



**Ag Growth Announces First Quarter 2017 Results;**  
**Declares Dividends**

Winnipeg, MB, May 9, 2017 – Ag Growth International Inc. (TSX: AFN) (“AGI”, the “Company”, “we” or “our”) today announced its financial results for the three-month period ended March 31, 2017, and declared dividends for June 2017, July 2017 and August 2017.

**Overview of Results**

(thousands of dollars except per share amounts)	<b>Three Months Ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Trade sales <sup>(1)(2)</sup>	154,689	113,672
Adjusted EBITDA <sup>(1)(2)(3)</sup>	25,674	19,773
Profit	5,127	5,697
Diluted profit per share	0.33	0.38
Adjusted profit <sup>(1)</sup>	7,478	6,000
Diluted adjusted profit per share <sup>(1)(4)</sup>	0.48	0.40

(1) See “Non-IFRS Measures”.

(2) See “Basis of Presentation” in the MD&A for the three-month period ended March 31, 2017.

(3) See “Adjusted EBITDA”.

(4) See “Diluted profit (per share) and Diluted adjusted profit (per share)” below in Summary of Results.

Trade sales and adjusted EBITDA significantly exceeded record 2016 results due to robust demand in Canada, higher international sales and the impact of acquisitions. Strength in the Canadian Farm market was complemented by higher Farm sales in the U.S., which increased 18% over Q1 2016. Farm backlogs in both Canada and the U.S. are substantially higher than at the same time in 2016. Robust demand in Europe, the Middle East and Africa (“EMEA”) and the Black Sea region resulted in higher international sales and an increase in international sales order backlog compared to the prior year. Trade sales from acquisitions in the quarter were \$30.0 million. Higher adjusted EBITDA was offset by transaction costs related to the acquisition of Global Industries, Inc. (“Global”) and increased share based compensation expenses, resulting in a small decrease in profit and diluted profit per share compared to 2016.

“We saw broad based strength across AGI in the first quarter as many international Commercial projects moved off the drawing board into development, the US Farm market began showing signs of a rebound and Canadian Commercial and Farm markets remained robust.” said Tim Close, President and CEO of AGI. “During the quarter we also completed the acquisition of Global Industries and in doing so welcomed a great team of people, added leading brands and dealers, and significantly increased our platform in the US. Our project in Brazil is on track due to some outstanding work from across AGI to fast track the design and construction of our facility and tackle the engineering required to support our product transfer. With robust backlogs across AGI we are seeing positive signs for continued strength in 2017.”

## Diluted profit (per share) and Diluted adjusted profit (per share)

A reconciliation of profit and diluted adjusted profit per share to adjusted profit and adjusted diluted profit per share is below.

(thousands of dollars except per share amounts)	Three Months Ended March 31	
	2017	2016
Profit as reported	5,127	5,697
Diluted profit per share as reported	0.33	0.38
Loss on foreign exchange	(582)	(229)
(Loss) profit from discontinued operations	(5)	560
M&A expenses	1,629	218
Contingent consideration expense	352	64
Loss (gain) on financial instruments	975	(320)
(Gain) loss on sale of PP&E	(18)	10
<b>Adjusted profit <sup>(1)</sup></b>	<b>7,478</b>	<b>6,000</b>
<b>Diluted adjusted profit per share <sup>(1)</sup></b>	<b>0.48</b>	<b>0.40</b>

(1) See "Non-IFRS Measures"

## OUTLOOK

The Farm market in Canada remains robust as Canadian farmers benefit from the positive economics of a favourable crop mix and a weak Canadian dollar. A large crop in 2016 contributed to strong in-season sales and resulted in low inventory levels throughout AGI's distribution network that, along with a general expectation of strong end-user demand in 2017, has resulted in sales order backlogs significantly higher than the prior year. The Farm market in the U.S. remained weak in 2016 as farmer net income continued to be affected by low corn and soybean prices. In 2017, however, early signs of a recovery in demand for AGI product appear to be forming, particularly for portable grain handling equipment. Management postulates the significant increase in sales order backlog for our Farm equipment reflects marginally improved economics for some farmers and the product replacement cycle for portable grain handling equipment. It remains too early in the crop year to confidently predict higher demand for Farm equipment throughout 2017, however management is cautiously optimistic that recent activity is an indicator of a modest improvement in the U.S. Farm sector.

The demand environment for AGI's Commercial business remains positive for several reasons including the global trend towards higher crop volumes, infrastructure deficiencies in many grain producing and importing regions of the world, the drive towards improved efficiencies in a mature North American market, the dissolution of the Canadian Wheat Board and the evolution of retail fertilizer distribution. Excluding acquisitions, AGI's Commercial backlog is relatively flat compared to the same time in 2016 as a higher international backlog is partially offset by lower backlogs in North America. Management anticipates the Commercial backlog may increase substantially in the near-term as several projects in Canada, South America, EMEA and the Black Sea region come to fruition. Overall, management expects sales of Commercial equipment in 2017 will significantly exceed the prior year, largely due to growth in offshore sales.

AGI acquired Global on April 4, 2017. Consistent with AGI's Farm business in the U.S., Global's results in recent years have reflected weakness in the U.S. Farm market and its normalized EBITDA averaged approximately U.S. \$11.5 million over the three years ended November 30, 2016, with fiscal 2016 being below the three-year average. AGI anticipates a modest recovery in the U.S. Farm market in 2017 that should likewise benefit Global's' business.

AGI completed several acquisitions in 2016 and the inclusion of a full twelve months of results from NuVision (acquired April 2016), Mitchell (July 2016) and Yargus (November 2016) in fiscal 2017 is expected to increase EBITDA compared to the prior year. In addition, management believes the combination of these entities has created a market leading fertilizer platform and accordingly expects to organically grow sales for each of these businesses.

AGI entered the Brazilian market through its purchase of Entringer in March 2016, and soon after commenced construction of a new production facility that will house both Entringer products and many of AGI's North American product lines. Management anticipates the new facility will be fully commissioned in the second half of 2017. AGI has focused efforts in 2017 on growing its Farm and Commercial business in Brazil while at the same time transferring product knowledge from North America to Brazil and investing in people to prepare for future growth. On balance, management anticipates adjusted EBITDA in Brazil will be slightly positive in the second half of 2017.

Demand in 2017 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Planting in many areas of North America has been delayed by wet conditions that, if the delays persist, may lower crop production in certain regions. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets and the availability of credit and export credit agency support in offshore markets also may influence sales, primarily of Commercial grain handling and storage products. Consistent with prior periods, Commercial sales are subject to the timing of customer commitment and delivery considerations. AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. The Company has mitigated its exposure to higher input costs through procurement of steel at lower prices, sales price increases and limiting the length of time commercial quotes remain valid. However, AGI's results in 2017 may be impacted by higher steel prices.

On balance, based on current conditions, management anticipates record sales and adjusted EBITDA in 2017 will result from strength in the Canadian Farm market, a modest recovery in the U.S. Farm market and an increase in international sales. In addition, inclusion of a full twelve months of results from the 2016 acquisitions of NuVision, Mitchell and Yargus, and results from Global, are expected to significantly contribute to sales and EBITDA in 2017.

## Dividends

AGI today announced the declaration of cash dividends of \$0.20 per common share for the months of June, July and August 2017. The dividends are eligible dividends for Canadian income tax purposes. AGI's current annualized cash dividend rate is \$2.40 per share.

The table below sets forth the scheduled payable and record dates:

<b>Monthly dividend</b>	<b>Payable date</b>	<b>Record date</b>
June 2017	July 14, 2017	June 30, 2017
July 2017	August 15, 2017	July 31, 2017
August 2017	September 15, 2017	August 31, 2017

## MD&A and Financial Statements

AGI's financial statements and MD&A (the "Q1 MD&A") for the three-month period ended March 31, 2017 can be obtained at <http://media3.marketwire.com/docs/1094080.pdf> and will also be available electronically on SEDAR ([www.sedar.com](http://www.sedar.com)) and on AGI's website ([www.aggrowth.com](http://www.aggrowth.com)).

## Conference Call

Management will hold a conference call on Tuesday, May 9, 2017, at 9:00 a.m. EST to discuss the Company's results for the three-month period ended March 31, 2017. To participate in the conference call, please dial 1-800-377-0758 or for local access dial 416-340-2216. An audio replay of the call will be available for seven days. To access the audio replay, please dial 1-800-408-3053 or for local access dial 905-694-9451. Please quote passcode 9226010 for the audio replay.

## Company Profile

Ag Growth International Inc. is a leading manufacturer of portable and stationary grain handling, storage and conditioning equipment, including augers, belt conveyors, grain storage bins, grain handling accessories, grain aeration equipment and grain drying systems. AGI has manufacturing facilities in Canada, the United States, Italy, Brazil, South Africa and the United Kingdom, and distributes its products globally.

For More Information Contact:

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## NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS, with a number of non-IFRS financial measures including “EBITDA”, “Adjusted EBITDA”, “trade sales”, “adjusted profit” and “diluted adjusted profit per share”. A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-IFRS financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-IFRS financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

In this press release, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable, and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in this press release.

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and impairment charges related to discontinued operations. References to “adjusted EBITDA” are to EBITDA before the Company's gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, gains or losses on financial instruments, non-cash contingent consideration expenses, provisions related to the cancellation of a U.S. distributor and expenses related to corporate acquisition activity. Adjusted EBITDA excludes the results of former AGI divisions Applegate and Mepu as the previously announced strategic review of these assets resulted in their sale in 2016. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company's performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. See “Operating Results - EBITDA and Adjusted EBITDA” in the Q1 MD&A for the reconciliation of EBITDA and Adjusted EBITDA to profit from continuing operations before income taxes.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance. See "Operating Results - Trade Sales" in the Q1 MD&A for the reconciliation of trade sales to sales.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for losses on foreign exchange, transaction costs, non-cash loss (profit) on discontinued operations, contingent consideration expense and gain (loss) on sale of property, plant and equipment. See "Detailed Operating Results – Diluted profit per share and Diluted adjusted profit per share” in the Q1 MD&A for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit as reported.

In addition, this press release refers to: "normalized EBITDA" of Global for certain financial periods, which is earnings of Global before income taxes, finance costs, depreciation and amortization, and one-time events, and after certain normalization adjustments including owner/manager compensation structure, related party transactions, and rationalizations. The financial information in this press release relating to Global including normalized EBITDA is derived from Global's financial statements, which are prepared in accordance with United States generally accepted accounting principles, which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies.

## **FORWARD-LOOKING INFORMATION**

This press release contains forward-looking statements and information ("forward-looking information") within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, "postulates", "predict", “will” or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this press release may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this press release includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for sales and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to successfully market its products and

services. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including changes in international, national and local macroeconomic and business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Corporation's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition and AGI's failure to achieve the expected benefits of recent acquisitions. These risks and uncertainties are described under "Risks and Uncertainties" in the Q1 MD&A, in our MD&A for the year ended December 31, 2016 and in our most recently filed Annual Information Form, all of which are available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)). These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date of this press release and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

**AG GROWTH INTERNATIONAL INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Dated: May 9, 2017**

This Management’s Discussion and Analysis (“MD&A”) of Ag Growth International Inc. (“AGI”, the “Company”, “we”, “our” or “us”) should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of the Company for the three-month period ended March 31, 2017 and the MD&A (the “Annual MD&A”) and audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2016. Results are reported in Canadian dollars unless otherwise stated.

The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts are expressed in Canadian currency, unless otherwise noted.

