pulse and grain processing segment and are due to management's determination to temporarily withdraw from certain market segments to safeguard AGT's capital and to stay within established risk parameters in light of the following extraordinary market risks:

- Record production of pulse crops 2016 coupled with low quality put downward pressure on market prices for pulses and lead importers to delay purchases in the first quarter of 2017.
- The record North American production of pulse crops in 2016, coupled with initial forecasts of a significantly larger Indian pulse crops, also accelerated the annual seasonal reset period in the pulse market to the first quarter of 2017 rather than the second quarter.
- Proposed tariff barriers and uncertainty regarding non-tariff barriers such as fumigation requirements in India created uncertainty for importers who delayed purchases of pulses pending resolution of these uncertainties.
- Global and regional political uncertainty created by the Indian elections, the Turkish Referendum held in April 2017, the continuing economic crisis in Egypt and uncertainty in United States and European Union politics.

Business Overview

AGT operates with three reporting segments: (1) pulse and grain processing, (2) food ingredients and packaged foods, and (3) bulk handling and distribution (formerly trading and distribution). The pulse and grain processing segment is the principal core business of AGT and includes subsidiaries and facilities in Canada, the United States ("U.S."), Australia, China and a portion of the operations in Turkey. The bulk handling and distribution segment includes operations in Europe, Russia, India, Switzerland and a portion of the operations in Turkey, Canada and Australia. The food ingredients and packaged foods segment includes subsidiaries and facilities in the U.S., Canada, South Africa and a portion of the operations in Turkey.

Through its three segments, AGT handles a full range of pulses and specialty crops including lentils, peas, chickpeas, beans, popcorn, canary seed, flax and other specialty seeds packed for domestic and export markets as well as in dry small package and canned products for both domestic consumption and export markets. In North America, AGT produces pulses proteins,

fibres, starches and flours for food ingredient and industrial uses. AGT's operations in Turkey produce milled durum wheat products such as semolina, pasta (under the *Arbella* brand) and bulgur wheat, as well as medium grain and long grain milled rice. These products are sold for both domestic consumption and export markets. AGT also offers retail and foodservice dry packaged and canned foods in Canada and the U.S. under the *CLIC* brand and in Southern Africa under the *Pouyoukas* and *Freshpop* brands.

AGT is among the world's largest value-added processors and splitters of pulse crops and an international producer, processor and exporter of staple food products to over 120 countries. The Company's common shares are currently listed for trading on the Toronto Stock Exchange under the symbol "AGT".

Business Outlook

Summary

Global pulse and staple foods markets entered the traditional reset point in market activities earlier than traditional timing due to strong production levels from North America and Australia providing ample supply for global markets. In addition, crop quality and production levels in India and Turkey are both expected to be at volumes higher than production last year and in line with average production levels of the past five years.

Local production in India comes to market in March and April and Turkey comes to market in May and June. Local crops in production regions such as these influence markets as participants speculate on crop outcomes and markets in pulses tend to soften globally as local products arrive and are sold.

Average production in India and Turkey is expected to result in normal import volumes to both key consumption and regional distribution markets as both countries are expected to remain significant net importers. Further, global pulse markets continue to look forward to seeding intentions in North America and new crop 2017 after record production levels in 2016. As reported by STAT Publishing, based on data from Statistics Canada and the United States Department of Agriculture ("USDA"), crop production in North America is forecast to see a reduction in seeded pulse acres by 15% to 25% following the boom in acres in 2016 where acres were up by over 30%.

This increase in acres in 2016 in North America was the result of some farmers pushing their crop rotations by seeding additional pulses out of rotation to capitalize on record crop pricing. Rotational deviation coupled with later than expected harvest caused the quality of the 2016 crop to be worse than expected, but still marketable. This quality problem and excess supply has led to a continued material correction in pricing with pulse prices falling by 25% to

40% from peak levels of 2015-2016 in certain pulses. This pricing reset has led to market volatility and has caused importers to be extremely cautious with nearby purchases slowing the normal pace of shipments in the first half of 2017.

This price decrease has resulted in many larger supply chain participants incurring significant cash losses due to contracted prices differing materially from local market prices and has resulted in certain distribution channels experiencing liquidity issues along with an inability or unwillingness to take contracted quantities of pulses. The market showed early signs of stabilization in late March 2017 and management expects that pulse prices may remain more stable in the coming quarters representing a potential return to more seasonal demand.

Recent price stability is expected to return confidence in the 2017-2018 market performance and returns for pulses which may result in more pulse acres than originally forecast. However, a decrease in acreage is seen by management as a positive trend, as new crop production, when coupled with carry in stocks, will allow for more than ample supply to meet demand.

Finally, global agriculture and agri-food commodity markets, including pulses, were impacted by non-tariff trade barriers with the issue of fumigation of agricultural products to India and duty on pulses being leveraged by the Indian government as a means to combat issues surrounding food security, low local crop prices for farmers in India and political messaging during election cycles in India. These are matters of food security and food production that may have significant impact and resonate with voters. Governmental interventions of this type have spread, with Pakistan temporarily adopting a similar fumigation policy as India, before backing off the position prior to the March 2017 deadline imposed by the governments in India and Pakistan.

Allowances for fumigation at destination port have been extended in India until June 30, 2017 and it is expected that a longer term resolution will be found. On May 3, India's plant quarantine department circulated for comment, a draft policy which may see Canada given concessionary treatment when compared to some other origins of agricultural products due to Canada's strong systems based regulatory approach for pests of concern. The circulation of an approach document this early, 57 days prior to the expiry of a 90 day extension is viewed by management as a strong signal of desire to resolve this matter.

Pakistan has also extended its allowance for Canadian products to be fumigated at arrival until November 2017 to allow its plant quarantine to study Canada's data package submitted by the Canadian Food Inspection Agency. Management expects that this will also be resolved satisfactorily in the coming months.

These non-tariff trade barriers, when coupled with a major market correction in prices and political uncertainty around Indian elections, the Turkish referendum held in April 2017, the continuing economic crisis in Egypt and uncertainty in U.S. and European Union (“EU”) politics has left an environment where AGT has implemented a temporary pause strategy in certain market segments to manage the risks of the international trading environment in which it operates in. Many importers were also hesitant in purchases as markets corrected downwards as the lag between booking cargo and transit of 60 days was resulting in major losses within the supply chain. These uncertainties are showing early signs resolving as government intentions on resolution of phytosanitary issues coupled with lower acreage forecasts in North America and only average local productions in India and Turkey has stabilized international pulse markets.

As a result of the past two quarters of relative turbulence, management estimates that economic headwinds will continue in the short term but expects that more normalized seasonal demand in traditional shipping periods may return, providing sales opportunities for AGT in key consumption and shipping markets as these issues substantially resolve. Relative weakness in the core pulse business is seen as temporary.

AGT’s other segments continued to demonstrate opportunity for more predictable margins and for growth as the business units mature or are integrated.

Within AGT’s food ingredient business units, opportunities aimed at further market penetration to pet food customers and advancement in sales programs to higher value added customers with deflavoured and enhanced pulse ingredients continue to be developed, providing opportunities for growth within the business unit. Management’s focus continues to be advancing the sales cycle for applications and products in the pipeline. Each quarter, management monitors the pipeline of projects and tracks progress towards increasing sales to existing clients and new sales to large major Consumer Packaged Goods (CPG) companies and to regional manufacturers and co-packers. Management sees sales demand for protein and starch flours growing from pet food manufacturers as new blends are formulated and product offerings expand to meet the growing spending from millennial pet owners and other consumers subscribing to the grain free and corn free and vegetable diets.

Other segments where sales are beginning include extruded chips and snacks, non-dairy milk beverages, batters and coatings/breading, pastas, savory sauces, egg replacement and allergen replacement and meat extenders. These opportunities are vast but management has been clear that the time to market for these projects is longer and that earnings could be impacted positively in the medium and longer term.

Production capacity from line four at the Minot Facility is nearing commissioning completion and is expected to allow AGT to maximize opportunities as the business unit grows and increased inclusion rates are achieved for pulse ingredients. Management focus remains on the continued pursuit of higher value uses for flours, fractions and blends in higher value food, pet food and aquaculture applications by manufacturers. This is the fundamental short term pursuit for margin expansion in this business.

This segment is expected to be complemented by steady growth and performance in AGT's branded retail packaged products business, focused on pasta from Turkey and packaged pulses and staple foods from Turkey, Canada and Southern Africa.

AGT's bulk loading and handling assets and short-line rail system in the key west central Saskatchewan growing region for pulses and durum wheat and port investments for bulk shipments, continue to provide a strong platform for growth for AGT, providing increasing efficiency for transportation and increased control of the logistics chain while providing opportunity to maximize capacity utilization of AGT's traditional value-added processing infrastructure located in the key Western Canada production area.

Reporting Segments

AGT's chief operating decision maker reviews AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies.

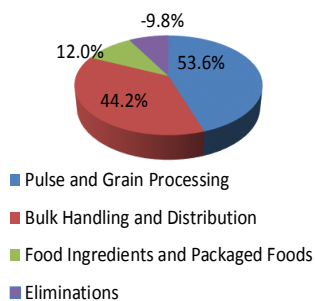
Segment performance is evaluated on the basis of Adjusted EBITDA*. Management believes that Adjusted EBITDA* is an important indicator of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose.

The accounting policies used within each segment are consistent with the policies outlined in the notes to AGT's December 31, 2016 annual audited consolidated financial statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course of business with normal market terms and conditions. Certain estimates and assumptions were made by management in the determination of segment composition.

