FOOD AND INGREDIENTS INC.

(Formerly Alliance Grain Traders Inc.)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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.

Unaudited Consolidated Statements of Financial Position
as at

(Stated in thousands of Canadian Dollars)

	Note	June 30, 2015	Dec 31, 2014
Assets			
Cash		$ 46,932	$ 29,319
Trade accounts receivable		182,922	191,751
Derivative assets	9	3,775	2,900
Inventory	4	334,045	341,757
Prepaid expenses and other		37,644	34,057
Income tax receivable		2,279	4,166
Total current assets		**607,597**	**603,950**
Property, plant and equipment	5	264,078	241,041
Intangible assets	6	12,540	12,782
Goodwill	6	65,165	58,116
Deferred income tax assets		13,542	10,791
Other		2,336	2,173
Total assets		**$ 965,258**	**$ 928,853**
Liabilities			
Bank indebtedness		$ 92,464	$ 91,218
Accounts payable and accrued liabilities		210,477	202,692
Derivative liabilities	9	38,191	30,883
Deferred revenue		10,795	13,458
Income taxes payable		2,004	3,267
Current portion of long-term debt	7	5,916	5,931
Dividends payable		3,461	3,460
Total current liabilities		**363,308**	**350,909**
Long-term debt	7	276,274	245,242
Deferred income tax liabilities		9,469	10,632
Total liabilities		**649,051**	**606,783**
Shareholders' equity			
Share capital	8	350,922	350,816
Contributed surplus		932	853
Accumulated other comprehensive loss		(41,023)	(37,857)
Retained earnings		5,376	8,258
Total shareholders' equity		**316,207**	**322,070**
Total liabilities and shareholders' equity		**$ 965,258**	**$ 928,853**

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

AGT FOOD AND INGREDIENTS INC.

Unaudited Consolidated Statements of Comprehensive Income

For the period ended June 30

(Stated in thousands of Canadian Dollars)

	Note	3 Months 2015	3 Months 2014	6 Months 2015	6 Months 2014
Revenues		$ 378,225	$ 359,811	$ 763,455	$ 671,098
Cost of sales		342,967	324,315	693,698	608,329
Gross profit		35,258	35,496	69,757	62,769
General and administrative expenses		12,433	10,573	23,387	20,258
Marketing, sales and distribution expenses		7,104	6,278	13,800	12,168
Earnings from operations		**15,721**	**18,645**	**32,570**	**30,343**
Other expenses:					
Unrealized foreign exchange loss (gain)		4,775	(5,553)	12,948	(12,702)
Finance expense	11	7,289	6,969	15,680	14,900
Earnings before income tax		**3,657**	**17,229**	**3,942**	**28,145**
Income tax expense (recovery)		164	4,249	(97)	5,953
Net earnings		**3,493**	**12,980**	**4,039**	**22,192**
Other comprehensive (loss) income					
Exchange differences on translation of foreign operations (no tax effect)		(6,758)	(7,249)	(3,166)	3,390
Total comprehensive (loss) income		**$ (3,265)**	**$ 5,731**	**$ 873**	**$ 25,582**
Basic net earnings per share		$ 0.15	$ 0.64	$ 0.18	$ 1.11
Diluted net earnings per share		$ 0.15	$ 0.64	$ 0.17	$ 1.10
Basic weighted average number of shares		23,070,354	20,173,367	23,069,203	20,020,294
Diluted weighted average number of shares		23,306,106	20,316,439	23,299,424	20,156,276

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

AGT FOOD AND INGREDIENTS INC.

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	-	-	-	4,039	**4,039**
Other comprehensive loss due to changes in foreign exchange	-	-	(3,166)	-	**(3,166)**
Total comprehensive (loss) income	-	-	(3,166)	4,039	**873**
Share based compensation	106	79	-	-	**185**
Dividends to shareholders	-	-	-	(6,921)	**(6,921)**
Balance at June 30, 2015	**$ 350,922**	**$ 932**	**$ (41,023)**	**$ 5,376**	**$ 316,207**
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.

