AGT FOOD AND INGREDIENTS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

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The following Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations has been prepared by management to help readers interpret AGT Food and Ingredients Inc.'s ("**AGT**" or the "**Company**") unaudited condensed consolidated financial results for the three and six months ended June 30, 2017 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 August 8, 2017. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights for the Three and Six Months Ended June 30, 2017

- **Consolidated revenue** for the six months ended June 30, 2017 increased 12.2% to $987.1 million compared to $880.1 million for the six months ended June 30, 2016.

- **Adjusted Gross Profit*** for the three month period ended June 30, 2017 decreased to $38.2 million compared to $43.7 million for the three months ended June 30, 2016.

- **Adjusted EBITDA*** for the three months ended June 30, 2017 decreased to $19.1 million compared to $25.3 million for the three months ended June 30, 2016.

- **Food ingredients and packaged foods** contributed to 46.8% of Adjusted EBITDA* for the six months ended June 30, 2017 compared to 30.9% for the six months ended June 30, 2016.

- **Net working capital*** was $361.4 million at June 30, 2017, a decrease from $389.3 million at March 31, 2017 and a decrease from $381.6 million at June 30, 2016.

- **Net working capital* as a percentage of trailing twelve-month revenue** improved to 17.37% at June 30, 2017 compared to 20.96% at June 30, 2016.

- **Net Debt*** decreased by $18.4 million when compared to March 31, 2017.

- **Adjusted net earnings per share*** decreased to $0.10 ($0.10 fully diluted) for the three months ended June 30, 2017 compared to $0.56 ($0.55 fully diluted) for the three months ended June 30, 2016.

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

Business Overview

AGT operates with three reporting segments: (1) pulse and grain processing, (2) food ingredients and packaged foods, and (3) bulk handling and distribution (formerly trading and distribution). The pulse and grain processing segment is the principal core business of AGT and includes subsidiaries and facilities in Canada, the United States ("**U.S.**"), Australia, China and a portion of the operations in Turkey. The bulk handling and distribution segment includes operations in Europe, Russia, India, Switzerland and a portion of the operations in Turkey, Canada and Australia. The food ingredients and packaged foods segment includes subsidiaries and facilities in the U.S., Canada, South Africa and a portion of the operations in Turkey.

Through its three segments, AGT handles a full range of pulses and specialty crops including lentils, peas, chickpeas, beans, popcorn, canary seed, flax and other specialty seeds packed for domestic and export markets as well as in dry small package and canned products for both domestic consumption and export markets. In North America, AGT produces 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

North America pulse production harvest for 2017 is in its early stages. Statistics Canada ("**StatsCan**") expects overall production volumes in Canada for lentils, peas and chickpeas to decrease compared to 2016 levels, and the United States Department of Agriculture ("**USDA**") forecasts production in the U.S. to decrease as well from 2016. Overall production volumes from

North America are forecast at average levels, with reduced acres overall and average to slightly lower than average yields resulting from hot, dry conditions in Western Canada and the Northern Tier states.

Despite these lowered projections, North American production volumes appear to be offset by increased world production overall, as compiled by STAT Publishing and based on official government and United Nations Food and Agriculture Organization ("**UNFAO**") reports, and are expected to result in ample global supply for AGT sales programs from all production origins. AGT operates a network of global processing facilities in virtually every major pulse-producing region and has developed a program of shifting origination throughout the merchandising year based on where new crop products are available and which destination markets are actively purchasing their market requirements. Global oversupply will potentially weigh on nearby demand prospects as local crop stocks in India and Turkey are consumed prior to the resumption of more normalized importing activities projected for late 2017 and the normalized 2018 season.

In Saskatchewan, the principal pulse-growing region in Canada, crops were seeded generally in line with previous years, with dry weather conditions offset by good top soil moisture through most of the season. Crops have advanced quickly as reported in late July by Saskatchewan Agriculture ("**Sask Ag**"), with 70 percent of pulse crops at their normal stages of development and 35 percent of Saskatchewan farmland reported at surplus or adequate topsoil moisture. Lower levels of topsoil moisture in pulses at this stage of development may result in lower yields and smaller seeds produced; however, crops produced in these conditions are typically in the top range of the quality grades and well within customer specifications for purchase. Additionally, hot and dry conditions may result in earlier commencement and completion of harvest, allowing new crop products to be processed, marketed and shipped earlier in the second half of the year than is traditionally seen.

Management estimates similar, although drier, conditions in North Dakota, the principal pulse growing regions in the U.S. However, dry conditions for peas, the main pulse crop grown in North Dakota, can be positive for elevated protein content in peas, providing a potential boost for AGT's food ingredient processing business unit located in Minot, North Dakota.

Overall, Agriculture and Agri-food Canada ("**AAFC**") is reporting average production on lower yields, which, combined with remaining carry-in stocks, is expected to result in ample supply for AGT sales programs and processing activities through the balance of 2017. USDA reports similar conditions and decreased production volumes in the Northern Tier states, although management expects that actual yields in the U.S. may be more seriously affected than originally expected due to extreme drought conditions in areas of North Dakota and Montana.

AAFC estimates 7.75 million metric tonnes ("**mt**") of pulses to be produced in 2017 in Canada, with decreases in production split between peas and lentils. Volumes produced are a factor of seeded acres and yield, impacted by growing conditions, rainfall, and other environmental conditions. Pulses are a rotational crop and the area planted each year might fluctuate as farmers continue their three-year rotational plans of cereals, oilseeds and pulses to preserve soil nitrogen. While some farmers may make their spring seeding decisions based on market conditions for agricultural products, many follow their rotational plans irrespective of market conditions. Generally, prices for agricultural products across the board are positive for farmers. While production in Western Canada, the largest production region and exporter of pulses in the world, decreased compared to 2016, projected production volumes in 2017 are still some of the highest on record.

Decreased volumes from reduced production areas and lower yields in North America may be partially offset as the area planted to chickpeas and lentils is forecast to increase in Australia, according to the Australian Bureau of Agricultural and Resource Economics and Sciences ("**ABARES**"). In addition, Russia, Ukraine and Kazakhstan are increasing acreages in peas, lentils and chickpeas based on information from trade sources in these origins. AGT operates a global network of processing facilities and origination offices that cover Canada, the U.S., Australia, Southern Africa, former Soviet Union, China and Turkey, allowing AGT the ability to shift origination and processing activities around the globe to monitor availability of new crop products from these origins to match sales programs with destination markets that are actively purchasing their market requirements.

Local production of pulses in India is expected to reduce imported volumes to the Indian subcontinent markets. However, these markets are expected to resume traditional purchasing and import patterns later in second half 2017 and into 2018. Lower prices and quality have been the major issues facing Canadian exports, both derived from the fact that Indian buyers have been in a position to be selective in their purchases given availability of local production. With average to deficient monsoon rains increasingly becoming the norm due to changing global weather patterns, as well as low prices for pulses in India, farmers are expected to continue to produce other relatively higher value agricultural commodities, with the markets having confidence in the ability to import staple food and pulse products from other origins to meet domestic supply requirements in traditional shipping periods.

The cyclical dynamics of imports to India, Turkey and the Middle East and North Africa ("**MENA**") regions are viewed by management as ordinary course as markets react to surplus or deficit stock positions when considering local production of pulses, imports and demand pace. Product flows in latter parts of each calendar year and early in each new year coincide with traditional winter consumption patterns of these markets. While short term flows may be impacted by local supply and demand conditions, long-term growth with the impact of normalization of AGT's export and merchandising programs in future periods are seen as likely by management. Additionally, increased programs on durum wheat and other similar crops provide AGT with added diversification.

Non-tariff trade barriers to India have been temporarily alleviated, with the Government of India taking measures in the near term to allow imports of agricultural products to continue to flow to Indian markets, while permanent solutions to address regulations surrounding fumigation, local market supply and pricing as well as food security and inflation are found. This is expected by management to allow shipment through the early portions of second half 2017 to continue unimpeded as bi-lateral discussions between Canada and the Government of India continue to establish a science-based approach to resolve the matter for Canadian agricultural products.

In early July, the Government of Canada was notified by the Government of India of the "Canada specific" policy for exports of pulses from Canada to India, providing an exemption from fumigation until September 30, 2017.

