AGT FOOD AND INGREDIENTS INC.

(Formerly Alliance Grain Traders Inc.)

# UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014**

These unaudited condensed consolidated interim financial statements have been prepared by management of AGT Food and Ingredients Inc ("AGT") and have not been reviewed by AGT's auditors.

AGT FOOD AND INGREDIENTS INC.

## Unaudited Consolidated Statements of Financial Position
### as at

(Stated in thousands of Canadian Dollars)

| | Note | | Mar 31, 2015 | | Dec 31, 2014 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | | $ | 37,482 | $ | 29,319 |
| Trade accounts receivable | | | 183,965 | | 191,751 |
| Derivative asset | 9 | | 2,900 | | 2,900 |
| Inventory | 4 | | 346,865 | | 341,757 |
| Prepaid expenses and other | | | 44,319 | | 34,057 |
| Income tax receivable | | | 3,793 | | 4,166 |
| **Total current assets** | | | **619,324** | | **603,950** |
| Property, plant and equipment | 5 | | 246,310 | | 241,041 |
| Intangible assets | 6 | | 12,827 | | 12,782 |
| Goodwill | 6 | | 57,666 | | 58,116 |
| Deferred income tax assets | | | 12,999 | | 10,791 |
| Other | | | 2,263 | | 2,173 |
| **Total assets** | | **$** | **951,389** | **$** | **928,853** |
| **Liabilities** | | | | | |
| Bank indebtedness | | $ | 118,337 | $ | 91,218 |
| Accounts payable and accrued liabilities | | | 184,052 | | 202,692 |
| Derivative liability | 9 | | 48,707 | | 30,883 |
| Deferred revenue | | | 10,866 | | 13,458 |
| Income taxes payable | | | 2,687 | | 3,267 |
| Current portion of long-term debt | 7 | | 5,926 | | 5,931 |
| Dividends payable | | | 3,460 | | 3,460 |
| **Total current liabilities** | | | **374,035** | | **350,909** |
| Long-term debt | 7 | | 244,304 | | 245,242 |
| Deferred income tax liabilities | | | 10,148 | | 10,632 |
| **Total liabilities** | | | **628,487** | | **606,783** |
| **Shareholders' equity** | | | | | |
| Share capital | 8 | | 350,922 | | 350,816 |
| Contributed surplus | | | 901 | | 853 |
| Accumulated other comprehensive loss | | | (34,265) | | (37,857) |
| Retained earnings | | | 5,344 | | 8,258 |
| **Total shareholders' equity** | | | **322,902** | | **322,070** |
| **Total liabilities and shareholders' equity** | | **$** | **951,389** | **$** | **928,853** |

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

## Unaudited Consolidated Statements of Comprehensive Income
### For the period ended March 31

(Stated in thousands of Canadian Dollars)

| | Note | 3 Months 2015 | 2014 |
|---|---|---|---|
| **Revenues** | | $ 385,200 | $ 311,283 |
| **Cost of sales** | | 350,731 | 284,014 |
| **Gross profit** | | 34,469 | 27,269 |
| General and administrative expenses | | 10,954 | 9,685 |
| Marketing, sales and distribution expenses | | 6,696 | 5,890 |
| **Earnings from operations** | | **16,819** | **11,694** |
| **Other expenses (income) :** | | | |
| Unrealized foreign exchange loss (gain) | | 8,173 | (7,149) |
| Finance income | | (30) | (4) |
| Finance expense | 11 | 8,391 | 7,931 |
| **Earnings before income tax** | | **285** | **10,916** |
| Income tax (recovery) expense | | (261) | 1,704 |
| **Net earnings** | | **546** | **9,212** |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations (no tax effect) | | 3,592 | 10,639 |
| **Total comprehensive income** | | **$ 4,138** | **$ 19,851** |
| Basic net earnings per share | | $ 0.02 | $ 0.46 |
| Diluted net earnings per share | | $ 0.02 | $ 0.46 |
| Basic weighted average number of shares | | 23,068,039 | 19,865,521 |
| Diluted weighted average number of shares | | 23,292,371 | 20,162,811 |

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

**Unaudited Consolidated Statements of Changes in Equity**

(Stated in thousands of Canadian Dollars)

| | Share capital | Contributed surplus | Accumulated other comprehensive (loss) income | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2015 | $ 350,816 | $ 853 | $ (37,857) | $ 8,258 | **$ 322,070** |
| Net earnings | - | - | - | 546 | **546** |
| Other comprehensive income due to changes in foreign exchange | - | - | 3,592 | - | **3,592** |
| **Total comprehensive income** | - | - | 3,592 | 546 | **4,138** |
| Share based compensation | 106 | 48 | - | - | **154** |
| Dividends to shareholders | - | - | - | (3,460) | **(3,460)** |
| **Balance at March 31, 2015** | **$ 350,922** | **$ 901** | **$ (34,265)** | **$ 5,344** | **$ 322,902** |