Unaudited Consolidated Statements of Cash Flow
For the period ended June 30

(Stated in thousands of Canadian Dollars)

	Note		2015		2014
Cash from (used for) the following:					
Operating activities					
Net earnings		$	4,039	$	22,192
Items not involving cash	12		36,877		16,207
Interest paid			(11,319)		(11,692)
Income taxes paid			(3,648)		(215)
Non-cash working capital	12		6,140		(15,531)
			32,089		10,961
Financing activities					
Increase in bank indebtedness			32,421		7,443
Proceeds from long-term debt, net of issue costs			30		19,066
Repayment of long term debt			(1,509)		(3,205)
Shares issued pursuant to stock option plan			-		3,001
Dividends paid			(6,920)		(5,960)
			24,022		20,345
Investing activities					
Acquisitions, net of cash acquired			(26,842)		(16,000)
Purchase of property, plant and equipment and intangible assets			(13,104)		(7,879)
Proceeds from the sale of property, plant and equipment and insurance proceeds			318		101
Other			(139)		-
			(39,767)		(23,778)
Effect of exchange rate changes on cash			1,269		(466)
Increase in cash position		$	17,613	$	7,062
Cash position, beginning of the period		**$**	**29,319**	**$**	**22,893**
Cash position, end of the period		**$**	**46,932**	**$**	**29,955**

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 Green 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 August 10, 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, 2018
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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2015 and 2014
(Stated in thousands of Canadian dollars)

4. Inventory

	June 30, 2015	Dec 31, 2014
Raw materials	$ 165,986	$ 166,232
Processed/ split product	134,889	143,169
Packaged product	26,613	26,250
Other	6,557	6,106
	$ 334,045	$ 341,757

	3 months ended		6 months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Inventory expensed in cost of goods sold	$ 321,770	$ 298,265	$ 645,161	$ 558,111

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	-	292	1,894	413	433	9,885	**12,917**
Disposals	-	(25)	(603)	(173)	(14)	-	**(815)**
Acquistions through business combinations	152	6,434	10,748	-	608	-	**17,942**
Transfers between categories	-	287	1,800	80	140	(2,307)	**-**
Effects of movements in exchange rates	(341)	352	541	(102)	(18)	(257)	**175**
Balance at June 30, 2015	$ 19,407	$ 110,951	$ 184,088	$ 8,307	$ 7,905	$ 19,491	**$ 350,149**
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	-	1,597	6,127	487	472	-	**8,683**
Disposals	-	(23)	(351)	(122)	(3)	-	**(499)**
Effects of movements in exchange rates	-	(120)	(825)	(48)	(9)	-	**(1,002)**
Balance at June 30, 2015	$ -	$ 14,762	$ 62,454	$ 4,735	$ 4,120	$ -	**$ 86,071**
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 June 30, 2015	**$ 19,407**	**$ 96,189**	**$ 121,634**	**$ 3,572**	**$ 3,785**	**$ 19,491**	**$ 264,078**

(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	-	3	-	184	187	-	**187**
Disposals	-	(1)	-	-	(1)	-	**(1)**
Acquistions through business combinations	-	-	-	-	-	8,900	**8,900**
Effects of movements in exchange rates	(171)	101	102	(22)	10	(1,851)	**(1,841)**
Balance at June 30, 2015	$ 6,534	$ 2,049	$ 6,030	$ 1,416	**$ 16,029**	$ 65,165	**$ 81,194**
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	-	83	299	30	**412**	-	**412**
Disposals	-	(1)	-	-	**(1)**	-	**(1)**
Effects of movements in exchange rates	-	(1)	43	(15)	**27**	-	**27**
Balance at June 30, 2015	$ -	$ 349	$ 2,865	$ 275	**$ 3,489**	$ -	**$ 3,489**
Net carrying amounts							
At December 31, 2014	**6,705**	**1,678**	**3,405**	**994**	**12,782**	**58,116**	**70,898**
At June 30, 2015	**6,534**	**1,700**	**3,165**	**1,141**	**12,540**	**65,165**	**77,705**