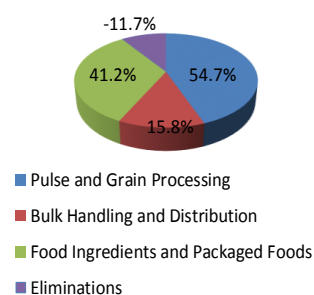
A review of the outlook for each of AGT's business segments is below.

In the following charts, eliminations relate to metric tonnes (mt) that were sold from one AGT subsidiary to another for further manufacturing, further packaging and/or for sale to a final customer.

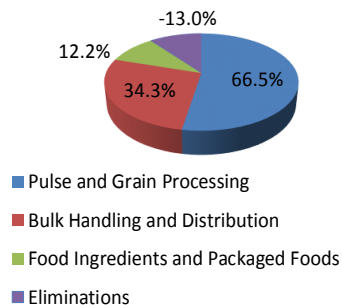
Mar 31, 2017 YTD MT Invoiced



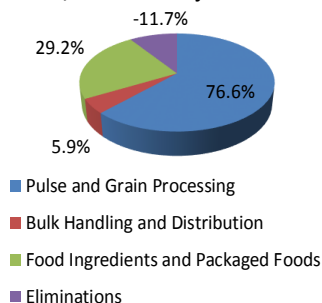
Mar 31, 2017 YTD Adjusted EBITDA*



Mar 31, 2016 YTD MT Invoiced



Mar 31, 2016 YTD Adjusted EBITDA*



Pulse and Grain Processing

The pulse and grain processing segment represents the principal core business of AGT in the origination and processing (including cleaning, calibrating, sizing, splitting, packaging, bulk loading, shipping and export) of pulses and staple foods in AGT owned and operated facilities around the globe. This segment represents the largest segment of AGT's business and provides the core infrastructure that enables AGT's other segments of operation, including origination of raw materials, processing and logistics support of pulse and grain products.

Results are as follows:

Selected Results by Reporting Segment ⁽¹⁾⁽²⁾
(in thousands of Cdn. \$ except as indicated,
unaudited for the three month periods ended)

| | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 |
|-------------------------------|--|--|--|
| Revenue | \$ 318,944 | \$ 454,185 | \$ 300,513 |
| Cost of sales | 302,679 | 423,277 | 271,496 |
| Gross profit | 16,265 | 30,908 | 29,017 |
| Adjusted Gross Profit* | 20,099 | 34,295 | 32,916 |
| Adjusted EBITDA* | \$ 11,000 | \$ 26,706 | \$ 24,039 |
| Total mt invoiced | 307,523 | 477,850 | 333,381 |
| Gross profit per mt | \$ 52.89 | \$ 64.68 | \$ 87.04 |
| Adjusted Gross Profit* per mt | 65.36 | 71.77 | 98.73 |
| Adjusted EBITDA* per mt | 35.77 | 55.89 | 72.11 |

⁽¹⁾ See table on page 17 for consolidated segmented results

⁽²⁾ Certain estimates and assumptions were made by management in the determination of segment composition

Adjusted Gross Profit* and Adjusted EBITDA* per mt decreased when comparing the three months ended March 31, 2017 to the same quarter in the prior year and to the three months ended December 31, 2016. During Q1, it became apparent that North American crop quality had suffered due to harvest weather conditions. As a result, North American sales experienced margin compression and resulted in AGT ultimately reducing shipments out of North America for some destinations. This was partially offset by very favorable crop conditions in Australia. In addition, the Australian desi chickpea market was very strong and margins out of Australian factories were therefore strong in the quarter and contributed to the earnings in this segment.

Following record production volumes in many global production origins, an extended period of filling local market stocks in global staple foods markets where some uncertainty was evident, markets entered the season reset period typically seen in Q2, earlier in Q1. Non-tariff trade barriers and unprecedented market price corrections in late 2016 period caused importers in some regions to suffer from significant cash losses. Government policy changes in India and a slowdown in United Nations programming in Syria due to uncertainty stemming from a U.S. governmental change to the Trump Administration, coupled with markets waiting for a larger than expected Indian new crop (which does not seem to have materialized as deliveries were slow and prices in the post-harvest period have increased) affected fluidity of demand and increased the risk profile of certain markets and regions. These effects are expected to continue in the short term and potentially impact results in this segment.

Management believes that many of these concerns are beginning to ease. AGT made the business decision that it would temporarily withdraw from certain markets as the risks of material losses existed as importers struggled with liquidity, quality, market volatility in local markets and governmental regulations. Management believes that this was a prudent and needed strategy as extraordinary risks existed in this period due to the government interventions in India. Volumes and margins were down in this segment. Management will continue its cautious approach to business in the near term to safeguard AGT's capital and to stay within established risk parameters.

The issues surrounding non-tariff trade barriers were particularly evident in India and the associated markets that depend on India for regional supply requirements. Indian government policy surrounding food security and support of local production prices and levels manifested itself with issues surrounding fumigation of agricultural products, affecting not only pulses but other agricultural products as well, and discussion of the imposition of import duties on some products.

Ultimately, the Indian government imposed an import duty only on pigeon peas, a crop widely grown in India and Africa and consumed locally but not produced in volumes in North America or Australia. This import duty is speculated to provide local support for internal production and domestic markets, however this is not expected to significantly impact AGT.

Speculation on imposition of duty on other pulses, significantly lentils, yellow peas and chickpeas, resulted in some local buyers deferring orders until the matter was cleared by the Indian government to not risk unforeseen cost at cargo arrival or contract default, viewed as more serious matters for the long-term supply of pulses from suppliers in Canada and Australia. As stated above, there was ultimately no duty introduced at this time on these pulses, nor is one expected by management at this time.

While the issue of fumigation was temporarily resolved by late March, with Canada again receiving a three month extension that effectively covered products shipped with an approximate six month period inclusive of this, governments on both sides continue to work towards a permanent, science based resolution on this matter to recognize that Canada is free of the strains of pests of concern to India. If this effort is successful, this is expected to allow Canadian exports of pulses to continue unimpeded in the traditional shipping periods ahead. However, if the non-tariff trade barriers and government interventions in India remain unresolved, this could have a material impact on international pulse markets and may adversely affect AGT's results in the short term.

With these matters substantially resolved and viewed in totality with the traditional cycles of pulses and staple foods markets, management is optimistic regarding a return to seasonal and regular shipments later in 2017. India is expected to continue to be a net importer, depending on pulses produced in Canada and Australia, to provide staple food availability at competitive prices to its people to satisfy its growing supply and demand gap to feed a population that is growing both in numbers and income, and is a matter of basic protein availability for India's food sector.

Quality issues from the variable 2016 harvest with respect to wheat and pulses, have largely been resolved and while these conditions resulted in temporary pressure on volumes and constrained margins, management is looking towards 2017 production to return to normal quality with seeding expected to be on target and underway in early May.

In the high fixed-cost environment in which AGT operates, reduced volumes moving through AGT's system can have a temporary negative impact on earnings. The weak performance of this segment is expected by management to improve in the subsequent periods with a return to more normal levels of utilization in AGT factory operations expected in the second half of 2017. Pulses and staple foods markets demonstrate strong demand fundamentals for imported pulses and staples foods in the near term periods.

Food Ingredients and Packaged Foods

AGT's food ingredients and packaged foods segment includes AGT's Minot Facility, producing pulse ingredient flours, starches, proteins and fibres for human food consumption as well as pet food, animal feed and aquaculture; and business units focused on pasta production, retail packaged foods production, packaging, canning and distribution in many markets for listing of AGT brands and private label business in North America, Europe, Turkey, Middle East North Africa (MENA) and Southern Africa.

Results are as follows:

Selected Results by Reporting Segment ⁽¹⁾⁽²⁾
(in thousands of Cdn. \$ except as indicated,
unaudited for the three month periods ended)

| | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 |
|-------------------------------|--|--------------------------------|--------------------------------|
| Revenue | \$ 73,459 | \$ 76,557 | \$ 66,583 |
| Cost of sales | 63,104 | 65,410 | 55,014 |
| Gross profit | 10,355 | 11,147 | 11,569 |
| Adjusted Gross Profit* | 12,412 | 13,624 | 13,271 |
| Adjusted EBITDA* | \$ 8,293 | \$ 8,413 | \$ 9,170 |
| Total mt invoiced | 68,880 | 58,537 | 61,349 |
| Gross profit per mt | \$ 150.33 | \$ 190.43 | \$ 188.58 |
| Adjusted Gross Profit* per mt | 180.20 | 232.74 | 216.32 |
| Adjusted EBITDA* per mt | 120.40 | 143.72 | 149.47 |

⁽¹⁾ See table on page 17 for consolidated segmented results

⁽²⁾ Certain estimates and assumptions were made by management in the determination of segment composition

Adjusted Gross Profit* and Adjusted EBITDA* per mt decreased for the three months ended March 31, 2017 compared to the three months ended December 31, 2016 and compared to the same quarter in the prior year. While the pasta and North American platforms remained consistent, the South African platform invoiced fewer mt with lower margin due to product mix and this resulted in lower earnings. In addition, the high margin seed sales in South Africa were mostly complete in Q4 of 2016, with few sales spreading into Q1 of 2017.

The mt and sales from the food ingredient Minot Facility increased quarter over quarter and margins in these sales improved, illustrating that the effect of more value added sales of flours, starch and fibres is raising the margins within this sub-segment.

Pasta margins and mt were a consistent contributor with strong sales in Canada, Turkey, Israel and Japan.

AGT Africa volume and margins declined significantly as the seasonal effects of the African drought and margin contraction with imported product availability took effect. This weakness in the African platform is expected to materially resolve by second half 2017 with new local harvest and new crop North America becoming available for sale.

The seasonality of AGT Africa sees first half of the year as a slower period as production of certain packaged foods and consumption of certain core items that AGT supplies or provides ingredients to, are consumed less in the summer months in Africa.