| | Share capital | Contributed surplus | Accumulated other comprehensive (loss) income | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 270,058 | $ 922 | $ (37,640) | $ 999 | **$ 234,339** |
| Net earnings | - | - | - | 19,759 | **19,759** |
| Other comprehensive loss due to changes in foreign exchange | - | - | (217) | - | **(217)** |
| **Total comprehensive (loss) income** | - | - | (217) | 19,759 | **19,542** |
| Net proceeds from issuance of shares | 77,374 | - | - | - | **77,374** |
| Share based compensation | 3,384 | (69) | - | - | **3,315** |
| Dividends to shareholders | - | - | - | (12,500) | **(12,500)** |
| **Balance at December 31, 2014** | **$ 350,816** | **$ 853** | **$ (37,857)** | **$ 8,258** | **$ 322,070** |

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

AGT FOOD AND INGREDIENTS INC.

**Unaudited Consolidated Statements of Cash Flow**

**For the period ended March 31**

(Stated in thousands of Canadian Dollars)

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Cash from (used for) the following:** | | | |
| **Operating activities** | | | |
| Net earnings | | $ 546 | $ 9,212 |
| Items not involving cash | 12 | 19,505 | 5,947 |
| Interest paid | | (8,753) | (7,501) |
| Income taxes paid | | (2,694) | (1,155) |
| Non-cash working capital | 12 | (20,719) | (34,427) |
| | | ( 12,115 ) | (27,924) |
| **Financing activities** | | | |
| Increase in bank indebtedness | | 26,715 | 29,750 |
| Proceeds from long-term debt, net of issue costs | | - | 19,070 |
| Repayment of long term debt | | (1,474) | (1,617) |
| Dividends paid | | (3,460) | (2,980) |
| | | 21,781 | 44,223 |
| **Investing activities** | | | |
| Acquisition, net of cash acquired | | - | (16,000) |
| Purchase of property, plant and equipment and intangible assets | | (3,806) | (4,064) |
| Proceeds from the sale of property, plant and equipment and insurance proceeds | | 18 | 37 |
| Other | | (56) | - |
| | | (3,844) | (20,027) |
| Effect of exchange rate changes on cash | | 2,341 | 1,109 |
| **Increase (decrease) in cash position** | | $ 8,163 | $ (2,619) |
| **Cash position, beginning of the period** | | **$ 29,319** | **$ 22,893** |
| **Cash position, end of the period** | | **$ 37,482** | **$ 20,274** |

*The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.*

## 1. Reporting entity

On October 1, 2014, AGT Food and Ingredients Inc. ("AGT") announced its name change from Alliance Grain Traders Inc. AGT's head office is located in Canada. The address of AGT's registered office is 199 Bay Street, Suite 5300, Toronto, Ontario, M5L 1B9. The management of day-to-day operations is carried out at 6200 E. Primrose Drive, Regina, Saskatchewan S4V 3L7. The unaudited condensed consolidated interim financial statements ("Financial Statements") of AGT are comprised of AGT and its subsidiaries. AGT is engaged in the business of sourcing and value-added processing (cleaning, splitting, sorting and bagging) of pulses and specialty crops for export and domestic markets including a full range of lentils, peas, chickpeas, beans and canary seed. AGT also produces and distributes food ingredient products such as pulse flours, proteins, starches and fibres for human food, food ingredient and pet food applications. Through its offices and processing facilities located in Canada, the U.S., Turkey, China, Australia, and South Africa, and its merchandising and sales offices in the U.K., Switzerland and India, AGT produces a full range of pulses, specialty crops, and food ingredients. Through its subsidiaries in Turkey, also produces staple foods such as Arbella Pasta, rice, and milled wheat products, including bulgur and semolina. Through its Canadian subsidiary, AGT CLIC Foods Inc., AGT operates canning, small packaging and distribution facilities for the supply of products to retail and food service customers. The results included in the Financial Statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of AGT's business. AGT's common shares are traded on the Toronto Stock Exchange under the symbol AGT.

## 2. Basis of presentation

### (a) Statement of compliance

The Financial Statements and the notes thereto have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The Financial Statements do not include all of the information required for full annual financial statements and should be read in conjunction with AGT's annual consolidated financial statements as at and for the year ended December 31, 2014. Except as disclosed in Note 3, there have been no changes to AGT's accounting policies from those disclosed in AGT's annual consolidated financial statements as at and for the year ended December 31, 2014.

The Financial Statements were approved and authorized for issue by the Board of Directors on May 11, 2015.

### (b) Basis of measurement

All Financial Statements are expressed in Canadian dollars, AGT's presentation currency. All financial information has been rounded to the nearest thousand, with the exception of share units and per share amounts or unless otherwise noted. The Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. (note 9)

## 2. Basis of presentation – continued

### (c) Use of estimates and judgments

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

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

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

- **Impairment of Long-Lived and Intangible Assets**

In assessing the recoverability of long-lived and intangible assets, judgment is required in the determination of the appropriate grouping of assets that generate cash inflows or cash generating units (CGU's). The determination of CGU's is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure, geographic proximity and similarity of risk exposures. AGT also uses significant judgment in evaluating if a triggering event occurs which would warrant an evaluation of impairment of long - lived and intangible assets based on the identified CGU's.

