MANAGEMENT'S DISCUSSION

AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2017

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 and twelve months ended December 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, 2017. 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 March 20, 2018. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights for 2017 and current

- **Issued $190.0 million** in unsecured preferred securities with Fairfax Financial Holdings Limited ("**Fairfax**"), with a 99 year term and interest at 5.375%.

- **Entered into a Terminal Services Agreement** with Fibreco Export Inc. ("**Fibreco**") announced in December 2017, with 20 year term.

- **Adjusted EBITDA*** was $15.6 million for the three months ended December 31, 2017 compared to $10.1 million for the three months ended September 30, 2017.

- **Net Debt*** decreased to $473.3 million at December 31, 2017, compared to $538.7 million at December 31, 2016.

- **Food ingredients and packaged foods** contributed to 50.8% of Adjusted EBITDA* for the year ended December 31, 2017 compared to 29.6% for the year ended December 31, 2016.

- **Pulse and grain processing gross profit** improved to $37.27 per mt for the three months ended December 31, 2017 compared to $26.92 per mt for the three months ended September 30, 2017.

- **Adjusted net earnings per share*** was $0.15 ($0.15 fully diluted) for the year ended December 31, 2017 compared to adjusted net earnings* per share of $1.98 ($1.96 fully diluted) for the year ended December 31, 2016.

- **Awarded** Protein Innovation Cluster grant in February 2018 by the Canadian Government.

- **Dividend** of $0.15 per share for the quarter ($0.60 per share on an annualized basis).

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 pulse 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 Strategy

AGT is a globally diversified, vertically integrated originator, processor and distributor of value-added pulses and staple foods, with origination, processing and distribution capabilities in key pulse origination markets on five continents.

Management has identified four pillars to AGT's strategy, which are as follows:

- Improve free cash by reducing working capital and capital expenditures, improving liquidity and reducing finance expenses and global administration costs reflecting reduced cyclical volumes and margins;
- Grow the scale of processing and improve margins in AGT's food ingredients and packaged foods businesses, developing an integrated "farm gate to ingredient and retail consumer package" program for AGT's customers under AGT's brands and as a co-packing supply chain partner;
- Expand AGT's bulk handling business and improve the infrastructure asset base in ocean port, inland container and rail terminals to monetize the earnings potential of its unique grain origination and logistical assets, which includes trucking, rail, containerization and bulk vessel loading programs, by linking these efforts with other assets in key consumption markets such as Turkey, India and China; and
- Increase AGT's facility utilization and evolve product mix to improve margins in a supply chain approach to the Company's core pulses business.

Management highlights the following:

Earnings Constraints Seen as Cyclical

Earnings constraints are seen largely as a result of an oversupply in global pulse markets caused by an unusually large crop in India and other regions of production in the world. Record pulses prices for past periods resulted in more seeding and production, which has led to more domestic supply in consumption markets. Cyclicality in global agricultural markets is not uncommon and supply and demand fundamentals shift rapidly in high volume staple consumption items, such as pulses, where consumption is generally consistent in stable cycles, but which has shown the pattern of expanding consumption in lower price cycles as lower income consumers are able to procure more volumes of food with fixed disposable incomes.

Management believes that materially reduced margins may have bottomed and that signs of gradual recovery are beginning to emerge in the market as crop supplies of all pulses are now available after the completion of the North American harvest. Utilization is expected to improve in second half 2018 when the oversupply scenario in India, which is a key market, is improved as a result of lower imports due to import tariffs and reduced local crops in India, Turkey and Canada as a result of lower new crop supplies due to lower prices to farmers. This supply contraction and import substitution may assist the cycle in moving margins higher over time to more normalized levels. Local stocks are expected to be consumed and new crop supplies constrained, resulting in gradually increased imports into consumption markets in 2018.

Underlying Profitability Model Unchanged

Prior to the cyclical impacts of the current environment, AGT had relatively stable and consistent profitability over a period spanning 11 quarters from June 30, 2014 to December 31, 2016, averaging Adjusted EBITDA* per mt of over $55 per mt, compared to $24.40 per mt in Q3 2017. The result in Q3 2017 matches the trough of the last cycle in Q1 2012, after which, margins recovered to the levels seen during the 2014-2016 period. Q4 2017 showed a consistent pattern of recovery with Adjusted EBITDA* per mt improving from $24.40 per mt to $28.04 per mt. A gradual recovery of pulses margins and an improvement of food ingredient margin in 2018, coupled with volume recovery will improve period earnings.

During the prior period of relative stability and growing earnings, the food ingredients and packaged foods business was ramping up. Management expects margin gains in the 2018 to 2019 period in this, further balancing the cyclical effects of the global pulse commodity business.

Management is confident that the fundamental earnings power of its strategically located assets on five continents is not substantially affected when considering AGT's long-term future earnings.

Regulatory uncertainty caused by Indian government tariff policy and non-tariff trade barriers, such as the fumigation issues, have caused underlying uncertainty pressuring importers to delay purchase decisions. While the tariffs are high, the knowledge of the market, of the tariff regime and the grower production level, adjustments downward at the origins of raw material should assist in normalization of trade flows as the supply and demand picture rebalances.

Sub 5% Adjusted EBITDA* margins have been rare in the historical context for AGT and are more common in a commodity price decline market, where sharp decreases in the international wholesale prices of pulses, grains and special crops are magnified by the reluctance of North American farmers to support international sales.

Prices are beginning to show signs of stability, with international prices moving within a tight pricing band and with North American markets adjusting to such pricing. Management expects that this convergence will become more visible in the first half of the 2018 year as crop conditions in India and Turkey and seeding intentions in Canada to the international markets become better known.

Food Ingredients/Packaged Foods Growth and Margin Improvement

AGT continues to develop a platform linking its global farmer origination network to its value-added processing facilities. The food ingredients and packaged foods segment is at the center of this initiative to derive additional margin through the extraction of value from commodities handled in AGT's system. The marketing of food ingredients to major food companies allows AGT to capitalize on its customers' distribution and product development platforms using their brands to reach the end customer. This is being coupled with AGT's strategy to increase relationships with major global food retailers for both the distribution of AGT's owned brands and to act as a manufacturer and co-packer of such retailers' brands.

AGT's food ingredient business continues to advance, with four production lines already commissioned at the Minot Facility focused on production of pulse ingredient flours, proteins, starches and fibres ("the **Minot Facility**"). AGT continues to see household consumer-packaged goods companies include pulse-based product development projects, pipelines and commercial and industrial quantities of pulse ingredients in their normal product development cycles.

This is expected to provide AGT with further enhanced margin opportunities in protein sales through increased sales for pet and human food, while monetizing higher-value pulse food ingredients, such as starches, flours and fibre fractions.

AGT's global packaged foods business continues to grow as both market opportunities and sales and distribution efficiencies are realized. Combined, this segment contributed over 50% of AGT's Adjusted EBITDA* in 2017, with only 14.9% of the tonnages handled. The goal is to continue to scale this business to maintain a five year goal where, even in an environment of normalized earnings, this segment contributes greater than 50% of total Adjusted earnings per share*. This segment is expected to continue to assist in balancing the cyclicality of the traditional pulses business.

Operating Liquidity Strong and Banking Agreements Extended

AGT's balance sheet and liquidity are improved as a result of recent transactions for capital planning requirements. Maturities have been pushed out to 2020 and 2021 respectively for Alliance Pulse Processors Inc.'s ("**APP**") credit facilities and AGT's $200.0 million high-yield debt offering issue that was completed in late 2016. In August of 2017, AGT also completed a transaction with Fairfax for 99-year, no call preferred securities in the amount of $190.0 million, which has provided capital that was utilized for the reduction of bank indebtedness. Net Debt* was reduced to $473.3 million as at December 31, 2017 compared to $538.7 million at December 31, 2016.

The credit facilities were amended and extended, and covenants were modernized to suit the cycle of the business, with covenants moving to simple interest coverage and tangible net worth based ratios, reflecting the strong collateralization of the debt and the effects of the Fairfax capital injection. The credit facilities were reduced to $400.0 million and the uncommitted accordion was increased to accommodate increased needs as the current cycle reverses.

Demand Fundamentals Unchanged

Management believes that rising incomes in emerging markets and growing populations make the food opportunity an irreversible trend. Management believes that pulse and vegetable protein consumption and efficient water use protein demand will be increasing as the world populations grow in the next 40 years. In fact, the United Nations Food and Agriculture

Organization ("**UN FAO**") estimates the world may need to produce as much food in the next 50 years as it has in the past 10,000 years of civilization.

Supply demand cycles are temporary. Macro-economic commentary from the Bank of Canada ("**BOC**") states that over time, "higher output generated... combines with stabilizing demand to bring about a period of downward pressure on prices. Faced with lower prices, companies may scale back investment and production. Ultimately, the lower prices will encourage demand, and the reduced investment will crimp future supply, leading to higher prices and producers will ride the price cycle all over again."

