MANAGEMENT'S DISCUSSION

AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 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 six months ended June 30, 2018 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2017 and the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018. 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 August 7, 2018. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights for the Three and Six Months Ended June 30, 2018

- **Adjusted EBITDA*** was $17.2 million for the three months ended June 30, 2018 compared to $16.1 million for the three months ended March 31, 2018 and compared to $19.1 million for the three months ended June 30, 2017.

- **Food ingredients and packaged foods** Adjusted EBITDA* per metric tonne ("**mt**") improved to $133.39 per mt for the six months ended June 30, 2018 compared to $113.99 per mt for the six months ended June 30, 2017.

- **Food ingredients and packaged foods** contributed 60.1% of Adjusted EBITDA* for the six months ended June 30, 2018 with 14.5% of mt invoiced.

- **Adjusted Gross Profit* per mt** improved to $70.80 per mt for the three months ended June 30, 2018 compared to $64.37 per mt for the three months ended March 31, 2018.

- **Net Debt*** decreased to $464.4 million at June 30, 2018 when compared to $543.7 million at June 30, 2017 and decreased from $507.2 million at March 31, 2018.

- **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, the U.S. and Southern Africa.

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".

On July 26, 2018, AGT announced that it received a non-binding proposal (the "**Proposal**") from a group comprised of certain members of its management group, led by President and Chief Executive Officer, Murad Al-Katib (the "**Management Group**"). Under the Proposal, the Management Group would acquire all of the issued and outstanding common shares of AGT pursuant to a plan of arrangement, other than those held by the Management Group and certain other significant shareholders, for consideration of C$18 in cash for each common share. The Proposal contemplates that Fairfax Financial Holdings Limited ("**Fairfax**") and Point North Capital Inc. ("**Point North**"), together with certain other members of a buyer group, will retain their equity interests in AGT and current members of the senior management team will remain in their current management positions with AGT after completion of the transaction. The Management Group has advised that the Proposal has the financial support of Fairfax to provide financing to the Management Group for the transaction.

On August 7, 2018, the Company announced that a special committee of independent directors comprised of Geoffrey S. Belsher (Chair), Marie-Lucie Morin, Drew Franklin, John Gardner and Greg Stewart (the "**Special Committee**") has been established to evaluate the Proposal.

The Special Committee has retained Goodmans LLP as its independent legal advisor, and has engaged TD Securities Inc. as its independent financial advisor to provide financial advice and, if requested, a formal valuation of AGT's common shares as required under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions under applicable Canadian securities laws. The Special Committee and certain members of the buyer group have agreed to cooperate with each other for a period of 60 days (during which time the Special Committee has agreed not to solicit or consider alternative transactions) to facilitate the Special Committee's evaluation of the Proposal. The Special Committee has been advised that the buyer group controls 27.5% of the company's outstanding shares and that the buyer group is not prepared to support any alternative transactions.

The Special Committee has not made any determinations or recommendations with respect to the Proposal. There is no set timetable for the Special Committee' review of the Proposal and there can be no assurance that the Proposal or any other transaction will proceed.

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 continued 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 and 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; and
- Recover AGT's facility utilization and expand product mix to generate margins to cover high fixed costs of the Company's core pulses business.

Management highlights the following:

Earnings Constraints Seen as Cyclical

Earnings constraints are seen as largely a result of an oversupply in global pulse markets caused by high levels of production in the world, including an unusually large crop in India in 2017; high levels of governmental imports in 2017 in India; more acres being planted in new jurisdictions such as Kazakhstan, Russia and Ukraine; and high levels of production in Canada in recent years. Recent record pulse prices for sustained years, and particularly in the periods leading to 2017, resulted in more seeding and production, leading 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 with fixed disposable incomes are able to procure more volumes of food.

Food Ingredients and Packaged Foods 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 centre 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 its facility in Minot, North Dakota (the "**Minot Facility**"), focused on production of pulse ingredient flours, proteins, starches and fibres. 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.

Operating Liquidity Available; Banking Agreements Amended in Q2 2018

AGT's balance sheet and liquidity are improved as a result of transactions for capital planning requirements. Debt maturities have been pushed out to as far as 2021 with the $200.0 million high-yield notes issue that was completed in late 2016 and the Fairfax 99-year, no-call preferred securities in the amount of $190.0 million, which has provided capital utilized for the reduction of bank indebtedness.

Bank agreements 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 securitization of the debt and the effects of the Fairfax capital injection. The Interest/EBITDA* covenant was amended to reflect the continued cyclicality of earnings expected through 2018-2019. In 2017, the facility was reduced to $400.0 million and an uncommitted accordion was increased to accommodate needs as the current cycle reverses.

Demand Fundamentals Unchanged

Management believes that rising incomes in emerging markets and growing populations make the opportunity in food 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 40 to 50 years as it has in the past 10,000 years of civilization.

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 the 2017 periods. According to Statpub Market Research ("**StatPub**"), based on data from Statistics Canada ("**StatsCan**"), Canadian harvest production for lentils, dry peas and chickpeas is forecast to decline by 4%, from 6.8 million mt to 6.5 million mt. This decline is marginal and it is not expected to materially correct the realignment of supply and demand positions globally. Supply constraint was needed to assist in the normalization of shipping volumes and margins in the 2018-19 crop and shipping season.

Continued governmental intervention in major markets like India has slowed the pace of normalization, with import restrictions and support for local crops aimed at increasing local production. These interventionist policies may also have the effect of reducing competition as commercial players limit their commercial activities, as they are generally afraid of capital deployment in sectors where government is actively engaged in protectionism.

Management believes that as global markets work through oversupply conditions and assimilate new market conditions, duties and tariffs into product pricing, that materially reduced volumes and margins may reach a bottom and provide market signals that gradual recovery is beginning to emerge in the market. As is expected with gradually improving conditions in the second half of 2018 and into 2019, volumes and utilization of AGT production capacity is anticipated to increase, although the pace of recovery may be affected by further actions of the Government in

India ("**GOI**"), relatively large carryout stocks of pulses in North America and a new crop harvest reaching the market in August 2018.

Conclusion

As AGT cannot control the timing of a market recovery, it continues to focus on its core pillars strategy: being as streamlined and efficient as possible; responsibly managing production, inventory and purchases; and maximizing cash flow and safeguarding capital. While the market continued to be stable in the Q2 period, normalization of volumes and margins is slower than anticipated as GOI policy commitment and resiliency to domestic agricultural supports, such as the minimum support payments for pulses, appear to be programs that the GOI is expected to continue until, at least, after elections in 2019. Management is monitoring market conditions closely to determine where opportunities may exist for AGT's business. 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

As global pulse and staple markets emerge from the traditional reset period in Q2, between local harvest in India and Turkey, where local production of pulses is available for these key consumption markets, and the commencement of harvest in North America, the market conditions over the past few quarters have begun to show some stabilization trends; however, it is too early to determine long term impact of these trends. Conditions such as oversupply, duties, non-tariff trade barriers and the general slowdown in import activities and lower volumes to key consumption markets are less pronounced in this period, as import activities are traditionally lower due to local production availability.