The Government of Canada has viewed this notification as an opportunity to work with the Government of India to find a long term solution to build upon the interim policy in effect. Current developments are viewed by management as positive and management remains optimistic that a mutually beneficial solution will result from the high level governmental interactions. The current September 30, 2017 exemption for Canada provides coverage for early shipments from upcoming new crop harvest. Exemptions for other origins including Turkey, Russia, the U.S. and Australia expire at December 31, 2017. While management continues to view Indian policy surrounding fumigation and non-tariff trade barriers as governmental messaging directly related to food security and support of local production prices and levels, this policy may have further reaching impact for India, affecting not only pulses but other agricultural products as well. If non-tariff trade barriers and government interventions in India remain unresolved, this could have a material impact on international pulse markets and may adversely affect AGT's results in the short term.

Indian government food policy is constantly evolving and changing to address a delicate balance between local farm support programs to ensure rural incomes are rising and food security and food inflation protection measures, with these objectives sometimes clashing directly. Government of India programs aimed at curbing skyrocketing food prices of basic commodities have built up buffer stocks that are now being released to the markets. Markets are under pressure, with local prices falling dramatically for domestic farmers, dropping below the minimum support levels for pulses and putting budgetary pressures on the government. Farmers are expected to plant fewer pulses in later 2017 and 2018 as a reaction to lower price levels, potentially reducing stocks of pulses later in 2017 and 2018. Management expects this supply and demand rebalancing, without such material government intervention in India, as positive for the resumption of normal buying patterns.

Market conditions for import of pulses to major consumption regions are expected by management to be at average historical levels, albeit potentially behind import levels reported in the past two to three years in the same periods. Higher-than-normal local stock levels are reported in India and Turkey by traders. This may temporarily impede large scale import activities during the early part of the traditional shipping period, although management expects that traditional markets outside of India and Turkey will import at near-normal levels later in the second half of 2017 and into 2018.

Markets appear to have a relatively slower move towards a return to traditional shipping volumes, as local production has stabilized to a degree, providing more local stocks to fill near-term demand, although it is uncertain that local production volumes will continue at their current rate. Should production trends in major consumption regions revert back to insufficient local production levels, imports could again increase as they have in the past four or five years.

On August 5, 2017, the Government of India announced an extraordinary measure to restrict the import of pigeon peas (Tur Dal), one of the most consumed pulses in India. The import restriction is dated to be in effect until March 31, 2018 and imposes an import quota of 200,000 mt total. Local prices on the day of the announcement increased by more than 12% in inter-day trading, as reported by local trade sources. Pigeon peas prices have been lagging, with AGT's India office reporting local market trades at below $550 per mt while the Government of India's minimum support price to the farmer is set at $850 per mt.

This large gap between the commercial market and governmental support levels creates a large liability for the Indian government as they are obligated to buy local stocks at their minimum support level. The import restriction may assist in alleviating local stocks at a faster pace and allow for the resumption of orderly import and disposition of staple foods in a fluid and stable commodity pricing system. Management believes that this policy may have a positive impact on the resumption of normalized demand later in 2017.

Longer-term consumer demand for pulses, and the vegetable protein they provide in traditional diets in these regions, is estimated by management to be unchanged as a result of population growth and demand for food. Lower prices may also stimulate more consumption fueling the need for imports to fill the gap between available local supply and demand in the near term.

Reporting Segments

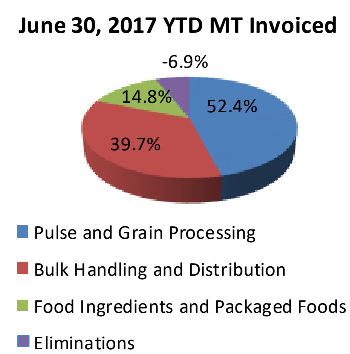
AGT's chief operating decision maker reviews AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies.

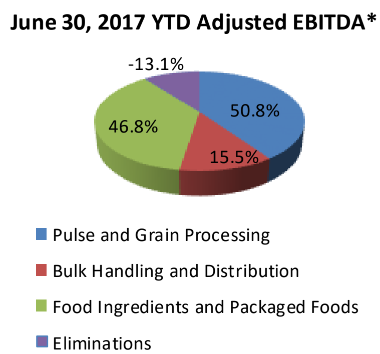
Segment performance is evaluated on the basis of Adjusted EBITDA*. Management believes that Adjusted EBITDA* is an important indicator of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures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

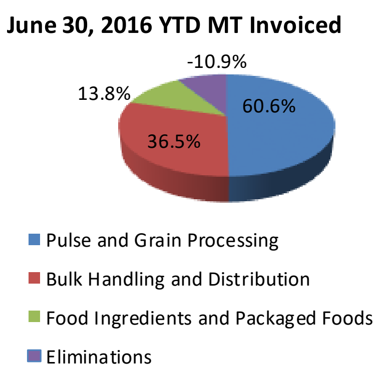
The accounting policies used within each segment are consistent with the policies outlined in the notes to AGT's December 31, 2016 annual audited consolidated financial statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course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

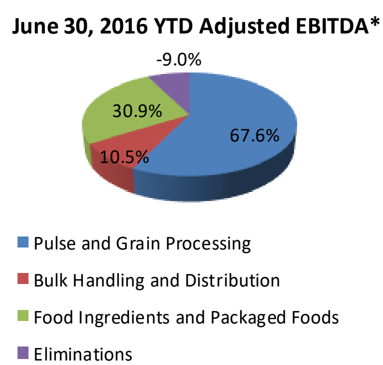
A review of the outlook for each of AGT's business segments is below.

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)

	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016
Revenue	**$ 232,714**	$ 318,944	$ 263,369	$ 551,658	$ 563,882
Cost of sales	**219,505**	302,679	243,056	522,184	514,552
Gross profit	**13,209**	16,265	20,313	29,474	49,330
Adjusted Gross Profit*	**16,884**	20,099	23,849	36,983	56,765
Adjusted EBITDA*	**$ 8,895**	$ 11,000	$ 14,310	$ 19,895	$ 38,349
Total mt invoiced	**263,851**	307,523	247,891	571,374	581,272
Gross profit per mt	**$ 50.06**	$ 52.89	$ 81.94	$ 51.58	$ 84.87
Adjusted Gross Profit* per mt	**63.99**	65.36	96.21	64.73	97.66
Adjusted EBITDA* per mt	**33.71**	35.77	57.73	34.82	65.97

(1) See table on page 19 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 decreased when comparing the three months ended June 30, 2017 to the same quarter in the prior year and were slightly lower than the three months ended March 31, 2017. This is due to continuing margin challenges, consistent with Q1 of 2017, as well as escalating freight costs in Q2 due to constrained container availability.

Product handled in the quarter reduced by approximately 44,000 mt when comparing Q2 2017 to Q1 2017. Adjusted Gross Profit* per mt and Adjusted EBITDA* per mt remained relatively flat when compared to Q1 2017, but down from a very strong Q2 2016. Market correction downwards has left margins in a temporarily constrained position, as new crop supplies are expected to moderate the gap between supply and demand pricing, allowing for a return to more normalized margins in later 2017 and 2018. Product mix has also played into this margin profile, with a higher than normal concentration of peas and other specialty crops and fewer chickpeas, beans, green lentils and value-added pulses, as supplies were depleted awaiting new crop supplies.

Adjusted Gross Profit* and Adjusted EBITDA* per mt decreased when comparing the six months ended June 30, 2017 to the six months ended June 30, 2016 due to constrained availability of product and margin compression.

Global pulse markets have been closely watching a number of factors with regard to production volumes, import volumes to key consumption markets and resolution of non-tariff trade barriers as markets advance to the start of the traditional shipping periods for pulses and staple foods in the late Q3 and Q4 2017 and Q1 2018 periods.

AGT has traditionally been a bagged and source-loaded containerized shipper of pulse and staple foods. With recent investments in the Mobil group of companies, providing short-line rail systems, and West Central Road and Rail, providing bulk loading points along the acquired short-line rail system, AGT's business within this segment has evolved to include more bulk shipped products through bulk vessel at port and other processes at port for stuffing of containers, where intermodal containers are off-loaded to containers or hopper cars, are bagged at port and loaded into containers. These processes provide logistical advantages to AGT's sales programs, allowing AGT to use the most efficient forms of transportation available while matching customer requirements to transportation modes.