The BOC also reports in an Autumn 2016 report that similar macro-economic principles may be applied to global agri-commodity production and markets, as prices, and therefore volumes and margins in AGT's business, may increase as markets resolve themselves, as the supply of most agricultural products should generally react much more quickly than other commodities, usually within the next growing season. Harvests in India and Turkey are forecast to be at levels that are in the range of average annual production, with no signals indicating that crops will be near the record levels of last year. According to Statpub Market Research ("**StatPub**") based on data from Statistics Canada ("**StatsCan**"), Canadian seeded acreage to pulses is forecast to decline by over 2 million acres in peas and lentils from 8.5 million acres to 6.3 million acres. This decline, if realized, will assist in the realignment of supply and demand positions globally and will assist in the normalization of shipping volumes and margins in the 2018-2019 crop season.

Conclusion

As AGT cannot control the timing of a market recovery, it continues to focus on its tier-one strategy; on being as streamlined and efficient as possible; responsibly managing production, inventory and purchases; and maximizing cash flow and safeguarding its capital. Ultimately, it is AGT's goal is to remain competitive and position the Company to ensure it has the ability to be among the first to respond when the market calls for more staple foods, grains and pulses.

Business Outlook

Summary

Global pulse and staple markets have continued to adjust to recent market conditions resulting from oversupply of pulses as well as introduction of duties, non-tariff policies in India and disconnected price expectations by farmers in production origins and buyers in consumption markets, which have changed dynamics in the marketplace over the 2017 production and marketing year. While demand fundamentals for pulses and staple foods are viewed as remaining intact, import volumes to key markets like India and the subcontinent region and Turkey and the Middle East/North Africa ("**MENA**") region have remained lower than previous periods, as consumption markets work through their own local production before commencing import activities.

As global oversupply conditions are resolved, by way of normal consumption of pulses and staple foods in end-use markets, as well as rotational decreases in production in origins such as Canada and Australia, it is expected that global pulses markets may again find a balance between export volumes and supply requirements, as they had for much of the last decade, at prices that are beneficial for participants in the market in general. As is the case with agricultural commodities, production and harvest cycles are necessary to determine supply, in terms of quantity and quality, with North American production cycles commencing in the May to September period, with exports in the later part of the year and significant production of pulses coming into consumption markets in March-April from India, May-June in Turkey and Australia in November-December. This has been the flow of products in the global pulse sector historically.

These conditions have affected AGT's business generally with lower volumes and revenues in 2017 as well as impact of evolving duty structure and non-tariff barriers on pulses to India impacting earnings. The bulk handling and distribution export business is being impacted the most by market conditions; however, our pulse and grains segment and food ingredient and packaged foods are showing signs of margin recovery and stability, demonstrating the long-term benefit of our diversification initiatives.

Normalization of these conditions, lower new production and timing on import activities, as well as clarity with regard to duty and non-tariff trade policy over the coming periods, would positively benefit AGT as a major processor and exporter of pulses and staple foods, providing increased volumes and prices, and with them potential gradual recovery in earnings.

As production in consumption markets is utilized to fill local demand, markets supplement supply with imported products key to AGT's business, as operations are focused on both consumption market distribution and import supply. High levels of supply in local markets typically result in reduced local prices based on traditional supply-demand principles, which also affects export volumes and prices. As local production is utilized, markets commence import activities, to ensure supply of staple consumption food items; typically, prices will rise as a result.

India Update

India, the world's largest pulse production and consumption market and where pulse imports have been reported by StatsCan as Canada's top market for lentils and peas, have been high in past seasons, guaranteeing consumption supply to combat food inflation while providing food security. Strong local production levels in 2017, combined with imports, have had a material impact on local agricultural policy with local production values to Indian farmers for pulses settling well below minimum support prices ("**MSP**"), a program by the Government of India

("**GoI**") to ensure agricultural producers against any sharp fall in farm prices due to low global prices resulting from oversupply.

The GoI has been enacting policies, with various duties introduced on pulses in late 2017 and continuing in 2018. This came after introduction of non-tariff trade barriers including not renewing historical and established procedures and exemptions surrounding fumigation of agricultural commodity imports, in an effort widely seen to raise prices above MSP levels to incentivize farmers to grow pulses. Production of pulses in India has been variable for some time, with irregular monsoon rains and farmers growing higher value crops, resulting in the Indian market being dependent on pulse imports to ensure food availability and resulting in concerns about food security and inflation.

With regard to the GoI policy on duty and fumigation, messaging and action from the GoI continues to evolve. At December 31, 2017, derogation for countries receiving an exemption from fumigation effectively levels the policy for all origins exporting to India, bringing all countries to the same conditions as Canada. The Government of Canada ("**GoC**") continued with Pulse Canada, the national organization for the pulse industry in Canada, to work with the GoI on an acceptable policy surrounding fumigation to recognize a science-based approach to the matter, as well as recognition that pests of concern were not prevalent in Canada due to extreme cold in the winter and that methyl bromide, or MeBr, the required fumigant by the Indian plant quarantine department, was not approved for use in Canada or most other exporting countries.

In February 2018, the GoC, including the Prime Minister of Canada, participated in meetings with the GoI, including the Prime Minister of India, on these duty and non-tariff barriers. It was resolved and announced in a joint press release that "India and Canada will work closely together to finalize an arrangement within 2018 to enable the export of Canadian pulses to India free from pests of quarantine importance, with mutually acceptable technological protocols," which is viewed as a positive step regarding resolution to the substantive non-tariff barrier matter. While no mention of duties was made in the joint release, markets can and do find balance in these tariff and duty matters through acceptable pricing certainty and contracting on both sides.

While markets had been adjusting to costs surrounding fumigation at arrival port, equating to approximately $12 to $14 USD per metric tonne ("**mt**"), the GoI introduced import duties on peas (50%), lentils (33%) and chickpeas (66%). However, the duty on chickpeas is not expected to have a material impact on AGT's business in Canada, where the most commonly produced variety, which is kabuli-type, versus the desi-type produced in India, Australia and Africa and consumed in India, does not account for significant exports to India. Introduction of these duties on pulses is viewed by global markets as a mechanism by the GoI to make locally produced pulses more attractive from a price standpoint to deter and reduce India's reliance on imports of key food products and boost local production to combat issues surrounding food security and inflation, with the GoI stated goal of self-sufficiency in pulses. While the potential for introduction of these duties was expected by global pulse markets, they were introduced with no advance notice and left global agricultural exporters and pulse shippers, including AGT being potentially exposed to cargo in transit that would be subject to duty at arrival, causing ancillary costs and duty charges that impaired margins and caused earnings effects for all importers and supply chain participants. These effects were largely recorded in Q4 2017, further constraining the profitability of the industry. These extreme measures have now been introduced and digested by the trade and new sales, and activities are expected to proceed with these in mind as part of the nearby commercial reality of the pulses trade to India.

Management is optimistic that a return to a more balanced supply and demand picture with reduced international production, stimulated consumption at lower price levels and constrained imports may lead to a rise in India's pulses prices locally prompting potential reviews or reductions in the tariffs and duties. It is management's view that India will remain a net importer for the future and that the level of imports may outpace their ability to grow their local production due to land and water constraints. According to StatsCan data, India is still the top destination for Canadian lentils and peas in 2017, with volumes returning effectively to 2014 levels.

A similar trend exists for Turkey, Canada's traditional number two market for lentils. Imports at these levels appear to support the belief that markets in India and Turkey as well as the regional markets they service are consuming higher levels of local production supplemented by lower volumes of imported product to meet demand requirements.

Management views the goal of the GoI regarding pulse self-sufficiency as a potentially difficult goal to achieve with a growing middle-class with increased disposable income, overall population growth and variable production levels of pulses and agricultural products in the past few years due to variable monsoons and overall insufficient production. Furthermore, management views are that India and the subcontinent region as well as Turkey and the MENA region need global pulse supply, particularly from Canada for lentils and Australia for chickpeas, to meet domestic supply-demand requirements in the long term.

While short-term flows may be impacted by local supply-demand and market conditions, long-term growth with the impact of normalization of AGT's export and merchandising programs in future periods is seen as likely. As market conditions are normalized, AGT has taken a measured approach to the market, with a strategy focused on disciplined capital allocation; participation in the market; focusing on costs and efficiencies in our current production systems; focusing on diversification of product offerings; and the utilization of processing and bulk handling infrastructure more efficiently, growing value-added opportunities for AGT products globally.

Pasta Duty Update

In late December 2017, a complaint was filed with Canada Border Services Agency ("**CBSA**") and through the Canadian International Trade Tribunal ("**CITT**") regarding allegations of injurious dumping and subsidizing of certain dry wheat pasta originating in or exported from Turkey to Canada by some pasta manufactures in Canada, resulting in an investigation by CBSA and CITT. The complaint surrounds claims that pasta is being sold at unfair prices in Canada and that this has caused, and is threatening to cause injury, to the Canadian producers of like goods. It should be noted that the complaint with CBSA and CITT is against Turkish pasta manufacturers and not AGT specifically in Canada; however, AGT is involved with pasta production and export from Turkey through its business unit that includes the Arbella brand of pasta. AGT is one of the largest pasta producers in Turkey and is a significant exporter of pasta including to Canada from Turkey, thereby involving AGT in the matter.

