AGT FOOD AND INGREDIENTS INC.

MANAGEMENT'S DISCUSSION

AND ANALYSIS

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2016

AGT FOOD AND INGREDIENTS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2016

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

This MD&A has been prepared as at March 22, 2017. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights for 2016

- **Adjusted EBITDA*** was $118.8 million for the year ended December 31, 2016, an increase of 17.6% over $101.0 million for the year ended December 31, 2015 and compared to $117.0 million for the trailing twelve months ended September 30, 2016.

- **Adjusted EBITDA*** was $34.7 million for the unaudited three months ended December 31, 2016, an increase of 26.6% over the $27.4 million for the unaudited three months ended September 30, 2016 and an increase of 5.5% over the $32.9 million for the unaudited three months ended December 31, 2015.

- **Adjusted net earnings per share*** increased to $0.72 ($0.72 fully diluted) for the unaudited three months ended December 31, 2016 compared to $0.50 ($0.50 fully diluted) for the unaudited three months ended September 30, 2016 and compared to $0.64 ($0.64 fully diluted) for the unaudited three months ended December 31, 2015.

- **Bulk handling and distribution** segment contributed $10.1 million Adjusted EBITDA* for the year ended December 31, 2016 compared to $2.1 million Adjusted EBITDA* for the year ended December 31, 2015.

- **Food ingredients and packaged foods** Adjusted EBITDA* was $137.17 per metric tonne ("**mt**") for the year ended December 31, 2016, compared to $131.49 per mt for the year ended December 31, 2015 an increase of 4.3%.

- **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 includes subsidiaries and facilities in Canada, the United States ("**U.S.**"), Australia, China and a portion of the operations in Turkey. The bulk handling and distribution segment includes operations in Europe, Russia, India, Switzerland and a portion of the operations in Turkey, Canada and Australia. The food ingredients and packaged foods segment includes subsidiaries and facilities in the U.S., Canada, South Africa and a portion of the operations in Turkey.

Through its three segments, AGT handles a full range of pulses and specialty crops including lentils, peas, chickpeas, beans, popcorn, canary seed, flax and other specialty seeds packed for domestic and export markets as well as in dry small package and canned products for both domestic consumption and export markets. In North America, AGT produces pulses proteins, fibres, starches and flours for food ingredient and industrial uses. AGT's operations in Turkey produce milled durum wheat products such as semolina, pasta (under the *Arbella* brand) and bulgur wheat, as well as medium grain and long grain milled rice. These products are sold for both domestic consumption and export markets. AGT also offers retail and foodservice dry packaged and canned foods in Canada and the U.S. under the *CLIC* brand and in Southern Africa under the *Pouyoukas* and *Freshpop* brands.

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

Business Outlook

Summary

The 2016 year has been a year of consistent performance for AGT, with revenue growing to $1.97 billion and Adjusted EBITDA* to $118.8 million. The total volume in AGT's system showed a significant increase reaching over 2 million mt's in the calendar year. As a result of

AGT's late 2015 acquisitions and 2016 continued integration of these assets, AGT's business has matured as its segments continue to grow and expand.

AGT's core business, made up of the pulses and grain processing segment and the bulk handling and distribution (formerly known as trading and distribution) segment, showed growth in mt's invoiced in 2016. AGT's value-added processing facilities, focused on bagged and containerized shipments located around the globe. The acquired bulk loading and handling assets and short-line rail system in the key west central Saskatchewan growing region for pulses and durum wheat and port investments for bulk shipments, continue to provide a strong platform for growth for AGT.

Volumes in the core segments may fluctuate somewhat from quarter to quarter due to global supply, production dynamics and quality for commodities as well as import volumes in the traditional shipment periods for pulses and staple foods changing based on market requirements. Overall, mt's for the 2016 full year are viewed as positive as it demonstrates the strength of AGT's farmer origination strength, particularly in the bulk handling and distribution segment where volumes are a key driver to earnings contribution. The pulses and grain processing segment continues to be a significant earnings contributor on a full year basis, even with the seasonal fluctuations in volumes. Overall, the core segments are expected to continue to perform well in the second half of 2017, with import volumes forecast to remain high as global pulse and staple foods markets return to traditional shipment periods.

AGT's food ingredient and packaged foods segment continues to show consistent overall performance and is expected to grow, with new product offerings for deflavoured and enhanced pulse ingredients being produced in AGT's Minot facility coming on stream as targeted in second quarter 2017. This is expected to create opportunities for increased inclusion rates by pet and human food customers in their products and offerings. Volumes and margins have advanced positively for the full year and are expected to continue through 2017. Additional production capacity in the form of a fourth production line, coming on stream in Q2 2017, is expected to provide additional mt's to satisfy additional demand from continued expansion of blends, including pulse ingredients and the continued pursuit of higher value uses for flours, fractions and blends in higher value food, pet food and aquaculture applications by manufacturers. This segment is expected to be complemented by steady growth and performance in AGT's branded retail packaged products business, focused on pasta from Turkey and packaged pulses and staple foods from Turkey, Canada and Southern Africa.

Reporting Segments

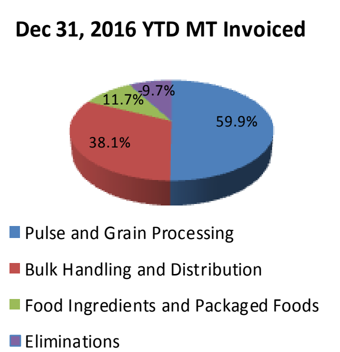
AGT's chief operating decision maker reviews AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies.

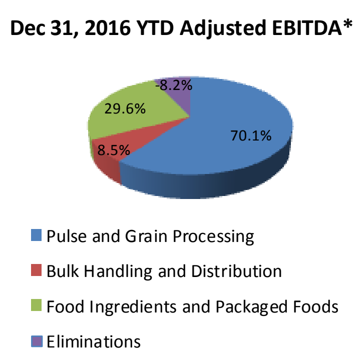
Segment performance is evaluated on the basis of Adjusted EBITDA*. Management believes that Adjusted EBITDA* is an important indicator of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures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

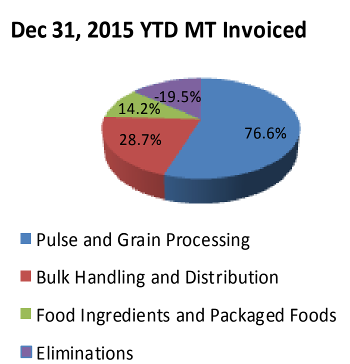
The accounting policies used within each segment are consistent with the policies outlined in the notes to AGT's December 31, 2016 annual audited consolidated financial statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course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

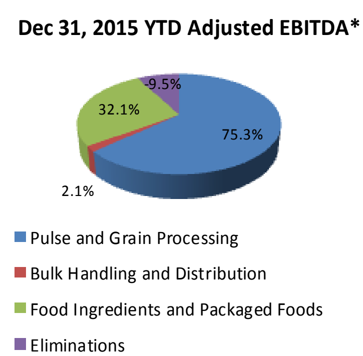
A review of the outlook for each of AGT's business segments is below.