Throughout this MD&A references are made to “trade sales”, “EBITDA”, “adjusted EBITDA”, “gross margin”, “funds from operations”, “payout ratio”, “adjusted profit” and “diluted adjusted profit per share”. A description of these measures and their limitations are discussed below under “Non-IFRS Measures”.

This MD&A contains forward-looking information. Please refer to the cautionary language under the heading “Risks and Uncertainties” and “Forward-Looking Information” in this MD&A, the Annual MD&A and in our most recently filed Annual Information Form, all of which are available under the Company’s profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

**SUMMARY OF RESULTS**

	<b>Three Months Ended March 31</b>	
(thousands of dollars except per share amounts)	<b>2017</b>	<b>2016</b>
Trade sales <sup>(1)(2)</sup>	154,689	113,672
Adjusted EBITDA <sup>(1)(2)(3)</sup>	25,674	19,773
Profit	5,127	5,697
Diluted profit per share	0.33	0.38
Adjusted profit <sup>(1)</sup>	7,478	6,000
Diluted adjusted profit per share <sup>(1)(4)</sup>	0.48	0.40

(1) See “Non-IFRS Measures”.

(2) See “Basis of Presentation”.

(3) See “Operating Results - EBITDA and Adjusted EBITDA”.

(4) See “Detailed Operating Results - Diluted profit per share and Diluted adjusted profit per share”.

Trade sales and adjusted EBITDA significantly exceeded record 2016 results due to robust demand in Canada, higher international sales and the impact of acquisitions. Strength in the Canadian Farm market was complemented by higher Farm sales in the U.S., which increased 18% over Q1 2016. Farm backlogs in both Canada and the U.S. are substantially higher than at the same time in 2016. Robust demand in Europe, the Middle East and Africa (“EMEA”) and the Black Sea region resulted in higher international sales and an increase in international sales order backlog compared to the prior year. Trade sales from acquisitions in the quarter were \$30.0 million. Higher adjusted

EBITDA was offset by transaction costs related to the acquisition of Global Industries, Inc. ("Global") and increased share based compensation expenses, resulting in a small decrease in profit and diluted profit per share, compared to 2016.

## **OUTLOOK**

The Farm market in Canada remains robust as Canadian farmers benefit from the positive economics of a favourable crop mix and a weak Canadian dollar. A large crop in 2016 contributed to strong in-season sales and resulted in low inventory levels throughout AGI's distribution network that, along with a general expectation of strong end-user demand in 2017, has resulted in sales order backlogs significantly higher than the prior year. The Farm market in the U.S. remained weak in 2016 as farmer net income continued to be affected by low corn and soybean prices. In 2017, however, early signs of a recovery in demand for AGI product appear to be forming, particularly for portable grain handling equipment. Management postulates the significant increase in sales order backlog for our Farm equipment reflects marginally improved economics for some farmers and the product replacement cycle for portable grain handling equipment. It remains too early in the crop year to confidently predict higher demand for Farm equipment throughout 2017, however management is cautiously optimistic that recent activity is an indicator of a modest improvement in the U.S. Farm sector.

The demand environment for AGI's Commercial business remains positive for several reasons including the global trend towards higher crop volumes, infrastructure deficiencies in many grain producing and importing regions of the world, the drive towards improved efficiencies in a mature North American market, the dissolution of the Canadian Wheat Board and the evolution of retail fertilizer distribution. Excluding acquisitions, AGI's Commercial backlog is relatively flat compared to the same time in 2016 as a higher international backlog is partially offset by lower backlogs in North America. Management anticipates the Commercial backlog may increase substantially in the near-term as several projects in Canada, South America, EMEA and the Black Sea region come to fruition. Overall, management expects sales of Commercial equipment in 2017 will significantly exceed the prior year, largely due to growth in offshore sales.

AGI acquired Global on April 4, 2017 (see "Subsequent Event – Acquisition of Global Industries, Inc."). Consistent with AGI's Farm business in the U.S., Global's results in recent years have reflected weakness in the U.S. Farm market and its normalized EBITDA averaged approximately U.S. \$11.5 million over the three years ended November 30, 2016, with fiscal 2016 being below the three-year average. AGI anticipates a modest recovery in the U.S. Farm market in 2017 that should likewise benefit Global's' business.

AGI completed several acquisitions in 2016 and the inclusion of a full twelve months of results from NuVision (acquired April 2016), Mitchell (July 2016) and Yargus (November 2016) in fiscal 2017 is expected to increase EBITDA compared to the prior year. In addition, management believes the combination of these entities has created a market leading fertilizer platform and accordingly expects to organically grow sales for each of these businesses.

AGI entered the Brazilian market through its purchase of Entringer in March 2016, and soon after commenced construction of a new production facility that will house both Entringer products and many of AGI's North American product lines. Management anticipates the new facility will be fully commissioned in the second half of 2017. AGI has focused efforts in 2017 on growing its Farm and Commercial business in Brazil while at the same time transferring product knowledge from North America to Brazil and investing in people to prepare for future growth. On balance,

management anticipates adjusted EBITDA in Brazil will be slightly positive in the second half of 2017.

Demand in 2017 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Planting in many areas of North America has been delayed by wet conditions that, if the delays persist, may lower crop production in certain regions. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets and the availability of credit and export credit agency support in offshore markets also may influence sales, primarily of Commercial grain handling and storage products. Consistent with prior periods, Commercial sales are subject to the timing of customer commitment and delivery considerations. AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. The Company has mitigated its exposure to higher input costs through procurement of steel at lower prices, sales price increases and limiting the length of time commercial quotes remain valid. However, AGI's results in 2017 may be impacted by higher steel prices.

On balance, based on current conditions, management anticipates record sales and adjusted EBITDA in 2017 will result from strength in the Canadian Farm market, a modest recovery in the U.S. Farm market and an increase in international sales. In addition, inclusion of a full twelve months of results from the 2016 acquisitions of NuVision, Mitchell and Yargus, and results from Global, are expected to significantly contribute to sales and EBITDA in 2017.

#### **SUBSEQUENT EVENT – Acquisition of Global Industries, Inc.**

On April 4, 2017, AGI acquired Global for U.S. \$100 million. Global is a diversified manufacturer of grain storage bins, portable and stationary grain handling equipment, grain drying and aeration equipment, structural components, and steel buildings. Global has four divisions located in Nebraska and Kansas, production capacity in South Africa, and warehouses in the U.S., Europe, Australia and Africa. Global's product catalogue and domestic and offshore geographic sales are highly complementary to AGI's existing footprint, and are expected to substantially expand AGI's North American and international grain handling, drying and storage platforms in both Farm and Commercial segments.

Global's normalized EBITDA averaged approximately U.S. \$11.5 million over the three years ended November 30, 2016. In the four years prior to 2015, being the years before the current downturn in the U.S. farm market, Global's normalized EBITDA averaged approximately U.S. \$17 million. Global sales for their year-ended November 30, 2016 were U.S. \$112 million.

The purchase price for Global was financed by cash on hand and AGI's revolving credit facility. In April 2017, AGI issued \$86.25 million of convertible unsecured subordinated debentures and amended its credit facilities to extend the maturity to 2021 and enhance AGI's financial flexibility. AGI's pro forma March 31, 2017 senior debt to EBITDA ratio, reflecting the Global acquisition and the convertible unsecured subordinated debenture issuance, is approximately 2.3x.

## **BASIS OF PRESENTATION**

AGI is organized into Farm and Commercial segments that are broadly defined along the lines of the end-use customer. AGI's Farm business encompasses product categories where the end user is typically a farmer, while its Commercial business typically serves larger customers that require higher capacity storage and handling products. Commercial applications include port facilities, inland terminals and retail fertilizer distribution, among others.

### ***Farm***

Our Farm products include Westeel's North American storage business, portable grain handling equipment and lower capacity aeration products. The primary demand driver for AGI's Farm business is the volume of grain produced as this dictates on-farm storage requirements and drives the product replacement cycle for portable equipment. Farmer net income and weather conditions during harvest may also impact short-term demand. The majority of our Farm business is in North America, however we also sell Farm equipment overseas, primarily in Europe and Australia, and more recently in South America with our expansion into Brazil.

### ***Commercial***

AGI's Commercial business is comprised primarily of high capacity grain handling equipment, larger diameter grain storage, and equipment utilized in commercial fertilizer applications. Demand for Commercial equipment is less sensitive to a specific harvest than demand for Farm products but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in mature markets and, more recently in Canada, the dissolution of the Canadian Wheat Board. Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business. AGI addresses the offshore market from its facilities in Brazil, Italy and North America.

### ***Farm and Commercial – Gross Margin***

The gross margin of individual product lines within both the Farm and Commercial categories may vary significantly depending on the sales mix and as a result, quarterly margins may vary from period to period. Generally, when aggregated, gross margin in the Farm segment is slightly higher than gross margin in the Commercial segment.

### ***Farm and Commercial trade sales – 2016***

(thousands of dollars)	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>2016</b>
Farm	63,769	67,542	77,116	59,260	267,687
Commercial	49,903	75,996	85,854	67,176	278,929
<b>Total</b>	<b>113,672</b>	<b>143,538</b>	<b>162,970</b>	<b>126,436</b>	<b>546,616</b>

### ***Acquisitions***

When comparing current year results to 2016, we have in some cases noted the impact of recent acquisitions. This is a reference to the acquisitions of Entringer (March 15, 2016), NuVision (April 1, 2016), Mitchell (July 18, 2016) and Yargus (November 15, 2016).

## OPERATING RESULTS

### Trade Sales (see "Non-IFRS Measures" and "Basis of Presentation")

(thousands of dollars)	Three Months Ended March 31	
	2017	2016
Trade sales	154,689	113,672
Foreign exchange gain (loss)	(153)	(1,949)
<b>Sales</b>	<b>154,536</b>	<b>111,723</b>

### Trade Sales by Region

(thousands of dollars)	Three Months Ended March 31	
	2017	2016
Canada	65,321	51,199
US	58,030	45,351
International	31,338	17,122
<b>Total</b>	<b>154,689</b>	<b>113,672</b>

Trade sales in Canada, excluding acquisitions, increased 10% over Q1 2016 as a robust Canadian Farm market led to a significant increase in sales of grain storage and aeration equipment. Canadian sales order backlogs for storage, handling and aeration equipment are very high in advance of what is expected to be an active growing season. AGI significantly increased its presence in the fertilizer sector through 2016 acquisitions, and trade sales from acquisitions of \$9.1 million in Q1 2017 largely reflects strong demand for the design, equipment fabrication and installation of fertilizer handling and storage facilities.

In the United States, early signs of demand recovery for AGI products in the Farm sector was evident in Q1 2017 as sales of Farm equipment increased 18% over the prior year, and a substantial increase in new orders in 2017 has resulted in significantly higher backlogs compared to the same time in 2016. Total trade sales in the U.S., excluding acquisitions, decreased 7% as higher Farm sales were offset by lower sales of Commercial equipment that resulted primarily from timing. Sales related to acquisitions of \$15.8 million were largely related to fertilizer handling and storage facilities.

AGI's international sales, excluding acquisitions, increased \$9.1 million over the prior year largely due to robust demand in EMEA and increasing activity in the Black Sea region, including in Ukraine. AGI's project sale backlog is well above that of the prior year and quoting activity in South America and eastern Europe is very high.