Customers for AGT's pulses ingredient products, including flours, proteins, fibres and starches derived from pulses and produced in AGT's Minot Facility, continue to incorporate pulses ingredients into their products and work to increase inclusion rates in the food industry and pet food manufacturing sectors.

While margins have declined in the segment overall, the pace of adoption of AGT's pulse ingredients by customers that translates to volumes is expected to increase in 2017 as products from AGT's new production lines at AGT's Minot Facility.

The product development cycle for human food products is one that is long in nature. AGT has been working collaboratively with its client base to advance the development and commercialization of new uses for its food ingredient offerings.

Margins have been pressured by lower corn feed prices affecting the sales of starch and flour byproducts and by higher raw material pea prices through the end of the shipping year. However the normalization of commodity prices, resulting from the high production volumes for 2016 and the expected production in 2017 is expected to benefit the food ingredient business units allowing for lower cost raw materials that may result in improvements in margins on a per mt basis.

Pet food markets have been a focus for AGT in recent periods with success being realized with respect to increasing mt invoiced. While much focus has been put on human food applications by public markets, pet food business should not be viewed as below, or less valuable than human food. Pet food manufacturers and customers provide many benefits to AGT's pulse ingredient business including higher inclusion rates, more diverse product requirements for protein and starch, more rapid time to market for new product launches over some human food manufacturers, consistent margins and in some cases more strict quality specifications.

AGT has continued to develop new markets for its fibres, starches and flours to complement its protein sales. These new and diversified channels take time to ramp up to volume and management is pleased with its progress.

Balance of product mix to customers continues to be a focus for AGT within this business unit, with opportunities in fibre, flour and starch sales continuing to develop to complement the growing book of protein sales as customers ramp up their requirements for protein. It is essential to maintain uses and markets for all fractions to ensure that as subsequent production lines are added, AGT is able to market all product streams of the mill. Currently, AGT's Minot

Facility is operating at approximately 95% capacity over three production lines with the newly commissioning fourth line ramping up commercial production to fill pet food and human food sales programs which are expected to continue to increase volumes as AGT's sales programs develop.

AGT's global packaged foods business continues to grow as market opportunities and sales and distribution efficiencies are realized and the units contribute positively to this segment. This segment includes Arbella brand pasta as well as co-packaged pasta for customers sold in many markets around the world including Turkey and Canada; Arbel brand packaged pulses and staple foods, sold in many markets in Turkey, Central Asia, Europe and the MENA region; CLIC brand, with retail and food service listings providing canning, small packaging and distribution in Canada and the U.S.; and the Pouyoukas brand of packaged foods, widely available in Southern Africa, as well as distribution of other brands in key markets.

Brands and products sold in this segment have continued to perform well and are expected to continue this performance in 2017, contributing positively to the segment and leveraging benefits from AGT's origination and processing strength in its core segments, pulse and grains processing segment and bulk handling and distribution. These segments provide raw materials for further processing and packaging for many of the products offered in the food ingredient and packaged food segment.

The segment is advancing as expected by management with regard to margins and shipments, and further growth in the segment is expected as new enhanced products are available to meet customer requests and demand.

Bulk Handling and Distribution

AGT continues to offer other commodities to its global network of existing clients. These sales are reported through AGT's bulk handling and distribution segment, which is made up of products not specifically processed in AGT facilities, such as some non-core commodity sales of AGT to aid programs and cross-selling of other commodities to pulse and staple foods business customers. Some mt of grains and other non-agricultural commodities carried in AGT's bulk handling and short-line rail system or port loading terminals for other customers may be included in this segment, and it is further planned to redefine this segment's composition to capture the bulk handling of non-pulse commodities as this business unit transforms and the Canadian bulk handling business grows and develops.

Additionally, this segment is transforming as new business units in diversified geographies grow and expand into regular business in supply and distribution, such as sugar and other products from India to Europe and other markets. Products in the distribution business units contained in

this segment include durum, sorghum, popcorn, coffee, canola, sugar and spices and a variety of seeds.

While relative margins are potentially lower in this segment when compared to AGT's other segments, they benefit from volumes shipped or handled and are expected to continue to be a positive contributor to AGT's earnings. This is due to the fact that these mt do not require processing and facility infrastructure nor significant additional capital investments, and provide utilization of assets during periods where they are not contributing to AGT's core and legacy business segments. In addition, working capital requirements for sales out of this segment are largely financed on relatively short trade finance terms, with the utilization of structured trade finance instruments and supplier credits. This is illustrated in this quarter by the significant rise in mt involved in this segment, in part resulting from the large harvest volumes in 2016, with margins performing well within management expectations, resulting in this segment positively contributing to AGT's performance.

As this segment continues to grow as a contributor to earnings in a steady and regular fashion, it provides opportunity to augment earnings with little capital deployment other than working capital to finance the business unit.

Results are as follows:

Selected Results by Reporting Segment ⁽¹⁾⁽²⁾
(in thousands of Cdn. \$ except as indicated,
unaudited for the three month periods ended)

| | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 |
|-------------------------------|--|--|--|
| Revenue | \$ 185,903 | \$ 179,120 | \$ 127,052 |
| Cost of sales | 179,597 | 173,071 | 121,684 |
| Gross profit | 6,306 | 6,049 | 5,368 |
| Adjusted Gross Profit* | 6,550 | 6,187 | 5,368 |
| Adjusted EBITDA* | \$ 3,178 | \$ 1,510 | \$ 1,846 |
| Total mt invoiced | 253,562 | 257,104 | 171,950 |
| Gross profit per mt | \$ 24.87 | \$ 23.53 | \$ 31.22 |
| Adjusted Gross Profit* per mt | 25.83 | 24.06 | 31.22 |
| Adjusted EBITDA* per mt | 12.53 | 5.87 | 10.74 |

⁽¹⁾ See table on page 17 for consolidated segmented results

⁽²⁾ Certain estimates and assumptions were made by management in the determination of segment composition

The bulk handling and distribution segment showed consistent Adjusted Gross Profit* per mt for the three months ended March 31, 2017 compared to the three months ended December 31, 2016 however decreased when compared to the same period in the prior year. Durum shipments from Canada once again contributed to utilization of rail assets and contributed to the segment with positive margins during Q1. This was offset by lower margins in other commodities sold which decreased Adjusted Gross Profit per mt compared to the period ending March 2016.

Adjusted EBITDA* increased when comparing the three months ended March 31, 2017 to the three months ended December 31, 2016 primarily due to product mix. Compared to March 31, 2016, Adjusted EBITDA* increased due to increased volumes with a relatively low fixed cost.

Corporate and Eliminations

Inter-company shipments were 56,195 mt for the three months ended March 31, 2017. These mt were sold from one AGT subsidiary to another for further manufacturing, further packaging and/or for sale to a final customer. Management continues in its efforts to increase the margin of its international business in all segments by capturing additional margins by encouraging AGT wholly owned subsidiaries to work collaboratively to increase trade that utilizes the sourcing advantage of one company and the distribution advantage of another.

Consolidated Segmented Results

Selected Results by Reporting Segment ⁽¹⁾
(in thousands of Cdn. \$ except as indicated,
unaudited for the three month periods ended)

| | Pulse and Grain Processing | | | Bulk Handling and Distribution | | | Food Ingredients and Packaged Foods | | | Corporate and Eliminations | | | Consolidated | | |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Mar 31, 2016 |
| Quarterly comparisons | | | | | | | | | | | | | | | |
| Revenue | \$ 318,944 | \$ 454,185 | \$ 300,513 | \$ 185,903 | \$ 179,120 | \$ 127,052 | \$ 73,459 | \$ 76,557 | \$ 66,583 | \$ (57,401) | \$ (58,999) | \$ (52,755) | \$ 520,905 | \$ 650,863 | \$ 441,393 |
| Cost of sales | 302,679 | 423,277 | 271,496 | 179,597 | 173,071 | 121,684 | 63,104 | 65,410 | 55,014 | (57,401) | (58,999) | (52,755) | 487,979 | 602,759 | 395,439 |
| Gross profit | 16,265 | 30,908 | 29,017 | 6,306 | 6,049 | 5,368 | 10,355 | 11,147 | 11,569 | - | - | - | 32,926 | 48,104 | 45,954 |
| Adjusted Gross Profit* | 20,099 | 34,295 | 32,916 | 6,550 | 6,187 | 5,368 | 12,412 | 13,624 | 13,271 | - | - | - | 39,061 | 54,106 | 51,555 |
| Adjusted EBITDA* | \$ 11,000 | \$ 26,706 | \$ 24,039 | \$ 3,178 | \$ 1,510 | \$ 1,846 | \$ 8,293 | \$ 8,413 | \$ 9,170 | \$ (2,356) | \$ (1,923) | \$ (3,665) | \$ 20,115 | \$ 34,706 | \$ 31,390 |
| Total mt invoiced | 307,523 | 477,850 | 333,381 | 253,562 | 257,104 | 171,950 | 68,880 | 58,537 | 61,349 | (56,195) | (48,536) | (65,669) | 573,770 | 744,955 | 501,011 |
| Gross profit per mt | \$ 52.89 | \$ 64.68 | \$ 87.04 | \$ 24.87 | \$ 23.53 | \$ 31.22 | \$ 150.33 | \$ 190.43 | \$ 188.58 | | | | \$ 57.39 | \$ 64.57 | \$ 91.72 |
| Adjusted Gross Profit* per mt | 65.36 | 71.77 | 98.73 | 25.83 | 24.06 | 31.22 | 180.20 | 232.74 | 216.32 | | | | 68.08 | 72.63 | 102.90 |
| Adjusted EBITDA* per mt | 35.77 | 55.89 | 72.11 | 12.53 | 5.87 | 10.74 | 120.40 | 143.72 | 149.47 | | | | 35.06 | 46.59 | 62.65 |