AGT assesses the carrying values of property, plant and equipment, intangibles assets, and goodwill annually. Recoverability is determined through assumptions and estimates regarding future cash flows, sustaining capital requirements, discount rates, and asset lives. A material change in assumptions may impact the potential recoverability of these assets, resulting in amounts charged against current earnings.

- **Accounting for Income Taxes**

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

- **Derecognition of accounts receivable**

Significant judgment is applied when determining whether financial instruments qualify for derecognition and whether substantially all of the risks, as well as the rights, control and ownership of the accounts receivable and their cash flows were transferred to a third party. AGT has removed the related accounts receivable from the statement of financial position and recognizes any costs in finance expense. See note 10.

**2. Basis of presentation – continued**

**(c) Use of estimates and judgments – continued**

- **Fair value of derivative instruments**

The fair value of derivative instruments is estimated using inputs, including foreign exchange rates and interest rates (Level 2), as described in note 9. These inputs are subject to change on a regular basis based on the interplay of various market forces. Consequently, the fair values of AGT's derivative instruments are subject to change each reporting period.

- **Functional currency**

The identification of functional currency for each of the legal entities involves significant judgment. AGT has utilized this judgment and summarized the results in note 3(c) of AGT's 2014 annual consolidated financial statements.

**3. Significant accounting policies**

These Financial Statements and notes thereto have been prepared using accounting policies consistent with those used in preparing AGT's 2014 annual consolidated financial statements. While management believes that the disclosures presented are adequate to make the information not misleading, these Financial Statements and notes thereto should be read in conjunction with AGT's interim management's discussion and analysis (MD&A) and the 2014 annual consolidated financial statements and notes thereto.

The accounting policies have been applied consistently by AGT's entities.

(Stated in thousands of Canadian dollars)

## 3. Significant accounting policies - continued

### (a) 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 Financial Statements as their effective dates fall in periods beginning subsequent to the current reporting period.

| Proposed standards | Description | Previous Standard | Effective Date |
|---|---|---|---|
| Amendments to IAS 1 Presentation of Financial Statements | Issued in December 2014. Amendments will not require a significant change to current practice, but expected to improve financial statement disclosure | IAS 1 Presentation of Financial Statements | January 1, 2016 |
| Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangibles Assets | Issued in May 2014. Standards explicitly state that revenue based depreciation is not acceptable. | IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets | January 1, 2016 |
| IFRS 15 Revenue from Contracts with Customers | Issued in May 2014. Standard creates a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. This standard may change how much and when revenue can be recognized. | IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers | Fiscal years beginning on or after January 1, 2017 |
| IFRS 9 Financial Instruments | Initially issued in November 2009 to address the classification and measurement of financial assets. Additional guidance issued in October 2010 on the classification and measurement of financial liabilities. | IAS 39 Financial Instruments: Recognition and Measurement | January 1, 2018 |

Management is assessing the potential impact of standards and amendments effective in future years for impacts on both quantitative and qualitative disclosure. AGT expects to adopt these standards on their respective effective dates on a prospective basis. AGT does not expect any significant impact.

(Stated in thousands of Canadian dollars)

## 4. Inventory

| | | Mar 31, 2015 | | Dec 31, 2014 |
|---|---|---|---|---|
| Raw materials | $ | 177,968 | $ | 166,232 |
| Processed/ split product | | 136,856 | | 143,169 |
| Packaged product | | 25,613 | | 26,250 |
| Other | | 6,428 | | 6,106 |
| | $ | 346,865 | $ | 341,757 |

| | | Mar 31, 2015 | | Mar 31, 2014 |
|---|---|---|---|---|
| Inventory expensed in cost of goods sold | $ | 323,391 | $ | 259,846 |