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









Pulse and Grain Processing

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

Results are as follows:

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

	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015
Revenue	**$ 454,185**	$ 248,460	$ 454,951	$ 1,266,527	$ 1,247,189
Cost of sales	**423,277**	224,961	423,524	1,162,790	1,152,619
Gross profit	**30,908**	23,499	31,427	103,737	94,570
Adjusted Gross Profit*	**34,295**	27,204	34,881	118,264	104,540
Adjusted EBITDA*	**$ 26,706**	$ 18,264	$ 25,986	$ 83,319	$ 75,996
Total mt invoiced	**477,850**	254,259	483,596	1,313,381	1,330,440
Gross profit per mt	**$ 64.68**	$ 92.42	$ 64.99	$ 78.98	$ 71.08
Adjusted gross profit* per mt	**71.77**	106.99	72.13	90.05	78.58
Adjusted EBITDA* per mt	**55.89**	71.83	53.73	63.44	57.12

(1) See table on page 15 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 December 31, 2016 to the same quarter in the prior year and decreased when compared to the three months ended September 30, 2016. Overall mt's invoiced in the current quarter increased compared to the prior quarter; however, margin compression on sales to Egypt resulting from material currency devaluation for importers and margin compression on sales to India related to import issues and significant price corrections in local market prices in India resulted in decreased Adjusted Gross Profit* and Adjusted EBITDA* per mt.

Adjusted Gross Profit* per mt and Adjusted EBITDA* per mt increased when comparing the twelve months ended December 31, 2016 to the same period in the prior year. This is due largely to opportunities resulting in stronger margins from Turkish sales throughout 2016 compared to the prior year and through product mix and high utilization of factory assets.

A record harvest in North America and large volumes produced in Australia have resulted in significant volumes shipped from AGT's Canada, U.S. and Australia facilities in the Q4 traditional shipping period. Markets have been importing large volumes in this period, as they traditionally do, to fill local market demand for pulses and staple foods to supplement local production in the Q1 and Q2 periods.

While volumes in this segment increased significantly for the quarter compared to the previous quarter, margins were under pressure as there were significant volumes overall in the marketplace due to these high levels of production in North America and Australia, as well as market sentiments for increased production levels that are expected for India and Turkey.

Volumes in terms of mt's invoiced for the full year 2016, while generally flat to the previous year 2015, were reported with margins rising overall over the previous year. With these volumes and margin improvements for the full year, this segment continues to demonstrate the relative strength of AGT's core business as a base for earnings and revenue as well as the impact of global commodity cycles and production volumes in a number of origins. It is important to note that 2016 was a year of tremendously volatile commodity prices in pulses, with wholesale price indexes reaching historically high levels due to material market corrections in the fourth quarter of 2016, when farmer supply levels in Canada, Australia and the U.S. as well as wholesale markets in consumption markets like India and Turkey were being reduced by over 30% in some cases. Emerging markets currencies, including the Turkish Lira, Egyptian Pound and other currencies, devalued with relative USD strength across all currencies. Wholesale market price adjustments in the range of greater than 30% resulted in massive losses for importers and a higher than normal rate of defaults, demurrage and detention charges and ancillary costs that are not expected to continue in the subsequent periods.

Periods of market correction can be difficult times for commodity export-based businesses. AGT was able to demonstrate its relative resiliency in its geographically diversified pulses and grains core business by ramping up volumes to capitalize on strong demand in a margin-challenged environment. When examining Q4 2016 versus Q3 2016, margins declined on a per mt basis. It is not unusual for the business to shift to a combination of volume and margin when crops are harvested and supplies are readily available, as markets like India, Turkey and China take bulk, minimally processed pulses to fill their supply pipelines. Margins have been tighter in the Q4 2016 period, which is consistent when examining relatively flat volumes in 2015 and 2016.

As prices have trended downward, AGT has seen pressure on pricing and therefore margins; however, these conditions are viewed as temporary as key consumption markets work through lower-priced local production before commencing import activities in the traditional shipping periods. Lower prices may stimulate demand further, resulting in increased import volumes to consumption markets and allowing AGT to utilize its increased capacity in its bulk handling and processing assets to generate margin through additional capacity utilization in the later part of the year. The large crop in North America and Australia bodes well for the Q2 and Q3 transition to the 2017 crop harvest. In the past two seasons, depleted stocks in Canada, the U.S. and Australia did not allow AGT to meet the demand presented in these shipping windows, potentially providing positive conditions for 2017 earnings prospects.

Downward-trending local prices in key consumption markets may also put more pressure on acres as producers see pulses as potentially lagging other alternatives in India and Turkey. The opposite is true in Canada, the U.S. and Australia, where even at current lower pulses prices, pulses are tracking with positive returns when comparing to cereal grains and oilseeds, potentially resulting in seeded acres for the 2017 season at similar levels. More will be known when producers begin making their final seeding decisions in Q1 and Q2.

Recently, it has been reported that the Indian government is reviewing its policies regarding exemption on fumigation, which has been traditionally granted to Canada in late March for agricultural imports for approximately eight years. Canada has been exempt from these regulations for a variety of reasons, including the fact that the strain of pests identified by the Indian government are not present in Canada. AGT is optimistic there will be a solution to this matter in the short term, as India and Canada both recognize that an acceptable solution to allow uninhibited access to pulses from Canada to India and trade to continue unhindered is to the benefit of both countries. While the matter may be viewed as politically motivated by the Indian government, in part to support lagging local prices under the minimum support prices established by the Indian government, India is expected to continue to require Canadian and Australian products in the near term to reconcile an estimated 4.5 million mt's supply-demand gap in pulses annually, as estimated by the India Directorate General of Commercial Intelligence & Statistics, the India Department of Agriculture and reported by StatPub.

The uncertainty caused by the Indian government policy on fumigation derogation has shifted small volumes to Australia in the early part of 2017. The effects of this fumigation issue are expected to be limited to early shipping periods in 2017, which is not a traditionally strong demand period in India for imported pulses due to local harvesting in March 2017. This local production will be consumed before import ordering is resumed in Q2. It is not in the interest of the Indian or Canadian governments to allow this issue to remain unresolved.

AGT management is confident that the scientific approach of the Canadian government will illustrate that Canada has effective pest control. The minus 40 degrees Celsius temperatures regularly experienced in Western Canada are an extremely effective, environmentally friendly and natural fumigation method, especially when compared to methyl bromide. India's need for Canadian pulses is a matter of food security to satisfy its growing supply and demand gap to feed a population that is growing both in numbers and income, and is a matter of basic protein availability for India's food sector. These needs are expected to aid in a long-term permanent resolution of this issue in due course.

However, should resolution of this matter extend past the traditional March 31 extension date AGT, with its global operations and diversified origination strength, including Australia, does expect to be able to minimize the impacts on its business. Non-resolution of the fumigation regulations may have an effect on Canada's ability to ship directly to India without fumigation being completed in transit. It should be noted that management estimates that less than 5% of earnings were attributable to pulses shipments from Canada to India in 2016.

An important characteristic of AGT's core business is the ability and opportunity to originate and ship pulses from local growers in a variety of local jurisdictions in Canada, the U.S., Australia, Turkey, China, Russia and Southern Africa. Diversified origination provides AGT with advantages with regard to processing, sales and shipment from all origins, in periods of supply constraints or surplus, as well as during conditions where one origin may be preferred or have advantages over another. In a period where Australian origin product may have freight, cost or other advantages, AGT may have the option to fill a customer shipment from Australia instead of Canada or the U.S., allowing in some cases for increased margin or other advantage.