On February 26, 2018, CITT conducted a "preliminary injury inquiry into the matter into whether the evidence discloses a reasonable indication that the alleged dumping and subsidizing of all dry wheat-based pasta... originating in or exported from... Turkey... have caused injury or retardation or are threatening to cause injury". In a press release, CITT determined that "there is evidence that discloses a reasonable indication that the dumping and subsidizing of the above-mentioned goods have caused or are threatening to cause injury to the domestic industry". Furthermore, CITT advised "CBSA will continue its investigations and, by March 28, 2018, will issue preliminary determinations" regarding what countervailing duty rates may or may not apply. Management expects that this will be a long process that may require months to reach a final determination after a full evidenced-based hearing with participation of the Government of Turkey Ministry of Economy and relevant and impacted producers and exports of pasta from Turkey, as well as importers of pasta from Turkey.

It is noted that the members of the same group of Canadian pasta manufacturers launched a similar, unsuccessful complaint in 1995 against pasta from Italy that ended with a no injury and no threat of injury decision by CITT.

AGT has been active with private label production and supply of pasta to major Canadian retailers as well as listing of its Arbella pasta brand in the Canadian marketplace and many markets around the globe. Currently there is a small duty on Turkish pasta imported to Canada, as Turkey is recognized with Most Favoured Nation trading status with Canada. Canada is an emerging market for AGT's pasta products from Turkey, but is one of over approximately fifty country markets to which AGT exports pasta. Management is closely monitoring the developments on this matter and expects no immediate material impact on its pasta business or its earnings, as management is confident in its ability to replace the Canadian sales with sales to other markets.

A discussion of AGT's segments and their performance follows.

Reporting Segments

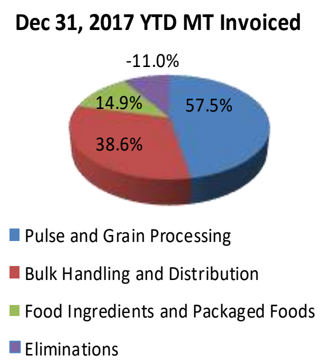
AGT's chief operating decision maker reviews AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies.

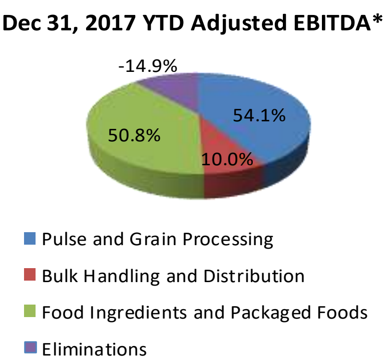
Segment performance is evaluated based on Adjusted EBITDA*. Management believes that Adjusted EBITDA* is an important indicator of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses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

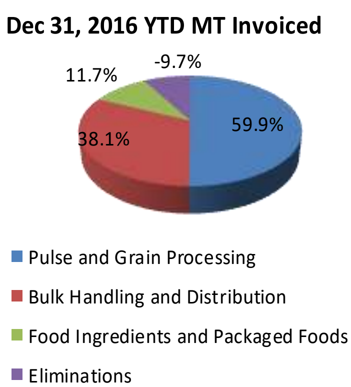
The accounting policies used within each segment are consistent with the policies outlined in the notes to AGT's December 31, 2017 annual audited consolidated financial statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course of business with normal market terms and conditions. Certain estimates and assumptions were made by management in the determination of segment composition.

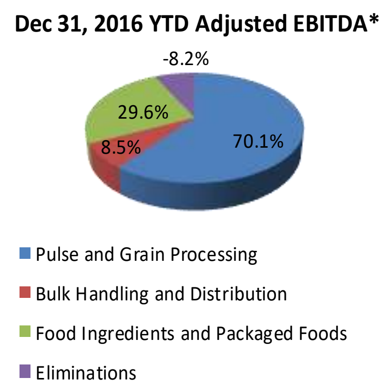
A review of the outlook for each of AGT's business segments is below.

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









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 Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016
Revenue	**$ 313,783**	$ 204,953	$ 454,185	$ 1,070,394	$ 1,266,527
Cost of sales	**300,233**	199,132	423,277	1,021,549	1,162,790
Gross profit	**13,550**	5,821	30,908	48,845	103,737
Adjusted Gross Profit*	**18,148**	9,478	34,295	64,609	118,264
Adjusted EBITDA*	**$ 11,730**	$ 3,447	$ 26,706	$ 35,072	$ 83,319
Total mt invoiced	**363,555**	216,204	477,850	1,151,133	1,313,381
Gross profit per mt	**$ 37.27**	$ 26.92	$ 64.68	$ 42.43	$ 78.98
Adjusted Gross Profit* per mt	**49.92**	43.84	71.77	56.13	90.05
Adjusted EBITDA* per mt	**32.26**	15.94	55.89	30.47	63.44

(1) See table on page 21 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 increased when comparing the three months ended December 31, 2017 to the three months ended September 30, 2017. This is due largely to the harvest period in North America allowing AGT to return to a broader product mix, including sales of its red lentils and yellow peas, but with the addition of new crop 2018 sales of green lentils, chickpeas, beans and green peas, with margins beginning to show signs of improvement. Adjusted Gross Profit* and Adjusted EBITDA* per mt decreased when comparing the three and twelve months ended December 31, 2017 to the same periods in the prior year due to fewer mt invoiced in addition to lower margins on those sales.

Global issues related to increased tension between Syria and Turkey in particular, have led to a re-balancing of trade flows to favour product from destinations other than Turkey for international aid agency flows. Governmental actions by the Syrian Regime resulted in margin contraction on pulse and rice sales and also in the incurrence of ancillary costs including demurrage and detention costs, repositioning costs and repackaging costs. These charges are largely incurred as non-recurring items and should not provide a material constraint on margins on an ongoing basis.

In addition, the duty tariff system passed by the GoI resulted in ancillary charges and product diversion and demurrage expenses, as liquidity of local importers was affected as they dealt with millions of dollars of losses and sales books which did not reflect the duty adjusted pricing. This caused margin pressure in both Canada on peas and lentils and in Australia on chickpeas in outstanding sales and contracts, especially with cargo that was already in transit at the time of duty structure announcement, completed without any phase in period with immediate effect.

Even with all the headwinds, pulses and grains processing segment margins recovered to Adjusted EBITDA* per mt of $32.26 in Q4 2017, up from $15.94 per mt the previous quarter but still below the $55.89 per mt of Q4 2016. Volumes, when comparing Q4 2017 to Q4 2016, fell materially to 363,555 mt from 477,850 mt.

As AGT operates in a high fixed cost environment of operating processing plants where lower utilization predictably yields lower margins, as each additional percentage of utilization above 50% utilization has a high contribution to net earnings. It is management's expectation that a more normalized product mix, with all pulses available in the new crop harvest, stable pricing systems and better utilization as supply-demand comes back into balance, which is expected in future periods, should lead to a gradual recovery in this segment. Management expects volume and margin expansion may begin in 2018 based on progress on and resolution of some of the market dynamics and factors discussed, with a gradual recovery expected to continue over the subsequent periods.

Food Ingredients and Packaged Foods

AGT's food ingredients and packaged foods segment includes AGT's pulse ingredient production facility located in Minot, North Dakota, 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, the MENA region 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 Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016
Revenue	**$ 68,207**	$ 73,665	$ 76,557	$ 316,578	$ 290,165
Cost of sales	**58,675**	64,237	65,410	275,221	244,792
Gross profit	**9,532**	9,428	11,147	41,357	45,373
Adjusted Gross Profit*	**11,825**	11,905	13,624	50,722	53,211
Adjusted EBITDA*	**$ 6,713**	$ 7,903	$ 8,413	$ 32,966	$ 35,120
Total mt invoiced	**63,138**	73,186	58,537	297,310	256,036
Gross Profit per mt	**$ 150.97**	$ 128.82	$ 190.43	$ 139.10	$ 177.21
Adjusted Gross Profit per mt	**187.29**	162.67	232.74	170.60	207.83
Adjusted EBITDA* per mt	**106.32**	107.99	143.72	110.88	137.17

(1) See table on page 21 for consolidated segmented results
(2) Certain estimates and assumptions were made by management in the determination of segment composition

Adjusted Gross Profit* per mt increased and Adjusted EBITDA* per mt was consistent when comparing the three months ended December 31, 2017 to the three months ended September 30, 2017. Adjusted Gross Profit* per mt and Adjusted EBITDA* per mt decreased when comparing the three and twelve months ended December 31, 2017 to the same periods in the prior year. Mt invoiced in Q4 2017 were up by 7.9% when comparing Q4 2016 and total year to date mt improved to 297,310 mt in 2017 compared to 256,036 mt, up 16.1%.

AGT's food ingredient business unit in Minot, North Dakota, centered on production of pulse protein, starch, fibre and flours, continues to advance with incremental volume gains in Q4 2017 when compared to Q4 2016 as well as for the full year 2017 from 2016, demonstrating that customers for AGT's pulses ingredient products continue to incorporate pulse ingredients into their products and work to increase inclusion rates in the food industry and pet food manufacturing sectors, with deflavoured product, regular milled pulse ingredient products and various other milled product offerings. While volumes increased, margins decreased on a full year basis due to product mix in the packaged foods side of the business, as well as a higher volume of pulse ingredients sold to pet food customers as human food ingredient sales continue to advance.