Monsoon rains in India have been reported by the Times of India (July 10, 2018) as deficient in the season and stand at 9%, being 16% below normal in the first 10 days of July. This shortfall has led to sluggish pace of kharif sowing. Monsoons have been scattered, and are reported as closer to longer term averages in certain pulse producing areas. This may affect local production levels, as these rains are arriving later than what is traditionally viewed as the ideal planting period in late-July, as reported by the United States Department of Agriculture ("**USDA**") Global Agricultural Information Network ("**GAIN**"). This has contributed to plantings in 2018 lagging behind the same period in 2017, when a large crop was produced.

In Turkey, USDA GAIN reports that according to Turkish Official Data, total lentil production forecast is 380,000 mt, down 12% compared to last year due to unfavourable weather conditions in the Southeastern region. Production forecasts for chickpeas sit at about 550,000 mt, up 15% as compared to last year.

In Canada, after a season with reasonably good conditions, the Saskatchewan Ministry of Agriculture ("**SaskAg**") reports (for the July 17 to 23, 2018 period) that adequate rainfall and hot conditions have resulted in crops drying for harvest quickly, with some areas expecting to commence harvest shortly and others already commencing in the southern parts of the Province. Crop conditions are reported in this period as an average 56% good and 29% fair for lentils, dry peas and chickpeas, which is expected to result in a normal crop with average yields and good quality. However, harvest results may change based on weather and other conditions, which may result in some fluctuations in harvest volumes and timing.

Agriculture and Agri-Food Canada ("**AAFC**") has reported decreases in production levels for lentils and dry peas due to lower seeding area and average yields; however, good quality and slightly higher production for chickpeas is also reported. Projected production volumes in Canada, as reported by STATPub and based on data from StatsCan, may include 6.5 million mt of pulses, including 2.5 million mt of lentils, a decrease of 2.5% from last season; 3.7 million mt of dry peas, representing a decrease of 10.6%; and 336,000 mt of chickpeas, a 67.5% increase over 2017. AAFC reports that export levels for lentils and dry peas are expected to continue to be lowered, the ongoing result of the stated oversupply and lower import volume conditions. Resulting carry-in is expected to be high; however, these levels may reduce based on actuals from production levels in India and global trade demand.

AAFC reported similar drops in dry pea and lentil production in the U.S.; however, production levels in North Dakota and other dry pea and lentil producing states within reasonable range of the Minot Facility are viewed as adequate to supply raw material yellow peas for the production of pulse flours, proteins, starches and fibres to meet the growing of this business unit.

With substantially no change in the ongoing tariff and non-tariff trade issues between India and the agricultural producing and exporting nations of the world, including Canada, coupled with the traditionally slower Q2 period, where the April to June period represents the reset point of global pulse markets, AAFC further forecasts that import demand in the Indian subcontinent will continue to be similar to 2017-18 for lentils and lowered demand for dry peas, with lower prices to farmers for both.

Production and harvest cycles are necessary to determine supply in terms of quantity and quality. North American production cycles commence in the May to September period, with exports in the later part of the year. Significant production of pulses enters consumption markets in March to April from India, May to June in Turkey and Australia in November to December. This has been the historical flow of products in the global pulse sector for some time.

Decreases in global oversupply conditions are a requirement for resumption of normalized trade flow for pulses and staple foods. With production still reasonably high in North America, particularly in Canada, as the largest exporter of dry peas and lentils, local production and stocks on-hand are expected to continue to fill local consumption needs. Lower than average production in Turkey may be viewed as a signal towards a normalizing trend for global pulse markets as Turkey has high domestic consumption and regional supply requirements. However, the real impact on global markets is not expected until more clarity on India’s production and stock levels, as well as information regarding the GOI plans surrounding tariffs and non-tariff programs and election messaging regarding food security and local minimum support prices to support local agricultural production in upcoming election cycles in India in 2018 and 2019.

In June 2018, GOI provided an extension of its general fumigation derogation. The new derogation expires on December 31, 2018, and is otherwise identical to the previous general derogation which expired on June 30, 2018. This extension is expected to assist with what import volumes there may be to India through the balance of the 2018 year as local production levels become clear.

With respect to the Dry Wheat Pasta investigation on the alleged dumping of pasta from Turkey to Canada, the Canada Border Services Agency ("**CBSA**"), through the Canadian International Trade Tribunal ("**CITT**"), issued its final determination of dumping and subsidizing of certain dry wheat pasta from Turkey. CBSA supported the information provided by CITT, determined in a press release on March 28, 2018 where it was stated 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."

While a duty amount lower than the provisional duty assigned to Turkish pasta manufacturers was implemented through these findings, AGT's Durum Gıda Sanayi ve Ticaret A.Ş. ("**Durum**") subsidiary in Turkey, the producer and exporter of AGT's Arbella pasta brand and the producer and co-packer of pasta for major retailers, received duties payable set at 7%, significantly lower than the provisional duty set earlier by CITT at 27.3% and materially lower than the 99.9% duty set for other Turkish pasta manufacturers. In addition, the process levied a 1.4% charge to compensate for subsidy received by manufacturers by the Turkish government. This is consistent with management views that a low duty structure would be the result for AGT as AGT complied with all requests for information by CBSA and provided a complete data set for analysis resulting in a duty structure that is not anticipated to have a material effect on its sales in Canada.

On July 26, 2018, CITT provided its finding that that the dumping and subsidizing of the above-mentioned goods have caused injury to the domestic industry; however, at this time, the statement of reasons was not available and will be issued within 15 days of the CITT findings. This ruling does not change the finding of 7% duty and 1.4% subsidy provision for AGT.

AGT is closely monitoring the developments and participating in the matter both as an importer in Canada and an exporter from Turkey. It should be noted that appeal process is available through the Federal Court of Appeal to Section 96.1 of the Special Import Measures Act ("**SIMA**") to set aside the CBSA findings. AGT is participating in determination of the best course of action along with the Government of Turkey Ministry of Economy and relevant and impacted producers and exporters of pasta from Turkey, as well as importers of pasta from Turkey. No immediate material impact on AGT's pasta business or its earnings is expected, as Canadian sales, with the punitive duty structure as a result of this matter, could be replaced with sales to other markets.

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

Reporting Segments

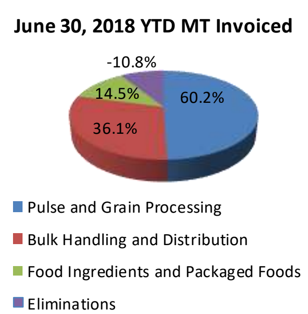
AGT's chief operating decision maker reviews AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies.