AGT's investments in transportation, bulk loading and port facilities are expected by management to further benefit this segment, with volumes shipped to key consumption markets and efficient modes of bulk transport of goods available. The current shipping period, drawing products from the 2016 harvest, marks the first significant opportunity for AGT's bulk handling and short-line rail assets to contribute in a significant way to this segment. In particular, this may benefit the supply of AGT's own operations for bulk pulses, shipped to destination markets using the most efficient transportation modes for further processing, or supply of raw material durum wheat for AGT's own pasta and milled wheat operations.

Producers faced challenges with the 2016 harvest with respect to wheat and pulse quality, with a late harvest resulting in volumes only being available for shipping beginning in October 2016. This hindered efforts to ramp up volumes and constrained margins, as quality issues diminished the profitability of durum wheat pipelines. Management is optimistic that 2017 volumes will be improved as a result of investments in the Canadian bulk pulse and durum handling business.

In the high fixed-cost environment in which AGT operates, significant volumes moving through AGT's system can have positive impact on earnings. The positive performance of this segment is expected by management to continue, as pulses and staple foods markets demonstrate strong demand fundamentals for imported pulses and staples foods in the near term periods.

Food Ingredients and Packaged Foods

AGT's food ingredients and packaged foods segment includes AGT's Minot Facility, producing pulse ingredient flours, starches, proteins and fibres for human food consumption as well as petfood, 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, MENA and Southern Africa.

Results are as follows:

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

	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015
Revenue	**$ 76,557**	$ 72,252	$ 64,730	$ 290,165	$ 253,933
Cost of sales	**65,410**	60,671	53,174	244,792	210,845
Gross profit	**11,147**	11,581	11,556	45,373	43,088
Adjusted Gross Profit*	**13,624**	13,509	13,142	53,211	49,645
Adjusted EBITDA*	**$ 8,413**	$ 9,187	$ 8,997	$ 35,120	$ 32,361
Total mt invoiced	**58,537**	65,376	60,781	256,036	246,103
Gross profit per mt	**$ 190.43**	$ 177.14	$ 190.13	$ 177.21	$ 175.08
Adjusted gross profit* per mt	**232.74**	206.64	216.22	207.83	201.72
Adjusted EBITDA* per mt	**143.72**	140.53	148.02	137.17	131.49

(1) See table on page 15 for consolidated segmented results
(2) Certain estimates and assumptions were made by management in the determination of segment composition

Food ingredients and packaged foods showed an increase in Adjusted Gross Profit* per mt and Adjusted EBITDA* per mt for the three months ended December 31, 2016 compared to the three months ended September 30, 2016 due largely to improved margins from sales out of South Africa as well as improved margins on retail sales.

Adjusted Gross Profit* per mt for the three months ended December 31, 2016 improved when compared to the three months ended December 31, 2015; however, Adjusted EBITDA* per mt decreased slightly due to costs associated with advertising campaigns for pasta, which occur approximately every four years.

Adjusted Gross Profit* per mt and Adjusted EBITDA* per mt increased when comparing the twelve months ended December 31, 2016 to the same period in the prior year. This is due largely to strong pasta margins throughout the year.

AGT's food ingredient and packaged foods business unit has continued to perform consistently in terms of volumes of mt invoiced and margins.

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

While margins have increased, the pace of adoption of AGT's pulse ingredients by customers that translates to volumes is expected to increase in 2017 as products from AGT's new enhancement processes at AGT's Minot Facility come on stream for commercial production. The product development cycle is one that is long in nature. AGT has been working collaboratively with its client base to advance the development and commercialization of new uses for its food ingredient offerings.

The business unit continues to benefit from trends in the food and petfood sectors, resulting in positive impact with regard to sales volumes and margins, particularly as deflavoured products become available to customers for a broad range of applications at higher inclusion rates and test quantities continue to convert to production quantities. Margins have been pressured by lower corn feed prices affecting the sales of starch and flour byproducts and by higher raw material pea prices through the end of the shipping year. As commodity prices have normalized, AGT has continued to develop new markets for its fibres, starches and flours to complement its protein sales. These new and diversified channels take time to ramp up to volume and management is pleased with its progress.

The three production lines at AGT's Minot Facility are currently operating at approximately 95% capacity, with sales programs for commercial production quantities from the fourth production line expected to continue to ramp up volumes as AGT's sales programs develop. Expansions and commissioning at Minot are progressing as per management expectations and projections are on time. The overall performance of this business unit in 2017 for ongoing pace and success in food ingredient and petfood sales is expected to lead to decisions in 2017 regarding additional commercial production capacity.

Product mix to customers has also had a positive impact on this business unit, with opportunities in fibre, flour and starch sales continuing to develop to complement the growing book of protein sales as customer's ramp up their requirements for protein. It is essential to maintain uses and markets for all fractions to ensure that as subsequent production lines are added, AGT is able to market all product streams of the mill.

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

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

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

Bulk Handling and Distribution

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

Additionally, this segment is transforming as new business units in diversified geographies grow and expand into regular business in supply and distribution, such as sugar and other products from India to Europe and other markets. Products in the distribution business units contained in this segment include durum, sorghum, popcorn, coffee, canola, sugar and spices and a variety of seeds.

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

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

Results are as follows:

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

	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015
Revenue	**$ 179,120**	$ 168,489	$ 116,953	$ 612,807	$ 383,399
Cost of sales	**173,071**	162,254	113,517	588,133	368,207
Gross profit	**6,049**	6,235	3,436	24,674	15,192
Adjusted Gross Profit*	**6,187**	6,320	3,436	24,897	15,224
Adjusted EBITDA*	**$ 1,510**	$ 2,680	$ 396	$ 10,115	$ 2,076
Total mt invoiced	**257,104**	228,203	154,476	835,249	499,251
Gross profit per mt	**$ 23.53**	$ 27.32	$ 22.24	$ 29.54	$ 30.43
Adjusted gross profit* per mt	**24.06**	27.69	22.24	29.81	30.49
Adjusted EBITDA* per mt	**5.87**	11.74	2.56	12.11	4.16

(1) See table on page 15 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 decreased Adjusted Gross Profit* and Adjusted EBITDA* per mt for the three months ended December 31, 2016 compared to the three months ended September 30, 2016. Durum shipments from Canada once again contributed to utilization of rail assets; however, margins were slightly compressed. Adjusted Gross Profit* and Adjusted EBITDA* per mt for the three months ended December 31, 2016 increased slightly when compared to the three months ended December 31, 2015 due to increased mt invoiced and product mix invoiced.

Adjusted Gross Profit* per mt was relatively consistent when comparing the twelve months ended December 31, 2016 to the same period in the prior year. Adjusted EBITDA* per mt improved when comparing the same periods due to increased volumes with small incremental costs.

Corporate and Eliminations

Inter-company shipments were 48,536 mt and 212,882 mt for the three and twelve months ended December 31, 2016. These mt were sold from one AGT subsidiary to another for further manufacturing, further packaging and/or for sale to a final customer. Management continues in its efforts to increase the margin of its international business in all segments by capturing additional margins by encouraging AGT wholly owned subsidiaries to work collaboratively to increase trade that utilizes the sourcing advantage of one company and the distribution advantage of another.