(1) Certain estimates and assumptions were made by management in the determination of segment composition

Summary of Quarterly Results ⁽¹⁾⁽³⁾

(In thousands of Cdn. \$ except as indicated, unaudited)

| | 3 Months Ended Mar 31, 2017 | 3 Months Ended Dec 31, 2016 | 3 Months Ended Sept 30, 2016 | 3 Months Ended June 30, 2016 | 3 Months Ended Mar 31, 2016 | 3 Months Ended Dec 31, 2015 | 3 Months Ended Sept 30, 2015 | 3 Months Ended June 30, 2015 |
|--|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Revenue | \$ 520,905 | \$ 650,863 | \$ 442,288 | \$ 438,660 | \$ 441,393 | \$ 578,270 | \$ 362,755 | \$ 378,225 |
| Gross profit | 32,926 | 48,104 | 41,315 | 38,411 | 45,954 | 46,419 | 36,674 | 35,258 |
| Adjusted Gross Profit* | 39,061 | 54,106 | 47,033 | 43,678 | 51,555 | 51,458 | 40,583 | 38,969 |
| Adjusted EBITDA* | 20,115 | 34,706 | 27,396 | 25,322 | 31,390 | 32,938 | 23,208 | 22,206 |
| Adjusted net earnings* | 6,731 | 17,270 | 12,024 | 13,285 | 4,722 | 15,192 | 11,860 | 10,325 |
| Adjusted basic net earnings per share* | 0.28 | 0.72 | 0.50 | 0.56 | 0.20 | 0.64 | 0.51 | 0.45 |
| Adjusted diluted net earnings per share* | 0.28 | 0.72 | 0.50 | 0.55 | 0.20 | 0.64 | 0.51 | 0.44 |
| Net (loss) earnings per financial statements | (6,437) | (11,198) | 7,438 | (2,193) | 27,006 | 19,238 | (7,232) | 3,493 |
| Basic net (loss) earnings per share | (0.27) | (0.47) | 0.31 | (0.09) | 1.13 | 0.82 | (0.31) | 0.15 |
| Diluted net (loss) earnings per share | (0.27) | (0.46) | 0.31 | (0.09) | 1.12 | 0.81 | (0.31) | 0.15 |
| Pulse and grain processing mt invoiced ⁽²⁾ | 307,523 | 477,850 | 254,259 | 247,891 | 333,381 | 483,596 | 290,941 | 254,304 |
| Bulk handling and distribution mt invoiced ⁽²⁾ | 253,562 | 257,104 | 228,203 | 177,992 | 171,950 | 154,476 | 122,296 | 86,155 |
| Food ingredients and packaged foods mt invoiced ⁽²⁾ | 68,880 | 58,537 | 65,376 | 70,774 | 61,349 | 60,781 | 55,653 | 70,250 |
| Inter-company mt | (56,195) | (48,536) | (59,661) | (39,016) | (65,669) | (76,291) | (105,555) | (83,786) |
| Total mt invoiced | 573,770 | 744,955 | 488,177 | 457,641 | 501,011 | 622,562 | 363,335 | 326,923 |
| Gross profit per mt | \$ 57.39 | \$ 64.57 | \$ 84.63 | \$ 83.93 | \$ 91.72 | \$ 74.56 | \$ 100.94 | \$ 107.85 |
| Adjusted Gross Profit* per mt | 68.08 | 72.63 | 96.34 | 95.44 | 102.90 | 82.66 | 111.70 | 119.20 |
| Adjusted EBITDA* per mt | 35.06 | 46.59 | 56.12 | 55.33 | 62.65 | 52.91 | 63.87 | 67.92 |

Notes:

- (1) Calculated from the unaudited condensed consolidated interim financial statements for the quarters ended March 31, 2017, September 30, 2016, June 30, 2016, March 31, 2016, September 30, 2015 and June 30, 2015, and the audited annual financial statements for the year ended December 31, 2016 and 2015.
- (2) For a breakdown on segmented information, see the table entitled "Consolidated Segmented Results".
- (3) Key things to note:
 - AGT's financial results are strongly influenced by the performance of our pulse and grain processing segment which accounted for 61.2% of consolidated revenue in Q1 of 2017.
 - The timing of customer shipments, which tend to vary from quarter to quarter, drives revenue in the segments; meaning quarterly results are not necessarily a good indication of annual results due to seasonal variability.
 - Net earnings do not trend directly with revenue due to foreign exchange volatility and transactions that occur from time to time. AGT uses Adjusted Net Earnings*, a non-IFRS measure, as a more meaningful way to compare our results from period to period.

Discussion of Quarterly and Year to Date Results**(in Thousands of Cdn. \$ except as indicated, unaudited for the three month ended periods)****Revenue, Gross Profit and Adjusted Gross Profit***

| | 3 Months Ended Mar 31 | | Change |
|---|----------------------------------|-------------|---------------|
| | 2017 | 2016 | |
| Revenue | 520,905 | 441,393 | 79,512 |
| Less: cost of sales | 487,979 | 395,439 | 92,540 |
| Gross profit | 32,926 | 45,954 | (13,028) |
| Add back: depreciation in cost of sales | 6,135 | 5,601 | 534 |
| Adjusted Gross Profit* | 39,061 | 51,555 | (12,494) |
| Gross profit percentage | 6.3% | 10.4% | -4.1% |
| Adjusted Gross Profit* percentage | 7.5% | 11.7% | -4.2% |

Revenue increased in absolute dollars, however gross profit and Adjusted Gross Profit* decreased in absolute dollars when comparing the three months ended March 31, 2017 to the same period in the prior year. Volumes from Canada increased significantly within the bulk handling and distribution segment which typically contributes lower earnings per mt than the other segments.

Gross profit and Adjusted Gross Profit* percentages decreased when comparing the three months ended March 31, 2017 to the three months ended March 31, 2016. This is due to an increase in invoiced mt in the bulk handling and distribution segment. These sales had lower overall margins, but still added volume and margin to the results. In addition, margin pressures due to global market conditions have resulted in fewer mt being invoiced from the pulse and grain processing segment when compared to the prior quarter and the same quarter in the prior year.

Adjusted EBITDA*

| | 3 Months Ended Mar 31 | | Change |
|--|----------------------------------|-------------|---------------|
| | 2017 | 2016 | |
| Adjusted EBITDA* | 20,115 | 31,390 | (11,275) |
| Adjusted EBITDA* percentage of revenue | 3.86% | 7.11% | -3.25% |

Adjusted EBITDA* as a percentage of revenue for the three months ended March 31, 2017 decreased when compared to the same period in the prior year. This is due mainly to negative

pressure on sales, as well as reduced invoiced mt out of Canada. Origin diversification has helped to minimize the impact of global uncertainty, demonstrated by the fact that Adjusted EBITDA* remained consistent for other origins.

Expenses

| | 3 Months Ended | | |
|---|----------------|----------|----------|
| | Mar 31 | | |
| | 2017 | 2016 | Change |
| General and administrative and marketing, sales and distribution expenses | 21,891 | 23,408 | (1,517) |
| Finance expense | 8,492 | 9,100 | (608) |
| Depreciation and amortization | 7,417 | 6,609 | 808 |
| (Recovery of) provision for income taxes | (2,525) | 10,959 | (13,484) |
| Unrealized foreign exchange loss (gain) | 11,505 | (24,519) | 36,024 |

General and administrative and marketing, sales and distribution expenses for the three months ended March 31, 2017 decreased over the same period in the prior year. This is largely a result of a reduction in share based compensation. In addition, AGT has taken advantage of global attrition to keep this expense consistent or lower than in prior periods.

Finance expenses for the three months ended March 31, 2017 includes amortization of the high yield bond discounts and fees, which increased when compared to the prior year due to an overlap in Q1 when the both the \$125 million notes and the \$200 million notes were outstanding. This is offset by decreased interest expense on debt in addition to lower foreign exchange adjustment.

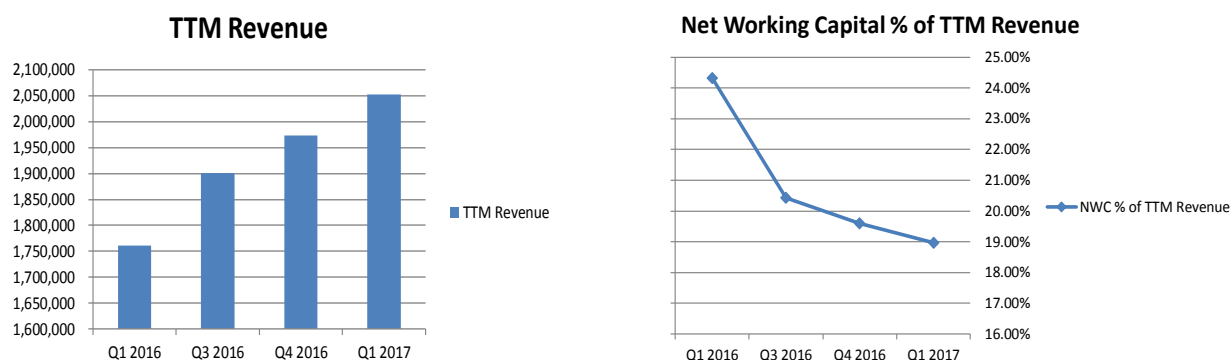
Depreciation expenses for the three months ended March 31, 2017 increased over the same period in the prior year due to additional assets being put into use.

The income tax expense is calculated for each subsidiary at the individual rate for that country and therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

AGT estimates an average tax rate in the range of 25% to 26%, depending on which jurisdiction has earnings or losses, and the tax treatment of various revenues or expenses.