Overall, the segment and progress in the food ingredient business unit is advancing as expected by management with regard to shipments and management expects that sales programs will continue to grow and with it margins will improve. The strategy aimed at further growth in the segment is expected to yield success in coming quarters as new enhanced products are available to meet customer requests and demand.

As AGT continues to develop new markets and customers for its fibres, starches and flours to complement its protein sales, it is expected that volumes for the major consumer packaged goods, or “CPG” companies, are projected to increase in the coming year, with a number of new formulations expected to come online in 2018. As this business develops, pet food company contracts for the 2018 year have been progressing well, and all repeat orders have been secured.

Some seasonality, with late Q4 2017 customer order slowdown, was the case with petfood and human food customers, slowing down their own production operations with the holiday season. However, volumes and margins are expected to be improved in 2018, with strong order books and stable raw material prices on peas in North America, providing AGT with an ability to execute its first half sales, with ample stocks of raw materials from present to new crop 2018 anticipated by management.

AGT continues to focus on the development of human food applications for its products. The pet food business should not be viewed as less valuable than human food markets. 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, stricter quality specifications. This business has allowed AGT to develop its sales and customer requirements to continue to grow the food ingredient business unit.

The other business units contained in this segment are focused on retail packaged goods. AGT private label sales of its AGT CLIC, AGT Foods Africa and Arbel and Arbella branded units are progressing well, with product offerings increasing and good progression of expanding both numbers of SKUs and number of retailers in its targeted areas of focus of Canada, the U.S., South Africa and Turkey. Margins in core offerings related to pasta, pulses, bulgur wheat and rice continue to provide stable and predictable earnings in their segment and present growth opportunities to ramp up the size of this platform in the coming years.

The recently awarded GoC partnership program called the Protein Industries Supercluster, estimated to be concluded for approximately $150 million from the GoC with an additional $250 million committed from the pulses industry, may provide a material boost to AGT’s efforts providing matching funds for a new AGT R&D program aimed at the areas of extruded pastas and snack production technologies, protein purification and isolation, industrial applications of starch and flours in bio-composites, and sale of traceable and safe value added packaged foods utilizing supply chain innovations such as blockchain, which may assist in accelerating AGT's efforts to commercialize this platform and generate earnings.

The Food Ingredients and Packaged Foods segment provides AGT with diversification options with business not impacted by commodity cycles and impact of commodity markets on volumes and pricing. While this segment has its own dynamics, with regard to sales process duration and customer profiles, it provides an opportunity for AGT to smooth earnings over the full year as well as creating new opportunities with regard to potentially higher margin business compared to AGT's core commodity business, driving revenue, margin and earnings growth.

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. This includes some non-core commodity sales of AGT to aid programs, cross-selling of other commodities to pulse and staple foods business customers for distribution of raw material products to AGT's own processing infrastructure in Turkey for durum wheat. 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 because 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 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.

Wheat margins have been very thin and other commodities have also been challenged, with rice and sugar demand following the path of all agricultural commodities, with "hand to mouth" buying across consumption markets.

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 Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016
Revenue	**$ 112,963**	$ 79,700	$ 179,120	$ 525,381	$ 612,807
Cost of sales	**117,598**	72,006	173,071	509,397	588,133
Gross (loss) profit	**(4,635)**	7,694	6,049	15,984	24,674
Adjusted Gross (Loss) Profit*	**(4,424)**	8,004	6,187	16,830	24,897
Adjusted EBITDA*	**$ (908)**	$ 1,300	$ 1,510	$ 6,483	$ 10,115
Total mt invoiced	**175,138**	165,288	257,104	773,316	835,249
Gross (loss) profit per mt	**$ (26.46)**	$ 46.55	$ 23.53	$ 20.67	$ 29.54
Adjusted Gross (Loss) Profit per mt*.	**(25.26)**	48.42	24.06	21.76	29.81
Adjusted EBITDA* per mt	**(5.18)**	7.87	5.87	8.38	12.11

(1) See table on page 21 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 an Adjusted Gross Loss* per mt and a negative Adjusted EBITDA* per mt for the three months ended December 31, 2017. This segment was hit hard in Q4 2017 as it contains the business segment results for AGT India. AGT India, as an importer of pulses from Australia and Africa, incurred elevated costs of sales resulting from the imposition of duties on imports. AGT had undertaken imports and had subsequently sold in the local markets prior to arrival of the cargo on local delivered terms. Duties imposed on peas, chickpeas and lentils resulted in margin erosion to negative margin levels, accounting for a material portion of the Adjusted Gross Loss* in the segment in Q4 2017. Adjusted gross (loss) Profit* per mt and Adjusted EBITDA* per mt decreased when comparing the year ended December 31, 2017 to the year ended December 31, 2016.

Material effects of the chickpea duties have been largely incurred in Q4 2017 and management has adjusted procurement plans for the 2018 year to reflect a stronger focus on locally available raw materials to fufill customer requirements and minimize future earnings volatility in this segment. Management expects this segment to recover in 2018-2019 as the focus shifts to the growth of the bulk platform in Canada to launch the agreement with Fibreco, expected to begin with shipping in the 2019 season through the newly constructed grain terminal in Vancouver. Permits were granted by district authorities in Vancouver in March 2018. Construction will begin in Spring 2018.

Corporate and Eliminations

Inter-segment shipments were 46,704 mt and 220,229 mt for the three and twelve months ended December 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 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 Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016	3 Months Ended Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016	3 Months Ended Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016	3 Months Ended Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016	3 Months Ended Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Dec 31, 2016
Quarterly comparisons															
Revenue	$ 313,783	$ 204,953	$ 454,185	$ 112,963	$ 79,700	$ 179,120	$ 68,207	$ 73,665	$ 76,557	$ (35,825)	$ (34,977)	$ (58,999)	$ 459,128	$ 323,341	$ 650,863
Cost of sales	300,233	199,132	423,277	117,598	72,006	173,071	58,675	64,237	65,410	(35,825)	(34,977)	(58,999)	440,681	300,398	602,759
Gross profit (loss)	13,550	5,821	30,908	(4,635)	7,694	6,049	9,532	9,428	11,147	-	-	-	18,447	22,943	48,104
Adjusted Gross Profit (Loss)*	18,148	9,478	34,295	(4,424)	8,004	6,187	11,825	11,905	13,624	-	-	-	25,549	29,387	54,106
Adjusted EBITDA*	**$ 11,730**	**$ 3,447**	**$ 26,706**	**$ (908)**	**$ 1,300**	**$ 1,510**	**$ 6,713**	**$ 7,903**	**$ 8,413**	**$ (1,968)**	**$ (2,519)**	**$ (1,923)**	**$ 15,567**	**$ 10,131**	**$ 34,706**
Total mt invoiced	363,555	216,204	477,850	175,138	165,288	257,104	63,138	73,186	58,537	(46,704)	(39,464)	(48,536)	555,127	415,214	744,955
Gross profit (loss) per mt	$ 37.27	$ 26.92	$ 64.68	$ (26.46)	$ 46.55	$ 23.53	$ 150.97	$ 128.82	$ 190.43				$ 33.23	$ 55.26	$ 64.57
Adjusted Gross Profit (Loss)* per mt	49.92	43.84	71.77	(25.26)	48.42	24.06	187.29	162.67	232.74				46.02	70.78	72.63
Adjusted EBITDA* per mt	32.26	15.94	55.89	(5.18)	7.87	5.87	106.32	107.99	143.72				28.04	24.40	46.59
Percentage of mt invoiced	65.5%	52.1%	64.1%	31.5%	39.8%	34.5%	11.4%	17.6%	7.9%	-8.4%	-9.5%	-6.5%			
Percentage of Adjusted EBITDA*	75.4%	34.0%	76.9%	-5.8%	12.8%	4.4%	43.1%	78.0%	24.2%	-12.7%	-24.8%	-5.5%			

	Pulse and Grain Processing		Bulk Handling and Distribution		Food Ingredients and Packaged Foods		Corporate and Eliminations		Consolidated	
	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016	Year to Date Dec 31, 2017	Year to Date Dec 31, 2016
Year to date comparisons										
Revenue	$ 1,070,394	$ 1,266,527	$ 525,381	$ 612,807	$ 316,578	$ 290,165	$ (177,066)	$ (196,295)	$ 1,735,287	$ 1,973,204
Cost of sales	1,021,549	1,162,790	509,397	588,133	275,221	244,792	(177,066)	(196,295)	1,629,101	1,799,420
Gross profit	48,845	103,737	15,984	24,674	41,357	45,373	-	-	106,186	173,784
Adjusted gross profit*	64,609	118,264	16,830	24,897	50,722	53,211	-	-	132,161	196,372
Adjusted EBITDA*	**$ 35,072**	**$ 83,319**	**$ 6,483**	**$ 10,115**	**$ 32,966**	**$ 35,120**	**$ (9,647)**	**$ (9,740)**	**$ 64,874**	**$ 118,814**
Total mt invoiced	1,151,133	1,313,381	773,316	835,249	297,310	256,036	(220,229)	(212,882)	2,001,530	2,191,784
Gross profit per mt	$ 42.43	$ 78.98	$ 20.67	$ 29.54	$ 139.10	$ 177.21			$ 53.05	$ 79.29
Adjusted gross profit* per mt	56.13	90.05	21.76	29.81	170.60	207.83			66.03	89.59
Adjusted EBITDA* per mt	30.47	63.44	8.38	12.11	110.88	137.17			32.41	54.21
Percentage of mt invoiced	57.5%	59.9%	38.6%	38.1%	14.9%	11.7%	-11.0%	-9.7%		
Percentage of Adjusted EBITDA*	54.1%	70.1%	10.0%	8.5%	50.8%	29.6%	-14.9%	-8.2%		