In support of these initiatives, AGT announced on July 11, 2017, a minority investment in CanEst Transit Inc. ("**CanEst**"), assuming a shareholder position along with La Coop fédérée and Transit BD Inc. AGT's investment is held within its wholly owned subsidiary, AGT Terminal East Inc. ("**AGTTE**"), and through a minority equity interest which may be increased pursuant to an earn-up based on delivered volumes under a Terminal Agreement (as defined below). AGTTE has also provided a shareholder loan to CanEst, which, together with other shareholder loans from the other shareholders, is to be used for working capital for the terminal. AGTTE has also secured a 16 year terminal agreement with CanEst, which expires on August 31, 2033, with an option to extend the agreement by both parties for an additional 5 years (the "**Terminal Agreement**"). The aggregate consideration for AGTTE's equity interest and portion of the shareholder loan was $1.9 million and AGTTE has agreed to use its best efforts to deliver consistent volumes of unit trains of agri-products to the terminal for containerization for export during the term of the Terminal Agreement.

The investment in CanEst is significant to AGT as it provides access to tide water at Port of Montreal for bulk shipments at one of Canada's major ports, and provides access to CanEst for stuffing of products from rail infrastructure to bagged and containerized. AGT has been using

CanEst for these services for some time, and the minority equity position and the Terminal Agreement allows AGT access to the CanEst terminal.

In the high fixed-cost environment in which AGT operates, reduced volumes moving through AGT's system can have a temporary negative impact on earnings. The upcoming North American harvest and demand fundamentals of pulses and staple foods that are part of this segment is expected by management to improve in the subsequent periods with a return to more traditional shipment periods and normal levels of export activities. Utilization in AGT factory operations is expected to increase in the traditional shipment periods in the second half of 2017 and have a positive impact on AGT's earnings in future periods.

In Q2 2017, margins continued to be constrained due to market transition from North American old crop to new crop. Expectations of farmers with remaining stocks did not match the purchase price that local markets would bear and that importers were willing to book forward. With ample local stocks, importers are delaying purchases and waiting for the new crop, which is expected to be better quality and potentially at similar or better price levels.

Drier than normal North American conditions has resulted in elevated farm level expectations regarding the value for remaining good quality stocks, even as international markets fell, with the red lentil harvest in Turkey starting in May 2017. North American utilization rates declined dramatically, with invoiced mt in this segment declining by approximately 50% when comparing Q2 2017 to Q1 2017. This was partially offset by invoiced mt from Turkey increasing by approximately 50%, while Australia declined by approximately 49% in the comparative period.

With a high fixed cost of operating processing plants, lower utilization predictably yields lower margins, as each additional percentage of utilization above 50% utilization has a high contribution to net earnings. It is management's expectation that more normalized product mix, stable pricing systems and better utilization in the second half of 2017 and 2018 will lead to a gradual recovery in this segment. During the slower Q2 end and the early Q3 period, plant maintenance and scheduled shutdown activities have been largely completed to ensure that when demand resumes, plants are able to react to the increased sales volumes.

Food Ingredients and Packaged Foods

AGT's food ingredients and packaged foods segment includes AGT's pulse ingredient production facility located in Minot, North Dakota (the "**Minot Facility**"), producing pulse ingredient flours, starches, proteins and fibres for human food consumption as well as pet food, animal feed and aquaculture; and business units focused on pasta production, retail packaged foods production, packaging, canning and distribution in many markets for listing of AGT brands and private label business in North America, Europe, Turkey, the MENA region and Southern Africa.

Results are as follows:

Selected Results by Reporting Segment [1][2]
(in thousands of Cdn. $ except as indicated, unaudited)

	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016
Revenue	**$ 101,247**	$ 73,459	$ 74,773	$ 174,706	$ 141,356
Cost of sales	**89,205**	63,104	63,697	152,309	118,711
Gross profit	**12,042**	10,355	11,076	22,397	22,645
Adjusted Gross Profit*	**14,580**	12,412	12,807	26,992	26,078
Adjusted EBITDA*	**$ 10,057**	$ 8,293	$ 8,350	$ 18,350	$ 17,520
Total mt invoiced	**92,106**	68,880	70,774	160,986	132,123
Gross profit per mt	**$ 130.74**	$ 150.33	$ 156.50	$ 139.12	$ 171.39
Adjusted Gross Profit* per mt	**158.30**	180.20	180.96	167.67	197.38
Adjusted EBITDA* per mt	**109.19**	120.40	117.98	113.99	132.60

(1) See table on page 19 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 decreased for the three months ended June 30, 2017 compared to the three months ended March 31, 2017 and compared to the same quarter in the prior year. This is due to drought conditions and resulting higher grower prices on old crop product used at the Minot Facility. In addition, increased pasta sales from Turkey, which contributed margin in absolute dollars, sold at lower margins per mt than in the prior quarter.

Adjusted Gross Profit* and Adjusted EBITDA* per mt decreased for the six months ended June 30, 2017 compared to the six months ended June 30, 2016. This is due largely to margin pressure related to high priced remaining old crop stock and current drought conditions in North Dakota and Montana causing producers to demand higher prices.

AGT's food ingredient business unit in Minot, North Dakota, centered on production of pulse protein, starch, fibre and flours, continues to advance with incremental volume gains; however, margins decreased due to product mix in the packaged foods side of the business. Customers for AGT's pulses ingredient products continue to incorporate pulse ingredients into their products and work to increase inclusion rates in the food industry and pet food manufacturing sectors, with deflavoured product, regular milled pulse ingredient products and various other milled product offerings.

While margins have declined in the segment overall, the pace of adoption of AGT's pulse ingredients by customers that translates to sales volumes is expected to increase in second half

2017 and through to 2018 as products from AGT's new production lines at AGT's Minot Facility become available for sale from a fourth production line.

The product development cycle for human food products 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. Additionally, customers typically enter seasonal summer slowdown and maintenance cycles during the June-August months, resulting in adjustments to shipments from a timing perspective.

Product and customer mix has had some impact on AGT's ingredient business unit, with fibre, flour and starch sales continuing to develop to complement the growing book of sales as customers in both human food and pet food markets ramp up their requirements for protein. This continues to be a focus for AGT, with success being realized with respect to increasing mt invoiced. All starches, flours and co-product streams are being sold out as produced and management is seeing a gradual stability and increase in the average price for its starch fractions, which has the long term potential to positively impact margins in the segment overall.

Additionally, food manufacturer customers have provided feedback that while they are pleased with functionality of pulse ingredients, prices for ingredients of all types, including AGT's pulse ingredients, are 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. However, the impact of raw material prices is expected to be diminished, with new crop harvest coming on stream in second half 2017.

While most focus has been put on human food applications by public markets, the pet food business should not be viewed as less valuable than human food. Pet food manufacturers and customers provide many benefits to AGT's pulse ingredient business, including higher inclusion rates, more diverse product requirements for protein and starch, more rapid time to market for new product launches over some human food manufacturers, consistent margins, and in some cases, stricter quality specifications. In this way, 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.

Balance of product mix to customers continues to be a focus for AGT within this business unit. 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. Currently, AGT's Minot Facility is operating at approximately 95% capacity over three production lines, with the newly commissioned fourth line ramping up commercial production to fill pet food and human food sales programs, which are expected to continue to increase volumes as AGT's sales programs develop.

Overall, volumes in the Q2 2017 period for sales at the Minot Facility were up by approximately 20% when comparing Q2 2017 to Q1 2017. Pea prices in North America were very firm as old crop stocks were depleted to nearly sold out. High priced residual stocks and farmer levels remained firm due to drought conditions in the North Dakota and Montana areas and have left margins under pressure. However, new crop stocks began to arrive in July 2017, with harvest in full swing in early August 2017. New crop contracts are being negotiated with large customers and demand forecasts in all segments of food ingredients are for additional volume growth in 2018, boding well for new production capacity from the fourth line that was brought online late in Q2 2017. Margins are expected to begin a gradual recovery later in this year as new crop stocks are purchased.

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. Pasta sales volumes rose in the quarter. Margins were under pressure, as old crop durum supplies of marginal quality from North America, the most dominant global supply origin, remained firm, with no alternative supply origin in the market. North American durum wheat markets are viewed as softening, as new crop from Canada may benefit from dry conditions to deliver a more normalized crop quality albeit with lower yields. U.S. origin harvest is viewed as constrained, with North Dakota yields projected as down materially due to drought. Sales prospects for North American durum into the U.S. for pasta and semolina manufacturing are rated as strong by management for the 2017-2018 crop year. AGT will focus some effort on efficient utilization of its bulk handling infrastructure to capitalize on these opportunities.