### Trade Sales by Category

(thousands of dollars)	Three Months Ended March 31		
	2017	2016	Change
Farm	76,275	63,769	12,506
Commercial	78,414	49,903	28,511
<b>Total</b>	<b>154,689</b>	<b>113,672</b>	<b>41,017</b>

Farm sales increased compared to 2016 due to robust demand in the Canadian market as well as higher sales in the U.S. Acquisitions made in 2016 did not impact Farm sales in Q1 2017. The increase in Commercial sales resulted from higher international sales and \$30.0 million in sales from acquisitions.

See also “Outlook”.

**Gross Margin (see "Non-IFRS Measures" and “Basis of Presentation”)**

(thousands of dollars)	<b>Three Months Ended March 31</b>	
	<b>2017</b>	<b>2016</b>
Trade sales	154,689	113,672
Cost of inventories	100,524	71,785
<b>Gross margin</b>	<b>54,165</b>	<b>41,887</b>
<b>Gross margin as a percentage of trade sales</b>	<b>35.0%</b>	<b>36.8%</b>

Gross margin as a percentage of trade sales in the three months ended March 31, 2017 was 35.0% (2016 – 36.8%). A strong gross margin percentage was achieved in Q1 2017 due to efficient labour utilization, the procurement of steel in advance of steel price increases and the positive impact of a weaker Canadian dollar. The decrease from 2016 is largely due to lower Commercial margins that resulted from project sales mix..

**EBITDA and Adjusted EBITDA (see "Non-IFRS Measures" and “Basis of Presentation”)**

(thousands of dollars)	<b>Three Months Ended March 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Profit from continuing operations before income taxes</b>	<b>8,173</b>	<b>7,641</b>
Finance costs	6,336	5,959
Depreciation and amortization	6,453	5,759
<b>EBITDA <sup>(1)</sup></b>	<b>20,962</b>	<b>19,359</b>
Gain on foreign exchange	(582)	(229)
Share based compensation	2,356	616
Cost related to divestitures	-	55
Loss (gain) on financial instruments <sup>(2)</sup>	975	(320)
M&A expenses	1,629	218
Contingent consideration <sup>(3)</sup>	352	64
(Gain) loss on sale of PP&E	(18)	10
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>25,674</b>	<b>19,773</b>

(1) See “Non-IFRS Measures”.

(2) See “Equity Compensation Hedge”.

(3) Non-cash expense related to the present value amortization of contingent consideration liabilities.

Adjusted EBITDA in the three months ended March 31, 2017 was \$25.7 million (2016 - \$19.8 million). Adjusted EBITDA increased significantly compared to 2016 due to robust demand in Canada, higher international sales and the impact of strategic acquisitions in the grain and fertilizer equipment sectors. As a percentage of sales, adjusted EBITDA decreased slightly compared to

2016 largely due a small decline in gross margin percentage that resulted from Commercial project sales mix. EBITDA increased slightly compared to 2016, as higher adjusted EBITDA was partially offset by an increase in share based compensation expenses and transaction costs related to the acquisition of Global.

## DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended March 31	
	2017	2016
<b>Sales</b>		
Trade sales <sup>(1)</sup>	154,689	113,672
Foreign exchange loss	(153)	(1,949)
	154,536	111,723
<b>Cost of goods sold</b>		
Cost of inventories	100,524	71,785
Depreciation/amortization	4,715	3,796
	105,239	75,581
<b>Selling, general and administrative expenses</b>		
SG&A expenses	28,912	22,313
Share-based compensation	2,356	616
M&A expenses	1,629	218
Costs related to assets under review		55
Contingent consideration expense	352	64
Depreciation/amortization	1,738	1,963
	34,987	25,229
<b>Other operating (income) expenses</b>		
Loss (gain) on financial instruments	975	(320)
Gain on foreign exchange	(582)	(229)
(Gain) loss on sale of PP&E	(18)	10
Other	229	53
	604	(486)
Finance costs	6,336	5,959
Finance income	(803)	(2,201)
<b>Profit from continuing operations before income taxes</b>	8,173	7,641
Income tax expense	3,051	1,384
<b>Profit for the period from continuing operations</b>	5,122	6,257
Profit (loss) from discontinued operations	5	(560)
<b>Profit for the period</b>	<b>5,127</b>	<b>5,697</b>
<b>Profit per share</b>		
Basic	0.33	0.39
Diluted	0.33	0.38

(1) See "Non-IFRS Measures".

## **Impact of Foreign Exchange**

### *Sales and Adjusted EBITDA*

AGI's average rate of exchange for the three months ended March 31, 2017 was \$1.32 (2016 - \$1.38). A lower Canadian dollar results in an increase in reported sales as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a lower Canadian dollar results in increased costs for U.S. dollar denominated inputs and SG&A expenses. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel. On balance, adjusted EBITDA benefits from a weaker Canadian dollar.

### *Gains and Losses on Foreign Exchange*

AGI reported losses on forward foreign exchange contracts of \$15.3 in 2015 and \$14.4 million in 2016. In the first quarter of 2017, AGI's loss on its forward foreign exchange contracts was \$0.7 million and as at March 31, 2017 AGI had no outstanding foreign exchange contracts. Management continues to assess its foreign exchange strategy and in April 2017 entered U.S. \$24 million of put options with a strike price of \$1.25. Currency fluctuations also result in non-cash gains or losses on foreign exchange. See "Financial Instruments – Foreign exchange contracts".

## **General and Administrative Expenses**

SG&A expenses in the three months ended March 31, 2017 were \$35.0 million or 23% of trade sales (2016 - \$25.2 million and 22% of trade sales). Excluding acquisitions, SG&A expenses were \$29.4 million (2016 - \$25.1 million). The increase compared to 2016 is largely related to the items below:

- Third party commissions increased \$0.6 million compared to 2016 due to sales mix.
- Share based compensation increased \$1.8 million due to the timing of recognition of certain awards and an increase in the number of participants. Going forward management estimates share based compensation expense of \$0.8 million quarterly.
- The remaining variance resulted from several offsetting factors with no individual variance larger than \$0.5 million.

## **Finance Costs**

Finance costs in the quarter ended March 31, 2017 were \$6.3 million (2016 – \$6.0 million). The higher expense in 2016 relates primarily to financing the acquisition of Yargus in November 2016 partially through the Company's revolving credit facility. Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

## **Finance Income**

Finance income in the quarter ended March 31, 2017 was \$0.8 million (2016 - \$2.2 million) and in both periods relates primarily to non-cash gains on the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the quarter.

## Other Operating Expense (Income)

Other operating expense in the quarter ended March 31, 2017 was \$0.6 million (2016 – income of \$0.5 million). Expense in the current period relates primarily to losses incurred on financial instruments (see “Equity Compensation Hedge”).

## Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets are categorized on the income statement in accordance with the function to which the underlying asset is related. The increase in 2017 primarily relates to acquisitions made throughout 2016.

## Income tax expense

For the three months ended March 31, 2017 the Company recorded current tax expense of \$2.3 million (2016 – \$1.4 million). Current tax expense relates primarily to Ag Growth U.S. and Italian subsidiaries.

For the three months ended March 31, 2017 the Company recorded deferred tax expense of \$0.7 million (2016 – recovery of \$0.1 million). Deferred tax expense in 2016 relates to the decrease of deferred tax assets plus a increase in deferred tax liabilities that related to recognition of temporary differences between the accounting and tax treatment of tax loss carryforwards and Canadian exploration expenses.

Upon conversion to a corporation from an income trust in June 2009 (the “Conversion”) the Company received certain tax attributes that may be used to offset tax otherwise payable in Canada. The Company’s Canadian taxable income is based on the results of its divisions domiciled in Canada, including the corporate office, and realized gains or losses on foreign exchange. For the quarter ended March 31, 2017, the Company offset \$2.4 million of Canadian tax otherwise payable (2016 – \$0.3 million). Through the use of these attributes and since the date of Conversion a cumulative amount of \$40.6 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company’s income statement. As at March 31, 2017, the balance sheet asset related to these unused attributes was \$14.4 million.

## Effective tax rate

(thousands of dollars)	Three Months Ended March 31	
	2017	2016
Current tax expense	2,293	1,449
Deferred tax expense (recovery)	758	(65)
<b>Total tax</b>	<b>3,051</b>	<b>1,384</b>
Profit (loss) before taxes	8,173	7,641
Total tax %	37.3%	18.1%

The effective tax rate in 2016 and to a much lesser extent in 2017 was impacted by items that were expensed for accounting purposes but were not deductible for tax purposes. These include non-cash losses on foreign exchange. See “Diluted profit per share and Diluted adjusted profit per share”. The effective tax rate in 2017 was also impacted by tax losses not being recognized as a deferred tax asset related to the Brazilian operations.

### Diluted profit per share and Diluted adjusted profit per share

Diluted profit per share in 2017 was \$0.33 (2016 - \$0.38). The decrease is largely due to higher adjusted EBITDA being offset by transaction costs related to the acquisition of Global and an increase in share based compensation expense. Profit per share in 2016 and 2017 has been impacted by the items below:

(thousands of dollars except per share amounts)	Three Months Ended March 31	
	2017	2016
Profit as reported	5,127	5,697
Diluted profit per share as reported	0.33	0.38
Loss on foreign exchange	(582)	(229)
(Profit) loss from discontinued operations	(5)	560
M&A expenses	1,629	218
Contingent consideration expense	352	64
Loss (gain) on financial instruments	975	(320)
(Gain) loss on sale of PP&E	(18)	10
<b>Adjusted profit <sup>(1)</sup></b>	<b>7,478</b>	<b>6,000</b>
<b>Diluted adjusted profit per share <sup>(1)</sup></b>	<b>0.48</b>	<b>0.40</b>

(1) See “Non-IFRS Measures”

### QUARTERLY FINANCIAL INFORMATION

(thousands of dollars other than per share data and exchange rate):

	2017				
	Average	Sales	Profit	Basic	Diluted
	USD/CAD				
Exchange	Rate	Share	per Share		
Q1	1.32	154,536	5,127	0.33	0.33
<b>YTD</b>	<b>1.32</b>	<b>154,536</b>	<b>5,127</b>	<b>0.33</b>	<b>0.33</b>

**2016**

	<b>From Continuing Operations</b>					<b>Total<sup>(1)</sup></b>		
	<b>Avg USD / CAD FX Rate</b>	<b>Sales</b>	<b>Profit</b>	<b>Basic Profit per Share</b>	<b>Diluted Profit per Share</b>	<b>Profit</b>	<b>Basic Profit per Share</b>	<b>Diluted Profit per Share</b>
Q1	1.38	111,723	6,257	\$0.43	\$0.42	5,697	\$0.39	\$0.38
Q2	1.29	140,837	4,245	\$0.29	\$0.28	5,285	\$0.36	\$0.35
Q3	1.34	158,680	12,952	\$0.87	\$0.84	13,034	\$0.88	\$0.85
Q4	1.32	120,376	(4,501)	(\$0.30)	(\$0.30)	(4,710)	(\$0.32)	(\$0.32)
<b>YTD</b>	<b>1.32</b>	<b>531,616</b>	<b>18,953</b>	<b>\$1.29</b>	<b>\$1.27</b>	<b>19,306</b>	<b>\$1.31</b>	<b>\$1.29</b>

(1) Include results from Applegate and Mepu which were classified as discontinued operations in 2016.