Consolidated Segmented Results

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

	Pulse and Grain Processing			Bulk Handling and Distribution			Food Ingredients and Packaged Foods			Corporate and Eliminations			Consolidated		
	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended Dec 31, 2015
Quarterly comparisons															
Revenue	$ 454,185	$ 248,460	$ 454,951	$ 179,120	$ 168,489	$ 116,953	$ 76,557	$ 72,252	$ 64,730	$ (58,999)	$ (46,913)	$ (58,364)	$ 650,863	$ 442,288	$ 578,270
Cost of sales	423,277	224,961	423,524	173,071	162,254	113,517	65,410	60,671	53,174	(58,999)	(46,913)	(58,364)	602,759	400,973	531,851
Gross profit	30,908	23,499	31,427	6,049	6,235	3,436	11,147	11,581	11,556	-	-	-	48,104	41,315	46,419
Adjusted Gross Profit*	34,295	27,204	34,881	6,187	6,320	3,436	13,624	13,509	13,142	-	-	-	54,106	47,033	51,459
Adjusted EBITDA*	**$ 26,706**	**$ 18,264**	**$ 25,986**	**$ 1,510**	**$ 2,680**	**$ 396**	**$ 8,413**	**$ 9,187**	**$ 8,997**	**$ (1,923)**	**$ (2,735)**	**$ (2,441)**	**$ 34,706**	**$ 27,396**	**$ 32,938**
Total mt invoiced	477,850	254,259	483,596	257,104	228,203	154,476	58,537	65,376	60,781	(48,536)	(59,661)	(76,291)	744,955	488,177	622,562
Gross profit per mt	$ 64.68	$ 92.42	$ 64.99	$ 23.53	$ 27.32	$ 22.24	$ 190.43	$ 177.14	$ 190.13				$ 64.57	$ 84.63	$ 74.56
Adjusted Gross Profit* per mt	71.77	106.99	72.13	24.06	27.69	22.24	232.74	206.64	216.22				72.63	96.34	82.66
Adjusted EBITDA* per mt	55.89	71.83	53.73	5.87	11.74	2.56	143.72	140.53	148.02				46.59	56.12	52.91

	Pulse and Grain Processing		Bulk Handling and Distribution		Food Ingredients and Packaged Foods		Corporate and Eliminations		Consolidated	
	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015	Year to Date Dec 31, 2016	Year to Date Dec 31, 2015
Year to date comparisons										
Revenue	$ 1,266,527	$ 1,247,189	$ 612,807	$ 383,399	$ 290,165	$ 253,933	$ (196,295)	$ (180,041)	$ 1,973,204	$ 1,704,480
Cost of sales	1,162,790	1,152,619	588,133	368,207	244,792	210,845	(196,295)	(180,041)	1,799,420	1,551,630
Gross profit	103,737	94,570	24,674	15,192	45,373	43,088	-	-	173,784	152,850
Adjusted gross profit*	118,264	104,540	24,897	15,224	53,211	49,645	-	-	196,372	169,409
Adjusted EBITDA*	**$ 83,319**	**$ 75,996**	**$ 10,115**	**$ 2,076**	**$ 35,120**	**$ 32,361**	**$ (9,740)**	**$ (9,464)**	**$ 118,814**	**$ 100,969**
Total mt invoiced	1,313,381	1,330,440	835,249	499,251	256,036	246,103	(212,882)	(338,489)	2,191,784	1,737,305
Gross profit per mt	$ 78.98	$ 71.08	$ 29.54	$ 30.43	$ 177.21	$ 175.08			$ 79.29	$ 87.98
Adjusted gross profit* per mt	90.05	78.58	29.81	30.49	207.83	201.72			89.59	97.51
Adjusted EBITDA* per mt	63.44	57.12	12.11	4.16	137.17	131.49			54.21	58.12

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

Summary of Annual Results (in thousands of Cdn. $ except as indicated)	**Year Ended Dec 31, 2016**	**Year Ended Dec 31, 2015**	**Year Ended Dec 31, 2014**
Revenue	$ 1,973,204	$ 1,704,480	$ 1,356,818
Gross profit	173,784	152,850	130,347
Adjusted gross profit*	**196,372**	**169,409**	**145,151**
Adjusted EBITDA*	**118,814**	**100,969**	**87,005**
Adjusted net earnings*	**47,301**	**47,241**	**36,155**
Adjusted basic net earnings per share*	1.98	2.04	1.76
Adjusted diluted net earnings per share*	1.96	2.02	1.75
Net earnings per financial statements	**21,053**	**16,045**	**19,759**
Basic net earnings per share	0.88	0.69	0.96
Diluted net earnings per share	0.87	0.68	0.96
Total assets	1,292,302	1,296,568	928,853
Bank indebtedness	19,720	139,102	91,218
Long-term debt including current portion	547,995	356,701	251,173
Shareholders' equity	302,622	356,918	322,070
Dividends declared per share	$ 0.60	$ 0.60	$ 0.60
Basic weighted average shares outstanding	23,896,099	23,195,523	20,503,748
Fully diluted weighted average shares outstanding	24,092,203	23,424,860	20,687,449
Total mt invoiced	2,191,784	1,737,305	1,627,873
Gross profit per mt	$ 79.29	$ 87.98	$ 80.07
Adjusted gross profit* per mt	89.59	97.51	89.17
Adjusted EBITDA* per mt	54.21	58.12	53.45

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

	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended June 30, 2016	3 Months Ended Mar 31, 2016	3 Months Ended Dec 31, 2015	3 Months Ended Sept 30, 2015	3 Months Ended June 30, 2015	3 Months Ended Mar 31, 2015
Revenue	$ 650,863	$ 442,288	$ 438,660	$ 441,393	$ 578,270	$ 362,755	$ 378,225	$ 385,230
Gross profit	48,104	41,315	38,411	45,954	46,419	36,674	35,258	34,499
Adjusted Gross Profit*	**54,106**	**47,033**	**43,678**	**51,555**	**51,458**	**40,583**	**38,969**	**38,399**
Adjusted EBITDA*	**34,706**	**27,396**	**25,322**	**31,390**	**32,938**	**23,208**	**22,206**	**22,617**
Adjusted net earnings*	**17,270**	**12,024**	**13,285**	**4,722**	**15,192**	**11,860**	**10,325**	**9,864**
Adjusted basic net earnings per share*	**0.72**	**0.50**	**0.56**	**0.20**	**0.64**	**0.51**	**0.45**	**0.43**
Adjusted diluted net earnings per share*	**0.72**	**0.50**	**0.55**	**0.20**	**0.64**	**0.51**	**0.44**	**0.42**
Net (loss) earnings per financial statements	(11,198)	7,438	(2,193)	27,006	19,238	(7,232)	3,493	546
Basic net (loss) earnings per share	(0.47)	0.31	(0.09)	1.13	0.82	(0.31)	0.15	0.02
Diluted net (loss) earnings per share	(0.46)	0.31	(0.09)	1.12	0.81	(0.31)	0.15	0.02
Pulse and grain processing mt invoiced (2)	477,850	254,259	247,891	333,381	483,596	290,941	254,304	301,599
Bulk handling and distribution mt invoiced (2)	257,104	228,203	177,992	171,950	154,476	122,296	86,155	136,324
Food ingredients and packaged foods mt invoiced (2)	58,537	65,376	70,774	61,349	60,781	55,653	70,250	59,419
Inter-company mt	(48,536)	(59,661)	(39,016)	(65,669)	(76,291)	(105,555)	(83,786)	(72,857)
Total mt invoiced	744,955	488,177	457,641	501,011	622,562	363,335	326,923	424,485
Gross profit per mt	$ 64.57	$ 84.63	$ 83.93	$ 91.72	$ 74.56	$ 100.94	$ 107.85	$ 81.27
Adjusted Gross Profit* per mt	72.63	96.34	95.44	102.90	82.66	111.70	119.20	90.46
Adjusted EBITDA* per mt	46.59	56.12	55.33	62.65	52.91	63.87	67.92	53.28