Non-cash foreign exchange results from changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts and includes the cross currency swap related to the high yield debt offering. Adjustments to foreign exchange on foreign investments are recorded in other comprehensive (loss) income on AGT's Consolidated Statements of Comprehensive Income and are recorded in accumulated other comprehensive income (loss) on AGT's Consolidated Statements of Financial Position.

Trailing Twelve Month (“TTM”) Revenue and Net Working Capital as a percentage of TTM Revenue:



Net working capital* is defined as trade accounts receivable, inventory, prepaid and other less accounts payable, accrued liabilities and deferred revenue. Net working capital was \$389.3 million at March 31, 2017, a slight increase over \$386.6 million at December 31, 2016 and a decrease from \$428.1 million at March 31, 2016 (see table on page 27). Net working capital as a percentage of TTM revenue has decreased from 24.32% at March 31, 2016, and from 19.59% at December 31, 2016 to 18.97% at March 31, 2017.

AGT management monitors this metric and has set a target net working capital* to TTM revenue of 17% to 18%.

Net Debt* is comprised of bank indebtedness, long term debt and current portion of long term debt, less cash and totaled \$562.0 million at March 31, 2017 compared to \$538.7 million at December 31, 2016 (see table on page 26). The increase is due largely to funds used for the completion of specific capital projects that were started in 2016. These projects will improve efficiencies and/or lower costs and include food ingredients expansion, costs associated with the rail consolidation yard, the cogeneration system in Turkey and improvements to the bulgur and pasta facilities. The net cost of these projects and investments totaled approximately \$14.4 million in the quarter. In addition, a temporary lower utilization of trade finance instruments due to timing of transactions resulted in slower cash conversion at March 31, 2017.

Current assets (excluding derivative assets) were \$659.3 million at March 31, 2017 compared to \$750.8 million at December 31, 2016. The current asset base is largely accounts receivable and inventory, in addition to deposits related to inventory purchases. It is important to note that accounts receivables are largely insured by Export Development Canada (“EDC”) or other credit risk mitigation strategies, such as letters of credit, significantly reducing the risks associated with accounts receivable collection, since buyer risk is being replaced by Government of Canada risk through the export insurance.

Trade accounts receivable decreased to \$227.8 million at March 31, 2017, compared to \$279.8 million at December 31, 2016 and increased when compared to \$182.6 million at March 31, 2016 (see table on page 27). The decrease from December 31, 2016 is due largely to lower invoiced mt from Canada and Turkey, partially offset by increased mt invoiced from Switzerland. The increase when compared to March 31, 2016 is mainly due to sales opportunities through India and Switzerland.

Inventory decreased to \$309.3 million at March 31, 2017, compared to \$323.3 million at December 31, 2016 and compared to \$338.6 million at March 31, 2016 (see table on page 27). During the quarter, North American, Turkish and Australian inventory decreased when compared to December 31, 2016 due to shipments of harvest product that was received in the prior quarter. This was offset by increased inventory which will be sold through AGT's India platform. Lower commodity prices resulted in decreased inventory at March 31, 2017 when compared to the prior year.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. As of March 31, 2017, accounts receivable and inventory declined compared to December 31, 2016. This reduction was offset by a larger reduction in accounts payable, reflecting the settlement of deferred producer payables related to Q4 2016 harvest in North America and Australia. Management expects accounts receivable and inventory will continue to decline in the coming quarters, resulting in significant cash conversion, assisting management in its effort to reduce Net Debt* and achieve a target of Net Debt* to Adjusted EBITDA* ratio below 4:1. While the inventory value is \$309.3 million at March 31, 2017, this value represents a number of different commodities globally. Much of this inventory is also earmarked for sales contracts and will remain as inventory until substantial risks transfer from seller to buyer under AGT's revenue recognition policy. AGT management continues the practice of examining stock levels at each of its foreign operations to achieve an optimization of inventory levels. In addition, inventory management practices include book to physical inventory reconciliations monthly to ensure accurate recording of inventory values.

The majority of AGT sales are insured through EDC providing coverage on receivables in the event of customer default on payment. In addition, ownership of the original documents for the cargo in transit remains with AGT in most cases, due to the terms of sale. If a customer defaults on the contract, AGT can choose to resell the cargo to another customer or divert the cargo to another market. With extensive market reach and facilities or warehouses in key consumption markets, AGT has numerous options available to minimize or mitigate risk and exposure in these areas. AGT also has the option to make a claim to EDC to cover up to 90% of the receivable in question. AGT has extended its EDC coverage to all foreign operations, excluding

China, to ensure that additional financial risks are largely mitigated in the current macro-economic environment.

Working capital and short-term debt are typically used by AGT to finance its export program and customer orders due to the long transit times. In addition, costs associated with the goods, such as processing costs, payments to the farmer from whom raw materials were purchased and freight costs, must be paid prior to receiving payment for sale. Customer purchases are typically backed by irrevocable letters of credit or cash against document terms and therefore payment risk is mitigated. The EDC policy remains in place to ensure that a catastrophic loss in any particular region will not hinder payment. Management has implemented steps to monitor accounts receivable aging and inventory turns at each facility. Metrics are calculated for each facility and correlate to facility compensation.

In addition, much of the bank financing availability is determined based on a borrowing base calculation and therefore this financing is backed by the inventory and accounts receivable.

AGT management will continue in its efforts to optimize capital utilization and debt levels to ensure a predictable return on deployed capital for shareholders.

Dividends - AGT paid a dividend in January 2017 of \$3.6 million (\$0.15 per share) in the aggregate to its shareholders of record on December 31, 2016.

It is currently anticipated that, going forward, AGT will continue to pay a quarterly dividend, the amount of which will be determined by AGT's board of directors. AGT's dividend policy will be subject to the discretion of the Board of Directors and may vary depending on, among other things, AGT's earnings, financial requirements, the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends and other relevant factors. AGT and its predecessors have declared and paid the quarterly dividend each quarter since its inception in 2005. Management does not anticipate a reduction of the current dividend in the coming periods.

AGT's financial statements are presented in Canadian dollars, but AGT's operating subsidiaries earn revenues and incur expenses in several currencies, including U.S. dollars ("USD"), Turkish lira ("TL"), Australian dollars ("AUD"), Pounds Sterling ("GBP"), Euros ("EUR"), South African rand ("ZAR"), Renminbi of the People's Republic of China ("RMB") and the Indian Rupee ("INR").

Balance sheet accounts of subsidiaries are valued at March 31, 2017 and December 31, 2016 foreign exchange rates as follows [Source: Bank of Canada]:

| | Mar 31, 2017 | Dec 31, 2016 |
|---------|--------------|--------------|
| USD/CDN | 1.32990 | 1.34270 |
| AUD/CDN | 1.01680 | 0.97070 |
| TL/CDN | 0.36590 | 0.38150 |
| GBP/CDN | 1.66500 | 1.65640 |
| EUR/CDN | 1.42220 | 1.41690 |
| ZAR/CDN | 0.09937 | 0.09800 |
| RMB/CDN | 0.19330 | 0.19300 |
| INR/CDN | 0.02052 | 0.01980 |

For each subsidiary, any difference between the March 31, 2017 exchange rate and the average exchange rate used to record revenues and expenses is recorded as other comprehensive income (loss) on AGT's Consolidated Statements of Comprehensive (Loss) Income and Consolidated Statement of Changes in Equity.

Liquidity and Capital Resources

Liquidity risk is the risk that AGT cannot meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

AGT has been able to generate sufficient cash from its operations and through access to equity, operating lines and other facilities to maintain its operations and development activities and pay its declared dividends. AGT's ability to generate sufficient cash resources from its operations will depend, among other things, on future harvests of and demand for pulses and special crops. Please see "Dividends" and "Business Outlook" above for a discussion of these factors. Further information relating to the risks and uncertainties to which AGT and its subsidiaries are subject to is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.agtfoods.com.

AGT's working capital requirements fluctuate from quarter to quarter as the supply of pulses and special crops fluctuates, since payments to suppliers form the largest item of the working

capital requirements. AGT's working capital requirements are met from its earnings, with its credit facility providing bridge financing until payments for sales are received.

At March 31, 2017, AGT had total operating lines available of \$256.3 million (December 31, 2016 - \$256.0 million). Included in these facilities is a syndicated debt facility of \$211.5 million (December 31, 2016 – \$211.5 million) secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries, maturing in January 2019. The weighted average interest rate on available operating lines at March 31, 2017 is 3.2% (December 31, 2016 – 3.3%).

The Canadian credit facilities have floating interest rates and management regularly monitors interest rates to make adjustments to its fixed versus floating interest rate management program. AGT also uses short term banker's acceptances or similar instruments from time to time to mitigate a portion of its floating interest rate risk in its operating credit facilities. As a result of the low interest rates prevailing in Canada in recent years, management has decided to leave its Canadian credit facilities largely at floating interest rates.

At March 31, 2017, AGT is in compliance with its financial covenants under all credit agreements.

AGT has implemented a global foreign exchange management program to effectively manage its net exposure to the USD, while matching its local currency operations to minimize net exposure to any one foreign currency. AGT's operations in Canada, Australia and Turkey are managed such that net exposures to local currencies are mitigated through offsetting local currency receipts with local currency requirements and borrowings, as well as hedging programs where appropriate.