(Stated in thousands of Canadian dollars)

7. Long term debt

		June 30, 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]	$	121,897	$	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.		74,807		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.		84,280		51,154
Other		1,206		1,202
	$	282,190	$	251,173
Total current portion		(5,916)		(5,931)
	$	276,274	$	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	$	5,916
2017-2018		3,295
2018-2019		272,651
2019-2020		328
2020-2021		-
	$	282,190

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 June 30, 2015 was $138,127 (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, June 30, 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.

	June 30, 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]	270,000	$	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:

	June 30, 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	96,237	121,718
Forfeited during the period	(2,566)	(4,974)
Vested and settled during the period	(132,296)	(89,749)
Outstanding at the end of the period	279,994	318,619
Fair value	$ 8,462	$ 8,342
Vested and accrued	$ 3,569	$ 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 June 30, 2015 and December 31, 2014 are measured at fair value on a recurring basis using Level 2 inputs:

June 30, 2015	**Level 2**	**Total**	**Change in fair value recognized in net earnings**
Derivative assets	$ 3,775	$ 3,775	$ 875
Derivative liabilities	$ (38,191)	$ (38,191)	$ (7,308)
	$ (34,416)	$ (34,416)	$ (6,433)

Dec 31, 2014	**Level 2**	**Total**	**Change in fair value recognized in net earnings**
Derivative assets	$ 2,900	$ 2,900	$ 2,900
Derivative liabilities	$ (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 $49,960 ($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 June 30, 2015, AGT has sold for cash proceeds $49,960 (December 31, 2014 – $46,404) of trade accounts receivable from the Financial Statements and incurred $337 (June 30, 2014- $292) in transaction fees which are included in finance expense.

11. Finance expense

	3 months ended		6 months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest bank indebtedness	$ 2,179	$ 1,668	$ 4,131	$ 3,254
Interest on long term debt	3,610	3,780	7,172	7,243
Trade finance fees and expenses	1,137	1,192	2,680	3,561
Amorization of note discount and debt fees	363	329	709	646
Foreign exchange on financing activities	-	-	988	196
	$ 7,289	$ 6,969	$ 15,680	$ 14,900

(Stated in thousands of Canadian dollars)

12. Cash flow support

Items not involving cash

	Note	June 30, 2015	June 30, 2014
Depreciation and amortization in general and administration		1,440	1,342
Depreciation in cost of sales		7,611	7,318
Amortization of note discount and debt fees		709	646
Unrealized foreign exchange loss (gain)		12,948	(12,702)
Gain on disposal of property, plant and equipment		(2)	(21)
Interest expense	11	11,303	10,497
Share based compensation		2,806	1,987
Provision for doubtful accounts		159	1,187
Income tax (recovery) expense		(97)	5,953
		36,877	**16,207**

Non-cash working capital

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

	June 30, 2015	June 30, 2014
Decrease (increase) in current assets:		
Trade accounts receivable	$ 9,092	$ 4,842
Inventory	681	8,260
Prepaid expenses and other	(4,521)	231
	$ 5,252	$ 13,333
Increase (decrease) in current liabilities:		
Accounts payable, accrued liabilities and deferred revenue	888	(28,864)
	$ 888	$ (28,864)
	$ 6,140	$ (15,531)

(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:

	June 30, 2015	June 30, 2014
Short term benefits (wage, bonus, vacation paid out, directors fees)	$ 2,058	$ 1,367
Post employment benefits (RRSP)	32	43
Other long term benefits including stock based compensation (long term incentive plan)	2,283	1,120
	$ 4,373	$ 2,530

(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

	June 30, 2015	Dec 31, 2014
Accounts receivable	$ 192	$ 256
Accounts payable	2,757	3,104

	June 30, 2015	June 30, 2014
Purchases	$ 3,065	$ 5,752

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 and payables related to the construction projects.