Pasta sales volumes were up over 50% when comparing Q2 2017 to Q1 2017, while margins reduced due to higher durum wheat costs. This is expected to be largely alleviated in second half 2017, with Turkish local harvest completed in June 2017 and the new crop in Canada coming to market in September and October 2017. Pasta volumes are expected to continue at higher levels than last year due to the new pasta line installed in first half 2017. Commissioning activities are complete and margins in the current quarter were also temporarily affected by "second quality" material produced during commissioning phases being sold into food aid and other price sensitive markets, a normal part of a new production line commissioning process.

As the pulse ingredient business ramps up, management evaluations of opportunities and investments for additional pasta production infrastructure, production of pulse-based or blended pulse ingredient/traditional wheat pasta production are ongoing; however, no timeline for announcement or completion of due diligence has been provided. Markets for healthier and gluten free or reduced gluten pasta in North America, Asia and Europe are continuing to grow and management continues to investigate production, co-packing and sales opportunities in this important future business line.

Sales volumes and margins in Southern Africa are expected to rebound substantially after decreases earlier in the year. The Southern Africa region continues to work through the seasonal effects of the African drought and impact on margins from imported product availability and local production post-harvest, with reports of increases for virtually all grains and traditional crops produced in Southern Africa by the South African Grain Information Service. These trends support the view that the African platform is expected to materially resolve by second half 2017. In Q2 2017, volumes made a modest recovery, with volumes and margins in the April and May periods reduced significantly but offset partially by June shipments of new crop. Seasonally, the South Africa business is weighted to the second half of the year, and management expects that to be a net contributor to overall segment performance in the second half of 2017 and into 2018.

The segment is advancing as expected by management with regard to shipments and management expects that margins will improve. The strategy aimed at further growth in the segment is expected to yield success in coming quarters as new enhanced products are available to meet customer requests and demand.

Bulk Handling and Distribution

AGT continues to offer other commodities to its global network of existing clients. These sales are reported through AGT's bulk handling and distribution segment, which is made up of products not specifically processed in AGT facilities. This includes some non-core commodity sales of AGT to aid programs, cross-selling of other commodities to pulse and staple foods business customers as well as transportation modes for distribution of raw material products to AGT's own processing infrastructure in Turkey for pulses and durum wheat. Products in the distribution business units contained in this segment include durum, sorghum, popcorn, coffee, canola, sugar and spices and a variety of seeds.

While relative margins are potentially lower in this segment when compared to AGT's other segments, they benefit from volumes shipped or handled and are expected to continue to be a positive contributor to AGT's earnings. This is because these mt do not require processing and facility infrastructure nor significant additional capital investments, and provide utilization of assets during periods where they are not contributing to AGT's core business segments. In addition, working capital requirements for sales out of this segment are largely financed on relatively short trade finance terms, with the utilization of structured trade finance instruments and supplier credits.

With the upcoming production volumes from North American harvest and volumes to be moved to market for grains and agricultural output, efficient modes of transportation, necessary infrastructure for loading, handling and cartage and access to port facilities are necessary. AGT has made the necessary infrastructure investments in short-line rail, loading and now investments at ports such as the CanEst investment and MobilEx at Thunder Bay.

To support this segment further, AGT, through its Big Sky Railway operating within its Mobil subsidiary, purchased 663 rail cars in July 2017 to replace railcars that were being leased from the Saskatchewan Grain Car Corporation's ("**SGCC**") fleet of rail cars, as SGCC winds down its operations. The purchase replaces a lease payment and is expected to support efficient movement of grain and other commodities along Mobil's short-line rail system while providing a significant cost reduction over ongoing lease obligations as the cars were purchased with approximately 14 years of useful life remaining that may be extended with a purchase price modestly above the salvage value of steel.

Volumes in the segment are expected to be consistent overall but are expected to track higher in 2017 than in 2016 in Canada, with cycles of shipments being seen throughout the year as the business unit grows and additional trains are loaded and moved to port for loading and ultimately marketed through the Canadian short line rail and port systems. Constrained crop volumes due to reduced acres and yield are expected to be offset by blending and handling opportunities of a relatively good quality crop in 2017-2018.

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)

	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016
Revenue	**$ 146,815**	$ 185,903	$ 138,146	$ 332,718	$ 265,198
Cost of sales	**140,196**	179,597	131,124	319,793	252,808
Gross profit	**6,619**	6,306	7,022	12,925	12,390
Adjusted Gross Profit*	**6,700**	6,550	7,022	13,250	12,390
Adjusted EBITDA*	**$ 2,913**	$ 3,178	$ 4,079	$ 6,091	$ 5,925
Total mt invoiced	**179,328**	253,562	177,992	432,890	349,942
Gross profit per mt	**$ 36.91**	$ 24.87	$ 39.45	$ 29.86	$ 35.41
Adjusted Gross Profit* per mt	**37.36**	25.83	39.45	30.61	35.41
Adjusted EBITDA* per mt	**16.24**	12.53	22.92	14.07	16.93

(1) See table on page 19 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 increased Adjusted Gross Profit* per mt for the three months ended June 30, 2017 compared to the three months ended March 31, 2017 and was slightly lower when compared to the same period in the prior year.

Margins within the segment are performing well within management expectations, resulting in this segment positively contributing to AGT's performance. Mt invoiced decreased by approximately 29.3% when comparing Q2 2017 to Q1 2017 with margins on a per mt basis increasing and overall segment Adjusted EBITDA* in dollar terms remaining relatively flat with a material reduction in volume. Adjusted EBITDA* margins improved from $12.53 per mt in Q1 of 2017 to $16.24 per mt in Q2 of 2017, an increase of approximately 29.6%, driven by improved margins in India and stable margin performance from the European trading and distribution business.

Adjusted EBITDA* per mt increased when comparing the three months ended June 30, 2017 to the three months ended March 31, 2017, primarily due to product mix with improved pipeline margin. Compared to June 30, 2016, Adjusted EBITDA* decreased due to AGT's larger infrastructure.

Adjusted Gross Profit* per mt and Adjusted EBITDA* per mt for the six months ended June 30, 2017 decreased when compared to the six months ended June 30, 2016 due to product mix.

Corporate and Eliminations

Inter-company shipments were 19,417 mt and 75,612 mt for the three and six months ended June 30, 2017. These mt were sold from one AGT subsidiary to another for further manufacturing, further packaging and/or for sale to a final customer. Management continues in its efforts to increase the margin of its international business in all segments by capturing additional margins by encouraging AGT subsidiaries to work collaboratively to increase trade that utilizes the sourcing advantage of one company and the distribution advantage of another.

Consolidated Segmented Results

Selected Results by Reporting Segment [1]
(in thousands of Cdn. $ except as indicated, unaudited)

	Pulse and Grain Processing			Bulk Handling and Distribution			Food Ingredients and Packaged Foods			Corporate and Eliminations			Consolidated		
	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Jun 30, 2016
Quarterly comparisons															
Revenue	$ 232,714	$ 318,944	$ 263,369	$ 146,815	$ 185,903	$ 138,146	$ 101,247	$ 73,459	$ 74,773	$ (14,555)	$ (57,401)	$ (37,628)	$ 466,221	$ 520,905	$ 438,660
Cost of sales	219,505	302,679	243,056	140,196	179,597	131,124	89,205	63,104	63,697	(14,555)	(57,401)	(37,628)	434,351	487,979	400,249
Gross profit	13,209	16,265	20,313	6,619	6,306	7,022	12,042	10,355	11,076	-	-	-	31,870	32,926	38,411
Adjusted Gross Profit*	16,884	20,099	23,849	6,700	6,550	7,022	14,580	12,412	12,807	-	-	-	38,164	39,061	43,678
Adjusted EBITDA*	**$ 8,895**	**$ 11,000**	**$ 14,310**	**$ 2,913**	**$ 3,178**	**$ 4,079**	**$ 10,057**	**$ 8,293**	**$ 8,350**	**$ (2,804)**	**$ (2,356)**	**$ (1,417)**	**$ 19,061**	**$ 20,115**	**$ 25,322**
Total mt invoiced	263,851	307,523	247,891	179,328	253,562	177,992	92,106	68,880	70,774	(19,417)	(56,195)	(39,016)	515,868	573,770	457,641
Gross profit per mt	$ 50.06	$ 52.89	$ 81.94	$ 36.91	$ 24.87	$ 39.45	$ 130.74	$ 150.33	$ 156.50				$ 61.78	$ 57.39	$ 83.93
Adjusted Gross Profit* per mt	63.99	65.36	96.21	37.36	25.83	39.45	158.30	180.20	180.96				73.98	68.08	95.44
Adjusted EBITDA* per mt	33.71	35.77	57.73	16.24	12.53	22.92	109.19	120.40	117.98				36.95	35.06	55.33
Percentage of mt invoice	51.1%	53.6%	54.2%	34.8%	44.2%	38.9%	17.9%	12.0%	15.5%	-3.8%	-9.8%	-8.6%			
Percentage of Adjusted EBITDA*	46.7%	54.7%	56.5%	15.3%	15.8%	16.1%	52.8%	41.2%	33.0%	-14.8%	-11.7%	-5.6%			