## 5. Property, plant and equipment

| Cost | Land | Building and site improvement | Plant and Equipment | Motor Vehicles | Fixtures and Fittings | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | $ 18,765 | $ 97,510 | $ 155,001 | $ 7,075 | $ 5,259 | $ 11,437 | **$ 295,047** |
| Additions | - | 1,724 | 4,751 | 1,103 | 1,340 | 9,719 | **18,637** |
| Disposals | - | (1,558) | (752) | (283) | (160) | - | **(2,753)** |
| Acquistions through business combinations | - | 281 | 2,004 | 137 | 218 | - | **2,640** |
| Transfers between categories | 652 | 3,228 | 5,233 | 41 | 30 | (9,184) | **-** |
| Effects of movements in exchange rates | 179 | 2,426 | 3,471 | 16 | 69 | 198 | **6,359** |
| Balance at December 31, 2014 | $ 19,596 | $ 103,611 | $ 169,708 | $ 8,089 | $ 6,756 | $ 12,170 | **$ 319,930** |
| Additions | - | 199 | 1,333 | 184 | 106 | 1,866 | **3,688** |
| Disposals | - | - | (6) | (40) | (1) | - | **(47)** |
| Transfers between categories | - | 46 | 1,170 | - | 44 | (1,260) | **-** |
| Effects of movements in exchange rates | 144 | 2,427 | 3,928 | 11 | 77 | 7 | **6,594** |
| Balance at March 31, 2015 | $ 19,740 | $ 106,283 | $ 176,133 | $ 8,244 | $ 6,982 | $ 12,783 | **$ 330,165** |
| **Accumulated Depreciation** | | | | | | | |
| Balance at December 31, 2013 | $ - | $ 10,263 | $ 45,415 | $ 3,698 | $ 2,922 | $ - | **$ 62,298** |
| Depreciation | - | 3,196 | 11,943 | 986 | 826 | - | **16,951** |
| Disposals | - | (252) | (300) | (269) | (116) | - | **(937)** |
| Effects of movements in exchange rates | - | 101 | 445 | 3 | 28 | - | **577** |
| Balance at December 31, 2014 | $ - | $ 13,308 | $ 57,503 | $ 4,418 | $ 3,660 | $ - | **$ 78,889** |
| Depreciation | - | 812 | 3,111 | 259 | 233 | - | **4,415** |
| Disposals | - | - | (5) | (30) | (1) | - | **(36)** |
| Effects of movements in exchange rates | - | 101 | 448 | 2 | 36 | - | **587** |
| Balance at March 31, 2015 | $ - | $ 14,221 | $ 61,057 | $ 4,649 | $ 3,928 | $ - | **$ 83,855** |
| **Net Book Value at December 31, 2014** | **$ 19,596** | **$ 90,303** | **$ 112,205** | **$ 3,671** | **$ 3,096** | **$ 12,170** | **$ 241,041** |
| **Net Book Value at March 31, 2015** | **$ 19,740** | **$ 92,062** | **$ 115,076** | **$ 3,595** | **$ 3,054** | **$ 12,783** | **$ 246,310** |

(Stated in thousands of Canadian dollars)

## 6. Intangibles and goodwill

| Cost | Indefinite Life Intangible Assets-Brands | Rights | Customer Relationships | Other Intangible Assets | **Total Intangible Assets** | Goodwill | **Total** |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2013 | $ 2,753 | $ 1,764 | $ 5,842 | $ 677 | **$ 11,036** | $ 56,722 | **$ 67,758** |
| Additions | - | 95 | - | 578 | **673** | - | **673** |
| Acquistions through business combinations | 3,944 | - | - | - | **3,944** | 1,204 | **5,148** |
| Effects of movements in exchange rates | 8 | 87 | 86 | (1) | **180** | 190 | **370** |
| Balance at December 31, 2014 | $ 6,705 | $ 1,946 | $ 5,928 | $ 1,254 | **$ 15,833** | $ 58,116 | **$ 73,949** |
| Additions | - | 2 | - | 116 | 118 | - | **118** |
| Effects of movements in exchange rates | (48) | 142 | 88 | (6) | 176 | (450) | **(274)** |
| Balance at March 31, 2015 | $ 6,657 | $ 2,090 | $ 6,016 | $ 1,364 | **$ 16,127** | $ 57,666 | **$ 73,793** |
| Accumulated Amortization | | | | | | | |
| Balance at December 31, 2013 | $ - | $ 204 | $ 1,897 | $ 187 | **$ 2,288** | $ - | **$ 2,288** |
| Amortization | - | 61 | 605 | 74 | **740** | - | **740** |
| Effects of movements in exchange rates | - | 3 | 21 | (1) | **23** | - | **23** |
| Balance at December 31, 2014 | $ - | $ 268 | $ 2,523 | $ 260 | **$ 3,051** | $ - | **$ 3,051** |
| Amortization | - | 42 | 151 | 16 | **209** | - | **209** |
| Effects of movements in exchange rates | - | 9 | 36 | (5) | **40** | - | **40** |
| Balance at March 31, 2015 | $ - | $ 319 | $ 2,710 | $ 271 | **$ 3,300** | $ - | **$ 3,300** |
| Net carrying amounts | | | | | | | |
| **At December 31, 2014** | **6,705** | **1,678** | **3,405** | **994** | **12,782** | **58,116** | **70,898** |
| **At March 31, 2015** | **6,657** | **1,771** | **3,306** | **1,093** | **12,827** | **57,666** | **70,493** |

(Stated in thousands of Canadian dollars)