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

Summary of Annual Results (in thousands of Cdn. $ except as indicated)	**Year Ended Dec 31, 2017**	**Year Ended Dec 31, 2016**	**Year Ended Dec 31, 2015**
Revenue	$ 1,735,287	$ 1,973,204	$ 1,704,480
Gross profit	106,186	173,784	152,850
Adjusted gross profit*	**132,161**	**196,372**	**169,409**
Adjusted EBITDA*	**64,874**	**118,814**	**100,969**
Adjusted net earnings*	**3,525**	**47,301**	**47,241**
Adjusted basic net earnings per share*	0.15	1.98	2.04
Adjusted diluted net earnings per share*	0.15	1.96	2.02
Net (loss) earnings per financial statements	**(36,923)**	**21,053**	**16,045**
Distributions on preferred securities	(2,512)	-	-
Net (loss) earnings for earnings per share calculation	(39,435)	21,053	16,045
Basic net (loss) earnings per share	(1.63)	0.88	0.69
Diluted net (loss) earnings per share	(1.63)	0.87	0.68
Total assets	1,199,032	1,292,302	1,296,568
Bank indebtedness	30,833	19,720	139,102
Long-term debt including current portion	463,860	547,995	356,701
Shareholders' equity	370,253	302,622	356,918
Dividends declared per share	$ 0.60	$ 0.60	$ 0.60
Basic weighted average shares outstanding	24,173,043	23,896,099	23,195,523
Fully diluted weighted average shares outstanding	24,173,043	24,092,203	23,424,860
Total mt invoiced	2,001,530	2,191,784	1,737,305
Gross profit per mt	53.05	79.29	87.98
Adjusted gross profit* per mt	66.03	89.59	97.51
Adjusted EBITDA* per mt	32.41	54.21	58.12

Summary of Quarterly Results (1)(3)
(in thousands of Cdn. $ except as indicated, unaudited)

	3 Months Ended Dec 31, 2017	3 Months Ended Sept 30, 2017	3 Months Ended Jun 30, 2017	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
Revenue	$ 459,128	$ 323,341	$ 451,313	$ 501,505	$ 650,863	$ 442,288	$ 438,660	$ 441,393
Gross profit	18,447	22,943	31,869	32,927	48,104	41,315	38,411	45,954
Adjusted Gross Profit*	**25,549**	**29,387**	**38,163**	**39,062**	**54,106**	**47,033**	**43,678**	**51,555**
Adjusted EBITDA*	**15,567**	**10,131**	**19,060**	**20,116**	**34,706**	**27,396**	**25,322**	**31,390**
Adjusted net (loss) earnings*	**(4,172)**	**(1,368)**	**2,333**	**6,732**	**17,270**	**12,024**	**13,285**	**4,722**
Adjusted basic net (loss) earnings per share*	**(0.17)**	**(0.06)**	**0.10**	**0.28**	**0.72**	**0.50**	**0.56**	**0.20**
Adjusted diluted net (loss) earnings per share*	**(0.17)**	**(0.06)**	**0.10**	**0.28**	**0.72**	**0.50**	**0.55**	**0.20**
Net (loss) earnings per financial statements	(14,851)	(15,455)	(180)	(6,437)	(11,198)	7,438	(2,193)	27,006
Distributions on preferred securities	(1,899)	(613)	-	-	-	-	-	-
Net (loss) earnings for earnings per share calculation	(16,750)	(16,068)	(180)	(6,437)	(11,198)	7,438	(2,193)	27,006
Basic net (loss) earnings per share	(0.69)	(0.66)	(0.01)	(0.27)	(0.47)	0.31	(0.09)	1.13
Diluted net (loss) earnings per share	(0.69)	(0.66)	(0.01)	(0.27)	(0.46)	0.31	(0.09)	1.12
Pulse and grain processing mt invoiced (2)	363,555	216,204	263,851	307,523	477,850	254,259	247,891	333,381
Bulk handling and distribution mt invoiced (2)	175,138	165,288	179,328	253,562	257,104	228,203	177,992	171,950
Food ingredients and packaged foods mt invoiced (2)	63,138	73,186	92,106	68,880	58,537	65,376	70,774	61,349
Inter-company mt	(46,704)	(39,464)	(47,583)	(86,478)	(48,536)	(59,661)	(39,016)	(65,669)
Total mt invoiced	555,127	415,214	487,702	543,487	744,955	488,177	457,641	501,011
Gross profit per mt	$ 33.23	$ 55.26	$ 65.35	$ 60.58	$ 64.57	$ 84.63	$ 83.93	$ 91.72
Adjusted Gross Profit* per mt	46.02	70.78	78.25	71.87	72.63	96.34	95.44	102.90
Adjusted EBITDA* per mt	28.04	24.40	39.08	37.01	46.59	56.12	55.33	62.65

Notes:

(1) Calculated from the unaudited condensed consolidated interim financial statements for the quarters ended December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016, and the audited annual financial statements for the year ended December 31, 2017 and 2016.

(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 the pulse and grain processing segment which accounted for 61.7% of consolidated revenue for the year ended December 31, 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 results from period to period.

Discussion of Quarterly and Year to Date Results

(in Thousands of Cdn. $ except as indicated, unaudited for three month periods)

Revenue, Gross Profit and Adjusted Gross Profit*

	3 Months Ended Dec 31			Year Ended Dec 31		
	2017	2016	Change	2017	2016	Change
Revenue	459,128	650,863	(191,735)	1,735,287	1,973,204	(237,917)
Less: cost of sales	440,681	602,759	(162,078)	1,629,101	1,799,420	(170,319)
Gross profit	18,447	48,104	(29,657)	106,186	173,784	(67,598)
Add back: depreciation in cost of sales	7,102	6,002	1,100	25,975	22,588	3,387
Adjusted Gross Profit*	25,549	54,106	(28,557)	132,161	196,372	(64,211)
Gross profit percentage	4.0%	7.4%	-3.4%	6.1%	8.8%	-2.7%
Adjusted Gross Profit* percentage	5.6%	8.3%	-2.7%	7.6%	10.0%	-2.4%

Gross profit and Adjusted Gross Profit* decreased in absolute dollars and percentage when comparing the three months and twelve months ended December 31, 2017 to the same periods in the prior year. This is due to constrained demand globally, which affected shipments through the majority of 2017. North American margins were constrained due to international market prices correcting downwards faster than commodity markets adjusted downwards in origins including Turkey, Canada and Australia. Margins from sales out of Turkey and India also decreased due to sharp drops in sales price, effects of duties and ancillary costs included in cost of sales and the requirements to fill orders with higher priced product. In addition, tariffs imposed by India and political tensions between Turkey and Syria affected the margins of international donor aid contracts with the incurrence of ancillary charges and costs affecting the earnings of AGT.

Adjusted EBITDA*

	3 Months Ended Dec 31			Year Ended Dec 31		
	2017	2016	Change	2017	2016	Change
Adjusted EBITDA*	15,567	34,706	(19,139)	64,874	118,814	(53,940)
Adjusted EBITDA* percentage of revenue	3.39%	5.33%	-1.94%	3.74%	6.02%	-2.28%

Adjusted EBITDA* as a percentage of revenue for the three and twelve months ended December 31, 2017 decreased when compared to the same periods in the prior year. This is due to strains on margins throughout 2017, low utilization of facilities and the high fixed cost environment of AGT. Significant costs associated with the global crisis and the global regulatory and political climate also impacted earnings.

Expenses

	3 Months Ended Dec 31			Year Ended Dec 31		
	2017	2016	Change	2017	2016	Change
General and administrative and marketing, sales and distribution expenses	21,396	25,266	(3,870)	90,292	90,717	(425)
Finance expense	10,811	15,165	(4,354)	35,745	38,470	(2,725)
Depreciation and amortization	7,593	7,128	465	30,746	26,998	3,748
Provision for (recovery of) income taxes	1,335	(4,857)	6,192	(5,142)	6,045	(11,187)
Unrealized foreign exchange loss (gain)	(244)	23,728	(23,972)	22,214	17,499	4,715

General and administrative and marketing, sales and distribution expenses for the three and twelve months ended December 31, 2017 decreased over the same periods in the prior year. This is due to a reduction in certain advertising costs as well as a decrease in share based compensation.

Finance expenses for the three and twelve months ended December 31, 2017 include amortization of the high-yield notes discounts and fees, which increased when compared to the prior year due to an overlap in Q1 when both the $125 million high-yield notes and the $200 million high-yield notes were outstanding. Trade finance instruments are utilized to improve the cash collection cycle and fees increased due to utilization and remained consistent with the prior year. Interest on bank indebtedness and long term debt decreased due to lower outstanding balances following the issuance of the preferred securities. In addition, LIBOR based borrowing was utilized to lower interest rates incurred on the syndicated debt. This decrease was partially offset by the reduction of the fair value adjustment on derivative assets, as the prior year included a gain.