**2015<sup>(1)</sup>**

	<b>Average USD/CAD Exchange Rate</b>	<b>Sales</b>	<b>Profit / (Loss)</b>	<b>Basic Profit (loss) per Share</b>	<b>Diluted Profit (loss) per Share</b>
Q1	1.23	87,259	(3,409)	(\$0.26)	(\$0.26)
Q2	1.24	122,396	8,173	\$0.60	\$0.58
Q3	1.30	125,590	(8,638)	(\$0.60)	(\$0.60)
Q4	1.33	114,239	(21,355)	(\$1.48)	(\$1.48)
<b>YTD</b>	<b>1.27</b>	<b>449,484</b>	<b>(25,229)</b>	<b>(\$1.81)</b>	<b>(\$1.81)</b>

(1) As reported. AGI divisions Applegate and Mepu were classified as discontinued operations in 2016.

The following factors impact the comparison between periods in the table above:

- AGI's acquisition of Westeel (Q2 2015), VIS (Q4 2015), Entringer (Q1 2016), NuVision (Q2 2016), Mitchell (Q3 2016) and Yargus (Q4 2016) significantly impacts comparisons between periods of assets, liabilities and operating results. See "Basis of Presentation - Acquisitions".
- The loss and loss per share in the fourth quarter of 2015 was significantly impacted by an asset impairment charge of \$13.4 million at the Mepu and Applegate divisions.
- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial projects and higher in-season demand at the farm level. The seasonality of AGI's business may be impacted by several factors including weather and the timing and quality of harvest in North America.

## **LIQUIDITY AND CAPITAL RESOURCES**

AGI's financing requirements are subject to variations due to the seasonal and cyclical nature of its business. Our sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and our cash flow has been lower in the first half of each calendar year. Internally generated funds are supplemented when necessary from external sources, primarily the Credit Facility, to fund the Company's working capital requirements, capital expenditures and dividends. The Company believes that the debt facilities and convertible debentures described under "Capital Resources", together with available cash and internally generated funds, are sufficient to support its working capital, capital expenditures, dividends and debt service requirements.

## CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended March 31	
	2017	2016
Profit before tax from continuing operations	8,173	7,641
Items not involving current cash flows	8,148	1,201
Cash provided by operations	16,321	8,842
Net change in non-cash working capital	932	(5,510)
Income tax paid	(2,094)	(132)
Cash flows provided by operating activities	15,159	3,200
Cash used in investing activities	(24,752)	(18,308)
Cash provided by (used in) financing activities	52,200	(7,465)
Net increase (decrease) in cash from continuing operations during the period	42,607	(22,573)
Net decrease in cash from discontinued operations	(13)	(145)
Cash, beginning of period	2,774	58,234
<b>Cash, end of period</b>	<b>45,368</b>	<b>35,516</b>

Cash provided by operations increased compared to the prior year due to higher adjusted EBITDA and an increase in cash generated from working capital. Cash provided by financing activities includes \$60.8 million net proceeds from AGI's February 2017 equity offering. Proceeds from the offering were used to repay outstanding indebtedness under the operating facility portion of AGI's credit facilities, for working capital and general corporate purposes, and to partially finance the acquisition of Global.

### Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the second and third quarters that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. Requirements for 2017 are expected to be generally consistent with historical patterns however recent acquisitions have had the effect of increasing working capital requirements in Q4 and Q1. Growth in international business may result in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters. Working capital may also be deployed to secure steel supply and pricing.

### Capital Expenditures

Maintenance capital expenditures in the first quarter of 2017 were \$3.0 million (2.0% of trade sales) compared to \$0.9 million (0.8%) in 2016. Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Maintenance capital expenditures in 2017 relate primarily to purchases of manufacturing equipment and building repairs and were funded through cash on hand, bank indebtedness and cash from operations.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures of \$17.3 million in 2017 (2016 - \$0.2 million). In 2017, non-maintenance capital expenditures relate primarily to equipment purchases and facility upgrades and to the construction of AGI's production facility in Brazil. Management estimates an additional \$9 million will be required to complete the project in Brazil. Non-maintenance capital expenditures for the balance of 2017 are expected to include the purchase of a currently leased manufacturing facility in Italy for \$9 million as well as expenditures on warehousing and manufacturing equipment of approximately \$15 million.

Maintenance and non-maintenance capital expenditures in 2017 are expected to be financed through bank indebtedness, cash on hand or through the Company's credit facility (see "Capital Resources").

## CONTRACTUAL OBLIGATIONS

(thousands of dollars)	<b>Total</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022+</b>
2013 Debentures	86,250	0	86,250	0	0	0	0
2014 Debentures	51,750	0	0	51,750	0	0	0
2015 Debentures	75,000	0	0	0	75,000	0	0
Long-term debt	208,254	0	0	109,949	0	0	98,305
Finance lease	1,668	1,207	141	141	129	50	0
Operating leases	8,542	1,794	1,972	1,448	1,067	2,261	0
Due to vendor	13,991	9,170	1,350	1,350	1,351	770	0
Contingent considerations	18,657	2,095	5,664	10,898	0	0	0
Purchase obligations <sup>(1)</sup>	16,112	16,112	0	0	0	0	0
<b>Total obligations</b>	<b>480,224</b>	<b>30,378</b>	<b>95,377</b>	<b>175,536</b>	<b>77,547</b>	<b>3,081</b>	<b>98,305</b>

(1) Net of deposit.

The 2013, 2014 and 2015 Debentures relate to the aggregate principal amount of the convertible debentures (see "Convertible Debentures") and long-term debt is comprised of a revolver facility, term debt and non-amortizing notes (see "Capital Resources"). In April 2017 AGI issued an additional \$86.25 million of convertible unsecured subordinated debentures (see "Subsequent Event – Acquisition of Global Industries, Inc." and "Capital Resources – Convertible Debentures").

## CAPITAL RESOURCES

### Assets and Liabilities

(thousands of dollars)	<b>March 31 2017</b>	<b>March 31 2016</b>
Total assets	933,324	737,604
Total liabilities	630,945	504,687

## Cash

The Company's cash balance at March 31, 2017 was \$45.4 million (December 31, 2016 - \$2.8 million; March 31, 2016 - \$35.5 million). The increase in cash is partially related to the Company's February 2016 equity issuance.

## Debt Facilities

(thousands of dollars)	Currency	Maturity	Total Facility (CAD)	Amount Drawn	Interest Rate <sup>(2)</sup>
Operating Facility	CAD	2019	20,000	0	4.10%
Operating Facility	USD	2019	9,325	0	5.00%
Revolver <sup>(1)</sup>	CAD	2019	80,000	50,624	3.73%
USD Revolver	USD	2019	90,590	9,325	4.50%
Term Loan A <sup>(1)</sup>	CAD	2019	50,000	50,000	3.60%
Term Loan B <sup>(1)</sup>	CAD	2022	40,000	40,000	4.32%
Series B Notes	CAD	2025	25,000	25,000	4.44%
Series C Notes	USD	2026	33,305	33,305	3.70%
<b>Total</b>			<b>348,220</b>	<b>208,254</b>	

(1) Interest rate fixed via interest rate swaps. See "Interest Rate Swaps".

(2) As at March 31, 2017.

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of \$80.0 million and U.S. \$68.0 million. The Company's Term Loans A and B are with the same chartered banks with which it has the Credit Facility. Amounts drawn under the Credit Facility bear interest at LIBOR plus 1.50% to LIBOR plus 3.00%, prime plus 0.2% to prime plus 1.75%, BA plus 1.50% to BA plus 3.0%, or BA plus 2.50% per annum based on performance calculations. Subsequent to March 31, 2017, the Company extended the maturity date of the Credit Facility, on largely the same terms and conditions, from 2019 to 2021.

The Company has issued US \$25.0 million and CAD \$25.0 million aggregate principal amount secured notes through a note purchase and private shelf agreement (the "Series B and Series C Notes"). The Series B and C Notes are non-amortizing. AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

## Convertible Debentures

Summary of key terms

Year Issued	Aggregate Principal Amount	Coupon	Conversion Price	Maturity Date	Redeemable at Par <sup>(1)(2)</sup>
2013 (AFN.DB.A)	86,250,000	5.25%	55.00	Dec 31, 2018	Jan 1, 2018
2014 (AFN.DB.B)	51,750,000	5.25%	65.57	Dec 31, 2019	Jan 1, 2019
2015 (AFN.DB.C)	75,000,000	5.00%	60.00	Dec 31, 2020	Jan 1, 2020
2017 (AFN.DB.D)	86,250,000	4.85%	83.45	Jun 30, 2022	Jun 30, 2021

(1) At the option of the Company, at par plus accrued and unpaid interest.

- (2) In the twelve-month period prior to the date on which the Company may, at its option, redeem any series of convertible debentures at par plus accrued and unpaid interest, such convertible debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares ("Common Shares") of the Company during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price.

On redemption or at maturity of any of series of convertible debentures, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred with respect to such series of debentures, elect to satisfy its obligation to pay the principal amount of such debentures, in whole or in part, by issuing and delivering for each \$100 due that number of freely tradeable Common Shares obtained by dividing \$100 by 95% of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred with respect to the applicable series of debentures, to satisfy all or part of its obligation to pay interest on such debentures by delivering sufficient freely tradeable Common Shares to satisfy its interest obligation.

## COMMON SHARES

The following number of Common Shares were issued and outstanding at the dates indicated:

	<b># Common Shares</b>
December 31, 2016	14,781,643
Share issuance in February 2017	1,150,000
Shares issued under EIAP	81,170
Shares issued under DRIP	19,482
March 31, 2017	16,032,295
Shares issued under DRIP in April 2017	10,327
May 9, 2017	16,042,622

A total of 915,000 Common Shares are available for issuance under the Company's Equity Award Incentive Plan (the "EIAP"). As at December 31, 2016, a total of 328,500 restricted Share Awards ("RSUs") have been granted and 176,755 remain outstanding. As at December 31, 2016, 401,789 performance Share Awards ("PSUs") have been granted and 208,175 remain outstanding.

A total of 65,391 deferred grants of Common Shares have been granted under the Company's Directors' Deferred Compensation Plan and 18,436 Common Shares have been issued.

A total of 4,640,966 Common Shares are issuable on conversion of the outstanding convertible debentures.

AGI's Common Shares trade on the TSX under the symbol AFN.

## DIVIDENDS

In the three months ended March 31, 2017 AGI declared dividends to shareholders of \$9.4 million (2016 - \$8.8 million). AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines, and through the DRIP. Dividends in 2017 were financed \$1.0 million by the DRIP (2016 – \$1.5 million) and the remainder was financed from cash on hand and cash from operations or bank indebtedness.

## FUNDS FROM OPERATIONS AND PAYOUT RATIO

Funds from operations ("FFO"), defined under "Non-IFRS Measures", is adjusted EBITDA less cash taxes, cash interest expense, realized losses on foreign exchange and maintenance capital expenditures. The objective of presenting this measure is to provide a measure of free cash flow. The definition excludes changes in working capital as they are necessary to drive organic growth and have historically been financed by the Company's operating facility (See "Capital Resources"). Funds from operations should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

(thousands of dollars)	Three Months Ended		Last Twelve Months Ended	
	2017	March 31 2016	2017	March 31 2016 <sup>(1)</sup>
Adjusted EBITDA	25,674	19,773	106,330	76,001
Interest expense	(6,336)	(5,959)	(24,402)	(21,349)
Non-cash interest	1,124	1,069	4,418	3,576
Cash taxes	(2,094)	(132)	(11,682)	(2,705)
Maintenance CAPEX	(3,043)	(935)	(5,859)	(2,813)
Realized loss on FX contracts	(710)	(3,583)	(11,535)	(16,933)
<b>Funds from operations</b>	<b>14,615</b>	<b>10,233</b>	<b>57,270</b>	<b>35,777</b>
Dividends	9,356	8,778	35,875	34,463
<b>Payout Ratio</b>	<b>64%</b>	<b>86%</b>	<b>63%</b>	<b>96%</b>

(1) As reported

The Company's payout ratio in 2017 was negatively impacted by realized losses on foreign exchange contracts. Excluding these losses, the Company's payout ratio in Q1 2017 was 61%. See "Financial Instruments - Foreign exchange contracts".