## 7. Long term debt

| | | Mar 31, 2015 | | Dec 31, 2014 |
|---|---|---|---|---|
| Senior secured second lien notes, bearing an interest rate of 9% per annum, with semi-annual payments of interest only, beginning August 2013 and concluding February 2018, secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries.[1] | $ | 121,635 | $ | 121,389 |
| Loan payable, bearing an interest rate of prime plus 0.5%, ( December 31, 2014 - prime plus 0.5%), with monthly payments of interest only and quarterly payments of $1,500 principal, due January 2017, secured by certain property, plant and equipment. | | 76,276 | | 77,428 |
| Loan payable, bearing an interest rate of prime plus 0.5%, ( December 31, 2014 - prime plus 0.5%), with monthly payments of interest only, due January 2017, secured by certain property, plant and equipment. | | 51,083 | | 51,154 |
| Other | | 1,236 | | 1,202 |
| | $ | 250,230 | $ | 251,173 |
| Total current portion | | (5,926) | | (5,931) |
| | $ | 244,304 | $ | 245,242 |

[1] On February 14, 2013, AGT issued senior secured second lien notes in the amounts of $125,000. These notes bear interest at 9% per annum (effective interest of 10.1%) and mature on February 14, 2018. The proceeds after deducting expenses were $119,700. Optional early redemption features of the notes are:

i) Prior to February 14, 2016 a 9% premium upon equity offering in respect of partial redemptions up to 35% of the aggregate principal amount then outstanding
ii) Prior to February 14, 2016 all other redemptions on a "make whole" basis
iii) On or after February 14, 2016 a 6.8% premium
iv) No premium on or after February 14, 2017

The estimated contractual maturities for term loans in each of the next five years are as follows:

| | | |
|---|---|---|
| 2016-2017 | $ | 5,926 |
| 2017-2018 | | 4,751 |
| 2018-2019 | | 239,217 |
| 2019-2020 | | 336 |
| 2020-2021 | | - |
| | $ | 250,230 |

For the long term debt that is variable rate debt, the carrying value approximates its fair value. For the long term debt that is fixed rate debt, the fair value as at March 31, 2015 was $135,918 (December 31, 2014- $134,598).

(Stated in thousands of Canadian dollars)

## 8. Share capital

### (a) Authorized

Unlimited number of voting common shares without par value

### (b) Issued and outstanding

| | # of Common Shares | | Amount |
|---|---|---|---|
| Issued and outstanding December 31, 2013 | 19,865,521 | $ | 270,058 |
| Issuance of shares pursuant to stock option plan | 338,500 | | 3,384 |
| Issuance of shares pursuant to share offering | 2,858,000 | | 77,374 |
| **Balance, December 31, 2014** | 23,062,021 | $ | 350,816 |
| Issuance of shares pursuant to stock option plan | 8,333 | | 106 |
| **Balance, March 31, 2015** | 23,070,354 | $ | 350,922 |

### (c) Stock option plan

AGT has a stock option plan for its employees, officers and directors. Options are granted at an exercise price set at the closing market price of AGT's common shares on the day proceeding the date on which the option is granted and are exercisable within 5 years. Options are granted with graded vesting terms. One third of the options granted vest on the second anniversary date of the grant, one third vests on the third anniversary date of the grant and one third of the options vest on the fourth anniversary of the grant.

| | Mar 31, 2015 | | | Dec 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Number of options | | Weighted average exercise price | Number of options | | Weighted average exercise price |
| Stock options outstanding, beginning of year | 420,000 | $ | 12.71 | 758,500 | $ | 11.08 |
| Exercised | (8,333) | | 12.71 | (338,500) | | 9.05 |
| Stock options outstanding, end of period[1] | 411,667 | $ | 12.71 | 420,000 | $ | 12.71 |
| Stock options exercisable, end of period[1] | 128,334 | $ | 12.71 | 136,667 | $ | 12.71 |

[1] The exercise price for all options are $12.71 per share. All options will be vested in 2016 and will expire between April and June 2017.

(Stated in thousands of Canadian dollars)

## 8. Share capital - continued

### (d) Restricted share units and other plans

AGT has implemented a long term incentive plan, which includes restricted share units (RSU) to executives and certain other senior management. The number of restricted share units is determined based on an average share price from the week of the grant date. The number of share units granted to each individual is then determined based on the bonus given to each employee, divided by the average price. These RSU's will be settled in cash, on or after the vesting date. RSU's vest at a rate of 50% on the two year anniversary of the grant date and the remainder on the three year anniversary of the grant date and are settled at each respective vesting date. Amounts are not payable if the employee is not with AGT at the vesting date, but are being recognized as an expense over the vesting period primarily in general and administration expenses.

RSU's outstanding and the fair value of the RSU liability is summarized below as:

| | Mar 31, 2015 | Dec 31, 2014 |
|---|---|---|
| | **Number of RSU's** | **Number of RSU's** |
| Opening at the beginning of the period | 318,619 | 291,624 |
| Granted during the period | 2,485 | 121,718 |
| Forfeited during the period | (2,059) | (4,974) |
| Vested and settled during the period | (1,748) | (89,749) |
| Outstanding at the end of the period | 317,297 | 318,619 |
| Fair value | $ 8,171 | $ 8,342 |
| Vested and accrued | $ 5,695 | $ 5,000 |

(Stated in thousands of Canadian dollars)

## 9. Financial instruments

**Fair values**

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act. Fair values for AGT's derivative instruments are determined using models requiring the use of inputs.