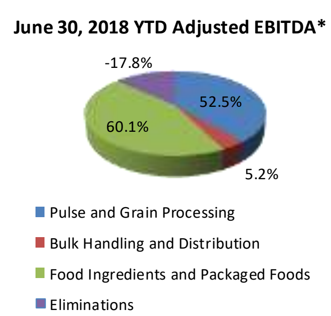
Segment performance is evaluated based on Adjusted EBITDA*. Management believes that Adjusted EBITDA* is an important indicator of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses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

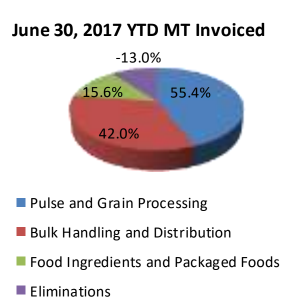
Except as described in note 3(a) and 3(b) of the June 30, 2018 unaudited condensed consolidated interim financial statements, the accounting policies used within each segment are consistent with the policies outlined in AGT's 2017 annual audited consolidated financial statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course of business. Certain estimates and assumptions were made by management in the determination of segment composition.

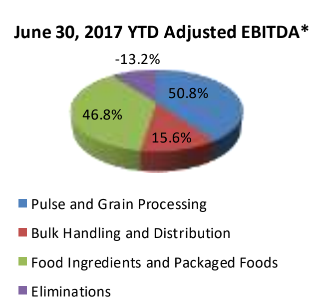
A review of the outlook for each of AGT's business segments is below.

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 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 June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017	Year to Date June 30, 2018	Year to Date June 30, 2017
Revenue	**$ 209,431**	$ 216,755	$ 232,714	$ 426,186	$ 551,658
Cost of sales	**197,287**	204,604	219,505	401,891	522,184
Gross profit	**12,144**	12,151	13,209	24,295	29,474
Adjusted Gross Profit*	**16,538**	16,496	16,884	33,030	36,983
Adjusted EBITDA*	**$ 8,760**	$ 8,721	$ 8,895	$ 17,481	$ 19,895
Total mt invoiced	**311,071**	309,453	263,851	620,524	571,374
Gross profit per mt	**$ 39.04**	$ 39.27	$ 50.06	$ 39.15	$ 51.58
Adjusted Gross Profit* per mt	**53.16**	53.31	63.99	53.23	64.73
Adjusted EBITDA* per mt	**28.16**	28.18	33.71	28.17	34.82

(1) See table on page 17 for consolidated segmented results
(2) Certain estimates and assumptions were made by management in the determination of segment composition

Adjusted Gross Profit* and Adjusted EBITDA* per mt were consistent when comparing the three months ended June 30, 2018 to the three months ended March 31, 2018. Stronger margins in North American business were balanced by slightly lower margins in Turkey, resulting in a flat comparison in the period. Adjusted Gross Profit* and Adjusted EBITDA* per mt decreased when compared to the three months ended June 30, 2017 due to lower relative performance in the Australian business unit in the comparative period, due to constrained shipments and margins of desi chickpeas to India and faba beans to North Africa and resulting in negative Adjusted EBITDA* in this geography. In addition, North American margins are gradually recovering but remain lower than those in the early part of the prior year.

Adjusted Gross Profit* and Adjusted EBITDA* per mt decreased when comparing the three and six months ended June 30, 2018 to the same periods in the prior year. This is due largely to lower earnings in Q1 of 2018 affecting the year to date numbers in addition to certain maintenance and marketing costs in Q1 of 2018 that had an impact on year to date earnings and margin constraints impacted results in the current period.

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 June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017	Year to Date June 30, 2018	Year to Date June 30, 2017
Revenue	**$ 87,664**	$ 82,340	$ 101,247	$ 170,004	$ 174,706
Cost of sales	**75,089**	70,112	89,205	145,201	152,309
Gross profit	**12,575**	12,228	12,042	24,803	22,397
Adjusted Gross Profit*	**14,924**	14,620	14,580	29,544	26,992
Adjusted EBITDA*	**$ 9,835**	$ 10,150	$ 10,057	$ 19,985	$ 18,350
Total mt invoiced	**75,816**	74,007	92,106	149,823	160,986
Gross Profit per mt	**$ 165.86**	$ 165.23	$ 130.74	$ 165.55	$ 139.12
Adjusted Gross Profit* per mt	**196.84**	197.55	158.30	197.19	167.67
Adjusted EBITDA* per mt	**129.72**	137.15	109.19	133.39	113.99

(1) See table on page 17 for consolidated segmented results
(2) Certain estimates and assumptions were made by management in the determination of segment composition

Adjusted Gross Profit* per mt was consistent when comparing the three months ended June 30, 2018 to the three months ended March 31, 2018 and increased when compared to the three months ended June 30, 2017. This is due to positive sales programs related to food ingredients and packaging as well as consistent margins in pasta. Adjusted EBITDA* decreased when compared to Q1 2018 due to specific marketing campaigns but increased when compared to the same period in the prior year due to improved margins.

Adjusted Gross Profit* and Adjusted EBITDA* per mt increased when comparing the three and six months ended June 30, 2018 to the same periods in the prior year. This is due to consistent margins on pasta sales, improvements to sales programs out of the Minot facility and product mix on packaging and retail sales.

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 Q2 2018 when compared to Q1 2018. This demonstrates 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.

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.

Volumes and margins are expected to continue the trend of gradual improvement in 2018-2019, 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 carry-out stocks and new crop 2018.

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, 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. In addition, AGT has acquired the Middle Eastern business unit platform and wholesale contract with Loblaws for its control brand "ARZ" and subsequent successor brands that will be developed and introduced in the partnership between AGT and Loblaws. This business unit is expected to continue to provide stable and predictable earnings in this segment and present growth opportunities to ramp up the size of this platform in the coming years.

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 create 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.

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. This segment is continued as a means to cover some fixed costs of AGT's platform including some short-line rail costs and other fixed costs. Management continues to examine commodities that may provide an opportunity to use AGT's network of sourcing, logistics and financing to generate margins in areas such as feedgrains and other bulk items such as rice.