## FINANCIAL INSTRUMENTS

### Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI may enter foreign exchange contracts to partially mitigate its foreign exchange risk. AGI had no foreign exchange contracts outstanding at March 31, 2017. In April 2017 AGI entered contracts for U.S. \$24 million of Put options with a strike price of \$1.25.

### Interest Rate Swaps

The Company has entered into interest rate swap contracts to manage its exposure to fluctuations in interest rates.

	Currency	Maturity	Amount of Swap (000's)	Fixed Rate <sup>(2)</sup>
Term Loan A	CAD	2019	50,000	3.59%
Term Loan B	CAD	2022	40,000	4.32%
Revolver <sup>(1)</sup>	USD	2019	50,624	3.73%

(1) USD \$38.0 million converted at the rate of exchange at March 31, 2017.

(2) With performance adjustments.

The fair value of the interest rate swap contracts in place as at March 31, 2017 was a loss of \$0.5 million. The Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income.

### Equity Compensation hedge

The Company holds an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at March 31, 2017, the equity swap agreement covered 500,000 Common Shares at a price of \$34.10 and the agreement matures on March 22, 2019.

## RELATED PARTIES

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to an equity offering and general matters were \$246 during the quarter ended March 31, 2017 [2016 – \$10], and \$280 is included in accounts payable and accrued liabilities as at March 31, 2017. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the majority owner of Salthammer Inc. The total cost of these consulting services related to an international plant expansion project were \$59 during the quarter ended March 31, 2017 [2016 – nil] and \$33 is included in accounts payable and accrued liabilities as at March 31, 2017.

## **CRITICAL ACCOUNTING ESTIMATES**

Described in the notes to the Company's 2016 audited annual consolidated financial statements and management's discussion and analysis are the accounting policies and estimates that AGI believes are critical to its business. Please refer to note 4 in the audited consolidated financial statements for the year ended December 31, 2016 for a discussion regarding the significant accounting judgments, estimates and assumptions.

## **RISKS AND UNCERTAINTIES**

The risks and uncertainties described in the Company's Annual MD&A and most recent Annual Information Form, which are available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)), are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of these risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected. Except as described under "Risks and Uncertainties" in the Company's (final) prospectus dated April 8, 2017, which is available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)), no changes or additional risks and uncertainties have been identified by the Company in the current period.

## **CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES**

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

### **Financial instruments: classification and measurement ["IFRS 9"]**

In July 2014, on completion of the impairment phase of the project to reform accounting for financial instruments and replace IAS 39, Financial Instruments: Recognition and Measurement, the IASB issued the final version of IFRS 9, Financial Instruments. IFRS 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets [i.e., recognition of credit losses], and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortized cost or at FVTPL or through other comprehensive income, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in other comprehensive income, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focused on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

### **Revenue from Contracts with Customers [“IFRS 15”]**

IFRS 15, Revenue from Contracts with Customers, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach.

The Company has commenced its preliminary assessment of IFRS 15 and developed its implementation project plan and performed an initial scoping exercise. The Company expects to be able to identify any potential key issues and quantify the effects in the latter half of 2017. The Company will continue to monitor any further developments in the standard as it completes its assessment.

### **Leases [“IFRS 16”]**

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer [lessee] and the supplier [lessor]. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating lease or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Company’s fiscal year beginning on January 1, 2019, with earlier application permitted only if the Company applies IFRS 15. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

### **Share-based Payment [“IFRS 2”]**

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the amendments to IFRS 2 on its consolidated financial statements.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including AGI’s Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of AGI is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

In 2016 AGI acquired NuVision, Mitchell and Yargus. See “Basis of Presentation - Acquisitions”. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these newly acquired operations. Since the acquisitions occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these acquisitions, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer’s Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the financial information of NuVision, Mitchell and Yargus. The following is the summary financial information pertaining to NuVision, Mitchell and Yargus that were included in AGI’s consolidated financial statements for the three-month ended March 31, 2017:

(thousands of dollars)	<b>NuVision</b>	<b>Mitchell</b>	<b>Yargus</b>
Revenue	3,287	7,476	17,512
Profit (loss)	(427)	560	1,368
Current assets <sup>1</sup>	6,372	11,985	11,860
Non-current assets <sup>1</sup>	20,664	24,196	62,405
Current liabilities <sup>1</sup>	4,070	2,987	9,530
Non-current liabilities <sup>1</sup>	12,183	9,727	1,110

Note 1 - Balance sheet as at March 31, 2017

There have been no material changes in AGI’s internal controls over financial reporting that occurred in the three-month period ended March 31, 2017, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

## **NON-IFRS MEASURES**

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS, with a number of non-IFRS financial measures including “EBITDA”, “Adjusted EBITDA”, “gross margin”, “funds from operations”, “payout ratio”, “trade sales”, “adjusted profit”, and “diluted adjusted profit per share”. A non-IFRS financial measure is a numerical measure of a company’s historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies’ non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-IFRS financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-IFRS financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

In this MD&A, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable, and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in this MD&A.

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and impairment charges related to discontinued operations. References to “adjusted EBITDA” are to EBITDA before the Company’s gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, gains or losses on financial instruments, non-cash contingent consideration expenses, provisions related to the cancellation of a U.S. distributor and expenses related to corporate acquisition activity. Adjusted EBITDA excludes the results of former AGI divisions Applegate and Mepu as the previously announced strategic review of these assets resulted in their sale in 2016. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows. See “Operating Results - EBITDA and Adjusted EBITDA” for the reconciliation of EBITDA and Adjusted EBITDA to profit from continuing operations before income taxes.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance. See "Operating Results - Trade Sales" for the reconciliation of trade sales to sales.

References to “gross margin” are to trade sales less cost of inventories, and thereby excludes depreciation and amortization from cost of sales. Management believes that gross margin provides a useful supplemental measure in evaluating its performance. See "Operating Results – Gross Margin" for the calculation of gross margin.

References to “funds from operations” are to adjusted EBITDA less cash taxes, cash interest expense, realized losses on foreign exchange and maintenance capital expenditures. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance. References to “payout ratio”

are to dividends declared as a percentage of funds from operations. See "Funds from Operations and Payout Ratio" for the calculation of funds from operations and payout ratio.

References to "adjusted profit" and "diluted adjusted profit per share" are to profit for the period and diluted profit per share for the period adjusted for losses on foreign exchange, transaction costs, non-cash loss (profit) on discontinued operations, contingent consideration expense and gain (loss) on sale of property, plant and equipment. See "Detailed Operating Results – Diluted profit per share and Diluted adjusted profit per share" for the reconciliation of diluted profit per share and diluted adjusted profit per share to profit as reported.

In addition, this MD&A refers to: "normalized EBITDA" of Global for certain financial periods, which is earnings of Global before income taxes, finance costs, depreciation and amortization, and one-time events, and after certain normalization adjustments including owner/manager compensation structure, related party transactions, and rationalizations. The financial information in this MD&A relating to Global including normalized EBITDA is derived from Global's financial statements, which are prepared in accordance with United States generally accepted accounting principles, which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies.

## **FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking statements and information ("forward-looking information") within the meaning of applicable securities laws that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. All information and statements contained herein that are not clearly historical in nature constitute forward-looking information, and the words "anticipate", "believe", "continue", "could", "expects", "intend", "plans", "postulates", "predict", "will" or similar expressions suggesting future conditions or events or the negative of these terms are generally intended to identify forward-looking information. This information involves known or unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third party industry sources. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. In particular, the forward-looking information in this MD&A includes information relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for sales and adjusted EBITDA, industry demand and market conditions, and with respect to our ability to achieve the expected benefits of recent acquisitions and the contribution therefrom. Such forward-looking information reflects our current beliefs and is based on information currently available to us, including certain key expectations and assumptions concerning: anticipated grain production in our market areas; financial performance; the financial and operating attributes of recently acquired businesses and the anticipated future performance thereof and contributions therefrom; business prospects; strategies; product pricing; regulatory developments; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; political events; currency exchange and interest rates; the cost of materials; labour and services; the value of businesses and assets and liabilities assumed pursuant to recent acquisitions; the impact of competition; the general stability of the economic and regulatory environment in which the Company operates; the timely receipt of any required regulatory and third party approvals; the ability of the Company to obtain and retain qualified staff and services in a timely and cost efficient manner; the timing and payment of dividends; the ability of the Company to obtain financing on acceptable terms; the regulatory framework in the jurisdictions in which the Company operates; and the ability of the Company to

successfully market its products and services.. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking information, including changes in international, national and local macroeconomic and business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, the ability of management to execute the Corporation's business plan, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange and interest rates, the availability of credit for customers, competition and AGI's failure to achieve the expected benefits of recent acquisitions. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A, the Annual MD&A and in our most recently filed Annual Information Form. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking information. We cannot assure readers that actual results will be consistent with this forward-looking information. Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. These estimates may change, having either a negative or positive effect on profit, as further information becomes available and as the economic environment changes. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A and AGI undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

#### **ADDITIONAL INFORMATION**

Additional information relating to AGI, including AGI's most recent Annual Information Form, is available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)).

Unaudited interim condensed consolidated financial statements

**Ag Growth International Inc.**

March 31, 2017

Ag Growth International Inc.

**Consolidated statements of financial position**

[in thousands of Canadian dollars]

As at

	March 31, 2017 \$	December 31, 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	45,368	2,774
Cash held in trust	5,063	5,093
Accounts receivable <i>[note 6]</i>	98,677	81,033
Inventory	104,582	99,479
Prepaid expenses and other assets	11,551	7,734
Due from vendor	342	342
Current portion of note receivable	93	82
Income taxes recoverable	757	738
	<b>266,433</b>	<b>197,275</b>
<b>Non-current assets</b>		
Property, plant and equipment, net	224,164	209,457
Goodwill <i>[note 7]</i>	227,360	227,450
Intangible assets, net <i>[note 8]</i>	194,257	197,215
Available-for-sale investment	900	900
Other assets <i>[note 15]</i>	177	382
Non-current accounts receivable <i>[note 6]</i>	879	—
Note receivable	729	725
Income taxes recoverable	4,129	4,079
Derivative instruments <i>[note 19(c)]</i>	8,313	9,289
Deferred tax asset	120	231
	<b>661,028</b>	<b>649,728</b>
Assets held for sale <i>[note 9]</i>	<b>5,863</b>	<b>3,148</b>
<b>Total assets</b>	<b>933,324</b>	<b>850,151</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>[note 20]</i>	85,542	64,402
Customer deposits	29,888	22,428
Dividends payable	3,207	2,956
Current portion of contingent consideration	2,095	4,023
Due to vendor	13,563	16,415
Acquisition, transaction and financing costs payable	1,265	262
Income taxes payable	6,536	6,411
Current portion of obligations under finance lease	1,207	353
Current portion of derivative instruments	—	862
Provisions	6,596	6,654
	<b>149,899</b>	<b>124,766</b>
<b>Non-current liabilities</b>		
Long-term debt <i>[note 10]</i>	206,063	206,849
Due to vendor	770	776
Contingent consideration	16,563	16,201
Convertible unsecured subordinated debentures <i>[note 11]</i>	202,155	201,210
Obligations under finance lease	461	1,379
Derivative instruments	535	715
Deferred tax liability	54,499	53,691
	<b>481,046</b>	<b>480,821</b>
<b>Total liabilities</b>	<b>630,945</b>	<b>605,587</b>
<b>Shareholders' equity <i>[note 12]</i></b>		
Common shares	315,778	251,698
Accumulated other comprehensive income	55,132	56,027
Equity component of convertible debentures	6,912	6,912
Contributed surplus	16,338	16,940
Deficit	(91,781)	(87,013)
<b>Total shareholders' equity</b>	<b>302,379</b>	<b>244,564</b>
<b>Total liabilities and shareholders' equity</b>	<b>933,324</b>	<b>850,151</b>