Notes:

(1) Calculated from the condensed consolidated unaudited interim financial statements for the quarters ended September 30, 2016, June 30, 2016, March 31, 2016, September 30, 2015, June 30, 2015 and March 31, 2015, and the audited annual financial statements for the year ended December 31, 2016 and 2015.

(2) For a breakdown on segmented information, see the table entitled “Consolidated Segmented Results”.

(3) Key things to note:

- AGT’s financial results are strongly influenced by the performance of our pulse and grain processing segment which accounted for 69.8% of consolidated revenue in Q4 of 2016 and 64.2% of consolidated revenue for the year ended 2016.
- The timing of customer shipments, which tend to vary from quarter to quarter, drives revenue in the segments; meaning quarterly results are not necessarily a good indication of annual results due to seasonal variability.
- Net earnings do not trend directly with revenue due to foreign exchange volatility and transactions that occur from time to time. AGT uses Adjusted Net Earnings*, a non-IFRS measure, as a more meaningful way to compare our results from period to period.

Discussion of Quarterly and Year to Date Results

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

Revenue, Gross Profit and Adjusted Gross Profit*

	3 Months Ended Dec 31			Year Ended Dec 31		
	2016	2015	Change	2016	2015	Change
Revenue	650,863	578,270	72,593	1,973,204	1,704,480	268,724
Less: cost of sales	602,759	531,851	70,908	1,799,420	1,551,630	247,790
Gross profit	48,104	46,419	1,685	173,784	152,850	20,934
Add back: depreciation in cost of sales	6,002	5,039	963	22,588	16,559	6,029
Adjusted Gross Profit*	54,106	51,458	2,648	196,372	169,409	26,963
Gross profit percentage	7.4%	8.0%	-0.6%	8.8%	9.0%	-0.2%
Adjusted Gross Profit* percentage	8.3%	8.9%	-0.6%	10.0%	9.9%	0.1%

Revenue, gross profit and Adjusted Gross Profit* increased in absolute dollars when comparing the three and twelve months periods ended December 31, 2016 to the same periods in the prior year. Volumes from Canada ramped up significantly in 2016 within the bulk handling and distribution segment. In addition, traded mt through tenders out of India increased substantially in the currently year. This resulted in overall increased mt invoiced, contributing to increased Revenue, gross profit and Adjusted Gross Profit* compared to the same period in the prior year.

Gross profit and Adjusted Gross Profit* percentages decreased when comparing the three months ended December 31, 2016 to the three months ended December 31, 2015. This is due to an increase in invoiced mt in the bulk handling and distribution segment. These sales had lower overall margins, but still added volume and margin to the results. In addition, events such as the devaluing of the Egyptian currency, Turkish border disruption and India import issues resulted in reduced margins on sales that were diverted as a result of these events.

Gross profit and Adjusted Gross Profit* percentages were consistent when comparing the twelve months ended December 31, 2016 to the twelve months ended December 31, 2015 due to increased mt on sales in the bulk handling and distribution platform with lower margins per mt, offset by improved margins in the pulse and grain processing and the food ingredients and packaged foods segments.

Adjusted EBITDA*

	3 Months Ended Dec 31			Year Ended Dec 31		
	2016	2015	Change	2016	2015	Change
Adjusted EBITDA*	34,706	32,938	1,768	118,814	100,969	17,845
Adjusted EBITDA* percentage of revenue	5.33%	5.70%	-0.37%	6.02%	5.92%	0.10%

Adjusted EBITDA* as a percentage of revenue for the three months ended December 31, 2016 decreased slightly over the same period in the prior year. This is due to increased volumes from the bulk handling and distribution segment which had lower margins but contributed to utilization of facilities.

Adjusted EBITDA* as a percentage of revenue for the twelve months ended December 31, 2016 increased slightly over the same period in the prior year due largely to additional volumes contributing to earnings as well as improved margins in the pulse and grain processing and the food ingredients and packaged foods segments.

Expenses

	3 Months Ended Dec 31			Year Ended Dec 31		
	2016	2015	Change	2016	2015	Change
General and administrative and marketing, sales and distribution expenses	25,266	23,024	2,242	90,717	78,850	11,867
Finance expense	15,165	5,621	9,544	38,470	31,617	6,853
Depreciation and amortization	7,128	5,962	1,166	26,998	19,700	7,298
(Recovery of) provision for income taxes	(4,857)	6,163	(11,020)	6,045	2,411	3,634
Unrealized foreign exchange loss (gain)	23,728	(7,627)	31,355	17,499	23,927	(6,428)

General and administrative and marketing, sales and distribution expenses for the three and twelve months ended December 31, 2016 increased over the same periods in the prior year. This is due to additional costs related to the bulk platform in addition to increased operations in India, Turkey and the food ingredient platform.

Finance expenses includes a non-cash charge relating to the de-recognition of the bond derivative that was eliminated during Q4 in addition to interest paid on these bonds. The impact of the reduction of the bonds was approximately $6.6 million in cash and non-cash expense.

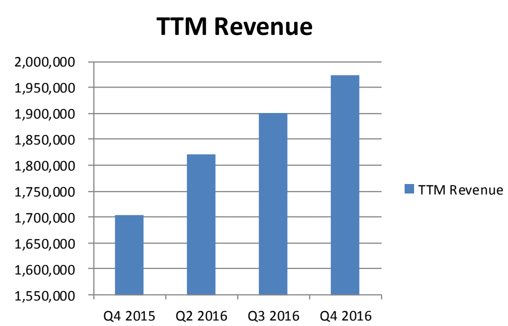
Depreciation expenses for the three and twelve months ended December 31, 2016 increased over the same period in the prior year due to additional assets being put into use. These include bulk processing assets, rail assets and pasta and food ingredient asset improvements.

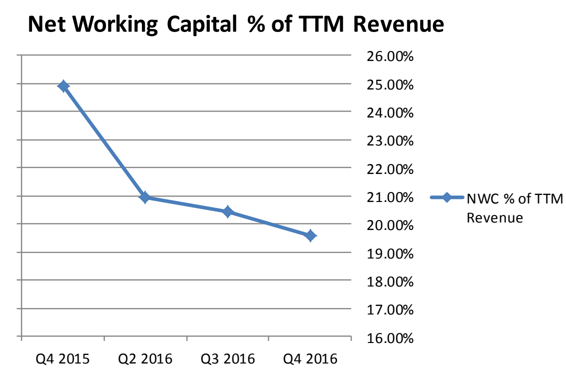
The income tax expense is calculated for each subsidiary at the individual rate for that country and therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

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

Non-cash foreign exchange results from changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts and includes the cross currency swap related to the high yield debt offering of $125 million. Adjustments to foreign exchange on foreign investments are recorded in other comprehensive (loss) income on AGT's Consolidated Statements of Comprehensive Income and are recorded in accumulated other comprehensive income (loss) on AGT's Consolidated Statements of Financial Position.