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 June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017	Year to Date June 30, 2018	Year to Date June 30, 2017
Revenue	**$ 142,946**	$ 133,504	$ 146,815	$ 276,450	$ 332,718
Cost of sales	**138,005**	131,848	140,196	269,853	319,793
Gross profit	**4,941**	1,656	6,619	6,597	12,925
Adjusted Gross Profit*	**5,220**	1,839	6,700	7,059	13,250
Adjusted EBITDA*	**$ 1,512**	$ 204	$ 2,913	$ 1,716	$ 6,091
Total mt invoiced	**193,768**	178,061	179,328	371,829	432,890
Gross profit per mt	**$ 25.50**	$ 9.30	$ 36.91	$ 17.74	$ 29.86
Adjusted Gross Profit* per mt	**26.94**	10.33	37.36	18.98	30.61
Adjusted EBITDA* per mt	**7.80**	1.15	16.24	4.62	14.07

(1) See table on page 17 for consolidated segmented results
(2) Certain estimates and assumptions were made by management in the determination of segment composition

The bulk handling and distribution segment showed improvements in Adjusted Gross Profit* per mt and Adjusted EBITDA* per mt for the three months ended June 30, 2018 when compared to the three months ended March 31, 2018. This is due to strong margins on sales in the AGT Foods

Europe trading platform as well as improved earnings in operations of AGT India, where earnings in the quarter improved from negative Adjusted EBITDA* in Q1 of 2018 to positive Adjusted EBITDA* in Q2 2018.

Adjusted Gross Profit* per mt decreased when comparing the three and six months ended June 30, 2018 to the same periods in 2017. Tariffs imposed on imports to India are now being reflected in sales prices of those products, however the weaker results in Q1 of 2018 are impacting the year to date results. Positive earnings on trading business through AGT's U.K. operations have reduced the impact of other lower margin sales in this segment. Adjusted EBITDA* per mt decreased when comparing the three months and six months ended June 30, 2018 to the same periods in the prior year due to fixed costs associated with the segment.

Corporate and Eliminations

Inter-segment shipments were 62,524 mt and 112,047 mt for the three and six months ended June 30, 2018. 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		
Quarterly comparisons	3 Months Ended June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017	3 Months Ended June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017	3 Months Ended June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017	3 Months Ended June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017	3 Months Ended June 30, 2018	3 Months Ended Mar 31, 2018	3 Months Ended June 30, 2017
Revenue	$ 209,431	$ 216,755	$ 232,714	$ 142,946	$ 133,504	$ 146,815	$ 87,664	$ 82,340	$ 101,247	$ (37,144)	$ (37,958)	$ (29,463)	$ 402,897	$ 394,641	$ 451,313
Cost of sales	197,287	204,604	219,505	138,005	131,848	140,196	75,089	70,112	89,205	(37,144)	(37,958)	(29,463)	373,237	368,606	419,443
Gross profit	12,144	12,151	13,209	4,941	1,656	6,619	12,575	12,228	12,042	-	-	-	29,660	26,035	31,870
Adjusted Gross Profit*	16,538	16,496	16,884	5,220	1,839	6,700	14,924	14,620	14,580	-	-	-	36,682	32,955	38,164
Adjusted EBITDA*	**$ 8,760**	**$ 8,721**	**$ 8,895**	**$ 1,512**	**$ 204**	**$ 2,913**	**$ 9,835**	**$ 10,150**	**$ 10,057**	**$ (2,904)**	**$ (3,011)**	**$ (2,804)**	**$ 17,203**	**$ 16,064**	**$ 19,061**
Total mt invoiced	311,071	309,453	263,851	193,768	178,061	179,328	75,816	74,007	92,106	(62,524)	(49,522)	(47,583)	518,131	511,999	487,702
Gross profit per mt	$ 39.04	$ 39.27	$ 50.06	$ 25.50	$ 9.30	$ 36.91	$ 165.86	$ 165.23	$ 130.74				$ 57.24	$ 50.85	$ 65.35
Adjusted Gross Profit* per mt	53.16	53.31	63.99	26.94	10.33	37.36	196.84	197.55	158.30				70.80	64.37	78.25
Adjusted EBITDA* per mt	28.16	28.18	33.71	7.80	1.15	16.24	129.72	137.15	109.19				33.20	31.38	39.08

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

	Pulse and Grain Processing		Bulk Handling and Distribution		Food Ingredients and Packaged Foods		Corporate and Eliminations		Consolidated	
Year to date comparisons	Year to Date June 30, 2018	Year to Date June 30, 2017	Year to Date June 30, 2018	Year to Date June 30, 2017	Year to Date June 30, 2018	Year to Date June 30, 2017	Year to Date June 30, 2018	Year to Date June 30, 2017	Year to Date June 30, 2018	Year to Date June 30, 2017
Revenue	$ 426,186	$ 551,658	$ 276,450	$ 332,718	$ 170,004	$ 174,706	$ (75,102)	$ (106,264)	$ 797,538	$ 952,818
Cost of sales	401,891	522,184	269,853	319,793	145,201	152,309	(75,102)	(106,264)	741,843	888,022
Gross profit	24,295	29,474	6,597	12,925	24,803	22,397	-	-	55,695	64,796
Adjusted gross profit*	33,030	36,983	7,059	13,250	29,544	26,992	-	-	69,637	77,225
Adjusted EBITDA*	**$ 17,481**	**$ 19,895**	**$ 1,716**	**$ 6,091**	**$ 19,985**	**$ 18,350**	**$ (5,915)**	**$ (5,160)**	**$ 33,267**	**$ 39,176**
Total mt invoiced	620,524	571,374	371,829	432,890	149,823	160,986	(112,047)	(134,061)	1,030,129	1,031,189
Gross profit per mt	$ 39.15	$ 51.58	$ 17.74	$ 29.86	$ 165.55	$ 139.12			$ 54.07	$ 62.84
Adjusted gross profit* per mt	53.23	64.73	18.98	30.61	197.19	167.67			67.60	74.89
Adjusted EBITDA* per mt	28.17	34.82	4.62	14.07	133.39	113.99			32.29	37.99