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert  
Director

(signed) David A. White, CA, ICD.D  
Director

**Ag Growth International Inc.**

**Unaudited interim condensed consolidated statements of income**

[in thousands of Canadian dollars, except per share amounts]

	<b>Three-month period ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
	\$	\$
<b>Sales</b>	<b>154,536</b>	111,723
Cost of goods sold <i>[note 14[d]]</i>	<b>105,239</b>	75,581
<b>Gross profit</b>	<b>49,297</b>	36,142
<b>Expenses</b>		
Selling, general and administrative <i>[note 14[e]]</i>	<b>34,987</b>	25,229
Other operating expense (income) <i>[note 14[a]]</i>	<b>604</b>	(486)
Finance costs <i>[note 14[c]]</i>	<b>6,336</b>	5,959
Finance income <i>[note 14[b]]</i>	<b>(803)</b>	(2,201)
	<b>41,124</b>	28,501
Profit before income taxes	<b>8,173</b>	7,641
Income tax expense (recovery) <i>[note 16]</i>		
Current	<b>2,293</b>	1,449
Deferred	<b>758</b>	(65)
	<b>3,051</b>	1,384
Profit from continuing operations	<b>5,122</b>	6,257
Profit (loss) from discontinued operations, net of tax <i>[note 5]</i>	<b>5</b>	(560)
<b>Profit for the period</b>	<b>5,127</b>	5,697
Profit per share from continuing operations <i>[note 17]</i>		
Basic	<b>0.33</b>	0.43
Diluted	<b>0.33</b>	0.42
Profit (loss) per share from discontinued operations <i>[note 17]</i>		
Basic	<b>0.00</b>	(0.04)
Diluted	<b>0.00</b>	(0.04)
Profit per share <i>[note 17]</i>		
Basic	<b>0.33</b>	0.39
Diluted	<b>0.33</b>	0.38

See accompanying notes

**Ag Growth International Inc.**

**Unaudited interim condensed consolidated  
statements of comprehensive income**

[in thousands of Canadian dollars]

	<b>Three-month period ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2017</b>	<b>2016</b>
	\$	\$
Profit for the period	<b>5,127</b>	5,697
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of derivatives designated as cash flow hedges	<b>180</b>	6,872
Gains on derivatives designated as cash flow hedges recognized in net earnings in the current period	<b>862</b>	3,805
Exchange differences on translation of foreign operations	<b>(1,314)</b>	(10,896)
Income tax effect on cash flow hedges	<b>(282)</b>	(2,883)
Other comprehensive loss from discontinued operations <i>[note 5]</i>	<b>(207)</b>	(517)
	<b>(761)</b>	(3,619)
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit plan	<b>(184)</b>	(177)
Income tax effect on defined benefit plan	<b>50</b>	—
	<b>(134)</b>	(177)
<b>Other comprehensive loss for the period</b>	<b>(895)</b>	(3,796)
<b>Total comprehensive income for the period</b>	<b>4,232</b>	1,901

See accompanying notes

**Ag Growth International Inc.**

**Unaudited interim condensed consolidated statement of changes in shareholders' equity**

[in thousands of Canadian dollars]

Three-month period ended March 31, 2017

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Cash flow hedge reserve \$	Foreign currency reserve \$	Defined benefit plan reserve \$	Total equity \$
<b>As at January 1, 2017</b>	<b>251,698</b>	<b>6,912</b>	<b>16,940</b>	<b>(87,013)</b>	<b>(1,160)</b>	<b>56,769</b>	<b>418</b>	<b>244,564</b>
Profit for the period	—	—	—	5,127	—	—	—	5,127
Other comprehensive income (loss)	—	—	—	—	760	(1,521)	(134)	(895)
Share-based payment transactions [note 13]	2,946	—	(602)	—	—	—	—	2,344
Dividend reinvestment plan [note 12[c]]	1,019	—	—	—	—	—	—	1,019
Dividends to shareholders [note 12[c]]	—	—	—	(9,356)	—	—	—	(9,356)
Dividends on share-based compensation awards [note 12[c]]	—	—	—	(539)	—	—	—	(539)
Common share issuance [note 12[a]]	60,115	—	—	—	—	—	—	60,115
<b>As at March 31, 2017</b>	<b>315,778</b>	<b>6,912</b>	<b>16,338</b>	<b>(91,781)</b>	<b>(400)</b>	<b>55,248</b>	<b>284</b>	<b>302,379</b>

See accompanying notes

**Ag Growth International Inc.**

**Unaudited interim condensed consolidated statement of changes in shareholders' equity**

[in thousands of Canadian dollars]

Three-month period ended March 31, 2016

	Common shares	Equity component of convertible debentures	Contributed surplus	Deficit	Cash flow hedge reserve	Foreign currency reserve	Defined benefit plan reserve	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
<b>As at January 1, 2016</b>	244,840	6,912	10,193	(66,787)	(17,358)	59,761	157	237,718
Profit for the period	—	—	—	5,697	—	—	—	5,697
Other comprehensive income (loss)	—	—	—	—	7,794	(11,413)	(177)	(3,796)
Share-based payment transactions <i>[note 13]</i>	342	—	1,192	—	—	—	—	1,534
Dividend reinvestment plan <i>[note 12[c]]</i>	1,458	—	—	—	—	—	—	1,458
Dividends to shareholders <i>[note 12[c]]</i>	—	—	—	(8,778)	—	—	—	(8,778)
Dividends on share-based compensation awards <i>[note 12[c]]</i>	—	—	—	(916)	—	—	—	(916)
<b>As at March 31, 2016</b>	<b>246,640</b>	<b>6,912</b>	<b>11,385</b>	<b>(70,784)</b>	<b>(9,564)</b>	<b>48,348</b>	<b>(20)</b>	<b>232,917</b>

See accompanying notes

## Ag Growth International Inc.

### Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars, except per share amounts]

	Three-month period ended	
	March 31, 2017 \$	March 31, 2016 \$
<b>Operating activities</b>		
Profit before income taxes for the period	8,173	7,641
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	2,962	2,659
Amortization of intangible assets	3,491	3,100
Non-cash investment tax credit	—	(51)
Translation gain on foreign exchange	(2,976)	(5,845)
Non-cash component of interest expense	1,124	1,069
Share-based compensation expense	2,356	616
Loss (gain) on sale of property, plant and equipment	(18)	10
Employer contribution to defined benefit plan	(154)	(103)
Defined benefit plan expense	136	157
Non-cash movement in derivative instruments	975	(320)
Dividend receivable on equity swap	(100)	(100)
Dividends on share-based compensation	—	(55)
Contingent consideration	352	64
	<b>16,321</b>	<b>8,842</b>
Net change in non-cash working capital balances related to operations [note 18[a]]	932	(5,510)
Income tax paid	(2,094)	(132)
<b>Cash provided by operating activities from continuing operations</b>	<b>15,159</b>	<b>3,200</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(20,339)	(1,153)
Acquisition of Entringer, net of cash acquired [note 4[a]]	—	(9,711)
Transfer to cash held in trust	—	(6,000)
Proceeds from sale of property, plant and equipment	175	26
Development and purchase of intangible assets	(806)	(567)
Transaction costs paid and payable	(3,782)	(903)
<b>Cash used in investing activities from continuing operations</b>	<b>(24,752)</b>	<b>(18,308)</b>
<b>Financing activities</b>		
Repayment of obligation under finance leases [note 18[b]]	(64)	(135)
Costs related to issuance of long-term debt	(229)	(10)
Issuance of common shares [note 12[a]]	60,830	—
Dividends paid in cash [note 12[c]]	(8,337)	(7,320)
<b>Cash provided by (used in) financing activities from continuing operations</b>	<b>52,200</b>	<b>(7,465)</b>
Net increase (decrease) in cash and cash equivalents from continuing operations	42,607	(22,573)
Net decrease in cash and cash equivalents from discontinued operations [note 5]	(13)	(145)
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>42,594</b>	<b>(22,718)</b>
Cash and cash equivalents, beginning of period	2,774	58,234
<b>Cash and cash equivalents, end of period</b>	<b>45,368</b>	<b>35,516</b>
<b>Supplemental cash flow information</b>		
Interest paid	2,521	2,139

See accompanying notes

## **Ag Growth International Inc.**

### **Notes to unaudited interim condensed consolidated financial statements**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

#### **1. Organization**

Ag Growth International Inc. conducts business in the grain handling, storage and conditioning market. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

#### **2. Statement of compliance and basis of presentation**

##### **[a] Statement of compliance**

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ["IAS"] 34, *Interim Financial Reporting* on a basis consistent with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["AGI" or the "Company"] for the three-month period ended March 31, 2017 were authorized for issuance in accordance with a resolution of the directors on May 8, 2017.

##### **[b] Basis of preparation**

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale and available-for-sale investments, which are measured at fair value.

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2016, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2016, except for the adoption of new standards and interpretations effective as of January 1, 2017. As required by IAS 34, the nature and effect of those changes are disclosed below.

##### **Amendments to IAS 7, Statement of Cash Flows**

The IASB issued amendments to IAS 7, *Statement of Cash Flows*, which are effective as of January 1, 2017. The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments require additional disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

adoption of these amendments has resulted in additional disclosures in the unaudited interim condensed consolidated financial statements.

#### **[c] Standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

#### **Financial instruments: classification and measurement**

In July 2014, the IASB amended IFRS 9, *Financial Instruments* ["IFRS 9"] to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard supercedes all previous versions of IFRS 9 and will be effective on January 1, 2018 for the Company, with early application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

#### **Revenue from Contracts with Customers**

IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"], issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company has commenced its preliminary assessment of IFRS 15 and developed its implementation project plan and performed an initial scoping exercise. The Company expects to be able to identify any potential key issues and quantify the effects in the latter half of 2017. The Company will continue to monitor any further developments in the standard as it completes its assessment.

#### **Leases**

In January 2016, the IASB released IFRS 16, *Leases* ["IFRS 16"], to set out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The Standard IAS 17, *Leases*, and related Interpretations. The standard will be effective for the Company on January 1, 2019, with earlier application permitted only if the Company applies IFRS 15. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

#### **Share-based Payment**

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* ["IFRS 2"], clarifying how to account for certain types of share-based payment transactions. The amendments will apply on after January 1, 2018 for the

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

Company. The Company is currently evaluating the impact of the amendments to IFRS 2 on its consolidated financial statements.

#### 3. Seasonality of business

Interim period sales and earnings historically reflect some seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction projects and higher in-season demand at the farm level. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the second and third quarters, results in accounts receivable levels increasing throughout the year and normally peaking in the third quarter. As a result of these working capital movements, historically, AGI's use of its bank revolver is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

#### 4. Business combinations

##### [a] Entringer Industrial S.A. ["Entringer"]

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer, a Brazilian-based manufacturer of grain bins, bucket elevators, dryers and cleaners. The acquisition of Entringer provides a strategic position for AGI's entry into the expanding agricultural market in Brazil.