On December 21, 2016, AGT finalized a transaction to issue senior unsecured notes in the amount of \$200.0 million. These notes bear interest at 5.875% per annum and mature on December 21, 2021. The proceeds after deducting expenses were \$194.9 million. Optional early redemption features of the notes are:

- i) Prior to December 21, 2018, a 5.875% premium upon equity offering in respect of partial redemptions up to 35% of the aggregate principal amount then outstanding
- ii) Prior to December 21, 2018 all other redemptions on a "make whole" basis
- iii) On or after December 21, 2018 a 4.4% premium
- iv) On or after December 21, 2019 a 2.2% premium
- v) No premium on or after December 21, 2020

On February 14, 2013, AGT issued senior secured second lien notes in the amounts of \$125.0 million. These notes bear interest at 9% per annum and mature on February 14, 2018.

On December 21, 2016, AGT issued a notice of redemption for the outstanding senior secured second lien notes in the amount of \$125.0 million. The redemption date was February 14, 2017 and the notes were redeemed at par value.

On February 14, 2017, the syndicated debt facilities expiration date was extended out to January 2019.

On February 16, 2017, AGT entered into a cross currency swap agreement as part of the management of its \$200 million senior unsecured notes which are disclosed in note 8 of AGT's December 31, 2016 annual audited consolidated financial statements. The agreement is effective December 21, 2016 to December 21, 2021 with semi-annual payments commencing on June 21, 2017 and concluding December 21, 2021.

Capital Management

AGT manages its capital to ensure financial flexibility and to increase shareholder value through a combination of acquisitions and organic growth. This allows AGT to respond to changes in economic and/or marketplace conditions. AGT also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, AGT includes bank indebtedness net of cash, long term debt and shareholders' equity. It may be difficult to accurately predict market requirements for attracting capital. There were no changes in AGT's approach to capital management during the year.

AGT includes Net Debt* and shareholders' equity as components of its capital structure. The calculation of shareholders' equity, Net Debt* and capital is set out in the following table:

Net Debt and Capital

| (in thousands of Cdn. \$) | Mar 31, 2017 (unaudited) | Dec 31, 2016 | Sept 30, 2016 (unaudited) |
|---|-----------------------------|-------------------|------------------------------|
| Long term debt | \$ 453,347 | \$ 410,776 | \$ 366,196 |
| Bank indebtedness and current portion of long term debt | 127,829 | 156,939 | 146,094 |
| Cash | (19,108) | (29,025) | (21,507) |
| Net Debt* | \$ 562,068 | \$ 538,690 | \$ 490,783 |
| Shareholders' equity | 290,917 | 302,622 | 352,670 |
| Capital | \$ 852,985 | \$ 841,312 | \$ 843,453 |
| Trailing twelve months Adjusted EBITDA* | 107,539 | 118,814 | 117,046 |
| Net Debt* to Adjusted EBITDA* | 5.23 | 4.53 | 4.19 |

Selected asset and liability information

| (in thousands of Cdn. \$) | Mar 31, 2017 (unaudited) | Dec 31, 2016 | Sept 30, 2016 (unaudited) | Mar 31, 2016 (unaudited) |
|--|-----------------------------|--------------|------------------------------|-----------------------------|
| Cash | \$ 19,108 | \$ 29,025 | \$ 21,507 | \$ 27,995 |
| Trade accounts receivable | 227,831 | 279,782 | 219,268 | 182,581 |
| Inventory ¹ | 309,302 | 323,320 | 333,109 | 338,599 |
| Prepaid expenses and other ¹ | 96,645 | 113,631 | 124,534 | 127,498 |
| Bank indebtedness and current portion of long term debt | 127,829 | 156,939 | 146,094 | 190,156 |
| Accounts payable, accrued liabilities and deferred revenue | 244,455 | 330,134 | 288,595 | 220,564 |
| Long-term debt | 453,347 | 410,776 | 366,196 | 344,301 |
| Net working capital* calculation | | | | |
| Trade accounts receivable | 227,831 | 279,782 | 219,268 | 182,581 |
| Inventory ¹ | 309,302 | 323,320 | 333,109 | 338,599 |
| Prepaid expenses and other ¹ | 96,645 | 113,631 | 124,534 | 127,498 |
| Less: Accounts payable, accrued liabilities and deferred revenue | 244,455 | 330,134 | 288,595 | 220,564 |
| Net working capital* | 389,323 | 386,599 | 388,316 | 428,114 |
| Trailing twelve month revenue | 2,052,716 | 1,973,204 | 1,900,611 | 1,760,643 |
| Net working capital* as a percentage TTM Revenue | 18.97% | 19.59% | 20.43% | 24.32% |

¹AGT reclassified \$80.5 and \$60.2 million from inventory to prepaid expense and other for September 30, 2016 and March 31, 2016.

Consolidated capitalization information

Consolidated capitalization information of AGT includes information on the operations of AGT Foods Canada “(APP)”, AGT Foods USA, Australia Milling Group, AGT CLIC, Mobil and Poortmans, together (the “APP Group”) as well as information on AGT and other entities, and is set out in the following table:

Capital Structure
(in thousands of Cdn. \$)

| | Mar 31, 2017 | Dec 31, 2016 | Financial Statement Caption |
|---|-------------------|-------------------|-----------------------------|
| APP Group | | | |
| Senior secured APP bank facility | \$ 97,263 | \$ - | bank indebtedness |
| Senior secured APP bank facility | 220,859 | 180,833 | long term debt |
| Poortman facility | 4,337 | 9,303 | bank indebtedness |
| AGT CLIC mortgage on building and other | 7,602 | 8,029 | long term debt |
| Mobil mortgage and debt | 28,889 | 24,349 | long term debt |
| Other | 1,956 | 2,051 | long term debt |
| | <u>\$ 360,906</u> | <u>\$ 224,565</u> | |
| Arbel/Other Entities (excluding AGT) | | | |
| Senior secured Advance Seed facility | \$ 10,689 | \$ 10,417 | bank indebtedness |
| Other | 148 | 162 | long term debt |
| | <u>\$ 10,837</u> | <u>\$ 10,579</u> | |
| AGT | | | |
| Note payable related to Mobil purchase | \$ 14,316 | \$ 14,230 | long term debt |
| Notes outstanding | 195,117 | 318,341 | long term debt |
| | <u>\$ 209,433</u> | <u>\$ 332,571</u> | |
| Total debt | <u>\$ 581,176</u> | <u>\$ 567,715</u> | |
| March 31, 2017 financial statements | | | |
| Bank indebtedness | \$ 112,289 | \$ 19,720 | |
| Long term debt, including current portion | 468,887 | 547,995 | |
| | <u>\$ 581,176</u> | <u>\$ 567,715</u> | |

**Cash flow summary (unaudited for the three month period ended)
(in thousands of Cdn. \$)**

| | 3 months ended | 3 months ended | 3 months ended | Difference |
|---|----------------|----------------|----------------|---------------------------------|
| Cash flow from (used in) | Mar 31, 2017 | Dec 31, 2016 | Mar 31, 2016 | Mar 31, 2017 to Mar 31, 2016 |
| Operating activities | \$ (5,492) | \$ (23,365) | \$ (11,584) | \$ 6,092 |
| Financing activities | 11,600 | 52,077 | 35,737 | (24,137) |
| Investing activities | (14,107) | (22,303) | (19,261) | 5,154 |
| Effect of exchange rate changes on cash | (1,918) | 1,109 | 797 | (2,715) |
| Change in cash | \$ (9,917) | \$ 7,518 | \$ 5,689 | \$ (15,606) |

| | 3 months ended | 3 months ended | 3 months ended | Difference |
|--------------------------|----------------|----------------|----------------|---------------------------------|
| | Mar 31, 2017 | Dec 31, 2016 | Mar 31, 2016 | Mar 31, 2017 to Mar 31, 2016 |
| Non-cash working capital | \$ (12,634) | \$ (47,480) | \$ (31,282) | \$ 18,648 |

Cash flow used in operating activities for the three months ended March 31, 2017 was \$5.5 million compared to cash flow used in operating activities of \$23.4 million for the three months ended December 31, 2016 and compared to cash flow used of \$11.6 million for the three months ended March 31, 2016. The change when comparing the three months ended March 31, 2017 to the three months ended December 31, 2016 and the three months ended March 31, 2016 is due to a decrease in accounts receivable, prepaid expense and inventory during the quarter, offset partially by increased accounts payable when compared to the three months ended December 31, 2016.

Cash flow from financing activities for the three months ended March 31, 2017 was an increase of \$11.6 million compared to an increase of \$52.1 million for the three months ended December 31, 2016 and compared to an increase of \$35.7 million for the three months ended March 31, 2016. The cash from financing activities is due to utilization of bank indebtedness for inventory receipts and capital additions.

Cash flow used in investing activities for the three months ended March 31, 2017 is a result of the completion of projects and improvements that began in 2016 and includes the Minot Facility as well as rail and storage facility improvements and costs associated with Turkish pasta facilities and cogeneration system.

Cash Flow Information – Non-Cash Working Capital

Non-cash working capital was a decrease of \$12.6 million for the three months ended March 31, 2017 compared to a decrease of \$47.5 million for the three months ended December 31, 2016 and compared to a decrease of \$31.3 million for the three months ended March 31, 2016. The change compared to the three months ended December 31, 2016 is due largely to decreased accounts receivable, inventory and prepaid expense levels, offset by an increase in

accounts payable and the change from the three months ended March 31, 2016 is due largely to lower commodity prices and therefore lower inventory values.

Accounts Payable, accrued liabilities and deferred revenue

Accounts payable, accrued liabilities and deferred revenue decreased from \$330.1 million at December 31, 2016 and increased from \$220.6 million at March 31, 2016 to \$244.5 million at March 31, 2017. This is due largely to the settlement of deferred producer payables related to the North American harvest and the settlement of the settlement of payables to Australian producers that delivered product to AGT in late December 2016 as Australia completed their harvest later than expected. As well there were lower accounts payable relating to inventory received in Turkey.