All financial instruments measured at fair value are categorized into one of three levels, described below, for disclosure purposes. Each level is based on transparency of inputs used to measure the fair value of assets and liabilities:

Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. There were no items measured at fair value using Level 1 in 2014 or 2015.

Level 2 – values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. In determining the inputs for calculating fair values, AGT looks to readily observable market inputs, primarily currency rates based on the nature of AGT's derivative instruments.

Level 3 – values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. There were no items measured at fair value using Level 3 in 2014 or 2015.

The following items, shown in the Unaudited Consolidated Statement of Financial Position as at March 31, 2015 and December 31, 2014 are measured at fair value on a recurring basis using Level 2 inputs:

| **Mar 31, 2015** | **Level 2** | **Total** | **Change in fair value recognized in net earnings** |
|---|---|---|---|
| Derivative asset | $ 2,900 | $ 2,900 | $ - |
| Derivative liability | $ (48,707) | $ (48,707) | $ (17,824) |
| | $ (45,807) | $ (45,807) | $ (17,824) |

| **Dec 31, 2014** | **Level 2** | **Total** | **Change in fair value recognized in net earnings** |
|---|---|---|---|
| Derivative asset | $ 2,900 | $ 2,900 | $ 2,900 |
| Derivative liability | $ (30,883) | $ (30,883) | $ (15,692) |
| | $ (27,983) | $ (27,983) | $ (12,792) |

(Stated in thousands of Canadian dollars)

## 10. Accounts receivable securitization

AGT has a Master Receivables Purchase Agreement with the Bank of Nova Scotia (BNS). This agreement allows the sale of specific Turkish trade accounts receivable that are insured through Export Development Canada (EDC) to the BNS. The agreement permits AGT to securitize up to $50,664 ($40,000 USD) worth of insured receivables. AGT has derecognized the receivables from the Financial Statements as substantially all of the risks and rewards of ownership have been transferred.

The arrangement with BNS has AGT continuing to be administratively involved in the collection of receivables and submission of those collections to BNS. However, AGT bears no risk and any uncollected amounts would result in EDC making a payment directly to BNS.

As at March 31, 2015, AGT has sold for cash proceeds $50,664 (December 31, 2014 – $46,404) of trade accounts receivable from the Financial Statements and incurred $164 (Mar 31, 2014- $150) in transaction fees, included in finance expense.

## 11. Finance expense

| | | Mar 31, 2015 | | Mar 31, 2014 |
|---|---|---|---|---|
| Interest bank indebtedness | $ | 1,952 | $ | 1,585 |
| Interest on long term debt | | 3,562 | | 3,463 |
| Trade finance fees and expenses | | 1,543 | | 2,369 |
| Amorization of note discount and debt fees | | 346 | | 318 |
| Foreign exchange on financing activities | | 988 | | 196 |
| | $ | 8,391 | $ | 7,931 |

(Stated in thousands of Canadian dollars)

## 12. Cash flow support

### Items not involving cash

| | Note | Mar 31, 2015 | Mar 31, 2014 |
|---|---|---|---|
| Depreciation and amortization in general and administration | | 723 | 646 |
| Depreciation in cost of sales | | 3,900 | 3,615 |
| Amortization of note discount and debt fees | | 346 | 318 |
| Unrealized foreign exchange loss (gain) | | 8,173 | (7,149) |
| Gain on disposal of property, plant and equipment | | (7) | (23) |
| Interest expense | 12 | 5,514 | 5,048 |
| Share based compensation | | 939 | 791 |
| Provision for doubtful accounts | | 178 | 997 |
| Income tax (recovery) expense | | (261) | 1,704 |
| | | **19,505** | **5,947** |

### Non-cash working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

| | Mar 31, 2015 | Mar 31, 2014 |
|---|---|---|
| **Decrease (increase) in current assets:** | | |
| Trade accounts receivable | $ 15,474 | $ 10,625 |
| Inventory | (2,607) | (3,470) |
| Prepaid expenses and other | (7,105) | 6,262 |
| | $ 5,762 | $ 13,417 |
| **Increase in current liabilities:** | | |
| Accounts payable, accrued liabilities and deferred revenue | (26,481) | (47,844) |
| | $ (26,481) | $ (47,844) |
| | $ (20,719) | $ (34,427) |

(Stated in thousands of Canadian dollars)

## 13. Related party transactions

### (a) Key management personnel

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

| | Mar 31, 2015 | Mar 31, 2014 |
|---|---|---|
| Short term benefits (wage, bonus, vacation paid out, directors fees) | $ 1,011 | $ 698 |
| Post employment benefits (RRSP) | 32 | 22 |
| Other long term benefits including stock based compensation (long term incentive plan) | 460 | 463 |
| | $ 1,503 | $ 1,183 |