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

	Pulse and Grain Processing		Bulk Handling and Distribution		Food Ingredients and Packaged Foods		Corporate and Eliminations		Consolidated	
	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016	Year to Date Jun 30, 2017	Year to Date Jun 30, 2016
Year to date comparisons										
Revenue	$ 551,658	$ 563,882	$ 332,718	$ 265,198	$ 174,706	$ 141,356	$ (71,956)	$ (90,383)	$ 987,126	$ 880,053
Cost of sales	522,184	514,552	319,793	252,808	152,309	118,711	(71,956)	(90,383)	922,330	795,688
Gross profit	29,474	49,330	12,925	12,390	22,397	22,645	-	-	64,796	84,365
Adjusted gross profit*	36,983	56,765	13,250	12,390	26,992	26,078	-	-	77,225	95,233
Adjusted EBITDA*	**$ 19,895**	**$ 38,349**	**$ 6,091**	**$ 5,925**	**$ 18,350**	**$ 17,520**	**$ (5,160)**	**$ (5,082)**	**$ 39,176**	**$ 56,712**
Total mt invoiced	571,374	581,272	432,890	349,942	160,986	132,123	(75,612)	(104,685)	1,089,638	958,652
Gross profit per mt	$ 51.58	$ 84.87	$ 29.86	$ 35.41	$ 139.12	$ 171.39			$ 59.47	$ 88.00
Adjusted gross profit* per mt	64.73	97.66	30.61	35.41	167.67	197.38			70.87	99.34
Adjusted EBITDA* per mt	34.82	65.97	14.07	16.93	113.99	132.60			35.95	59.16
Percentage of mt invoice	52.4%	60.6%	39.7%	36.5%	14.8%	13.8%	-6.9%	-10.9%		
Percentage of Adjusted EBITDA*	50.8%	67.6%	15.5%	10.5%	46.8%	30.9%	-13.1%	-9.0%		

Summary of Quarterly Results (1)(3)

(in thousands of Cdn. $ except as indicated, unaudited)

	3 Months Ended Jun 30, 2017	3 Months Ended Mar 31, 2017	3 Months Ended Dec 31, 2016	3 Months Ended Sept 30, 2016	3 Months Ended June 30, 2016	3 Months Ended Mar 31, 2016	3 Months Ended Dec 31, 2015	3 Months Ended Sept 30, 2015
Revenue	$ 466,221	$ 520,905	$ 650,863	$ 442,288	$ 438,660	$ 441,393	$ 578,270	$ 362,755
Gross profit	31,870	32,926	48,104	41,315	38,411	45,954	46,419	36,674
Adjusted Gross Profit*	**38,164**	**39,061**	**54,106**	**47,033**	**43,678**	**51,555**	**51,458**	**40,583**
Adjusted EBITDA*	**19,061**	**20,115**	**34,706**	**27,396**	**25,322**	**31,390**	**32,938**	**23,208**
Adjusted net earnings*	**2,334**	**6,731**	**17,270**	**12,024**	**13,285**	**4,722**	**15,192**	**11,860**
Adjusted basic net earnings per share*	**0.10**	**0.28**	**0.72**	**0.50**	**0.56**	**0.20**	**0.64**	**0.51**
Adjusted diluted net earnings per share*	**0.10**	**0.28**	**0.72**	**0.50**	**0.55**	**0.20**	**0.64**	**0.51**
Net (loss) earnings per financial statements	(180)	(6,437)	(11,198)	7,438	(2,193)	27,006	19,238	(7,232)
Basic net (loss) earnings per share	(0.01)	(0.27)	(0.47)	0.31	(0.09)	1.13	0.82	(0.31)
Diluted net (loss) earnings per share	(0.01)	(0.27)	(0.46)	0.31	(0.09)	1.12	0.81	(0.31)
Pulse and grain processing mt invoiced (2)	263,851	307,523	477,850	254,259	247,891	333,381	483,596	290,941
Bulk handling and distribution mt invoiced (2)	179,328	253,562	257,104	228,203	177,992	171,950	154,476	122,296
Food ingredients and packaged foods mt invoiced (2)	92,106	68,880	58,537	65,376	70,774	61,349	60,781	55,653
Inter-company mt	(19,417)	(56,195)	(48,536)	(59,661)	(39,016)	(65,669)	(76,291)	(105,555)
Total mt invoiced	515,868	573,770	744,955	488,177	457,641	501,011	622,562	363,335
Gross profit per mt	$ 61.78	$ 57.39	$ 64.57	$ 84.63	$ 83.93	$ 91.72	$ 74.56	$ 100.94
Adjusted Gross Profit* per mt	73.98	68.08	72.63	96.34	95.44	102.90	82.66	111.70
Adjusted EBITDA* per mt	36.95	35.06	46.59	56.12	55.33	62.65	52.91	63.87

Notes:

(1) Calculated from the unaudited condensed consolidated interim financial statements for the quarters ended June 30, 2017, March 31, 2017, September 30, 2016, June 30, 2016, March 31, 2016 and September 30, 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 the pulse and grain processing segment which accounted for 49.9% of consolidated revenue in Q2 of 2017 and 55.9% of consolidated revenue year to date Q2 2017.
- The timing of customer shipments, which tend to vary from quarter to quarter, drives revenue in the segments; meaning quarterly results are not necessarily a good indication of annual results due to seasonal variability.
- Net earnings do not trend directly with revenue due to foreign exchange volatility and transactions that occur from time to time. AGT uses Adjusted Net Earnings*, a non-IFRS measure, as a more meaningful way to compare results from period to period.

Discussion of Quarterly and Year to Date Results

(in Thousands of Cdn. $ except as indicated, unaudited)

Revenue, Gross Profit and Adjusted Gross Profit*

	3 Months Ended Jun 30			6 Months Ended Jun 30		
	2017	2016	Change	2017	2016	Change
Revenue	466,221	438,660	27,561	987,126	880,053	107,073
Less: cost of sales	434,351	400,249	34,102	922,330	795,688	126,642
Gross profit	31,870	38,411	(6,541)	64,796	84,365	(19,569)
Add back: depreciation in cost of sales	6,294	5,267	1,027	12,429	10,868	1,561
Adjusted Gross Profit*	38,164	43,678	(5,514)	77,225	95,233	(18,008)
Gross profit percentage	6.8%	8.8%	-2.0%	6.6%	9.6%	-3.0%
Adjusted Gross Profit* percentage	8.2%	10.0%	-1.8%	7.8%	10.8%	-3.0%

Revenue increased in absolute dollars; however, gross profit and Adjusted Gross Profit* decreased in absolute dollars and percentage when comparing the three months and six months ended June 30, 2017 to the same period in the prior year. This is due largely to depleted stocks of higher margin pulse commodities such as chickpeas, beans and green lentils and margin compression on remaining old crop stock sales due to a mismatch between the expectations of North American producers and international buyers. Lower plant utilization also erodes gross profit and Adjusted Gross Profit* due to high fixed costs of processing and handling infrastructure.

Adjusted EBITDA*

	3 Months Ended Jun 30			6 Months Ended Jun 30		
	2017	2016	Change	2017	2016	Change
Adjusted EBITDA*	19,061	25,322	(6,261)	39,176	56,712	(17,536)
Adjusted EBITDA* percentage of revenue	4.09%	5.77%	-1.68%	3.97%	6.44%	-2.47%

Adjusted EBITDA* as a percentage of revenue for the three and six months ended June 30, 2017 decreased when compared to the same periods in the prior year. This is due mainly to margin compression on sales and low utilization of processing plant infrastructure that carry high fixed costs.