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





Net working capital* is defined as trade accounts receivable, inventory, prepaid and other less accounts payable, accrued liabilities and deferred revenue. Net working capital was $386.6 million at December 31, 2016 a decrease from $388.3 million at September 30, 2016 (see table on page 27) and a decrease from $424.4 million at December 31, 2015. Net working capital as a percentage of TTM revenue has decreased from 24.9% at December 31, 2015 and 20.43% at September 30, 2016 to 19.59% at December 31, 2016.

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

The option exists to allocate debt from short term to long term. As a result, AGT has refined the calculation of net working capital to exclude bank indebtedness in order to keep this calculation consistent as longer term debt replaces short term credits.

Net Debt* is comprised of bank indebtedness, long term debt and current portion of long term debt, less cash and totaled $538.7 million at December 31, 2016 compared to $490.8 million at September 30, 2016 and compared to $473.5 million at December 31, 2015 (see table on page 26). The increase is due largely to funds used for specific capital projects designed to improve efficiencies and lower costs. These projects include global software development, expansions to food ingredients technology, costs associated with the rail consolidation yard and an expansion to the cogeneration system in Turkey. The net cost of these projects and investments totaled approximately $22.3 million in the quarter. In addition, significant volumes in the quarter contributed to the increase in net debt due to higher accounts receivable, partially offset by increased accounts payable.

Current assets (excluding derivative assets) were $750.8 million at December 31, 2016 compared to $790.4 million at December 31, 2015. The current asset base is largely accounts receivable and inventory, in addition to deposits related to inventory purchases. It is important to note that accounts receivables are largely insured by Export Development Canada ("**EDC**") or other credit risk mitigation strategies, such as letters of credit, significantly reducing the risks associated with accounts receivable collection, since buyer risk is being replaced by Government of Canada risk through the export insurance.

Trade accounts receivable increased to $279.8 million at December 31, 2016, compared to $219.3 million at September 30, 2016 and decreased when compared to $283.9 million at December 31, 2015 (see table on page 27). This is due mainly to a later harvest and large volumes of shipments out of Canada and Australia later in the quarter, with cash collections in the first quarter of 2017.

The decrease of $4.1 million when compared to December 31, 2015 is due largely to higher volumes of shipments from India later in the quarter and resulting increased accounts receivable, partially offset by lower accounts receivables out of North America.

Inventory decreased to $323.3 million at December 31, 2016, compared to $333.1 million at September 30, 2016 and decreased compared to $381.9 million at December 31, 2015 (see table on page 27). During the quarter, North American and Turkish inventory decreased due to lower commodity prices and shipments of harvest product that was received in the prior quarter. This was offset by a later and significant harvest in Australia and increased inventory as a result.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. While the inventory value is $323.3 million at December 31, 2016, this value represents a number of different commodities globally. Much of this inventory is also earmarked for sales contracts and will remain as inventory until substantial risks transfer from seller to buyer under AGT's revenue recognition policy. AGT management continues the practice of examining stock levels at each of its foreign operations to achieve an optimization of inventory levels. In addition, inventory management practices include book to physical inventory reconciliations monthly to ensure accurate recording of inventory values.

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

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

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

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

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

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

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

Balance sheet accounts of subsidiaries are valued at December 31, 2016 and December 31, 2015 foreign exchange rates as follows [Source: Bank of Canada]:

	Dec 31, 2016	**Dec 31, 2015**
USD/CDN	1.34270	1.38400
AUD/CDN	0.97070	1.00830
TL/CDN	0.38150	0.47440
GBP/CDN	1.65640	2.04070
EUR/CDN	1.41690	1.50290
ZAR/CDN	0.09800	0.08946
RMB/CDN	0.19300	0.21310
INR/CDN	0.01980	0.02091

For each subsidiary, any difference between the December 31, 2016 exchange rate and the average exchange rate used to record revenues and expenses is recorded as other comprehensive income (loss) on AGT's Consolidated Statements of Comprehensive (Loss) Income and Consolidated Statement of Changes in Equity.

Liquidity and Capital Resources

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

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

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

2015		Carrying Amount		Contractual cash flows		1 year		2 years		3 - 5 years		More than 5 years
Bank indebtedness	$	139,102	$	139,102	$	139,102	$	-	$	-	$	-
Accounts payable and accrued liabilities		330,381		330,381		330,381		-		-		-
Long-term debt		356,701		402,885		28,841		29,128		323,992		20,924
Derivative liabilities		66,536		76,642		23,602		3,429		49,611		-
Dividend payable		3,571		3,571		3,571		-		-		-
	$	896,291	$	952,581	$	525,497	$	32,557	$	373,603	$	20,924

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

AGT's working capital requirements fluctuate from quarter to quarter as the supply of pulses and special crops fluctuates, since payments to suppliers form the largest item of the working capital requirements. AGT's working capital requirements are met from its earnings, with its credit facility providing bridge financing until payments for sales are received.

At December 31, 2016, AGT had total operating lines available of $256.0 million (December 31, 2015 - $251.1 million). Included in these facilities is a syndicated debt facility of $211.5 million (December 31, 2015 – $207.0 million) secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries, maturing in January 2018. The weighted average interest rate on available operating lines at December 31, 2016 is 3.3% (December 31, 2015 – 3.3%).

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

At December 31, 2016, AGT is in compliance with its financial covenants under all credit agreements.

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

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

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

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

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

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

Capital Management

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

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

Net Debt and Capital

(in thousands of Cdn. $)	Dec 31, 2016	Sept 30, 2016 (unaudited)	Dec 31, 2015
Long term debt	$ 410,776	$ 366,196	$ 344,339
Bank indebtedness and current portion of long term debt	156,939	146,094	151,464
Cash	(29,025)	(21,507)	(22,306)
Net Debt*	**$ 538,690**	**$ 490,783**	**$ 473,497**
Shareholders' equity	302,622	352,670	356,918
Capital	**$ 841,312**	**$ 843,453**	**$ 830,415**
Trailing twelve months Adjusted EBITDA*	118,814	117,046	100,969
Net Debt to Adjusted EBITDA*	4.53	4.19	4.69

Selected asset and liability information

(in thousands of Cdn. $)	Dec 31, 2016	Sept 30, 2016 (unaudited)	Dec 31, 2015
Cash	$ 29,025	$ 21,507	$ 22,306
Trade accounts receivable	279,782	219,268	283,882
Inventory[1]	323,320	333,109	381,922
Prepaid expenses and other[1]	113,631	124,534	101,907
Bank indebtedness and current portion of long term debt	156,939	146,094	151,464
Accounts payable, accrued liabilities and deferred revenue	330,134	288,595	343,321
Long-term debt	410,776	366,196	344,339
Net working capital* calculation			
Trade accounts receivable	279,782	219,268	283,882
Inventory[1]	323,320	333,109	381,922
Prepaid expenses and other[1]	113,631	124,534	101,907
Less: Accounts payable, accrued liabilities and deferred revenue	330,134	288,595	343,321
Net working capital*	386,599	388,316	424,390
Trailing twelve month revenue	1,973,204	1,900,611	1,704,480
Net working capital* as a percentage TTM Revenue	19.59%	20.43%	24.90%

[1]AGT reclassified $48.4 million and $80.5 million from inventory to prepaid expense and other for December 2015 and September 30, 2016.