Leases

AGT classifies leases as either finance or operating. Leases that transfer substantially all of the benefits and risk of ownership to AGT are accounted for as finance leases. Assets under finance leases are depreciated on a straight-line basis over the term of the lease unless the terms contain a bargain purchase option in which case the asset is amortized over the asset's estimated economic life on a straight-line basis. Rental payments under operating leases are expensed as incurred.

Transactions with other related parties

AGT has defined key management personnel as senior executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of AGT. The following table outlines the total compensation expense for key management personnel:

| | Mar 31, 2017 | | Mar 31, 2016 | |
|--|--------------|-------|--------------|-------|
| Short term benefits (wage, bonus, vacation paid out, directors fees) | \$ | 1,028 | \$ | 1,035 |
| Post employment benefits (RRSP) | | 33 | | 33 |
| Share based compensation | | 20 | | 1,091 |
| | \$ | 1,081 | \$ | 2,159 |

| | Mar 31, 2017 | | Dec 31, 2016 | |
|---------------------|--------------|-------|--------------|-------|
| Accounts receivable | \$ | 3,771 | \$ | 227 |
| Accounts payable | | 841 | | 1,359 |

The accounts receivable in table above relates to employee amounts owing related to the exercise of options.

The accounts payable in the table above relates to deferred compensation.

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

Transactions with key management and corporations significantly influenced or controlled by AGT directors or key management

| | Mar 31, 2017 | Dec 31, 2016 |
|---------------------|--------------|--------------|
| Accounts receivable | \$ 278 | \$ 39 |

Transactions with other related parties

| | Mar 31, 2017 | Dec 31, 2016 |
|------------------|--------------|--------------|
| Accounts payable | \$ 490 | \$ 467 |

| | Mar 31, 2017 | Mar 31, 2016 |
|-----------|--------------|--------------|
| Purchases | \$ 727 | \$ 194 |

Off Balance Sheet Arrangements

The nature of AGT's derivatives is disclosed in note 10 of AGT's December 31, 2016 annual audited consolidated financial statements. AGT has no other off balance sheet arrangements.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires AGT management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the consolidated financial statements are as follows:

Impairment of long-lived and intangible assets

In assessing the recoverability of long-lived and intangible assets, judgment is required in the determination of the appropriate grouping of assets that generate cash inflows or cash generating units ("CGU's"). The determination of CGU's is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure,

geographic proximity and similarity of risk exposures. AGT also uses significant judgment in evaluating if a triggering event occurs which would warrant an evaluation of impairment of long-lived and intangible assets based on the identified CGU's.

Recoverability is determined through assumptions and estimates regarding future cash flows, sustaining capital requirements, discount rates, and asset lives. A material change in assumptions may impact the potential recoverability of these assets, resulting in amounts charged against current earnings.

Income Taxes

AGT operates in a number of tax jurisdictions and is required to estimate its income taxes in each of these jurisdictions in preparing its financial statements. Significant judgment is required related to the classification of transactions and assessment of probable outcomes as well as timing of future results. Significant estimates are required in determining income tax provisions and the recoverability of deferred income tax assets. In calculating income taxes, consideration is given to items such as tax rates in each jurisdiction, deductibility of expenses, changing tax laws and management's expectations about future results. AGT estimates deferred income taxes based on temporary differences, income and losses for financial reporting purposes and income and losses determined under the substantively enacted tax laws and rates. The tax effect of these temporary differences is recorded as a deferred tax assets or liabilities in the financial statements. If these estimates prove to be inaccurate, future earnings may be materially impacted.

Derecognition of accounts receivable

Significant judgment is applied when determining whether financial instruments qualify for derecognition and whether substantially all of the risks, as well as the rights, control and ownership of the accounts receivable and their cash flows were transferred to a third party. AGT has removed the related accounts receivable from the statement of financial position and recognizes any costs in finance expense.

Fair value of derivative instruments

The fair value of derivative instruments is estimated using inputs, including foreign exchange rates and interest rates (Level 2), as described in note 10 of AGT's December 31, 2016 annual audited consolidated financial statements. These inputs are subject to change on a regular basis based on the interplay of various market forces. Consequently, the fair value of AGT's derivative instruments is subject to change each reporting period.

Functional Currency

The identification of functional currency for each of the legal entities involves significant judgment. AGT has assessed the factors in determining the appropriate functional currency and summarized the results in note 3(c) of AGT's December 31, 2016 annual audited consolidated financial statements.

Business Combinations

The purchase price related to a business combination or asset acquisition is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires AGT to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts AGT's reported assets and liabilities and future net earnings due to the impact on future depreciation and amortization expense and impairment tests.

Significant Accounting Policies**Financial Instruments:*****Non-derivative financial assets***

AGT initially recognizes loans and receivables and deposits on the date that they are originated at fair value and subsequently measured at amortized cost. All other financial assets are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument.

AGT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interests in transferred financial assets that are created or retained by AGT are recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, AGT has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit and loss

A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit and loss if AGT manages such investments and makes purchase and sale decisions based on their fair value in accordance with AGT's documented risk management or investment strategy. Upon initial recognition relevant transaction costs are recognized in net

earnings as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognized in net earnings.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

AGT initially recognizes short term debt securities on the date that they are originated at fair value and expenses related transaction costs. Debt associated with long term agreements is initially recognized at fair value less any directly attributable transaction costs. All other financial liabilities (including liabilities designated at fair value through profit and loss) are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument. AGT derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Subsequent to initial recognition, liabilities are categorized as fair value through profit and loss or other liabilities measured at amortized cost using the effective interest method. Refer to note 10 of AGT's December 31, 2016 annual audited consolidated financial statements for current year presentation of financial liabilities by category.

Derivative financial instruments

AGT holds derivative financial instruments to mitigate its foreign currency risk exposures. Embedded derivatives are separated from the host contracts and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net earnings.

Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. AGT has not elected to follow hedge accounting and subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized immediately in net earnings.

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("**Disclosure Controls**") are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely

basis, and is accumulated and communicated to AGT management, including the Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, do not expect that AGT’s Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

National Instrument 52-109 “*Certification of Disclosure in Issuers’ Annual and Interim Filings*” (“**National Instrument 52-109**”), issued by the Canadian Securities Administrators (“**CSA**”), requires CEOs and CFOs to certify that they are responsible for establishing and maintaining Disclosure Controls for the issuer, that Disclosure Controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer’s Disclosure Controls, and that their conclusions about the effectiveness of those Disclosure Controls at the end of the period covered by the relevant annual filings have been disclosed by the issuer. AGT’s CEO and the CFO evaluated the design and operating effectiveness of AGT’s Disclosure Controls as at March 31, 2017 and concluded that AGT’s Disclosure Controls were effective.

Internal Controls over Financial Reporting

National Instrument 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal controls over financial reporting (“**ICFR**”), as defined by the CSA, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that AGT has disclosed any changes in its ICFR during its most recent period that have materially affected, or are reasonably likely to materially affect, its financial reporting.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, have been detected. Therefore, no matter how well-designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

Management, under the supervision of the CEO and the CFO, has evaluated the ICFR using the framework and criteria established in the 2013 Internal Controls – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management, including the CEO and CFO, evaluated the design and operating effectiveness of AGT’s ICFR. Based on this evaluation, the CEO and the CFO have concluded that as at March 31, 2017, ICFR (as defined in NI 52-109) were designed effectively.

There were no changes in our ICFR during the three month period ended March 31, 2017 that have materially affected, or are reasonably likely to affect our ICFR.

New Standards and Interpretations

The International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements, as their effective dates fall in annual periods beginning subsequent to the current reporting period.

| Proposed Standard | Description | Previous Standard | Effective Date |
|---|---|---|---|
| IFRS 15 Revenue from Contracts with Customers | The new standard creates a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. This standard may change how much and when revenue can be recognized. | IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers | Fiscal years beginning on or after January 1, 2018, applied retrospectively |
| IFRS 9 Financial Instruments | The new standard is a single financial instrument accounting standard addressing classification and measurement, impairment and hedge accounting. | IAS 39; IAS 32; IFRS 7 - Financial Instruments: Recognition and Measurement; Presentation; Disclosure | Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain exceptions |
| IFRS 2 Share-based Payment Amendment | The amendment clarifies how to account for and measure certain types of share-based payment transactions. | IFRS 2 Share-based Payment | Fiscal years beginning on or after January 1, 2018, applied prospectively |
| IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration | The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. | IAS 21 The Effects of Changes in Foreign Exchange Rates | Fiscal years beginning on or after January 1, 2018, applied retrospectively or prospectively |
| IFRS 16 Leases | The new standard requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. | IAS 17 Leases | Fiscal years beginning on or after January 1, 2019, applied retrospectively |

Management is assessing the potential impact of standards, amendments and interpretations effective in future years for impacts on both quantitative and qualitative disclosure. AGT expects to adopt these standards on their respective effective dates.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 24,236,536 common shares and nil options of AGT.

Risks and Uncertainties

Information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT’s most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT’s website at www.agtfoods.com. Potential risks and uncertainties include operating requirements, volume, transportation and transloading, distribution and supply contracts, customer retention and

competitive environment, foreign operations, integration of acquisitions, realization of benefits from acquisitions, acquisition and expansion, reliance on key personnel, localized decision making, potential undisclosed liabilities, uninsured and underinsured losses, global financial crisis and general economic conditions, wholesale price volatility, capital markets, leverage and capital requirements, financing and credit liquidity, reduced dividend payment, international agricultural trade, foreign exchange, counterparty and export, geographic and political, environmental protection, energy price fluctuation, information technology, regulatory oversight, financial reporting, control of AGT and dilution of shareholders. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the period ended March 31, 2017.