Expenses

	3 Months Ended Jun 30			6 Months Ended Jun 30		
	2017	2016	Change	2017	2016	Change
General and administrative and marketing, sales and distribution expenses	23,568	20,997	2,571	45,459	44,405	1,054
Finance expense	8,640	6,250	2,390	17,132	15,350	1,782
Depreciation and amortization	8,262	6,344	1,918	15,679	12,953	2,726
(Recovery of) provision for income taxes	(175)	(557)	382	(2,700)	10,402	(13,102)
Unrealized foreign exchange loss (gain)	17	13,914	(13,897)	11,522	(10,605)	22,127

General and administrative and marketing, sales and distribution expenses for the three and six months ended June 30, 2017 increased over the same periods in the prior year. This is largely due to AGT's efforts in the Food Ingredients and Packaged Foods Segment and contained certain marketing and promotional campaign activities aimed at product development, marketing and channel development for the segment. AGT continues to strive to keep this expense consistent, in an effort to reduce general and administrative expenses as a percentage of revenue.

Finance expenses for the three and six months ended June 30, 2017 include amortization of the high yield bond discounts and fees, which increased when compared to the prior year due to an overlap in Q1 when both the $125 million notes and the $200 million notes were outstanding. Trade finance fees increased due to higher utilization. In addition, the prior year included a gain on the fair value adjustment, resulting in a lower finance expense for the three and six months ended June 30, 2016 compared to the current year.

Depreciation expenses for the three months ended June 30, 2017 increased over the same period in the prior year due to additional assets being put into use in Canada, the U.S. and Turkey.

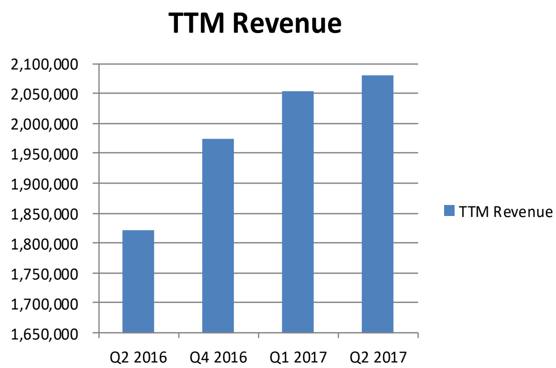
The income tax expense is calculated for each subsidiary at the individual rate for that country and therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

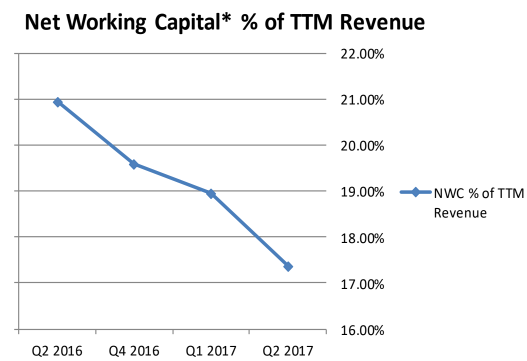
AGT estimates an average tax rate in the range of 25% to 26%, depending on which jurisdiction has earnings or losses, and the tax treatment of various revenues or expenses.

Non-cash foreign exchange results from changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts and includes the cross currency swap related to the high yield debt offering. Adjustments to foreign exchange on foreign investments are recorded in other comprehensive (loss) income on AGT's Unaudited

Consolidated Statements of Comprehensive Income and are recorded in accumulated other comprehensive income (loss) on AGT's Unaudited 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 $361.4 million at June 30, 2017, a decrease from $389.3 million at March 31, 2017 and a decrease from $381.6 million at June 30, 2016 (see table on page 29). Net working capital as a percentage of TTM revenue has decreased from 20.96% at June 30, 2016, and from 18.97% at March 31, 2017 to 17.37% at June 30, 2017.

AGT management monitors this metric and has set a target Net Working Capital* percentage of TTM revenue of 17% to 18%. This will remain a focus as the North American harvest period approaches.

Net Debt* is comprised of bank indebtedness, long term debt and current portion of long term debt, less cash and totaled $543.7 million at June 30, 2017, a decrease from $562.1 million at March 31, 2017 (see table on page 29). The decrease is due primarily to non-cash working capital improvements when compared to the prior quarter.

Current assets (excluding derivative assets) were $615.8 million at June 30, 2017 compared to $750.8 million at December 31, 2016. The current asset base is largely accounts receivable and inventory, in addition to deposits related to inventory purchases. It is important to note that accounts receivables are largely insured by Export Development Canada ("**EDC**") or other credit risk mitigation strategies, such as letters of credit, significantly reducing the risks associated with accounts receivable collection, since buyer risk is being replaced by Government of Canada risk through the export insurance.

Trade accounts receivable decreased to $203.3 million at June 30, 2017, compared to $227.8 million at March 31, 2017 and increased when compared to $186.1 million at June 30, 2016 (see table on page 29). The decrease from March 31, 2017 is due largely to collections in Canada, Switzerland and Australia, which lower accounts receivable levels, partially offset by increased mt invoiced from Turkey. The increase when compared to June 30, 2016 is mainly due to higher overall mt invoiced, particularly through Turkey and Switzerland.

Inventory decreased to $282.7 million at June 30, 2017, compared to $309.3 million at March 31, 2017 and compared to $270.3 million at June 30, 2016 (see table on page 29). During the quarter, Canadian and Australian inventory decreased when compared to March 31, 2017 due to continued shipments of product on hand. Increased purchases in Turkey resulted in higher inventory at June 30, 2017 compared to the prior year.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. While the inventory value is $282.7 million at June 30, 2017, this value represents a number of different commodities globally. Much of this inventory is also earmarked for sales contracts and will remain as inventory until substantial risks transfer from seller to buyer under AGT's revenue recognition policy. AGT management continues the practice of examining stock levels at each of its foreign operations to achieve an optimization of inventory levels. In addition, inventory management practices include book to physical inventory reconciliations monthly to ensure accurate recording of inventory values.

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

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

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

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

Dividends - AGT paid a dividend in July 2017 of $3.6 million ($0.15 per share) in the aggregate to its shareholders of record on June 30, 2017.

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

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

Balance sheet accounts of subsidiaries are valued at June 30, 2017 and December 31, 2016 foreign exchange rates as follows [Source: Bank of Canada - 2016 and X-Rates - 2017]:

	June 30, 2017	Dec 31, 2016
USD/CDN	1.29820	1.34270
AUD/CDN	0.99650	0.97070
TL/CDN	0.36908	0.38150
GBP/CDN	1.68696	1.65640
EUR/CDN	1.48150	1.41690
ZAR/CDN	0.09913	0.09800
RMB/CDN	0.19146	0.19300
INR/CDN	0.02009	0.01980

For each subsidiary, any difference between the June 30, 2017 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.

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

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

At June 30, 2017, AGT had total operating lines available of $256.3 million (December 31, 2016 - $256.0 million). Included in these facilities is a syndicated debt facility in APP of $211.5 million (December 31, 2016 - $211.5 million) secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries, maturing in January 2019. At June 30, 2017, $85.1 million of the facilities was utilized, leaving $171.2 million unutilized. The weighted average interest rate on available operating lines at June 30, 2017 is 3.2% (December 31, 2016 - 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 or similar instruments from time to time to mitigate a portion of its floating interest rate risk in its operating credit facilities. As a result of the low interest rates prevailing in Canada in recent years, management has decided to leave its Canadian credit facilities largely at floating interest rates.

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

The terms of the credit facility ("**APP Credit Facility**") include customary conditions, events of default, covenants and representations and warranties. The credit facilities are guaranteed by AGT and a select number of its direct and indirect wholly-owned subsidiaries. At June 30, 2017 the covenants requirements and calculations were as follows:

Credit Facility Financial Covenant Summary

Facility	Company Tested	Covenant	Actual results June 30, 2017	Compliant
APP Credit Facility	APP	(a) Minimum EBITDA to Interest Expense 2.00:1.00.	2.15	✓
		(b) Maximum Debt to Tangible Net Worth 2.25:1.00.	1.40	✓
		(c) Minimum Current Ratio 1.25:1.00.	1.87	✓
	AGT	(d) Maximum Total Debt to Tangible Net Worth 2.25:1.00.	1.41	✓
		(e) Minimum Fixed Charge Coverage Ratio 1.20:1.00.	1.39	✓

At June 30, 2017, AGT is in compliance with its financial covenants under all credit agreements.