Consolidated capitalization information

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

Capital Structure
(in thousands of Cdn. $)

	Dec 31, 2016	Dec 31, 2015	Financial Statement Caption
APP Group			
Senior secured APP bank facility	$ -	$ 127,425	bank indebtedness
Senior secured APP bank facility	180,833	182,949	long term debt
Poortman facility (GBP 17.25 million)	9,303	3,324	bank indebtedness
AGT CLIC mortgage on building and other	8,029	8,166	long term debt
Mobil mortgage and debt	24,349	24,056	long term debt
Other	2,051	1,240	long term debt
	$ 224,565	$ 347,160	
Arbel/Other Entities (excluding AGT)			
Senior secured Advance Seed facility	$ 10,417	$ 8,353	bank indebtedness
Other	162	84	long term debt
	$ 10,579	$ 8,437	
AGT			
Note payable related to Mobil purchase	$ 14,230	$ 17,779	long term debt
Notes outstanding	318,341	122,427	long term debt
	$ 332,571	$ 140,206	
Total debt	$ 567,715	$ 495,803	
December 31, 2016 financial statements			
Bank indebtedness	$ 19,720	$ 139,102	
Long term debt, including current portion	547,995	356,701	
	$ 567,715	$ 495,803	

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

Cash flow from (used in)	3 months ended Dec 31, 2016	3 months ended Sept 30, 2016	3 months ended Dec 31, 2015	Difference Dec 31, 2016 to Dec 31, 2015
Operating activities	$ (23,365)	$ 8,733	$ (40,589)	$ 17,224
Financing activities	52,077	2,201	65,394	(13,317)
Investing activities	(22,303)	(14,573)	(46,305)	24,002
Effect of exchange rate changes on cash	1,109	653	1,893	(784)
Change in cash	$ 7,518	$ (2,986)	$ (19,607)	$ 27,125

	3 months ended Dec 31, 2016	3 months ended Sept 30, 2016	3 months ended Dec 31, 2015	Difference Dec 31, 2016 to Dec 31, 2015
Non-cash working capital	$ (47,480)	$ (7,201)	$ (71,389)	$ 23,909

Cash flow from (used in)	Year ended Dec 31, 2016	Year ended Dec 31, 2015	Difference
Operating activities	$ 29,966	$ (11,226)	$ 41,192
Financing activities	56,779	95,124	(38,345)
Investing activities	(79,336)	(95,114)	15,778
Effect of exchange rate changes on cash	(690)	4,203	(4,893)
Change in cash	$ 6,719	$ (7,013)	$ 13,732

	Year ended Dec 31, 2016	Year ended Dec 31, 2015	Difference
Non-cash working capital	$ (48,586)	$ (79,352)	$ 30,766

Cash flow used in operating activities for the three months ended December 31, 2016 was $23.3 million compared to cash flow from operating activities of $8.7 million for the three months ended September 30, 2016 and compared to a decrease of $40.6 million for the three months ended December 31, 2015. The change when comparing the three months ended December 31, 2016 to the three months ended September 30, 2016 is due to an increase in accounts receivable during the quarter, offset partially by increased accounts payable and decreased inventory. The increase over the same period in the prior year is due to increased earnings as well as lower commodity prices impacting non-cash working capital.

Cash flow from operating activities improved when comparing the twelve months ended December 31, 2016 to the same period in the prior year due largely to improved earnings and improved working capital resulting from lower commodity prices.

Cash flow from financing activities for the three months ended December 31, 2016 was an increase of $52.1 million compared to an increase of $2.2 million for the three months ended September 30, 2016 and compared to an increase of $65.4 million for the three months ended December 31, 2015. The cash from financing activities is due to utilization of bank indebtedness for inventory receipts and capital additions.

Cash flow from financing activities decreased when comparing the twelve months ended December 31, 2016 to the same period in the prior year due largely to lower commodity prices and therefore a reduction in bank indebtedness compared to the prior year.

Cash flow used in investing activities for the three months ended December 31, 2016 primarily includes improvements to the Minot Facility as well as rail and storage facility improvements and costs associated with Turkish pasta facilities and cogeneration system.

Cash used in investing activities decreased in the twelve months ended December 31, 2016 compared to the same period in the prior year due to specific acquisitions in the prior year as well as insurance proceeds received in the current year, offset by asset improvements to assets in the current year.

Cash Flow Information – Non-Cash Working Capital

Non-cash working capital was a decrease of $47.5 million for the three months ended December 31, 2016 compared to a decrease of $7.2 million for the three months ended September 30, 2016 and compared to a decrease of $71.4 million for the three months ended December 31, 2015. The change compared to the three months ended September 30, 2016 is due largely to increased accounts receivable levels, partially offset by an increase in accounts payable and the change from the three months ended December 31, 2015 is due largely to lower commodity prices and therefore lower inventory values.

Non-cash working capital used in the twelve months ended December 31, 2016 was lower than the same period in the prior year as a result of lower accounts receivable and lower inventory due to lower commodity prices. This was partially offset by decreased accounts payable.

Accounts Payable, accrued liabilities and deferred revenue

Accounts payable, accrued liabilities and deferred revenue decreased from $343.3 million at December 31, 2015 and increased from $288.6 million at September 30, 2016 to $330.1 million at December 31, 2016. This is due largely to the timing of North American harvest as well as lower accounts payable relating to inventory received in Turkey.

Leases

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

Transactions with other related parties

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

	2016	2015
Short term benefits (wage, bonus, vacation paid out, directors fees)	$ 4,234	$ 4,110
Post employment benefits (RRSP)	131	126
Share based compensation	3,209	3,719
	$ 7,574	$ 7,955

	2016	2015
Accounts receivable	$ 227	$ -
Accounts payable	1,359	2,790

The accounts payable in table above relates to deferred compensation

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

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

	2016	2015
Accounts receivable	$ 39	$ 134
Accounts payable	-	62

	2016	2015
Purchases	$ 1,016	$ 3,458

Transactions with other related parties

	2016	2015
Accounts payable	$ 467	$ 404

	2016	2015
Purchases	$ 985	$ 1,138

Off Balance Sheet Arrangements

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

Critical Accounting Estimates

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

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

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

Impairment of long-lived and intangible assets

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

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

Income Taxes

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

Derecognition of accounts receivable

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

Fair value of derivative instruments

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

Functional Currency

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

Business Combinations

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

Significant Accounting Policies

Financial Instruments:

Non-derivative financial assets

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

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

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Non-derivative financial liabilities

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

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

Derivative financial instruments

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

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

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("**Disclosure Controls**") are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to AGT management, including the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, do not expect that AGT's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

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

CFO evaluated the design and operating effectiveness of AGT's Disclosure Controls as at December 31, 2016 and concluded that AGT's Disclosure Controls were effective.