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

	3 Months Ended June 30, 2018	3 Months Ended Mar 31, 2018	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
Revenue	$ 402,897	$ 394,641	$ 459,128	$ 323,341	$ 451,313	$ 501,505	$ 650,863	$ 442,288
Gross profit	29,660	26,035	18,447	22,943	31,869	32,926	48,104	41,315
Adjusted Gross Profit*	**36,682**	**32,955**	**25,549**	**29,387**	**38,163**	**39,061**	**54,106**	**47,033**
Adjusted EBITDA*	**17,203**	**16,064**	**15,567**	**10,131**	**19,061**	**20,115**	**34,706**	**27,396**
Adjusted net earnings (loss)*	**3,033**	**4,297**	**(4,172)**	**(1,368)**	**2,333**	**6,731**	**17,270**	**12,024**
Adjusted basic net earnings (loss)* per share	**0.13**	**0.18**	**(0.17)**	**(0.06)**	**0.10**	**0.28**	**0.72**	**0.50**
Adjusted diluted net earnings (loss)* per share	**0.13**	**0.18**	**(0.17)**	**(0.06)**	**0.10**	**0.28**	**0.72**	**0.50**
Net (loss) earnings per financial statements	(15,423)	(5,072)	(14,851)	(15,455)	(180)	(6,437)	(11,198)	7,438
Distributions on preferred securities net of tax	(1,859)	(1,838)	(1,899)	(613)	-	-	-	-
Net (loss) earnings for earnings per share calculation	(17,282)	(6,910)	(16,750)	(16,068)	(180)	(6,437)	(11,198)	7,438
Basic net (loss) earnings per share	(0.71)	(0.29)	(0.69)	(0.66)	(0.01)	(0.27)	(0.47)	0.31
Diluted net (loss) earnings per share	(0.71)	(0.29)	(0.69)	(0.66)	(0.01)	(0.27)	(0.46)	0.31
Pulse and grain processing mt invoiced (2)	311,071	309,453	363,555	216,204	263,851	307,523	477,850	254,259
Bulk handling and distribution mt invoiced (2)	193,768	178,061	175,138	165,288	179,328	253,562	257,104	228,203
Food ingredients and packaged foods mt invoiced (2)	75,816	74,007	63,138	73,186	92,106	68,880	58,537	65,376
Inter-company mt	(62,524)	(49,522)	(46,704)	(39,464)	(47,583)	(86,478)	(48,536)	(59,661)
Total mt invoiced	518,131	511,999	555,127	415,214	487,702	543,487	744,955	488,177
Gross profit per mt	$ 57.24	$ 50.85	$ 33.23	$ 55.26	$ 65.35	$ 60.58	$ 64.57	$ 84.63
Adjusted Gross Profit* per mt	70.80	64.37	46.02	70.78	78.25	71.87	72.63	96.34
Adjusted EBITDA* per mt	33.20	31.38	28.04	24.40	39.08	37.01	46.59	56.12

Notes:

(1) Calculated from the unaudited condensed consolidated interim financial statements for the quarters ended June 30, 2018, March 31, 2018, December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016, September 30, 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 52.0% and 53.4% of consolidated revenue for the three and six months ended June 30, 2018.
- 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 June 30			6 Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Revenue	402,897	451,313	(48,416)	797,538	952,818	(155,280)
Less: cost of sales	373,237	419,444	(46,207)	741,843	888,023	(146,180)
Gross profit	29,660	31,869	(2,209)	55,695	64,795	(9,100)
Add back: depreciation in cost of sales	7,022	6,294	728	13,942	12,429	1,513
Adjusted Gross Profit*	36,682	38,163	(1,481)	69,637	77,224	(7,587)
Gross profit percentage	7.4%	7.1%	0.3%	7.0%	6.8%	0.2%
Adjusted Gross Profit* percentage	9.1%	8.5%	0.6%	8.7%	8.1%	0.6%

Gross profit and Adjusted Gross Profit* decreased in absolute dollars when comparing the three and six months ended June 30, 2018 to the three and six months ended June 30, 2017. This was due to lower sales prices, particularly in the pulse and grain processing segment. Gross profit and Adjusted Gross Profit* percentages improved when comparing the three and six months ended June 30, 2018 to the same periods in the prior year. This is due largely to improved margins year over year out of the Minot facility that are the result of sales programs that aimed at starch fraction value improvements in addition to stronger margins on North American sales.

Adjusted EBITDA*

	3 Months Ended June 30			6 Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Adjusted EBITDA*	17,203	19,061	(1,858)	33,267	39,176	(5,909)
Adjusted EBITDA* percentage of revenue	4.3%	4.2%	0.1%	4.2%	4.1%	0.1%

Adjusted EBITDA* on an absolute basis decreased for the three and six months ended June 30, 2018 when compared to the three and six months ended June 30, 2017 due to the continued strained demand impacting operations in both the Pulse and Grain Processing and Bulk Handling and Distribution segments. This was partially offset by improvements in the Food Ingredients and Packaged Foods segment year over year.

Adjusted EBITDA* as a percentage of revenue for the three and six months ended June 30, 2018 was consistent to the prior year.

Expenses

	3 Months Ended June 30			6 Months Ended June 30		
	2018	2017	Change	2018	2017	Change
General and administrative and marketing, sales and distribution expenses	22,717	23,568	(851)	43,000	45,459	(2,459)
Finance expense	9,791	8,640	1,151	17,868	17,132	736
Depreciation and amortization	8,275	8,262	13	16,491	15,679	812
Recovery of income taxes	(3,896)	(175)	(3,721)	(8,422)	(2,700)	(5,722)
Unrealized foreign exchange loss (gain)	16,471	17	16,454	23,744	11,522	12,222

General and administrative and marketing, sales and distribution expenses for the three months and six months ended June 30, 2018 decreased when compared to the prior year. This is due to continued focus on fixed cost reduction and cost savings initiatives.

Finance expenses includes interest related to short and long term finances, as well as discounts on notes and bonds. Interest on long and short-term debt for the three and six months ended June 30, 2018 was consistent to the same periods in the prior year. Trade finance instruments are utilized to improve the cash collection cycle and interest charges remained consistent with the prior year.

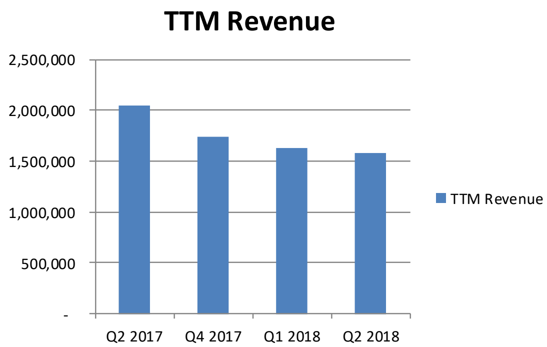
Depreciation expenses for the three and six months ended June 30, 2018 were consistent to the same periods in the prior year.

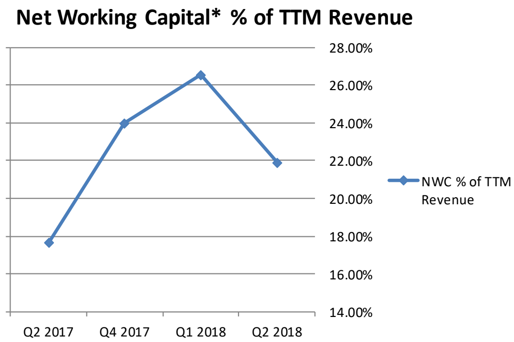
Income tax expense is calculated for each subsidiary at the individual rate for that country and therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

AGT estimates an average tax rate in the range of 25%, 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 unaudited consolidated statements of comprehensive loss and are recorded in accumulated other comprehensive loss on AGT's unaudited condensed 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 $346.0 million at June 30, 2018, a decrease from $432.2 million at March 31, 2018 and $361.4 million at June 30, 2017 (see table on page 27). Net working capital as a percentage of TTM revenue has decreased from 26.54% at March 31, 2018, and from 23.97% at December 31, 2017 to 21.90% at June 30, 2018. Accounts payable at June 30, 2018 has remained consistent with March 31, 2018 and has decreased when compared to June 30, 2017 due to lower commodity prices. This is offset by lower inventory levels which are typical in the Q2 period in addition to cash collections on Q1 2018 sales and trade finance instruments resulting in lower accounts receivable.