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.

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.

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. $)	Jun 30, 2017 (unaudited)	Mar 31, 2017 (unaudited)	Dec 31, 2016
Long term debt	$ 460,864	$ 453,347	$ 410,776
Bank indebtedness and current portion of long term debt	100,675	127,829	156,939
Cash	(17,866)	(19,108)	(29,025)
Net Debt*	**$ 543,673**	**$ 562,068**	**$ 538,690**
Shareholders' equity	287,749	290,917	302,622
Capital	**$ 831,422**	**$ 852,985**	**$ 841,312**
TTM Adjusted EBITDA*	101,278	107,539	118,814
Net Debt* to TTM Adjusted EBITDA*	5.37	5.23	4.53

Selected asset and liability information

(in thousands of Cdn. $)	Jun 30, 2017 (unaudited)	Mar 31, 2017 (unaudited)	Dec 31, 2016	Jun 30, 2016 (unaudited)
Cash	$ 17,866	$ 19,108	$ 29,025	$ 24,493
Trade accounts receivable	203,308	227,831	279,782	186,103
Inventory[1]	282,678	309,302	323,320	270,266
Prepaid expenses and other[1]	106,022	96,645	113,631	113,718
Bank indebtedness and current portion of long term debt	100,675	127,829	156,939	137,596
Accounts payable, accrued liabilities and deferred revenue	230,653	244,455	330,134	188,456
Long-term debt	460,864	453,347	410,776	367,295
Net Working Capital* calculation				
Trade accounts receivable	203,308	227,831	279,782	186,103
Inventory[1]	282,678	309,302	323,320	270,266
Prepaid expenses and other[1]	106,022	96,645	113,631	113,718
Less: Accounts payable, accrued liabilities and deferred revenue	230,653	244,455	330,134	188,456
Net Working Capital*	361,355	389,323	386,599	381,631
TTM revenue	2,080,277	2,052,716	1,973,204	1,821,078
Net Working Capital* as a percentage TTM Revenue	17.37%	18.97%	19.59%	20.96%

[1]AGT reclassified $71.0 million from inventory to prepaid expense and other for June 30, 2016.

Consolidated capitalization information

Consolidated capitalization information of AGT includes information on the operations of the APP group as well as information on AGT and other entities, and is set out in the following table:

Capital Structure
(in thousands of Cdn. $)

	Jun 30, 2017	Dec 31, 2016	Financial Statement Caption
APP Group			
Senior secured APP bank facility	$ 59,846	$ -	bank indebtedness
Senior secured APP bank facility	227,593	180,833	long term debt
Poortman facility	14,111	9,303	bank indebtedness
AGT CLIC mortgage on building and other	7,509	8,029	long term debt
Mobil mortgage and debt	29,717	24,349	long term debt
Other	1,775	2,051	long term debt
	$ 340,551	$ 224,565	
Arbel/Other Entities (excluding AGT)			
Senior secured Advance Seed facility	$ 11,117	$ 10,417	bank indebtedness
Other	131	162	long term debt
	$ 11,248	$ 10,579	
AGT			
Note payable related to Mobil purchase	$ 14,402	$ 14,230	long term debt
Notes outstanding	195,338	318,341	long term debt
	$ 209,740	$ 332,571	
Total debt	$ 561,539	$ 567,715	
June 30, 2017 financial statements			
Bank indebtedness	$ 85,074	$ 19,720	
Long term debt, including current portion	476,465	547,995	
	$ 561,539	$ 567,715	

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

Cash flow from (used in)	3 months ended Jun 30, 2017	3 months ended Mar 31, 2017	3 months ended Jun 30, 2016	Difference June 30, 2017 to Jun 30, 2016
Operating activities	$ 39,054	$ (5,492)	$ 56,182	$ (17,128)
Financing activities	(23,509)	11,600	(33,236)	9,727
Investing activities	(10,943)	(14,107)	(23,199)	12,256
Effect of exchange rate changes on cash	(5,844)	(1,918)	(3,249)	(2,595)
Change in cash	$ (1,242)	$ (9,917)	$ (3,502)	$ 2,260

	3 months ended Jun 30, 2017	3 months ended Mar 31, 2017	3 months ended Jun 30, 2016	Difference June 30, 2017 to Jun 30, 2016
Non-cash working capital	$ 36,494	$ (12,634)	$ 37,377	$ (883)

Cash flow from (used in)	6 months ended June 30, 2017	6 months ended June 30, 2016	Difference
Operating activities	$ 33,562	$ 44,598	$ (11,036)
Financing activities	(11,909)	2,501	(14,410)
Investing activities	(25,050)	(42,460)	17,410
Effect of exchange rate changes on cash	(7,762)	(2,452)	(5,310)
Change in cash	$ (11,159)	$ 2,187	$ (13,346)

	6 months ended June 30, 2017	6 months ended June 30, 2016	Difference
Non-cash working capital	$ 23,860	$ 6,924	$ 16,936

Cash flow from operating activities for the three months ended June 30, 2017 was $39.1 million compared to cash flow used in operating activities of $5.5 million for the three months ended March 31, 2017 and compared to cash flow from operations of $56.2 million for the three months ended June 30, 2016. The change when comparing the three months ended June 30, 2017 to the three months ended March 31, 2017 is due to lower accounts receivable and inventory, partially offset by lower accounts payable. The change when comparing the three months ended June 30, 2016 is due to increased accounts receivable and prepaid expense, partially offset partially by increased accounts payable and decreased inventory.

Cash flow from operating activities was $33.6 million for the six months ended June 30, 2017 compared to $44.6 million for the same period in the prior year. This is due largely to lower earnings in the current year as well as increased interest paid, partially offset by an increase in non-cash working capital.

Cash flow used in financing activities for the three months ended June 30, 2017 was a decrease of $23.5 million compared to an increase of $11.6 million for the three months ended March 31, 2017 and compared to a decrease of $33.2 million for the three months ended June 30, 2016. The cash from financing activities is due to lower utilization of bank indebtedness for inventory receipts and capital additions, which is typical for the second quarter.

Cash used in financing activities was $11.9 million for the six months ended June 30, 2017 compared to cash from financing activities of $2.5 million for the six months ended June 30, 2016. The was due to repayment of debt, partially offset by funds received form the issuance of shares pursuant to stock options plans.

Cash flow used in investing activities was $10.9 million for the three months ended June 30, 2017 and decreased when compared to cash used of $14.1 million in the three months ended March 31, 2017 and compared to cash used of $23.2 million for the three months ended June 30, 2016. This is due to decreased capital additions.

Cash flow used in investing activities was $25.1 million for the six months ended June 30, 2017 compared to cash used of $42.5 million for the six months ended June 30, 2016. This is due to lower spending on capital additions in the U.S., Canada and Turkey.

Cash Flow Information – Non-Cash Working Capital

Non-cash working capital increased by $36.5 million for the three months ended June 30, 2017 compared to a decrease of $12.6 million for the three months ended March 31, 2017 and was consistent with an increase of $37.4 million for the three months ended June 30, 2016. The change when comparing the three months ended June 30, 2017 to the three months ended March 31, 2017 is due to lower accounts receivable and inventory, partially offset by lower accounts payable and increased prepaid and other expense.

Non-cash working capital increased by $23.9 million for the six months ending June 30, 2017 compared to an increase of $6.9 million for the six months ended June 30, 2016. This is due to decreased trade accounts receivable, inventory and prepaid and other expenses, partially offset by decreased accounts payable, accrued liabilities and deferred revenue.

Accounts Payable, accrued liabilities and deferred revenue

Accounts payable, accrued liabilities and deferred revenue decreased from $330.1 million at December 31, 2016 and decreased from $244.5 million at March 31, 2017 to $230.7 million at June 30, 2017. This is due largely to lower product receipts and the timing of receipts and inventory in North America and Australia.