The purchase has been accounted for by the acquisition method, with the results of Entringer included in the Company's net earnings from the date of acquisition. The assets and liabilities of Entringer on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	\$
Cash and cash equivalents	—
Accounts receivable	1,246
Inventory	748
Prepaid expenses and other assets	160
Property, plant and equipment	4,123
Intangible assets	
Distribution network	443
Brand name	968
Goodwill	8,636
Accounts payable and accrued liabilities	(4,198)
Income taxes payable	(500)
Provisions	(250)
Deferred tax liability	(94)
Other liabilities	(301)
Purchase consideration	<u>10,981</u>

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

The impacts on the cash flows on the acquisition of Entringer are as follows:

	\$
Cash paid	9,342
Due to vendor	1,639
Purchase consideration	<u>10,981</u>

During the three-month period ended March 31, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Entringer acquisition in the three-month period ended March 31, 2017 were \$186 [2016 – \$116] and are included in selling, general and administrative expenses.

#### **[b] NuVision Industries Inc. [“NuVision”]**

Effective April 1, 2016, the Company acquired 100% of the outstanding shares of NuVision, a Canadian-based designer and builder of complete turnkey fertilizer blending plants and material handling facilities. The acquisition of NuVision provides a significant additional step in AGI's strategic entry into the fertilizer sector.

The purchase has been accounted for by the acquisition method, with the results of NuVision included in the Company's net earnings from the date of acquisition. The assets and liabilities of NuVision on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	\$
Cash	56
Accounts receivable	3,604
Inventory	1,205
Prepaid expenses and other assets	35
Property, plant and equipment	492
Intangible assets	
Distribution network	6,408
Brand name	3,627
Order backlog	741
Goodwill	11,039
Accounts payable and accrued liabilities	(2,590)
Customer deposits	(1,476)
Income taxes payable	(327)
Provisions	(75)
Deferred tax liability	(2,915)
Purchase consideration	<u>19,824</u>

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

The impacts on the cash flows on the acquisition of NuVision are as follows:

	\$
Cash paid	6,000
Fair value of equipment to be provided to vendor	6,000
Contingent consideration	8,166
Due from vendor	(342)
Purchase consideration	<u>19,824</u>

During the three-month period ended March 31, 2017, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the NuVision acquisition in the three-month period ended March 31, 2017 were \$13 [2016 – nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on NuVision's earnings in 2015, 2016, 2017 and 2018. Payments totalling \$14 million between 2017 and 2019 would be required if NuVision meets the targets. The Company believes the likelihood of the maximum payment is moderate. The present value of the contingent consideration was determined using a 5% discount rate. \$1,348 was recorded in current liabilities and \$6,818 was recorded in non-current liabilities as at the date of acquisition.

#### **[c] Mitchell Mill Systems Canada Ltd. and Mitchell Mill Systems USA**

Effective July 18, 2016, the Company acquired 100% of the outstanding shares of Mitchell Mill Systems Canada Ltd., and its U.S. affiliate Mitchell Mill Systems USA [collectively, "Mitchell"]. Based in Canada with a second facility in the U.S., Mitchell manufactures handling equipment for grain, fertilizer, animal feed, food processing and industrial applications. The acquisition expands AGI's commercial business into eastern Canada and the U.S. and also provides an expanded product offering.

The purchase has been accounted for by the acquisition method, with the results of Mitchell included in the Company's net earnings from the date of acquisition. The assets and liabilities of Mitchell on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

	\$
Accounts receivable	6,184
Inventory	3,319
Prepaid expenses and other assets	95
Property, plant and equipment	6,923
Intangible assets	
Brand name	3,607
Distribution network	6,485
Order backlog	223
Goodwill	7,806
Accounts payable and accrued liabilities	(1,977)
Customer deposits	(1,340)
Income taxes payable	(483)
Provisions	(100)
Deferred tax liability	(4,374)
Purchase consideration	<u>26,368</u>

The impacts on the cash flows on the acquisition of Mitchell are as follows:

	\$
Cash paid	16,300
Due to vendor	500
Contingent consideration	9,091
Working capital adjustment payable	477
Purchase consideration	<u>26,368</u>

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Transaction costs related to the Mitchell acquisition in the three-month period ended March 31, 2017 were nil [2016 – nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Mitchell meeting predetermined earnings targets in 2017 through 2019. A maximum payment of \$4,200 in 2017, \$4,200 in 2018, and \$4,800 in 2019 would be required if Mitchell meets the targets for a total of \$13,200. The Company believes the likelihood of the maximum payment is moderate. The present value of the contingent consideration was determined using a 5% discount rate. \$3,914 was recorded in current liabilities and \$5,177 was recorded in non-current liabilities as at the date of acquisition.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

#### [d] Yargus Manufacturing Inc.

Effective November 18, 2016, the Company acquired 100% of the outstanding shares of Yargus Manufacturing Inc. and selected assets of the real estate holding company Clark Center Properties Inc. [collectively "Yargus"]. Based in the U.S., Yargus manufactures handling equipment for grain, fertilizer, feed, food processing and industrial applications. The acquisition continues AGI's commercial business expansion into the U.S. and also provides an expanded product offering.

The purchase has been accounted for by the acquisition method, with the results of Yargus included in the Company's net earnings from the date of acquisition. The assets and liabilities of Yargus on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	\$
Accounts receivable	2,901
Inventory	7,226
Prepaid expenses and other assets	443
Property, plant and equipment	13,120
Intangible assets	
Brand name	12,868
Distribution network	6,572
Order backlog	2,556
Goodwill	30,462
Bank indebtedness	(91)
Accounts payable and accrued liabilities	(8,105)
Customer deposits	(5,595)
Deferred revenue	(1,723)
Due to vendor	(2,285)
Provisions	(540)
Capital leases	(597)
Notes payable	(98)
Deferred tax liability	1,083
Purchase consideration	<u>58,197</u>

During the measurement period, commission liabilities relating to projects completed prior to acquisition were identified in the amount of \$256. As well, \$89 of revenue was added to accounts receivable for project billings that should have occurred prior to acquisition. These two items resulted in a net increase to goodwill of \$167.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

The impacts on the cash flows on the acquisition of Yargus are as follows:

	\$
Purchase consideration	58,197
Add: bank indebtedness acquired	91
Less: cash held in trust	(5,093)
Purchase consideration transferred	<u>53,195</u>

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Transaction costs related to the Yargus acquisition in the three-month period ended March 31, 2017 were \$136 [2016 – nil] and are included in selling, general and administrative expenses.

#### 5. Discontinued operations

During the second quarter of 2016, the Company sold selected assets of its wholly owned subsidiary Mepu Oy ["Mepu"] for proceeds of \$3,107, of which \$1,050 is payable in ten annual payments of \$105 commencing in June 2017.

During the third quarter of 2016, the Company sold selected assets of its wholly owned subsidiaries Applegate Livestock Equipment Inc. and Applegate Trucking Inc. [collectively "Applegate"] for cash proceeds of \$4,102.

The financial results attributable to Mepu and Applegate have been presented as discontinued operations.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

The results of discontinued operations for the three-month period ended March 31, 2017 are as follows:

#### Statement of profit (loss) from discontinued operations

	Three-month period ended	
	March 31, 2017	March 31, 2016
	\$	\$
<b>Sales</b>	—	6,037
Cost of goods sold	1	5,176
<b>Gross profit</b>	<b>(1)</b>	861
<b>Expenses</b>		
Selling, general and administrative	14	1,422
Other operating income	(2)	(1)
Impairment recovery	(18)	—
	<b>(6)</b>	1,421
<b>Profit (loss) from discontinued operations for the period</b>	<b>5</b>	<b>(560)</b>

#### Statement of comprehensive loss from discontinued operations

	Three-month period ended	
	March 31, 2017	March 31, 2016
	\$	\$
<b>Profit (loss) from discontinued operations for the period</b>	<b>5</b>	<b>(560)</b>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or (loss)		
Exchange difference on translating foreign operations	(207)	(517)
Other comprehensive loss from discontinued operations for the period	<b>(207)</b>	<b>(517)</b>
<b>Total comprehensive loss from discontinued operations for the period</b>	<b>(202)</b>	<b>(1,077)</b>

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

#### Statement of cash flows from discontinued operations for the period

	Three-month period ended	
	March 31, 2017	March 31, 2016
	\$	\$
Cash flows used in operating activities	(13)	(142)
Cash flows used in investing activities	—	(3)
Cash flows used in discontinued operations	(13)	(145)

#### 6. Accounts receivable

As is typical in the agriculture sector, AGI may offer extended terms on its accounts receivable to match the cash flow cycle of its customer. The following table sets forth details of the age of trade accounts receivable that are not overdue, as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	March 31, 2017	December 31, 2016
	\$	\$
Total accounts receivable	100,170	82,852
Less allowance for doubtful accounts	(1,493)	(1,819)
	98,677	81,033
Non-current accounts receivable	879	—
<b>Total accounts receivable, net</b>	<b>99,566</b>	81,033
<b>Of which</b>		
Neither impaired nor past due	71,364	54,790
Not impaired and past the due date as follows		
Within 30 days	14,109	13,844
31 to 60 days	4,348	3,227
61 to 90 days	2,035	2,312
Over 90 days	9,193	8,679
Less allowance for doubtful accounts	(1,493)	(1,819)
<b>Total accounts receivable, net</b>	<b>99,566</b>	81,033

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

#### 7. Goodwill

	March 31, 2017	December 31, 2016
	\$	\$
<b>Balance, beginning of period</b>	<b>227,450</b>	170,262
Acquisition [note 4]	167	57,472
Impairment	—	(67)
Exchange differences	(257)	(217)
<b>Balance, end of period</b>	<b>227,360</b>	227,450

#### 8. Intangible assets

	March 31, 2017	December 31, 2016
	\$	\$
<b>Balance, beginning of period</b>	<b>197,215</b>	163,781
Internal development	806	2,938
Acquisition [note 4]	—	44,514
Amortization	(3,491)	(11,061)
Impairment	—	(2,059)
Discontinued operations	—	(51)
Exchange differences	(273)	(847)
<b>Balance, end of period</b>	<b>194,257</b>	197,215

#### 9. Assets held for sale

In the three-month period ended March 31, 2017, the Company moved all production from a Winnipeg, Manitoba facility into other facilities within Canada. Accordingly, the land and building of the Winnipeg, Manitoba facility have now been classified as assets held for sale with net book value of \$1.0 million and \$1.7 million respectively.

As at March 31, 2017, assets held for sale consist of land, grounds, buildings and selected equipment in Winnipeg, Manitoba; Regina, Saskatchewan; and Decatur, Illinois.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

#### 10. Long-term debt

	Interest rate %	Maturity	March 31, 2017 \$	December 31, 2016 \$
<b>Non-current portion of long-term debt</b>				
Series B secured notes	4.4	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	33,305	33,568
Term A secured loan	3.2	2019	50,000	50,000
Term B secured loan	3.4	2022	40,000	40,000
Revolver line	3.0	2019	50,624	51,023
U.S. revolver line	4.5	2019	9,325	9,399
			<b>208,254</b>	208,990
Less deferred financing costs			2,191	2,141
<b>Total non-current long-term debt</b>			<b>206,063</b>	206,849
<b>Long-term debt</b>			<b>206,063</b>	206,849

#### [a] Bank indebtedness

AGI has operating facilities of \$20.0 million and U.S. \$7.0 million. The facilities bear interest at prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. As at March 31, 2017, there was nil [December 31, 2016 – nil] outstanding under these facilities.