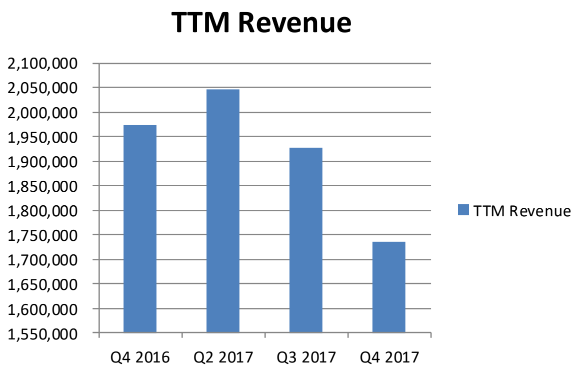
Depreciation expenses for the three months and twelve months ended December 31, 2017 increased when compared to the same periods in the prior year due to projects being finalized and assets being put into use, including additions to the Minot facility and rail infrastructure.

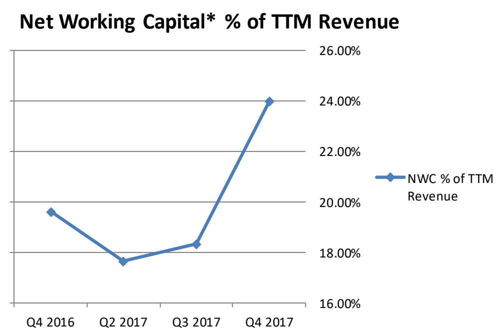
The income tax expense is calculated for each subsidiary at the individual rate for that country and therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

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 on AGT's Consolidated Statements of Comprehensive Loss and are recorded in accumulated other comprehensive 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 $416.0 million at December 31, 2017, an increase from $353.0 million at September 30, 2017 and $386.6 million at December 31, 2016 (see table on page 34). Net working capital as a percentage of TTM revenue has increased from 19.59% at December 31, 2016, and from 18.32% at September 30, 2017 to 23.97% at December 31, 2017. While it is typical for working capital levels to increase in the Q4 period, the ratio was impacted by lower levels of deferred producer payments as North American producers required cash for product sold at compressed prices. Low grower prices resulted in liquidity issues for North American producers and a change to the payment cycle from deferred payments to cash settlement following delivery of product. This resulted in decreased accounts payable and deferred revenue when comparing the year ended December 31, 2017 to the year ended December 31, 2016.

In addition, an Australian harvest earlier in 2017 than in 2016, resulted in earlier purchases of product and a lower accounts payable level at the end of 2017. There was a reduction in outstanding trade finance instruments at the end of 2017. This is a snapshot at December 31, 2017 and trade finance instruments that were paid down at the end of 2017 can be re-advanced by AGT. Management anticipates inventory levels to be stable to declining in the first half of 2018.

AGT management monitors this metric and has set a target Net Working Capital* percentage of TTM revenue of 17% to 18%. This will remain a focus and management anticipates working capital reductions will be achieved in the first half of 2018 as sales volumes are reduced and price levels have trended downwards.

Net Debt* is comprised of bank indebtedness, long term debt and current portion of long term debt, less cash and totaled $473.3 million at December 31, 2017, an increase from $386.3 million at September 30, 2017 but a decrease from $538.7 million at December 31, 2016 (see table on page 33). The increase from the prior quarter is due to higher working capital levels typical in the Q4 period. The decrease from December 31, 2016 is due to lower product volumes as well as a reduction in capital expenditures and the issuance of the Fairfax preferred securities during the year and partially offset by decreased accounts payable.

Current assets (excluding derivative assets) were $669.9 million at December 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 increased to $211.6 million at December 31, 2017, compared to $147.7 million at September 30, 2017 and decreased when compared to $279.8 million at December 31, 2016 (see table on page 34). The increase from September 30, 2017 is due largely to harvest periods in Australia and North America and resulting shipments that were invoiced in Q4 of 2017 but not yet collected. The decrease from December 31, 2016 is due to the timing of Australian origin sales in Q4 2017 compared to Q4 2016, in addition to overall lower invoiced mt, which were approximately 25% lower in Q4 2017 compared to Q4 2016.

Inventory increased to $328.1 million at December 31, 2017, compared to $313.8 million at September 30, 2017 and was fairly consistent, with an increase of just over 1% when compared to $323.3 million at December 31, 2016 (see table on page 34). This is due largely to the Australian harvest and resulting product on hand.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. While the inventory value is $328.1 million at December 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 2018 of $3.6 million ($0.15 per share) in the aggregate to its shareholders of record on December 29, 2017.

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 December 31, 2017 and December 31, 2016 foreign exchange rates as follows [Source: BOC - 2016 and X-Rates - 2017]:

	Dec 31, 2017	**Dec 31, 2016**
USD/CDN	1.25732	1.34270
AUD/CDN	0.98249	0.97070
TL/CDN	0.33127	0.38150
GBP/CDN	1.69775	1.65640
EUR/CDN	1.50861	1.41690
ZAR/CDN	0.10145	0.09800
RMB/CDN	0.19326	0.19300
INR/CDN	0.01969	0.01980

For each subsidiary, any difference between the December 31, 2017 exchange rate and the average exchange rate used to record revenues and expenses is recorded as other comprehensive loss on AGT's Consolidated Statements of Comprehensive Loss 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.

The following are the contractual maturities of financial liabilities, including interest payments:

2017		Carrying Amount		Contractual cash flows		1 year		2 years		3 - 5 years		More than 5 years
Bank indebtedness	$	30,833	$	30,833	$	30,833	$	-	$	-	$	-
Accounts payable and accrued liabilities		219,225		219,225		219,225		-		-		-
Long-term debt		463,256		536,491		30,337		29,760		458,803		17,591
Derivative liabilities		47,245		57,974		4,063		866		53,045		-
Dividends and distributions payable		7,077		7,077		7,077		-		-		-
Preferred security and warrants		604		1,201,037		-		-		-		1,201,037
	$	768,240	$	2,052,637	$	291,535	$	30,626	$	511,848	$	1,218,628

2016		Carrying Amount		Contractual cash flows		1 year		2 years		3 - 5 years		More than 5 years
Bank indebtedness	$	19,720	$	19,720	$	19,720	$	-	$	-	$	-
Accounts payable and accrued liabilities		322,155		322,155		322,155		-		-		-
Long-term debt		547,995		629,326		161,362		196,709		253,114		18,141
Derivative liabilities		56,341		58,823		14,591		44,232		-		-
Dividends and distributions payable		3,590		3,590		3,590		-		-		-
	$	949,801	$	1,033,614	$	521,418	$	240,941	$	253,114	$	18,141

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 December 31, 2017, AGT had total operating lines available of $195.9 million (December 31, 2016 - $256.0 million). Included in these facilities are the APP syndicated credit facilities in the amount of $150.0 million (December 31, 2016 – $211.5 million) secured by a general security agreement and security interests against real property owned by APP and AGT and certain of its subsidiaries, maturing in January 2020. At December 31, 2017, $30.8 million (December 31, 2016 - $20.2 million) of the facilities was utilized, leaving $165.0 million (December 31, 2016 - $235.8 million) unutilized. The weighted average interest rate on available operating lines at December 31, 2017 is 3.8% (December 31, 2016 – 3.3%).

The APP 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.

The group of companies ("**APP group**") includes the operations of APP, AGT Foods USA, Australia Milling Group, AGT CLIC, Mobil and Poortmans.

The terms of the APP credit facility include customary conditions, events of default, covenants and representations and warranties. The credit facilities are guaranteed by AGT and a select number of its direct and indirect wholly-owned subsidiaries.

Covenants which measured the fixed charge coverage ratios were removed and replaced with a minimum Adjusted EBITDA* to Interest Expense ratio, for both AGT, on a consolidated basis, and for APP.

At the APP level, as at each quarter end, the Borrower shall not permit the Adjusted EBITDA* to Interest Expense Ratio to be less than 2.50:1.00.

At the AGT consolidated level, as at each quarter end, the Borrower shall not, and shall not permit the Minimum Adjusted EBITDA* to Interest ratio of AGT to be less than 1.75:1.00, provided that the ratio shall increase to 2.00:1.00 as at the quarter end September 30, 2018 and increase to 2.50:1.00 March 31, 2019 and each quarter end thereafter.

Other covenants remain unchanged.

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

On February 16, 2017, AGT entered into a cross currency swap agreement as part of the management of its $200 million senior unsecured high-yield notes which are disclosed in note 9 of AGT's December 31, 2017 annual audited consolidated financial statements. The agreement is effective December 21, 2016 to December 21, 2021 with semi-annual payments which commenced on June 21, 2017 and conclude December 21, 2021.

On July 11, 2017, AGT acquired a minority interest in CanEst Transit Inc., a terminal in the Port of Montreal. The activities of CanEst include storing and filling containers as well as handling and transporting bulk products. The purchase was executed through AGT's wholly owned subsidiary, AGT Terminal East Inc ("**AGTTE**"). AGTTE's minority equity interest may be increased pursuant to an earn-up, based on delivered volumes under a terminal agreement, which expires on August 31, 2033. The terminal agreement includes an option to extend by both parties for an additional 5 years. The aggregate consideration in terms of both an equity investment and shareholder loan was $1.925 million.