Leases

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

Transactions with other related parties

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

	June 30, 2017	June 30, 2016
Short term benefits (wage, bonus, vacation paid out, directors fees)	$ 2,205	$ 2,082
Post employment benefits (RRSP)	65	32
Share based compensation	80	1,690
	$ 2,350	$ 3,804

	June 30, 2017	December 31, 2016
Accounts receivable	$ 3,591	$ 227
Accounts payable	861	1,359

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

	June 30, 2017	December 31, 2016
Accounts receivable	$ 74	$ 39

	June 30, 2017	June 30, 2016
Purchases	$ 250	$ -

Transactions with other related parties

	June 30, 2017	December 31, 2016
Accounts payable	$ 242	$ 467

	June 30, 2017	June 30, 2016
Purchases	$ 1,020	$ 375

Off Balance Sheet Arrangements and Derivative Instruments

The nature of AGT's off balance sheet arrangements and derivative instruments are disclosed in note 10 of AGT's 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 June 30, 2017 and concluded that AGT's Disclosure Controls were effective.

Internal Controls over Financial Reporting

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

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

Management, under the supervision of the CEO and the CFO, has evaluated the ICFR using the framework and criteria established in the 2013 Internal Controls – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"). Management, including the CEO and CFO, evaluated the design and operating effectiveness of AGT's ICFR. Based on this evaluation, the CEO and the CFO have concluded that as at June 30, 2017, ICFR (as defined in NI 52-109) were designed effectively.

There were no changes in our ICFR during the three month period ended June 30, 2017 that have materially affected, or are reasonably likely to affect our ICFR.

New Standards and Interpretations

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

Proposed Standard	Description	Previous Standard	Effective Date
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
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.	IAS 12 Income Taxes	Fiscal years beginning on or after January 1, 2019, applied prospectively

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

Outstanding Share Data

As at the date hereof, there are issued and outstanding 24,236,536 common shares and 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 June 30, 2017.

Commitments and Contingencies

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

At June 30, 2017, AGT had a contract of insurance in favour of the Canadian Grain Commission for $13.0 million (December 31, 2016 - $13.0 million). The policy can be claimed against by the beneficiary in the event of a producer grain payment default. The policy expires on June 30, 2018.

At June 30, 2017, AGT had letters of guarantee in Turkey for $4.1 million (December 31, 2016 - $7.0 million).

At June 30, 2017, AGT had a purchase commitment in Canada for property, plant and equipment for the amount of $7.4 million (December 31, 2016 - nil).

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 unsecured notes.

Commodity Price Risk

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

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

Subsequent Events

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

On July 25, 2017, AGT announced that it entered into a letter agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its subsidiaries (collectively, "**Fairfax**"), will make an investment of $190 million in AGT in exchange for the issuance by AGT of 5.375% interest bearing securities (the "**Preferred Securities**") and common share purchase warrants (the "**Warrants**").

Fairfax has agreed to subscribe, on a private placement basis and subject to certain conditions, for Preferred Securities in a maximum aggregate amount of $190 million. The Preferred Securities will be unsecured obligations, will mature in 99 years and will be guaranteed by certain of AGT's subsidiaries. AGT has also agreed to issue a maximum of 5,714,286 Warrants, each exercisable into one common share in the capital of AGT and exercisable at $33.25 per share. Each Warrant will be exercisable within 7 years. AGT can also elect to require early exercise of the Warrants if the five day volume weighted average closing price of its common shares reaches $53.20 at any time after the fifth anniversary of the closing. There is no assurance that the transaction will close; however, upon completion, management expects that the accounting treatment of the preferred securities will provide an increase in equity. This accounting treatment, coupled with the use of proceeds to reduce current secured bank indebtedness is expected to reduce the leverage profile of both AGT and APP.

Reconciliation of Net Earnings, Adjusted Net Earnings*, Adjusted Net Earnings Per Share* and Adjusted EBITDA*
(in thousands of CDN $ except as indicated, unaudited)

	3 Months Ended		6 Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue	$ 466,221	$ 438,660	$ 987,126	$ 880,053
Less: cost of sales [(1)]	434,351	400,249	922,330	795,688
Gross profit	31,870	38,411	64,796	84,365
Add back: depreciation in cost of sales	6,294	5,267	12,429	10,868
Adjusted gross profit*	**38,164**	**43,678**	**77,225**	**95,233**
Deduct: General and administrative and marketing, sales and distribution expenses	(23,568)	(20,997)	(45,459)	(44,405)
Deduct: Non cash foreign exchange effect	(17)	(13,914)	(11,522)	10,605
Add: Amortization in general and administrative expense	1,968	1,077	3,250	2,085
EBITDA	16,547	9,844	23,494	63,518
Add: Non-recurring and other expenses [(2)]	2,497	1,564	4,160	3,799
Add (deduct): Non cash foreign exchange effect	17	13,914	11,522	(10,605)
Adjusted EBITDA [(*)]	**19,061**	**25,322**	**39,176**	**56,712**
Deduct: Finance expense	(8,640)	(6,250)	(17,132)	(15,350)
Deduct: Depreciation and amortization	(8,262)	(6,344)	(15,679)	(12,953)
Deduct: Recovery (provision) for income taxes	175	557	2,700	(10,402)
Adjusted net earnings [(*)]	**2,334**	**13,285**	**9,065**	**18,007**
Adjusted basic net earnings per share*	0.10	0.56	0.38	0.75
Adjusted diluted net earnings per share*	0.10	0.55	0.38	0.75
Non-recurring and other expenses [(2)]	(2,497)	(1,564)	(4,160)	(3,799)
Deduct: Non cash foreign exchange effect	(17)	(13,914)	(11,522)	10,605
Net (loss) earnings per financial statements	**(180)**	**(2,193)**	**(6,617)**	**24,813**
Basic net (loss) earnings per share	(0.01)	(0.09)	(0.27)	1.04
Diluted net (loss) earnings per share	(0.01)	(0.09)	(0.27)	1.03
Basic weighted average number of shares outstanding	24,236,536	23,913,565	24,108,497	23,861,309
Diluted weighted average number of shares outstanding	24,236,536	24,118,306	24,108,497	24,064,301

(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 for the June 30, 2017 period)

	Jun 30, 2017	Dec 31, 2016
Trade accounts receivable	$ 203,308	$ 279,782
Inventory	282,678	323,320
Prepaid expenses and other	106,022	113,631
Less: Accounts payable, accrued liabilities and deferred revenue	(230,653)	(330,134)
Net Working Capital*	$ 361,355	$ 386,599

	Jun 30, 2017	Dec 31, 2016
Long term debt	$ 460,864	$ 410,776
Bank indebtedness and current portion of long term debt	100,675	156,939
Cash	(17,866)	(29,025)
Net Debt*	$ 543,673	$ 538,690

Non-IFRS Financial Measures

AGT provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain AGT's financial results. These non-IFRS measures include Adjusted Gross Profit (gross profit plus depreciation in cost of sales), Adjusted EBITDA* (earnings before finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-cash, non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Net Earnings Per Share* (earnings before any effects of non-cash, non-recurring and other costs, restructuring costs and foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities). Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Net Earnings Per Share* do not include the tax effect of non-cash, non-recurring and other costs and foreign exchange. Management believes that Adjusted EBITDA*, Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Earnings Per Share, Net Debt* and Net Working Capital* are important indicators of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. The exclusion of non-cash and foreign exchange adjustments eliminates the non-cash impact on Adjusted EBITDA*, Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share* and Adjusted

Diluted Earnings Per Share*. Adjusted EBITDA* and Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share*, Adjusted Diluted Net Earnings Per Share*, Net Debt* and Net Working Capital* are also used by investors and analysts for the purpose of valuing AGT. The intent of these measures is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted Gross Profit*, Adjusted EBITDA* and Adjusted Net Earnings*, Adjusted Basic Net Earnings Per Share*, Adjusted Diluted Net Earnings Per Share*, Net Debt* and Net Working Capital* should therefore not be considered in isolation or used as a substitute for measures of performance prepared in accordance with IFRS. For a reconciliation of net earnings (loss) determined in accordance with IFRS to Adjusted EBITDA*, Adjusted Net Earnings* and Adjusted Basic Net Earnings Per Share* and Adjusted Diluted Earnings Per Share*, see the table on page 43.

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, 2017 or future periods, the requirement for additional capacity, capacity increases; expected synergies; global supplies; global demand; expected tax rates; sales opportunities; AGT's dividend policy; and internal controls over financial reporting. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", “viewed”, “in the opinion of”, "is expected", "estimates", "forecasts", "intends", “planned to”, "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”, “boding well”, “are viewed”, “appear”, “potential”, “can have”, "may", "could", "would", or "will" be taken, occur or be achieved.

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

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

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