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 and six months ended June 30, 2015 and 2014 for a reconciliation of Adjusted EBITDA to EBITDA (earnings before finance expense, income taxes, depreciation and amortization).

FOOD AND INGREDIENTS INC.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2015 and 2014

(Stated in thousands of Canadian dollars)

14. Segmented Reporting- continued

Three months ended June 30, 2015	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Foods	Corporate and Eliminations	Consolidated
Revenue	$ 260,400	$ 79,874	$ 68,041	$ (30,090)	**$ 378,225**
Cost of sales	240,551	76,029	56,477	(30,090)	**342,967**
Gross profit	19,849	3,845	11,564	-	**35,258**
Earnings (loss) before income tax	**12,904**	**350**	**6,770**	**(16,367)**	**3,657**
Net earnings (loss)	**12,904**	**350**	**6,770**	**(16,531)**	**3,493**
Adjusted EBITDA**	**$ 15,808**	**$ 602**	**$ 8,554**	**$ (2,758)**	**$ 22,206**

Three months ended June 30, 2014	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Foods	Corporate and Eliminations	Consolidated
Revenue	$ 252,334	$ 83,169	$ 69,835	$ (45,527)	**$ 359,811**
Cost of sales	229,558	78,946	61,338	(45,527)	**324,315**
Gross profit	22,776	4,223	8,497	-	**35,496**
Earnings (loss) before income tax	**15,906**	**1,112**	**4,828**	**(4,617)**	**17,229**
Net earnings (loss)	**15,906**	**1,112**	**4,828**	**(8,866)**	**12,980**
Adjusted EBITDA**	**$ 19,049**	**$ 1,288**	**$ 6,295**	**$ (2,202)**	**$ 24,430**

Six months ended June 30, 2015	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Food	Corporate and Eliminations	Consolidated
Revenue	$ 532,758	$ 175,739	$ 130,771	$ (75,813)	**$ 763,455**
Cost of sales	492,214	167,740	109,557	(75,813)	**693,698**
Gross profit	40,544	7,999	21,214	-	**69,757**
Earnings (loss) before income taxes	**26,941**	**630**	**11,901**	**(35,530)**	**3,942**
Net earnings (loss)	**26,941**	**630**	**11,901**	**(35,433)**	**4,039**
Adjusted EBITDA**	**$ 32,781**	**$ 1,090**	**$ 15,512**	**$ (4,560)**	**$ 44,823**

Six months ended June 30, 2014	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Food	Corporate and Eliminations	Consolidated
Revenue	$ 459,298	$ 179,335	$ 122,559	$ (90,094)	**$ 671,098**
Cost of sales	422,038	169,363	107,022	(90,094)	**608,329**
Gross profit	37,260	9,972	15,537	-	**62,769**
Earnings (loss) before income taxes	**24,360**	**3,056**	**8,684**	**(7,955)**	**28,145**
Net earnings (loss)	**24,360**	**3,056**	**8,684**	**(13,908)**	**22,192**
Adjusted EBITDA**	**$ 30,183**	**$ 3,311**	**$ 11,885**	**$ (3,874)**	**$ 41,505**

(Stated in thousands of Canadian dollars)

14. Segmented Reporting- continued

As at June 30, 2015	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Foods	Corporate and Eliminations	Consolidated
Assets	$ 775,241	$ 178,223	$ 239,847	$ (228,053)	**$ 965,258**
Liabilities	591,857	131,213	148,591	(222,610)	**649,051**
Intangible assets	2,567	1,849	8,124	-	**12,540**
Goodwill	41,297	8,727	15,141	-	**65,165**
Purchase of property, plant and equipment	5,226	156	7,535	-	**12,917**
Depreciation and amortization	4,924	93	3,453	581	**9,051**