### (b) Transactions with other related parties

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

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

| | Mar 31, 2015 | Dec 31, 2014 |
|---|---|---|
| Accounts receivable | $ 272 | $ 256 |
| Accounts payable | 3,236 | 3,104 |

| | Mar 31, 2015 | Mar 31, 2014 |
|---|---|---|
| Purchases | $ 1,659 | $ 2,446 |

AGT contracted labour and construction support for ongoing construction projects from entities owned or controlled by directors of AGT or its subsidiaries. The accounts payable in the table above relate primarily to deferred compensation for key management.

**14. Segmented Reporting**

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. AGT has three segments: (1) pulses and grains processing (2) trading and distribution and (3) food ingredients and packaged foods.

The pulses and grains processing includes the operations of AGT factories across its global platform. The activities in this segment are viewed by management as the traditional and regular business of AGT: to source pulses and grains from producers, process them through its factories and sell these products to its network of clients in over 100 countries in the world. The segment includes all pulses processed in AGT factories in Canada, the United States, Australia, Turkey and China.

Trading and distribution relates to AGT's activities aimed at bringing its range of pulses and specialty crops direct to wholesale and retail markets. The segment currently captures AGT operations in the UK, the Netherlands, Spain, Russia, Ukraine, Turkey, Australia, India and Switzerland.

Food ingredients and packaged foods is the newest segment which AGT operates. This segment includes the results from the newly commissioned pulse fractionation plant in Minot, North Dakota, as well as the results from the pasta, bulgur and semolina plants in Turkey and the operations in South Africa. This segment also includes the retail packaging and distribution business in Canada.

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

The accounting policies used within each segment are consistent with the policies outlined in the notes to the 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.

** Adjusted EBITDA (earnings before finance expense, income taxes, depreciation and amortization, one-time costs and any effects of non-cash foreign exchange adjustment) is a non-IFRS measure. See "Non-IFRS Financial Measures" in the management's discussion and analysis of AGT for the three months ended March 31, 2015 and 2014 for a reconciliation of Adjusted EBITDA to EBITDA (earnings before finance expense, income taxes, depreciation and amortization).

(Stated in thousands of Canadian dollars)

AGT FOOD AND INGREDIENTS INC.



## 14. Segmented Reporting- continued

| Three months ended Mar 31, 2015 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Foods | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $ 272,358 | $ 95,848 | $ 62,717 | $ (45,723) | **$ 385,200** |
| Cost of sales | 251,663 | 91,711 | 53,080 | (45,723) | **350,731** |
| Gross profit | 20,695 | 4,137 | 9,637 | - | **34,469** |
| **Earnings (loss) before income tax** | **14,037** | **263** | **5,118** | **(19,133)** | **285** |
| **Net earnings (loss)** | **14,037** | **263** | **5,118** | **(18,872)** | **546** |
| **Adjusted EBITDA**** | **$ 16,973** | **$ 471** | **$ 6,945** | **$ (1,772)** | **$ 22,617** |

| Three months ended Mar 31, 2014 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Food | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $ 206,964 | $ 96,164 | $ 52,722 | $ (44,567) | **$ 311,283** |
| Cost of sales | 192,480 | 90,417 | 45,684 | (44,567) | **284,014** |
| Gross profit | 14,484 | 5,747 | 7,038 | - | **27,269** |
| **Earnings (loss) before income taxes** | **8,454** | **1,942** | **3,854** | **(3,334)** | **10,916** |
| **Net earnings (loss)** | **8,454** | **1,942** | **3,854** | **(5,038)** | **9,212** |
| **Adjusted EBITDA**** | **$ 11,134** | **$ 2,021** | **$ 5,588** | **$ (1,667)** | **$ 17,076** |

| As at Mar 31, 2015 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Foods | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | $ 759,059 | $ 167,963 | $ 244,328 | $ (219,961) | **$ 951,389** |
| Liabilities | 568,405 | 126,570 | 160,696 | (227,183) | **628,488** |
| Intangible assets | 2,535 | 1,857 | 8,435 | - | **12,827** |
| Goodwill | 33,065 | 8,793 | 15,808 | - | **57,666** |
| Purchase of property, plant and equipment | 2,264 | 23 | 1,401 | - | **3,688** |
| Depreciation and amortization | 2,560 | 50 | 1,709 | 304 | **4,623** |

| Dec 31, 2014 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Foods | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | $ 711,877 | $ 184,692 | $ 229,543 | $ (197,259) | **$ 928,853** |
| Liabilities | 512,439 | 146,828 | 146,550 | (199,034) | **606,783** |
| Intangible assets | 2,302 | 1,861 | 8,619 | - | **12,782** |
| Goodwill | 33,323 | 8,724 | 16,069 | - | **58,116** |
| Purchase of property, plant and equipment | 12,170 | 192 | 6,275 | - | **18,637** |
| Depreciation and amortization | 9,726 | 218 | 6,432 | 1,374 | **17,750** |