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 for management.

Net Debt* is comprised of bank indebtedness, long term debt and current portion of long term debt, less cash and totaled $464.4 million at June 30, 2018, a decrease from $507.2 million at March 31, 2018 and from $543.7 million at June 30, 2017 (see table on page 27). The decrease from the prior quarter is due to decreased working capital levels as sales that were executed in Q1 of 2018 were collected. The decrease from June 30, 2017 is due to the issuance of the Fairfax preferred securities during the year, as well as lower accounts receivables, partially offset by decreased accounts payable.

Current assets (excluding derivative assets) were $582.4 million at June 30, 2018 compared to $669.7 million at December 31, 2017. The current asset base is largely accounts receivable and inventory, in addition to deposits related to inventory purchases. It is important to note that accounts receivables are largely insured by Export Development Canada (“**EDC**”) or other credit risk mitigation strategies, such as letters of credit, significantly reducing the risks associated with accounts receivable collection, since buyer risk is being replaced by Government of Canada risk through the export insurance.

Trade accounts receivable decreased to $158.4 million at June 30, 2018, compared to $223.4 million at March 31, 2018 and decreased when compared to $203.3 million at June 30, 2017 (see table on page 27). The decrease from March 31, 2018 is due largely to collections of product invoiced from Turkey later in Q1 2018. The utilization of trade finance instruments during the quarter also contributed to the reduction. The decrease from June 30, 2017 is due largely to the timing of sales from Turkey and North American, in addition to the use of trade finance instruments.

Inventory decreased to $279.8 million at June 30, 2018, compared to $306.0 million at March 31, 2018 and was consistent when compared to $282.7 million at June 30, 2017 (see table on page 27). The decrease when compared to March 31, 2018 is due to lower inventory levels in North America and India, reduced prices of some commodities and seasonally lower inventory in Australia.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. The inventory value of $279.8 million at June 30, 2018 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, including 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 July 2018 of $3.6 million ($0.15 per share) in the aggregate to its shareholders of record on June 30, 2018.

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 June 30, 2018 and December 31, 2017 foreign exchange rates as follows [Source: X-Rates]:

	June 30, 2018	Dec 31, 2017
USD/CDN	1.31407	1.25732
AUD/CDN	0.97301	0.98249
TL/CDN	0.28640	0.33127
GBP/CDN	1.73542	1.69775
EUR/CDN	1.53623	1.50861
ZAR/CDN	0.09575	0.10145
RMB/CDN	0.19854	0.19326
INR/CDN	0.01919	0.01969

For each subsidiary, any difference between the June 30, 2018 exchange rate and the average exchange rate used to record revenues and expenses is recorded as other comprehensive loss on

AGT's Unaudited 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.

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 June 30, 2018, AGT had total operating lines available of $200.5 million (December 31, 2017 - $195.9 million). Included in these facilities are the APP syndicated credit facilities in the amount of $150.0 million (December 31, 2017 – $150.0 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 June 30, 2018, $10.6 million (December 31, 2017 - $30.8 million) of the facilities was utilized, leaving $189.9 million (December 31, 2017 - $165.0 million) unutilized. The weighted average interest rate on available operating lines at June 30, 2018 is 3.8% (December 31, 2017 – 3.8%).

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.

At June 30, 2018, AGT is in compliance with its financial covenants under all credit agreements.

On April 25, 2018, AGT entered into an asset purchase agreement with ARZ Group Limited and Loblaws Inc. The agreement closed on May 4, 2018. ARZ Group Limited is a wholesale distribution company. The consideration for the purchase of the assets of ARZ Group from Loblaws Inc. was $4 million. Concurrent with closing, AGT, through its subsidiary, AGT CLIC, entered into a 20 year exclusive agreement with Loblaws to supply certain products under the ARZ and successor brands that will be launched by AGT for the middle-eastern market segment of Loblaws retail stores.

On June 29, 2018 APP finalized its $400 million syndicated Amended and Restated Credit Agreement of AGT's wholly-owned operating subsidiary, APP, relating to APP's syndicated credit facilities in the aggregate amount of $400 million (the "Credit Facilities). The Credit Facilities bring the Mobil Group into the Credit Facilities as guarantors. In addition to other conforming amendments, at the AGT consolidated level, the minimum Adjusted EBITDA* to interest expense ratio has been amended to reflect that such ratio for AGT will not be less than 1.25:1.00 for the quarters ending June 30, 2018 and September 30, 2018; not less than 1.50:1.00 for the quarter ending December 31, 2018; not less than 1.75:1.00 for the quarters ending March 31, 2019 and June 30, 2019; not less than 2.00:1.00 for the quarters ending September 30, 2019 and December 31, 2019; and not less than 2.50:1.00 for the quarter ending March 31, 2020 and each quarter thereafter. The financial covenants in respect of APP remain unchanged.

On July 26, 2018, AGT announced that it received a non-binding Proposal from a group comprised of certain members of its Management Group, led by President and Chief Executive Officer, Murad Al-Katib. Under the Proposal, the Management Group would acquire all of the issued and outstanding common shares of AGT pursuant to a plan of arrangement, other than those held by the Management Group and certain other significant shareholders, for consideration of C$18 in cash for each common share. The Proposal contemplates Fairfax and Point North, together with certain other members of a buyer group, will retain their equity interests in AGT and current members of the senior management team will remain in their current management positions with AGT after completion of the transaction. The Management Group has advised that the

Proposal has the financial support of Fairfax to provide financing to the Management Group for the transaction.

On August 7, 2018, the Company announced that a Special Committee of independent directors comprised of Geoffrey S. Belsher (Chair), Marie-Lucie Morin, Drew Franklin, John Gardner and Greg Stewart has been established to evaluate the Proposal.

The Special Committee has retained Goodmans LLP as its independent legal advisor, and has engaged TD Securities Inc. as its independent financial advisor to provide financial advice and, if requested, a formal valuation of AGT's common shares as required under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions under applicable Canadian securities laws. The Special Committee and certain members of the buyer group have agreed to cooperate with each other for a period of 60 days (during which time the Special Committee has agreed not to solicit or consider alternative transactions) to facilitate the Special Committee's evaluation of the Proposal. The Special Committee has been advised that the buyer group controls 27.5% of the company's outstanding shares and that the buyer group is not prepared to support any alternative transactions.

The Special Committee has not made any determinations or recommendations with respect to the Proposal. There is no set timetable for the Special Committee' review of the Proposal and there can be no assurance that the Proposal or any other transaction will proceed.