Commitments and Contingencies

AGT enters into contracts with producers. The contracts provide for delivery of specific quantities and include specific prices based on the grade that is delivered. The terms of the production contracts are not longer than one year.

At March 31, 2017, AGT had a contract of insurance in favour of the Canadian Grain Commission in the amount of \$13.0 million (December 31, 2016 – letter of credit \$13.0 million). The policy can be claimed against by the beneficiary in the event of a producer grain payment default. The policy expires on June 30, 2017 and replaces the letter of credit that was in place prior to the issuance of the policy.

At March 31, 2017, AGT had letters of guarantee in Turkey in the amount of \$4.0 million (December 31, 2016 - \$7.0 million).

AGT has various legal matters pending which, in the opinion of management, will not have a material effect on AGT's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to AGT's financial position or results of operations could result. Should circumstances change, provisions could change materially.

Interest Rate Risk

Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. With respect to its debt portfolio, AGT addresses interest rate risk by using various floating rate instruments. The exposure is also managed by aligning current and long term assets with outstanding debt and making use of global credit facilities.

AGT is exposed to interest rate fluctuations on its variable-rate debt. Changes in market interest rates cause the fair value of long term debt with fixed interest rates to fluctuate but do not affect net earnings as AGT's debt is carried at amortized cost and the carrying value does not change as interest rate changes.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. AGT's sales are routinely denominated in the U.S. dollar while processing and production costs are largely denominated in the functional currency of the country in which the subsidiary operates.

AGT manages foreign currency risk by matching foreign currency denominated assets and liabilities. Management reviews the foreign currency open position and takes risk management measures if required. AGT has also entered into certain foreign exchange contracts with maturities of less than two years to manage risks associated with entering into new sales contracts denominated in USD, EUR, GBP and AUD. AGT's foreign exchange contracts are not designated as hedges and are recorded at fair value with changes in fair value recognized in earnings. AGT has also entered into a cross currency swap as part of the management of the senior secured second lien notes.

Commodity Price Risk

AGT is a significant processor and supplier of pulse crops and bears significant exposure to changes in prices to these products. A substantial change in prices will affect the Company's net earnings, working capital and operating cash flows. Prices for AGT's products are volatile and are influenced by numerous factors beyond the Company's control, such as supply and demand fundamentals, geographical events and weather.

AGT's sales contracting strategy focuses on reducing the volatility in future earnings and cash flow while providing protection against decreases in market price and retention of future market price increases. To mitigate the risks associated with the fluctuations in the market price for pulse crops, AGT maintains a portfolio of product sales contracts with a variety of delivery dates and pricing mechanisms that provide a degree of protection from pricing volatility.

Reconciliation of Net Earnings, Adjusted Net Earnings*, Adjusted Net Earnings Per Share* and Adjusted EBITDA***(in thousands of CDN \$ except as indicated, unaudited)**

| | 3 Months Ended Mar 31, 2017 | 3 Months Ended Mar 31, 2016 |
|---|--------------------------------|--------------------------------|
| Revenue | \$ 520,905 | \$ 441,393 |
| Less: cost of sales ⁽¹⁾ | 487,979 | 395,439 |
| Gross profit | 32,926 | 45,954 |
| Add back: depreciation in cost of sales | 6,135 | 5,601 |
| Adjusted gross profit* | 39,061 | 51,555 |
| Deduct: General and administrative and marketing, sales and distribution expenses | (21,891) | (23,408) |
| Deduct: Non cash foreign exchange effect | (11,505) | 24,519 |
| Add: Amortization in general and administrative expense | 1,282 | 1,008 |
| EBITDA | 6,947 | 53,674 |
| Add: Non-recurring and other expenses ⁽²⁾ | 1,663 | 2,235 |
| Add (deduct): Non cash foreign exchange effect | 11,505 | (24,519) |
| Adjusted EBITDA^(*) | 20,115 | 31,390 |
| Deduct: Finance expense | (8,492) | (9,100) |
| Deduct: Depreciation and amortization | (7,417) | (6,609) |
| Deduct: Recovery (provision) for income taxes | 2,525 | (10,959) |
| Adjusted net earnings^(*) | 6,731 | 4,722 |
| Adjusted basic net earnings per share* | 0.28 | 0.20 |
| Adjusted diluted net earnings per share* | 0.28 | 0.20 |
| Non-recurring and other expenses ⁽²⁾ | (1,663) | (2,235) |
| Deduct: Non cash foreign exchange effect | (11,505) | 24,519 |
| Net (loss) earnings per financial statements | (6,437) | 27,006 |
| Basic net earnings per share | (0.27) | 1.13 |
| Diluted net earnings per share | (0.27) | 1.12 |
| Basic weighted average number of shares outstanding | 23,979,036 | 23,809,054 |
| Diluted weighted average number of shares outstanding | 23,979,036 | 24,010,236 |

(1) Cost of sales includes depreciation on equipment used to process inventory. Total depreciation is added back for Adjusted EBITDA*.

(2) Non-recurring and other expenses deemed by management to be non-cash, non-recurring, relating to acquisitions, financing, severance costs, share-based payments or other, predominantly reported within General and Administrative Expenses.

Reconciliation of Net Working Capital* and Net Debt***(in thousands of CDN \$, unaudited)**

| | Mar 31, 2017 | Dec 31, 2016 |
|--|--------------|--------------|
| Trade accounts receivable | \$ 227,831 | \$ 279,782 |
| Inventory | 309,302 | 323,320 |
| Prepaid expenses and other | 96,645 | 113,631 |
| Less: Accounts payable, accrued liabilities and deferred revenue | 244,455 | 330,134 |
| Net working capital* | \$ 389,323 | \$ 386,599 |
| | | |
| Long term debt | \$ 453,347 | \$ 410,776 |
| Bank indebtedness and current portion of long term debt | 127,829 | 156,939 |
| Cash | (19,108) | (29,025) |
| Net Debt* | \$ 562,068 | \$ 538,690 |

Non-IFRS Financial Measures

AGT provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain AGT's financial results. These non-IFRS measures include Adjusted Gross Profit (gross profit plus depreciation in cost of sales), Adjusted EBITDA* (earnings before finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-cash, non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Net Earnings Per Share* (earnings before any effects of non-cash, non-recurring and other costs, restructuring costs and foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities). Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Net Earnings Per Share* do not include the tax effect of non-cash, non-recurring and other costs and foreign exchange. Management believes that Adjusted EBITDA*, Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Earnings Per Share, Net Debt* and Net Working Capital* are important indicators of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. The exclusion of non-cash and foreign exchange adjustments eliminates the non-cash impact on Adjusted EBITDA*, Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Earnings Per Share*. Adjusted EBITDA* and Adjusted Net Earnings*,

Adjusted Basic Net Earnings Per Share*, Adjusted Diluted Net Earnings Per Share*, Net Debt* and Net Working Capital* are also used by investors and analysts for the purpose of valuing AGT. The intent of these measures is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted Gross Profit*, Adjusted EBITDA* and Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share*, Adjusted Diluted Net Earnings Per Share*, Net Debt* and Net Working Capital* should therefore not be considered in isolation or used as a substitute for measures of performance prepared in accordance with IFRS. For a reconciliation of net earnings (loss) determined in accordance with IFRS to Adjusted EBITDA*, Adjusted Net Earnings* and Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Earnings Per Share*, see the table on page 39.

Market Share, Industry Data and Other Statistical Information

This MD&A includes market share, industry data and other statistical information that AGT has obtained from independent industry publications, government publications, market research reports and other published independent sources. Such publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable. Although AGT believes these publications and reports to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained or validated the underlying economic or other assumptions relied upon by these sources and cannot, and does not, provide any representation or assurance as to the accuracy or completeness of the information or data, or the appropriateness of the information or data for any particular analytical purpose and, accordingly, disclaims any liability in relation to such information and data. AGT has no intention and undertakes no obligation to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as required by law.

Caution about forward looking statements

This MD&A contains certain forward-looking statements. Forward-looking statements include but are not limited to, those with respect to: the performance of certain of AGT's segments, including without limitation, margin pressures, export levels, production quality, conditions, timing of harvest, demand, capacity utilization, capital expenditures utilization, yields, sales volumes, supply, capital expenditures and growth expectations, allocation of certain corporate and operating costs between segments and AGT's corporate cost structure, mt levels, and supply constraints; the Minot Facility, including without limitation, additional facilities that may be commissioned, sales volumes in 2016 and 2017, the requirement for additional capacity, capacity increases; expected synergies; global supplies; global demand; expected tax rates; sales opportunities; AGT's dividend policy; and internal controls over financial reporting. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "viewed", "is expected", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", "is optimistic", "not expected" or variations of such words and phrases, or statements that certain actions, events or results "transforms (transforming)", "grows and develops", "provides opportunity", "may", "could", "would", or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AGT (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and

uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled “Risk Factors” in AGT’s most recent AIF, which is available on SEDAR at www.sedar.com and on AGT’s website at www.agtfoods.com and which should be reviewed in conjunction with this document. Although AGT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Although AGT believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as at the date of this MD&A. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, production quality; the volume and quality of crops held on-farm by producer customers in North America; demand for and supply of open market pulses; movement and sale of pulses in Australia and Turkey; agricultural commodity prices; demand for crop products and the market share of these products that will be achieved; general financial conditions for Western Canadian, U.S. Northern Plains, Turkish and Southern Australian agricultural producers; the ability of the railways to ship pulses to port facilities for export without labor or other service disruptions; the ability to maintain existing customer contracts and relationships; the impact of competition; the ability to obtain and maintain existing financing on acceptable terms; and currency, exchange and interest rates.

AGT expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required in accordance with applicable securities laws.