On August 31, 2017, AGT issued $190 million of 5.375% securities to Fairfax for cash. The preferred securities are unsecured obligations, maturing August 31, 2116 and guaranteed by certain of AGT's subsidiaries. The $190 million principal amount is to be repaid in cash on maturity.

Concurrently, AGT issued 5,714,286 common share purchase warrants, each exercisable into one common share of AGT and exercisable at $33.25 per share. Each such warrant will be exercisable within 7 years. AGT may also elect to require early exercise of the Warrants if the five-day volume weighted-average closing price of its common shares reaches $53.20 at any time after the fifth anniversary of the issuance.

On December 18, 2017 AGT announced that it entered into a long-term terminal services agreement with Fibreco, pursuant to which, among other things, Fibreco will construct an agriproducts export terminal facility at Fibreco's current bulk handling and loading facility located at the Port of Vancouver (the "**Agriproducts Facility**"). The Agriproducts Facility will include approximately 43,000 mt of dry bulk storage, rail capacity to receive full unit trains, and a new shiploader and expanded ship berth capable of loading Panamax vessels. Fibreco will provide terminal services and additional services to AGT for the guaranteed throughput of agricultural commodities in respect of the Agriproducts Facility, for and in consideration of services and other fees payable by AGT, on and subject to the terms and conditions contained in the services agreement. The term of the services agreement is 20 years and contains certain exclusive rights for shipping select agricultural commodities in favor of AGT.

On December 21, 2017 AGT announced that APP extended the maturities of its credit facilities and amended certain portions of its credit agreement. The maturities of the facilities were extended to January 24, 2020 from January 24, 2019. Other amendments include cancelling the non-revolving facility and reducing the aggregate committed facility amount to CDN $400.0 million from CDN $437.5 million. Facility amounts have been reallocated under the revolving and operating facilities and the uncommitted accordion was increased from CDN $50.0 million to CDN

$75.0 million. Further, the credit facilities were amended to reflect changes in, and the evolution of, AGT's and APP's businesses by removing the covenants which measured the fixed charge coverage ratios and replacing them with minimum Adjusted EBITDA* to Interest Expense ratios, for both of AGT, on a consolidated basis, and APP.

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. $)		Dec 31, 2017		Sept 30, 2017 (unaudited)		Jun 30, 2017 (unaudited)		Dec 31, 2016
Long term debt	$	453,963	$	365,961	$	460,864	$	410,776
Bank indebtedness and current portion of long term debt		40,730		38,792		100,675		156,939
Cash		(21,361)		(18,498)		(17,866)		(29,025)
Net Debt*	**$**	**473,332**	**$**	**386,255**	**$**	**543,673**	**$**	**538,690**
Shareholders' equity		370,253		438,952		287,749		302,622
Capital	**$**	**843,585**	**$**	**825,207**	**$**	**831,422**	**$**	**841,312**
TTM Adjusted EBITDA*		64,874		84,013		101,278		118,814
Net Debt* to TTM Adjusted EBITDA*		7.30		4.60		5.37		4.53

Selected asset and liability information

(in thousands of Cdn. $)	Dec 31, 2017	Sept 30, 2017 (unaudited)	June 30, 2017 (unaudited)	Dec 31, 2016
Cash	$ 21,361	$ 18,498	$ 17,866	$ 29,025
Trade accounts receivable	211,622	147,724	203,308	279,782
Inventory	328,080	313,849	282,678	323,320
Prepaid expenses and other	104,415	96,402	106,022	113,631
Bank indebtedness and current portion of long term debt	40,730	38,792	100,675	156,939
Accounts payable, accrued liabilities and deferred revenue	228,085	204,981	230,653	330,134
Long-term debt	453,963	365,961	460,864	410,776
Net Working Capital* calculation				
Trade accounts receivable	211,622	147,724	203,308	279,782
Inventory	328,080	313,849	282,678	323,320
Prepaid expenses and other	104,415	96,402	106,022	113,631
Less: Accounts payable, accrued liabilities and deferred revenue	228,085	204,981	230,653	330,134
Net Working Capital*	416,032	352,994	361,355	386,599
TTM revenue	1,735,287	1,927,022	2,045,969	1,973,204
Net Working Capital* as a percentage TTM Revenue	23.97%	18.32%	17.66%	19.59%

Consolidated capitalization information

Consolidated capitalization information of AGT includes information on the operations of 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. $)

	Maturity Date	Dec 31, 2017	Dec 31, 2016	Financial Statement Caption
APP Group				
Senior secured APP bank facility	January 2020	$ 3,733	$ -	bank indebtedness
Senior secured APP bank facility	January 2020	220,652	180,833	long term debt
Poortman facility	June 2018	15,107	9,303	bank indebtedness
AGT CLIC mortgage on building and other	August 2036	7,320	8,029	long term debt
Mobil mortgage and debt	Sep 2023 to May 2040	27,273	24,349	long term debt
Other		1,400	2,051	long term debt
		$ 275,485	$ 224,565	
Other Entities (excluding AGT)				
Senior secured Advance Seed facility	August 2018	$ 11,413	$ 10,417	bank indebtedness
Other		580	-	bank indebtedness
Other		133	162	long term debt
		$ 12,126	$ 10,579	
AGT				
Note payable related to Mobil purchase	October 2020	$ 10,678	$ 14,230	long term debt
Notes outstanding	December 2021	195,798	$ 318,341	long term debt
Other		606	-	long term debt
		$ 207,082	$ 332,571	
Total debt		$ 494,693	$ 567,715	
December 31, 2017 financial statements				
Bank indebtedness		$ 30,833	$ 19,720	
Long term debt, including current portion		463,860	547,995	
		$ 494,693	$ 567,715	

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

Cash flow from (used in)	3 months ended Dec 31, 2017	3 months ended Sept 30, 2017	3 months ended Dec 31, 2016	Difference Dec 31, 2017 to Dec 31, 2016
Operating activities	$ (69,463)	$ (4,357)	$ (19,946)	$ (49,517)
Financing activities	81,105	23,979	48,658	32,447
Investing activities	(9,718)	(16,003)	(22,303)	12,585
Effect of exchange rate changes on cash	940	(2,988)	1,109	(169)
Change in cash	$ 2,864	$ 631	$ 7,518	$ (4,654)

	3 months ended Dec 31, 2017	3 months ended Sept 30, 2017	3 months ended Dec 31, 2016	Difference Dec 31, 2017 to Dec 31, 2016
Non-cash working capital	$ (69,437)	$ (15,098)	$ (47,480)	$ (21,957)

Cash flow from (used in)	Year ended Dec 31, 2017	Year ended Dec 31, 2016	Difference
Operating activities	$ (22,391)	$ 53,093	$ (75,484)
Financing activities	75,308	33,652	41,656
Investing activities	(50,771)	(79,336)	28,565
Effect of exchange rate changes on cash	(9,810)	(690)	(9,120)
Change in cash	$ (7,664)	$ 6,719	$ (14,383)

	Year ended Dec 31, 2017	Year ended Dec 31, 2016	Difference
Non-cash working capital	$ (60,675)	$ (46,767)	$ (13,908)

Cash flow used in operating activities for the three months ended December 31, 2017 was $69.5 million compared to cash flow used in operating activities of $4.4 million for the three months ended September 30, 2017 and compared to cash flow used in operations of $19.9 million for the three months ended December 31, 2016. The change when comparing the three months ended September 30, 2017 and to the three months ended December 31, 2016 is due largely to to a decrease in non-cash working capital.

Cash flow used in operating activities was $22.4 million for the year ended December 31, 2017 compared to cash flow from operating activities of $53.1 million for the same period in the prior year. This is due to reduced earnings in the current year.

Cash flow from financing activities for the three months ended December 31, 2017 was an increase of $81.1 million compared to an increase of $24.0 million for the three months ended

September 30, 2017 and compared to an increase of $48.7 million for the three months ended December 31, 2016. The cash from financing activities is due to the issuance of preferred securities, offset by a reduction in long term debt. Cash flow from financing activities for the three months ended December 31, 2016 included the utilization of bank indebtedness to inventory purchases as well as capital additions.

Cash from financing activities was $75.3 million for the year ended December 31, 2017 compared to cash from financing activities of $33.7 million for the year ended December 31, 2016. This is due to the issuance of preferred securities, which was offset by an overall decrease in bank indebtedness and long-term debt.

Cash flow used in investing activities was $9.7 million for the three months ended December 31, 2017 compared to cash used of $16.0 million in the three months ended September 30, 2017 and compared to cash used of $22.3 million for the three months ended December 31, 2016. This is due to a reduction in capital expenditures.

Cash flow used in investing activities was $50.8 million for the year ended December 31, 2017 compared to cash used of $79.3 million for the year ended December 31, 2016. This is due to projects at the Minot facility as well as the cogeneration project in Turkey being finalized and minimal further costs incurred.

Cash Flow Information – Non-Cash Working Capital

Non-cash working capital decreased by $69.4 million for the three months ended December 31, 2017 compared to a decrease of $15.1 million for the three months ended September 30, 2017 and compared to a decrease of $47.5 million for the three months ended December 31, 2016. The change when comparing the three months ended December 31, 2017 to the three months ended September 30, 2017 is due to the impacts of North American and Australian harvest and payment to producers for commodities purchased.