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. $)	June 30, 2018 (unaudited)	Mar 31, 2018 (unaudited)	Dec 31, 2017	June 30, 2017 (unaudited)
Long term debt	$ 474,225	$ 483,955	$ 453,963	$ 460,864
Bank indebtedness and current portion of long term debt	18,937	45,285	40,730	100,675
Cash	(28,728)	(21,996)	(21,361)	(17,866)
Net Debt*	**$ 464,434**	**$ 507,244**	**$ 473,332**	**$ 543,673**
Shareholders' equity	304,112	359,418	370,253	287,749
Capital	**$ 768,546**	**$ 866,662**	**$ 843,585**	**$ 831,422**
TTM Adjusted EBITDA*	58,965	60,823	64,874	101,278
Net Debt* to TTM Adjusted EBITDA*	7.88	8.34	7.30	5.37

Selected asset and liability information

(in thousands of Cdn. $)	June 30, 2018 (unaudited)	Mar 31, 2018 (unaudited)	Dec 31, 2017	June 30, 2017 (unaudited)
Cash	$ 28,728	$ 21,996	$ 21,361	$ 17,866
Trade accounts receivable	158,430	223,371	211,622	203,308
Inventory	279,801	305,981	328,080	282,678
Prepaid expenses and other	111,470	107,370	104,415	106,022
Bank indebtedness and current portion of long term debt	18,937	45,285	40,730	100,675
Accounts payable, accrued liabilities and deferred revenue	203,715	204,481	228,085	230,653
Long-term debt	474,225	483,955	453,963	460,864
Net Working Capital* calculation				
Trade accounts receivable	158,430	223,371	211,622	203,308
Inventory	279,801	305,981	328,080	282,678
Prepaid expenses and other	111,470	107,370	104,415	106,022
Less: Accounts payable, accrued liabilities and deferred revenue	203,715	204,481	228,085	230,653
Net Working Capital*	345,986	432,241	416,032	361,355
TTM revenue	1,580,007	1,628,423	1,735,287	2,045,969
Net Working Capital* as a percentage TTM Revenue	21.90%	26.54%	23.97%	17.66%

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	June 30, 2018	Dec 31, 2017	Financial Statement Caption
APP Group				
Senior secured APP bank facility	January 2020	$ -	$ 3,733	bank indebtedness
Senior secured APP bank facility	January 2020	245,680	220,652	long term debt
Poortman facility, other	October 2018	142	15,107	bank indebtedness
AGT CLIC mortgage on building and other	August 2036	6,806	7,320	long term debt
Mobil mortgage and debt	Sep 2023 to May 2040	16,246	27,273	long term debt
Note payable for land purchase	November 2024	5,469	-	long term debt
Other		42	1,400	long term debt
		$ 274,385	$ 275,485	
Other Entities (excluding AGT)				
Senior secured Advance Seed facility	May 2019	$ 10,447	$ 11,413	bank indebtedness
Other		-	580	bank indebtedness
Other		223	133	long term debt
		$ 10,670	$ 12,126	
AGT				
Note payable related to Mobil purchase	October 2020	$ 11,215	$ 10,678	long term debt
Notes outstanding	December 2021	196,268	195,798	long term debt
Other		624	606	long term debt
		$ 208,107	$ 207,082	
Total debt		$ 493,162	$ 494,693	
June 30, 2018 financial statements				
Bank indebtedness		$ 10,589	$ 30,833	
Long term debt, including current portion		482,573	463,860	
		$ 493,162	$ 494,693	

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

Cash flow from (used in)	3 months ended June 30, 2018	3 months ended Mar 31, 2018	3 months ended June 30, 2017	Difference Jun 30, 2018 to June 30, 2017
Operating activities	$ 58,964	$ (62)	$ 48,167	$ 10,797
Financing activities	(40,836)	17,741	(32,622)	(8,214)
Investing activities	(8,844)	(12,776)	(10,943)	2,099
Effect of exchange rate changes on cash	(2,552)	(4,268)	(5,844)	3,292
Change in cash	$ 6,732	$ 635	$ (1,242)	$ 7,974

	3 months ended June 30, 2018	3 months ended Mar 31, 2018	3 months ended June 30, 2017	Difference Jun 30, 2018 to June 30, 2017
Non-cash working capital	$ 46,980	$ (10,754)	$ 35,915	$ 11,065

Cash flow from (used in)	6 months ended Jun 30, 2018	6 months ended Jun 30, 2017	Difference
Operating activities	$ 58,902	$ 51,429	$ 7,473
Financing activities	(23,095)	(29,776)	6,681
Investing activities	(21,620)	(25,050)	3,430
Effect of exchange rate changes on cash	(6,820)	(7,762)	942
Change in cash	$ 7,367	$ (11,159)	$ 18,526

	6 months ended Jun 30, 2018	6 months ended Jun 30, 2017	Difference
Non-cash working capital	$ 36,226	$ 23,860	$ 12,366

Cash flow from operating activities for the three months ended June 30, 2018 was $59.0 million compared to cash flow used in operating activities of $0.1 million for the three months ended March 31, 2018 and compared to cash flow from operations of $48.2 million for the three months ended June 30, 2017. The change when comparing the three months ended June 30, 2018 and to the three months ended March 31, 2018 and to the three months ended June 30, 2017 is due largely to a decrease in non-cash working capital resulting collections of proceeds of sales from Q1 2018 as well as utilization of trade finance instruments.

Cash flow from operating activities for the six months ended June 30, 2018 was $58.9 million compared to cash flow from operating activities of $51.4 million for the six months ended June 30, 2017. This was due to an increase in non-cash working capital.

Cash flow used in financing activities for the three months ended June 30, 2018 was $40.8 million compared to an increase of $17.7 million for the three months ended March 31, 2018 and compared to a decrease of $32.6 million for the three months ended June 30, 2017. Cash flow from financing activities decreased for the three months ended June 30, 2018 when compared to the three months ended March 31, 2018 due to utilization of trade finance instruments and resulting lower bank indebtedness.

Cash flow used in financing activities was $23.1 million for the six months ended June 30, 2018 compared to cash used of $29.8 million for the six months ended June 30, 2017. This was due to cash proceeds from sales used to pay down indebtedness.

Cash flow used in investing activities was $8.8 million for the three months ended June 30, 2018 compared to cash flow used of $12.8 million in the three months ended March 31, 2018 and compared to cash used of $10.9 million for the three months ended June 30, 2017. The current period includes capital expenditures and is offset by sales of equipment in the amount of $2.9 million.

Cash used in investing activities was $21.6 million for the six months ended June 30, 2018, relatively consistent with cash used of $25.1 million for the six months ended June 30, 2017.