Internal Controls over Financial Reporting

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

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

Management, under the supervision of the CEO and the CFO, has evaluated the ICFR using the framework and criteria established in the 2013 Internal Controls – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management, including the CEO and CFO, evaluated the design and operating effectiveness of AGT's ICFR. Based on this evaluation, the CEO and the CFO have concluded that as at December 31, 2016, ICFR (as defined in NI 52-109) were designed and operating effectively.

There were no changes in our ICFR during the twelve month period ended December 31, 2016 that have materially affected, or are reasonably likely to affect our ICFR.

New Standards and Interpretations

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

Proposed Standard	Description	Previous Standard	Effective Date
IAS 7 Statement of Cash Flows Disclosure Initiative	The amendment requires disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.	IAS 7 Statement of Cash Flows	Fiscal years beginning on or after January 1, 2017, applied prospectively
IFRS 15 Revenue from Contracts with Customers	The new standard creates a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. This standard may change how much and when revenue can be recognized.	IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers	Fiscal years beginning on or after January 1, 2018, applied retrospectively
IFRS 9 Financial Instruments	The new standard is a single financial instrument accounting standard addressing classification and measurement, impairment and hedge accounting.	IAS 39; IAS 32; IFRS 7 - Financial Instruments: Recognition and Measurement; Presentation; Disclosure	Fiscal years beginning on or after January 1, 2018, applied retrospectively with certain exceptions
IFRS 2 Share-based Payment Amendment	The amendment clarifies how to account for and measure certain types of share-based payment transactions.	IFRS 2 Share-based Payment	Fiscal years beginning on or after January 1, 2018, applied prospectively
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt.	IAS 21 The Effects of Changes in Foreign Exchange Rates	Fiscal years beginning on or after January 1, 2018, applied retrospectively or prospectively
IFRS 16 Leases	The new standard requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.	IAS 17 Leases	Fiscal years beginning on or after January 1, 2019, applied retrospectively

Management is assessing the potential impact of standards, amendments and interpretations effective in future years for impacts on both quantitative and qualitative disclosure. AGT expects to adopt these standards on their respective effective dates. AGT has made progress in assessment of the new standards during the current reporting period.

On January 1, 2016, AGT assessed the impact of the amendment to IAS 1: Presentation of Financial Statements. This amendment did not have a material impact on AGT's Financial Statements.

Outstanding Share Data

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

Risks and Uncertainties

Information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.agtfoods.com. Potential risks and uncertainties include operating requirements, volume, transportation and transloading, distribution and supply contracts, customer retention and competitive environment, foreign operations, integration of acquisitions, realization of benefits from acquisitions, acquisition and expansion, reliance on key personnel, localized decision making, potential undisclosed liabilities, uninsured and underinsured losses, global financial crisis and general economic conditions, wholesale price volatility, capital markets, leverage and capital requirements, financing and credit liquidity, reduced dividend payment, international agricultural trade, foreign exchange, counterparty and export, geographic and political, environmental protection, energy price fluctuation, information technology, regulatory oversight, financial reporting, control of AGT and dilution of shareholders. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the period ended December 31, 2016.

Commitments and Contingencies

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

At December 31, 2016, AGT had a contract of insurance in favour of the Canadian Grain Commission in the amount of $13.0 million (December 31, 2015 – letter of credit $13.0 million). The policy can be claimed against by the beneficiary in the event of a producer grain payment default. The policy expires on June 30, 2017 and replaces the letter of credit that was in place prior to the issuance of the policy.

At December 31, 2016, AGT had letters of guarantee in Turkey in the amount of $7.0 million (December 31, 2015 - $4.2 million).

At December 31, 2016, AGT had capital project commitments related to the food ingredients and packaged food segment for the amount of $nil (December 31, 2015 - $3.5 million).

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

Interest Rate Risk

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

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

Foreign Currency Risk

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

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

AGT measures its exposure to foreign exchange risk on financial instruments as the change in carrying values that would occur as a result of reasonably possible changes in foreign exchange rates, holding all other variables constant. AGT has determined its pre-tax exposure to foreign currency exchange risk on significant financial instruments to be as follows based on a 5% strengthening of the significant currencies AGT is exposed to. A 5% weakening of these same currencies at December 31, 2016 would have had an equal but opposite effect on the amounts shown below, assuming all other variables remained constant:

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

	Currency	Carrying Value (CDN) December 31, 2015	Gain (loss) CDN
Cash	USD	$ 10,883	$ 544
Accounts receivable	USD	177,697	8,885
Accounts receivable	EUR	8,779	439
Accounts payable and accrued liabilities	USD	13,001	(650)
Accounts payable and accrued liabilities	EUR	6,601	(330)
Net foreign currency derivative liabilities	USD	63,404	(31,127)
			$ (22,239)

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.

Subsequent Event

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

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

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

		Year Ended Dec 31, 2016		Year Ended Dec 31, 2015
Revenue	$	1,973,204	$	1,704,480
Less: cost of sales [1]		1,799,420		1,551,630
Gross profit		173,784		152,850
Add back: depreciation in cost of sales		22,588		16,559
Adjusted gross profit*		**196,372**		**169,409**
Deduct: General and administrative and marketing, sales and distribution expenses		(90,717)		(78,850)
Deduct: Non cash foreign exchange effect		(17,499)		(23,927)
Add: Amortization in general and administrative expense		4,410		3,141
EBITDA		92,566		69,773
Add: Non-recurring and other expenses [2]		8,749		7,269
Add (deduct): Non cash foreign exchange effect		17,499		23,927
Adjusted EBITDA [*]		**118,814**		**100,969**
Deduct: Finance expense		(38,470)		(31,617)
Deduct: Depreciation and amortization		(26,998)		(19,700)
Deduct: Provision for income taxes		(6,045)		(2,411)
Adjusted net earnings [*]		**47,301**		**47,241**
Adjusted basic net earnings per share*		1.98		2.04
Adjusted diluted net earnings per share*		1.96		2.02
Non-recurring and other expenses [2]		(8,749)		(7,269)
Deduct: Non cash foreign exchange effect		(17,499)		(23,927)
Net earnings per financial statements		**21,053**		**16,045**
Basic net earnings per share		0.88		0.69
Diluted net earnings per share		0.87		0.68
Basic weighted average number of shares outstanding		23,896,099		23,195,523
Diluted weighted average number of shares outstanding		24,092,203		23,424,860

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

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

Reconciliation of Net Working Capital* and Net Debt*

(in thousands of CDN $, unaudited)

	Dec 31, 2016	Dec 31, 2015
Trade accounts receivable	$ 279,782	$ 283,882
Inventory[1]	323,320	381,922
Prepaid expenses and other[1]	113,631	101,907
Less: Accounts payable, accrued liabilities and deferred revenue	330,134	343,321
Net working capital*	$ 386,599	$ 424,390

[1] AGT reclassified $48.4 million from inventory prepaid expense and other in 2015

	Dec 31, 2016	Dec 31, 2015
Long term debt	$ 410,776	$ 344,339
Bank indebtedness and current portion of long term debt	156,939	151,464
Cash	(29,025)	(22,306)
Net Debt*	$ 538,690	$ 473,497

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 41.

Market Share, Industry Data and Other Statistical Information

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

Caution about forward looking statements

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

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

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

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