Non-cash working capital decreased by $60.7 million for the year ended December 31, 2017 compared to a decrease of $46.8 million for the year ended December 31, 2016. This is due mainly to increased accounts receivable collections compared to the prior year, offset by increased inventory and prepaid expense as well as lower accounts payable due to North American producers requesting cash payments rather than deferred cheques that are more usual in the Q4 period.

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 $205.0 million at September 30, 2017 to $228.1 million at December 31, 2017. This is due largely to an earlier harvest period in Australia as well as fewer deferred settlements issued out of Canada. There was also a reduction of trade finance instruments outstanding at December 31, 2017 compared to the prior year.

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:

		2017		2016
Short term benefits (wage, bonus, vacation paid out, directors fees)	$	4,286	$	4,234
Post employment benefits (RRSP)		131		131
Share based compensation		842		3,209
	$	5,259	$	7,574

		2017		2016
Accounts receivable	$	2,873	$	227
Accounts payable		1,084		1,359

The accounts receivable in the table above relates to employee amounts primarily related to the exercise of options. The accounts payable in the table above relates to deferred compensation.

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

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.

		2017		2016
Accounts receivable	$	80	$	39

		2017		2016
Purchases	$	920	$	1,016
Gain on sale of fixed assets		137		-

The transactions in the above table relate primarily to labour purchased from certain of AGT's key management.

In addition to the transactions above, AGT completed a swap of land with a company owned by certain of AGT's key management for a carrying value of $0.2 million. This transfer was done on a one to one basis for land of similar nature and value. This transaction was approved by the board of directors.

Transactions with other related parties

		2017		2016
Accounts payable	$	185	$	467

		2017		2016
Purchases	$	1,743	$	985

The items in the above table relate primarily to transactions with companies which AGT owns part of but does exhibit the definitions of control and are therefore not consolidated in AGT's overall results.

Off Balance Sheet Arrangements and Derivative Instruments

The nature of AGT's off balance sheet arrangements and derivative instruments are disclosed in note 11 of AGT's December 31, 2017 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 11 of AGT's December 31, 2017 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, 2017 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 11 of AGT's December 31, 2017 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 December 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 December 31, 2017, ICFR (as defined in NI 52-109) were designed and operating effectively.

There were no changes in our ICFR during the twelve month period ended December 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	Effective Date	Expected Impact
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.	Fiscal years beginning on or after January 1, 2018, applied retrospectively	AGT has not identified any significant impact on the timing and measurement of revenue from existing revenue recognition practices on the Financial Statements, but does expect to have additional disclosures.
IFRS 9 Financial Instruments	The new standard is a single financial instrument accounting standard addressing classification and measurement, impairment and hedge accounting.	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain exceptions	AGT does not expect a significant impact on the Financial Statements, but does expect to have additional disclosures. AGT does not currently apply hedge accounting and does not intend to apply hedge accounting upon adoption of IFRS 9.
IFRS 2 Share-based Payment Amendment	The amendment clarifies how to account for and measure certain types of share-based payment transactions.	Fiscal years beginning on or after January 1, 2018, applied prospectively	AGT does not expect a significant impact on the Financial Statements.
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.	Fiscal years beginning on or after January 1, 2018, applied retrospectively or prospectively	AGT does not expect a significant impact on the Financial Statements.
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.	Fiscal years beginning on or after January 1, 2019, applied retrospectively	To be determined
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.	Fiscal years beginning on or after January 1, 2019, applied prospectively	To be determined
IAS 28 Investments in Associates and Joint Ventures	The amendment clarifies that long-term interests in associates and joint ventures, to which the equity method is not applied, are in the scope of both IFRS 9 Financial Instruments and IAS 28	Fiscal years beginning on or after January 1, 2019. Early adoption is permitted	To be determined
Annual Improvements to IFRS Standards IFRS 3 Business Combinations IFRS 11 Joint Arrangements IAS 12 Income Taxes IAS 23 Borrowing Costs	The amendments clarify how to account for increasing an interest in a joint operation that meets the definition of a business (IFRS 3 and IFRS 11); that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits (IAS 12); that specific borrowings to finance the construction of a qualifying asset, should be transferred to the general borrowings once the construction of the asset has been completed (IAS 23)	Fiscal years beginning on or after January 1, 2019. Early application is permitted	To be determined

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

On January 1, 2017, AGT applied disclosure initiative IAS 7: Statement of Cash Flows – Changes in liabilities arising from financing activities.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 24,236,536 common shares and 5,714,286 warrants 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 December 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 December 31, 2017, AGT had a contract of insurance in favour of the Canadian Grain Commission for $13.0 million (December 31, 2016 - $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, 2018.

At December 31, 2017, AGT had letters of guarantee in Turkey for $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 USD 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 high-yield unsecured notes.

AGT measures its exposure to foreign exchange risk on financial instruments as the change in carrying values that would occur as a result of reasonably possible changes in foreign exchange rates, holding all other variables constant. AGT has determined its pre-tax exposure to foreign currency exchange risk on significant financial instruments to be as follows based on a 5% strengthening of the significant currencies AGT is exposed to. A 5% weakening of these same currencies at December 31, 2017 would have had an equal but opposite effect on the amounts shown below, assuming all other variables remained constant:

	Currency	Carrying Value (CDN) December 31, 2017	Gain (loss) CDN
Cash	USD	$ 9,711	$ 486
Accounts receivable	USD	116,650	5,833
Accounts receivable	EUR	9,945	497
Bank indebtedness	USD	15,107	(755)
Accounts payable and accrued liabilities	USD	15,006	(750)
Accounts payable and accrued liabilities	EUR	12,318	(607)
Net foreign currency derivative liabilities	USD	43,087	(26,107)
			$ (21,403)

	Currency	Carrying Value (CDN) December 31, 2016	Gain (loss) CDN
Cash	USD	$ 9,944	$ 497
Accounts receivable	USD	177,682	8,884
Accounts receivable	EUR	9,051	453
Bank indebtedness	USD	6,909	(345)
Accounts payable and accrued liabilities	USD	18,288	(914)
Accounts payable and accrued liabilities	EUR	7,741	(387)
Net foreign currency derivative liabilities	USD	52,565	(28,499)
			$ (20,311)

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)

	Year Ended Dec 31, 2017	Year Ended Dec 31, 2016
Revenue	$ 1,735,287	$ 1,973,204
Less: cost of sales (1)	1,629,101	1,799,420
Gross profit	106,186	173,784
Add back: depreciation in cost of sales	25,975	22,588
Adjusted gross profit*	**132,161**	**196,372**
Deduct: General and administrative and marketing, sales and distribution expenses	(90,292)	(90,717)
Deduct: Non cash foreign exchange effect	(22,214)	(17,499)
Add: Amortization in general and administrative expense	4,771	4,410
EBITDA	24,426	92,566
Add: Non-recurring and other expenses (2)	18,234	8,749
Add (deduct): Non cash foreign exchange effect	22,214	17,499
Adjusted EBITDA (*)	**64,874**	**118,814**
Deduct: Finance expense	(35,745)	(38,470)
Deduct: Depreciation and amortization	(30,746)	(26,998)
Deduct: Recovery (provision) for income taxes	5,142	(6,045)
Adjusted net earnings (*)	**3,525**	**47,301**
Adjusted basic net earnings per share*	0.15	1.98
Adjusted diluted net earnings per share*	0.15	1.96
Non-recurring and other expenses (2)	(18,234)	(8,749)
Deduct: Non cash foreign exchange effect	(22,214)	(17,499)
Net (loss) earnings per financial statements	**(36,923)**	**21,053**
Distributions on preferred securities	(2,512)	-
Net (loss) earnings for earnings per share calculation	(39,435)	21,053
Basic net (loss) earnings per share	(1.63)	0.88
Diluted net (loss) earnings per share	(1.63)	0.87
Basic weighted average number of shares outstanding	24,173,043	23,896,099
Diluted weighted average number of shares outstanding	24,173,043	24,092,203

(1) Cost of sales includes depreciation on equipment used to process inventory and certain non-recurring costs. Total depreciation and certain non-recurring costs are 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, effects of governmental regulatory changes or political unrest or war on existing sales, or other, predominantly reported within general and administrative expenses or cost of sales.

Reconciliation of Net Working Capital* and Net Debt*

(in thousands of CDN $)

	Dec 31, 2017	Dec 31, 2016
Trade accounts receivable	$ 211,622	$ 279,782
Inventory	328,080	323,320
Prepaid expenses and other	104,415	113,631
Less: Accounts payable, accrued liabilities and deferred revenue	228,085	330,134
Net Working Capital*	$ 416,032	$ 386,599

Long term debt	$ 453,963	$ 410,776
Bank indebtedness and current portion of long term debt	40,730	156,939
Cash	(21,361)	(29,025)
Net Debt*	$ 473,332	$ 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 48.

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, margins, 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, 2017 or future periods, 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”, “in the opinion of”, "is expected", “if realized”, “is seen as likely”, "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, “grows”, “develop”, “opportunity”, “boding well”, “are viewed”, “appear”, “potential”, “can have”, "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.