Cash Flow Information – Non-Cash Working Capital

Non-cash working capital increased by $47.0 million for the three months ended June 30, 2018 compared to a decrease of $10.8 million for the three months ended March 31, 2018 and compared to an increase of $35.9 million for the three months ended June 30, 2017. The change when comparing the three months ended June 30, 2018 to the three months ended March 31, 2018 is due reductions in accounts receivable and inventory, with accounts payable remaining consistent.

Non-cash working capital increased by $36.2 million for the six months ended June 30, 2018 compared to an increase of $23.9 million for the six months ended June 30, 2017. This is due to lower accounts receivable and inventory, partially offset by decreased accounts payable and an increase in prepaid expense and other.

Accounts Payable, accrued liabilities and deferred revenue

Accounts payable, accrued liabilities and deferred revenue was consistent with $204.5 million at March 31, 2018 and decreased from $228.1 million at December 31, 2017 to $203.7 million at June 30, 2018. This is due largely to price compression and producers requiring cash settlement rather than deferrals. In addition, there was a reduction of trade finance instruments outstanding at June 30, 2018 compared to the same period in 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:

	June 30, 2018	June 30, 2017
Short term benefits (wage, bonus, vacation paid out, directors fees)	$ 1,369	$ 2,205
Post employment benefits (RRSP)	65	65
Share based compensation	434	80
	$ 1,868	$ 2,350

	June 30, 2018	Dec 31, 2017
Accounts receivable	$ 3,438	$ 2,873
Accounts payable	495	1,084

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.

	June 30, 2018	Dec 31, 2017
Accounts receivable	$ 6	$ 80
Purchase of land	$ 5,277	$ 137

Purchases in the above include a land purchase from a company owned by certain of AGT's key management for $5.3 million. This land purchase was done at prevailing market rates and the transaction was approved by the Board of Directors. The acquisition was done with a non-interest bearing note payable with seven annual payments of $0.9 million commencing November 2018.

In addition to the transactions above, AGT completed a swap of land in 2017 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.

There were no other transactions with key management during the quarter.

Transactions with other related parties

	June 30, 2018	Dec 31, 2017
Accounts payable	$ 71	$ 185

	June 30, 2018	June 30, 2017
Purchases	$ 840	$ 1,020

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 10 of AGT's June 30, 2018 unaudited condensed consolidated interim financial statements. AGT has no other off balance sheet arrangements.

Critical Accounting Estimates

The critical judgements and estimates applied in the preparation of AGT's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018 are consistent with those applied and disclosed in Note 2 of AGT's audited consolidated financial statements for the year ended December 31, 2017.

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.

Certain prior period comparative figures have been restated to conform to the current year's method of presentation.

Significant Accounting Policies

The accounting policies applied in the preparation of AGT's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in AGT's audited consolidated financial statements for the year ended December 31, 2017 except as noted in Note 3 of the June 30, 2018 unaudited condensed consolidated interim financial statements.

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 June 30, 2018 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 June 30, 2018, ICFR (as defined in NI 52-109) were designed effectively.

There were no changes in our ICFR during the three month period ended June 30, 2018 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 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 is assessing the potential impact of standards, amendments and interpretations effective in future years for impacts on both quantitative and qualitative disclosure. AGT expects to adopt these standards on their respective effective dates.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 24,236,536 common shares and 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, political risk, 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 exposure, 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 June 30, 2018.

Commitments and Contingencies

The nature of AGT's commitments and contingencies are disclosed in Note 18 of AGT's June 30, 2018 unaudited condensed consolidated interim financial statements.

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.

Commodity Price Risk

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

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

Reconciliation of Net Earnings, Adjusted Net Earnings*, Adjusted Net Earnings Per Share* and Adjusted EBITDA*

(in thousands of CDN $ except as indicated, unaudited)

	3 Months Ended		6 Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenue	$ 402,897	$ 451,313	$ 797,538	$ 952,818
Less: cost of sales [1]	373,237	419,443	741,843	888,022
Gross profit	29,660	31,870	55,695	64,796
Add back: depreciation in cost of sales	7,022	6,294	13,942	12,429
Adjusted gross profit*	**36,682**	**38,164**	**69,637**	**77,225**
Deduct: General and administrative and marketing, sales and distribution expenses	(22,717)	(23,568)	(43,000)	(45,459)
Deduct: Non cash foreign exchange effect	(16,471)	(17)	(23,744)	(11,522)
Add: Amortization in general and administrative expense	1,253	1,968	2,549	3,250
EBITDA	(1,253)	16,547	5,442	23,494
Add: Non-recurring and other expenses [2]	1,985	2,497	4,081	4,160
Add: Non cash foreign exchange effect	16,471	17	23,744	11,522
Adjusted EBITDA [*]	**17,203**	**19,061**	**33,267**	**39,176**
Deduct: Finance expense	(9,791)	(8,640)	(17,868)	(17,132)
Deduct: Depreciation and amortization	(8,275)	(8,262)	(16,491)	(15,679)
Add: Recovery of income taxes	3,896	175	8,422	2,700
Adjusted net earnings [*]	**3,033**	**2,334**	**7,330**	**9,065**
Adjusted basic net earnings per share*	0.13	0.10	0.30	0.38
Adjusted diluted net earnings per share*	0.13	0.10	0.30	0.38
Non-recurring and other expenses [2]	(1,985)	(2,497)	(4,081)	(4,160)
Deduct: Non cash foreign exchange effect	(16,471)	(17)	(23,744)	(11,522)
Net loss per financial statements	**(15,423)**	**(180)**	**(20,495)**	**(6,617)**
Distributions on preferred securities net of tax	(1,859)	-	(3,697)	-
Net loss for earnings per share calculation	(17,282)	(180)	(24,192)	(6,617)
Basic net loss per share	(0.71)	(0.01)	(1.00)	(0.27)
Diluted net loss per share	(0.71)	(0.01)	(1.00)	(0.27)
Basic weighted average number of shares outstanding	24,236,536	24,236,536	24,236,536	24,108,497
Diluted weighted average number of shares outstanding	24,236,536	24,236,536	24,236,536	24,108,497

(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 $)

	Jun 30, 2018 (unaudited)	Dec 31, 2017
Trade accounts receivable	$ 158,430	$ 211,622
Inventory	279,801	328,080
Prepaid expenses and other	111,470	104,415
Less: Accounts payable, accrued liabilities and deferred revenue	203,715	228,085
Net Working Capital*	$ 345,986	$ 416,032

	Jun 30, 2018 (unaudited)	Dec 31, 2017
Long term debt	$ 474,225	$ 453,963
Bank indebtedness and current portion of long term debt	18,937	40,730
Cash	(28,728)	(21,361)
Net Debt*	$ 464,434	$ 473,332

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 37.

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; global supplies; global demand; demand fundamentals, market conditions, market recovery and AGT's ability to respond; 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., Turkish and 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.