(Stated in thousands of Canadian dollars)

## 15. Sales and selected geographic information

Geographic information about AGT's revenues is based on the product type and shipment destination.

| | Mar 31, 2015 | Mar 31, 2014 |
|---|---|---|
| Pulses and specialty crops | $ 235,838 | $ 193,961 |
| Pasta, semolina and bulgur | 39,155 | 44,120 |
| Rice, other commodities and miscellaneous revenue | 110,207 | 73,202 |
| | $ 385,200 | $ 311,283 |

Sales derived from customers located in the following geographic areas:

| | Mar 31, 2015 | Mar 31, 2014 |
|---|---|---|
| Canada | $ 14,839 | $ 15,789 |
| Americas / Caribbean, excluding Canada | 30,906 | 18,686 |
| Asia / Pacific Rim | 80,244 | 56,888 |
| Europe / Middle East / Africa | 259,211 | 219,920 |
| | $ 385,200 | $ 311,283 |

Property, plant and equipment, intangibles and goodwill by geographic area is as follows:

| | Property, plant and equipment | |
|---|---|---|
| | Mar 31, 2015 | Dec 31, 2014 |
| Turkey | $ 74,129 | $ 75,514 |
| North America, excluding Canada | 69,494 | 63,959 |
| Canada | 57,125 | 57,887 |
| Australia | 33,375 | 32,386 |
| China | 7,818 | 7,255 |
| South Africa | 4,369 | 4,040 |
| | $ 246,310 | $ 241,041 |

| | Intangibles | |
|---|---|---|
| | Mar 31, 2015 | Dec 31, 2014 |
| Canada | $ 4,952 | $ 4,844 |
| Turkey | 4,387 | 4,570 |
| United Kingdom | 1,858 | 1,861 |
| China | 1,527 | 1,402 |
| South Africa | 103 | 105 |
| | $ 12,827 | $ 12,782 |

| | Goodwill | |
|---|---|---|
| | Mar 31, 2015 | Dec 31, 2014 |
| Turkey | $ 34,136 | $ 34,744 |
| Canada | 19,603 | 19,603 |
| United Kingdom | 3,866 | 3,710 |
| Australia | 48 | 47 |
| North America, excluding Canada | 13 | 12 |
| | $ 57,666 | $ 58,116 |

(Stated in thousands of Canadian dollars)

## 16. Business combinations

On January 13, 2014, AGT finalized a transaction to purchase substantially all of the assets of Quebec-based CLIC International Inc (CLIC). CLIC is a Canadian ethnic and traditional retail food packager and canner and retail and food service distributor. The acquired assets include inventory, retail packaging and canning production-related equipment, all CLIC and associated retail brands, retail and food service listings.

On December 16, 2014, AGT purchased the shares of Quebec-based Ramico Inc (Ramico). Ramico is a service organization that operates the canning plant assets with/ by CLIC.

Under IFRS 3, AGT has determined that both the asset purchase of CLIC and the share purchase of Ramico qualify as business combinations. The final purchase price allocation is as follows:

| | | **CLIC/ Ramico** |
|---|---|---|
| Total purchase price | **$** | **17,275** |
| **Allocation of purchase price:** | | |
| Working capital | $ | 9,487 |
| Property, plant and equipment | | 2,640 |
| Net identifiable tangible assets | | 12,127 |
| Goodwill | $ | 1,204 |
| Intangible assets | | 3,944 |
| Total net assets | **$** | **17,275** |

**17. Commitments and contingencies**

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

At March 31, 2015, AGT had letters of credit in favour of the Canadian Grain Commission in the amount of $13,000 (December 31, 2014 - $13,000). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit for $3,000 expires on May 31, 2015 and the letter of credit for $10,000 expires on December 31, 2015.

At March 31, 2015, AGT had a letter of credit in favour of Lloyd's Bank in the United Kingdom in the amount of $15,199 (December 31, 2014 – $13,921). This letter of credit serves as security for the operating line in the United Kingdom and is callable in the event of a default by AGT's subsidiary.

At March 31, 2015, AGT had a letter of guarantee in the amount of $2,762 (December 31, 2014 - $2,802) related to customs activity on imports and exports in Turkey.

AGT has various legal matters pending which, in the opinion of management, will not have a material effect on AGT's unaudited 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.

**18. Subsequent event**

On April 14, 2015, AGT entered into separate agreements with West Central Road & Rail Ltd (WCRR) and Prairie Processing (1989) Ltd. to purchase their assets of for $22,000 and $4,650, respectively. The agreements are subject to a number of customary closing conditions, including, but not limited to, WCRR shareholder approval of the transaction. It is expected that the transactions will close sometime during the second quarter.