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**

15. Sales and selected geographic information

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

	3 months ended		6 months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Pulses and specialty crops	$ 209,623	$ 217,482	$ 445,491	$ 411,447
Pasta, semolina and bulgur	39,445	50,999	78,600	95,118
Rice, other commodities and miscellaneous revenue	129,157	91,330	239,364	164,533
	$ 378,225	$ 359,811	$ 763,455	$ 671,098

Sales derived from customers located in the following geographic areas:

	3 months ended		6 months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Canada	$ 20,670	$ 19,654	$ 35,509	$ 35,443
Americas / Caribbean, excluding Canada	33,450	23,650	64,357	42,336
Asia / Pacific Rim	63,969	71,602	144,212	128,490
Europe / Middle East / Africa	260,136	244,905	519,377	464,829
	$ 378,225	$ 359,811	$ 763,455	$ 671,098

(Stated in thousands of Canadian dollars)

15. Sales and selected geographic information - continued

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

	Property, plant and equipment	
	June 30, 2015	Dec 31, 2014
Canada	$ 75,780	$ 57,887
Turkey	73,638	75,514
North America, excluding Canada	69,720	63,959
Australia	33,221	32,386
China	7,383	7,255
South Africa	4,336	4,040
	$ 264,078	$ 241,041

	Intangibles	
	June 30, 2015	Dec 31, 2014
Canada	$ 5,018	$ 4,844
Turkey	4,084	4,570
United Kingdom	1,848	1,861
China	1,494	1,402
South Africa	96	105
	$ 12,540	$ 12,782

	Goodwill	
	June 30, 2015	Dec 31, 2014
Turkey	$ 32,575	$ 34,744
Canada	28,503	19,603
United Kingdom	4,026	3,710
Australia	48	47
North America, excluding Canada	13	12
	$ 65,165	$ 58,116

16. Business combinations

On June 2, 2015, AGT entered into separate agreements with West Central Road & Rail Ltd (WCRR) and Prairie Processing (1989) Ltd. to purchase their assets.

WCRR was a trans-loader based in Eston Saskatchewan, operating five facilities capable of receiving grains, pulses, oilseeds and special crops locally, which are trans-loaded into railcars for national and international shipments. Prairie Processing (1989) Ltd. was primarily a canary processing and shipping facility located in Eston, Saskatchewan.

Under IFRS 3, AGT has determined that the asset purchase of WCRR qualifies as a business combination.
The purchase price allocation is as follows:

		WCRR
Total purchase price	**$**	**26,842**
Allocation of purchase price:		
Property, plant and equipment		17,942
Net identifiable tangible assets		17,942
Goodwill	$	8,900
Total net assets	**$**	**26,842**

The goodwill acquired above relates to the synergies AGT expects to realize from the addition of bulk loading facilities to the processing segment. The addition of the bulk loading will allow the existing value added processing facilities in Western Canada to focus on higher margin opportunities while allowing AGT to ship bulk product. In addition, the bulk loading facilities will allow AGT to source product to other segments and jurisdictions within the company. AGT is permitted to deduct seventy five percent of the goodwill for tax purposes.

The amount of revenue and profit or loss since the date of acquisition is immaterial to the results of AGT.

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 June 30, 2015, AGT had a letter 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 $13,000 expires December 31, 2016.

At June 30, 2015, AGT had letters of guarantee in Turkey for the amount of $4,491 (December 31, 2014 - $2,802).

At June 30, 2015, AGT had capital project commitments related to the food ingredients and packaged food segment for the amount of $3,382 (December 31, 2014 - nil).

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 July 23, 2015, AGT entered into a new agreement with Lloyd's Bank in the United Kingdom, consisting of an Import Trade Finance (Import Loan) facility for $33,834 (GBP 17,250), an overdraft of $3,923 (GBP 2,000) and an Accordion for an additional $9,807 (GBP 5,000) for a total lending capacity of $47,564 (GBP 24,250). This agreement is effective to May 31, 2016.