#### [b] Long-term debt

AGI has revolver facilities of \$80 million and U.S. \$68 million. The facilities bear interest at LIBOR plus 1.5% to LIBOR plus 3.0% and prime plus 0.2% to prime plus 1.8% per annum based on performance calculations. As at March 31, 2017, there was \$60 million [December 31, 2016 – \$60 million] outstanding under these facilities. In April 2017, the Company amended its credit facilities to extend the maturity to 2021.

#### [c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at March 31, 2017 and December 31, 2016, AGI was in compliance with all financial covenants. In April 2017, the credit facilities were amended to, among other things, require AGI to maintain a debt to EBITDA ratio of less than 3.75, until January 1, 2018, when it returns to 3.25.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

#### 11. Convertible unsecured subordinated debentures

	March 31, 2017	December 31, 2016
	\$	\$
Principal amount	213,000	213,000
Equity component	(9,922)	(9,922)
Accretion	4,518	4,039
Financing fees, net of amortization	(5,441)	(5,907)
<b>Convertible unsecured subordinated debentures</b>	<b>202,155</b>	<b>201,210</b>

#### 12. Equity

##### [a] Common shares

	Shares #	Amount \$
<b>Balance, January 1, 2016</b>	14,590,368	244,840
Dividend reinvestment shares issued from treasury	144,006	5,218
Settlement of 2012 EIAP obligation	47,269	1,640
<b>Balance, December 31, 2016</b>	<b>14,781,643</b>	<b>251,698</b>
Dividend reinvestment shares issued from treasury	19,842	1,019
Settlement of 2012 EIAP obligation	81,170	2,946
Issuance of common shares	1,150,000	60,115
<b>Balance, March 31, 2017</b>	<b>16,032,655</b>	<b>315,778</b>

On January 26, 2017, the Company entered an agreement with a syndicate of underwriters pursuant to which AGI will issue, on a "bought deal" basis, 1,100,000 common shares at a price of \$55.10 per share to raise gross proceeds of approximately \$60 million. Also, the Company granted the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase an additional 165,000 common shares at the same offering price. On February 15, 2017, the Company closed the public offering for 1,150,000 common shares at a price of \$55.10 per share, which includes 50,000 common shares issued pursuant to the over-allotment option, for gross proceeds of approximately \$63 million. Net proceeds after fees were approximately \$60 million.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

#### [b] Contributed surplus

	Three-month period ended March 31, 2017 \$	Year ended December 31, 2016 \$
<b>Balance, beginning of period</b>	<b>16,940</b>	10,193
Equity-settled director compensation <i>[note 13[b]]</i>	<b>89</b>	375
Dividends on 2012 EIAP	<b>539</b>	1,672
Obligation under 2012 EIAP <i>[note 13[a]]</i>	<b>2,267</b>	6,517
Settlement of 2012 EIAP obligation	<b>(3,439)</b>	(1,823)
2015 convertible unsecured subordinated debentures	—	6
<b>Balance, end of period</b>	<b>16,338</b>	16,940

#### [c] Dividends paid and proposed

In the three-month period ended March 31, 2017, the Company declared dividends of \$9,356 or \$0.60 per common share [2016 – \$8,778 or \$0.60 per common share] and dividends on share compensation awards of \$539 [2016 – \$916]. For the three-month period ended March 31, 2017, 19,842 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the “DRIP”]. In the three-month period ended March 31, 2017, dividends paid to shareholders were financed \$8,337 [2016 – \$7,320] from cash on hand and \$1,019 [2016 – \$1,458] by the DRIP.

AGI’s dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company’s current monthly dividend rate is \$0.20 per common share. Subsequent to March 31, 2017, the Company declared dividends of \$0.20 per common share on April 30, 2017.

### 13. Share-based compensation plans

#### [a] Equity incentive award plan [“EIAP”]

During the three-month period ended March 31, 2017, 8,921 [2016 – 33,000] Restricted Awards and 16,175 [2016 – nil] Performance Awards were granted. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. As at March 31, 2017, a total of 329,921 [December 31, 2016 – 321,000] Restricted Awards and 373,675 [December 31, 2016 – 357,500] Performance Awards had been granted under the plan.

During the three-month period ended March 31, 2017, AGI expensed \$2,267 for the 2012 EIAP [2016 – \$508]

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2017

A summary of the status of the options under the 2012 EIAP is presented below:

	2012 EIAP	
	Restricted Awards	Performance Awards
	#	#
<b>Outstanding, January 1, 2016</b>	194,334	—
Granted	58,000	247,500
Vested	(34,974)	—
Forfeited	(4,359)	—
<b>Balance, December 31, 2016</b>	<b>213,001</b>	<b>247,500</b>
Granted	8,921	16,175
Vested	(45,002)	(50,500)
Forfeited	(164)	—
<b>Balance, March 31, 2017</b>	<b>176,756</b>	<b>213,175</b>

There is no exercise price on the 2012 EIAP awards.

#### **[b] Directors' deferred compensation plan ["DDCP"]**

For the three-month period ended March 31, 2017, an expense of \$89 [2016 – \$108] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the three-month period ended March 31, 2017, 1,749 [2016 – 2,850] common shares were granted under the DDCP and as at March 31, 2017, a total of 65,391 [2016 – 57,422] common shares had been granted under the DDCP and 18,436 [2016 – 18,436] common shares had been issued.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

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#### 14. Other expenses (income)

	Three-month period ended	
	March 31, 2017	March 31, 2016
	\$	\$
<b>[a] Other operating expense (income)</b>		
Net loss (gain) on disposal of property, plant and equipment	(18)	10
Other	622	(496)
	<b>604</b>	<b>(486)</b>
<b>[b] Finance income</b>		
Interest income from banks	(68)	(28)
Gain on foreign exchange	(735)	(2,173)
	<b>(803)</b>	<b>(2,201)</b>
<b>[c] Finance costs</b>		
Interest on overdrafts and other finance costs	175	33
Interest, including non-cash interest, on debts and borrowings	2,459	2,248
Interest, including non-cash interest, on convertible debentures <i>[note 11]</i>	3,702	3,678
	<b>6,336</b>	<b>5,959</b>
<b>[d] Cost of goods sold</b>		
Depreciation	2,757	2,468
Amortization of intangible assets	1,958	1,328
Warranty provision (recovery)	(58)	90
Cost of inventory recognized as an expense	100,582	71,695
	<b>105,239</b>	<b>75,581</b>
<b>[e] Selling, general and administrative expenses</b>		
Depreciation	205	191
Amortization of intangible assets	1,533	1,772
Minimum lease payments recognized as an operating lease expense	671	698
Selling, general and administrative	30,597	22,286
Transaction costs	1,981	282
	<b>34,987</b>	<b>25,229</b>
<b>[f] Employee benefits expense</b>		
Wages and salaries	35,203	31,546
Share-based payment expense <i>[notes 13[a] and [b]]</i>	2,356	616
Pension costs	923	762
	<b>38,482</b>	<b>32,924</b>
Included in cost of goods sold	24,301	21,070
Included in selling general and administrative expenses	14,181	11,854
	<b>38,482</b>	<b>32,924</b>

## Ag Growth International Inc.

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#### 15. Retirement benefit plans

During the three-month period ended March 31, 2017, the expense associated with the Company's defined pension benefit was \$136 [2016 – \$157]. At March 31, 2017, the accrued pension benefit was \$177 [December 31, 2016 – \$382], which is included in other assets on the unaudited interim condensed consolidated statements of financial position.

#### 16. Income taxes

The major components of income tax expense for the three-month periods ended March 31, 2017 and 2016 are as follows:

	Three-month period ended	
	March 31, 2017	March 31, 2016
	\$	\$
<b>Profit from continuing operations before income taxes</b>	<b>8,173</b>	7,641
Tax expense at the statutory rate of 27% [2016 – 27%]	2,206	2,063
Tax rate changes	(31)	(17)
Additional deductions allowed in a foreign jurisdiction	(161)	(87)
Tax losses not recognized as a deferred tax asset	821	174
Foreign rate differential	135	220
Non-deductible EIAP expense	130	138
State income tax, net of federal tax benefit	142	83
Unrealized foreign exchange gain	(174)	(1,279)
Permanent differences and others	(18)	89
<b>Tax expense at the effective rate of 37.33% [2016 – 18.13%]</b>	<b>3,051</b>	1,384

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#### 17. Profit (loss) per share

The following reflects the income and share data used in the basic and diluted profit per share computations:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
	\$	\$
Net profit from continuing operations	<b>5,122</b>	6,257
Net profit (loss) from discontinued operations	<b>5</b>	(560)
Net profit attributable to shareholders for basic and diluted profit per share	<b>5,127</b>	5,697
Basic weighted average number of shares	<b>15,392,189</b>	14,619,580
Dilutive effect of DDCP	<b>45,226</b>	36,167
Dilutive effect of RSU	<b>177,915</b>	220,844
Diluted weighted average number of shares	<b>15,615,330</b>	14,876,591
Profit per share from continuing operations		
Basic	<b>0.33</b>	0.43
Diluted	<b>0.33</b>	0.42
Profit (loss) per share from discontinued operations		
Basic	<b>0.00</b>	(0.04)
Diluted	<b>0.00</b>	(0.04)
Profit per share		
Basic	<b>0.33</b>	0.39
Diluted	<b>0.33</b>	0.38

Subsequent to March 31, 2017, the Company issued convertible unsecured subordinated debentures, see note 22[b]. Other than the aforementioned, there have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these unaudited interim condensed consolidated financial statements.

The 2013, 2014 and 2015 convertible unsecured subordinated debentures were excluded from the calculation of diluted net profit per share in the three-month period ended March 31, 2017 because their effect is anti-dilutive.

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#### 18. Statement of cash flows

##### [a] Net change in non-cash working capital

The net change in the non-cash working capital balances related to operations is calculated as follows:

	March 31, 2017	March 31, 2016
	\$	\$
Accounts receivable	(18,434)	(3,968)
Inventory	(5,103)	(6,343)
Prepaid expenses and other assets	(3,817)	(754)
Accounts payable and accrued liabilities	20,884	7,025
Customer deposits	7,460	(1,310)
Provisions	(58)	(160)
	<b>932</b>	<b>(5,510)</b>

##### [b] Reconciliation of liabilities arising from financing activities

	December 31, 2016	Non-cash changes					March 31, 2017	
		Cash flows	Acquisitions	Foreign exchange	Accretion	Amortization		Fair value
	\$	\$	\$	\$	\$	\$	\$	
Long-term debt	206,849	(229)	—	(736)	—	179	—	<b>206,063</b>
Convertible								
debentures	201,210	—	—	—	479	466	—	<b>202,155</b>
Finance leases	1,732	(64)	—	—	—	—	—	<b>1,668</b>
Derivatives held to								
hedge long-term								
borrowings	715	—	—	—	—	—	(180)	<b>535</b>
<b>Total liabilities</b>								
<b>from financing</b>								
<b>activities</b>	410,506	(293)	—	(736)	479	645	(180)	<b>410,241</b>

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

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March 31, 2017

	Non-cash changes							March 31, 2016
	December 31, 2015	Cash flows	Acquisitions	Foreign exchange	Accretion	Amortization	Fair value	
	\$	\$	\$	\$	\$	\$	\$	
Long-term debt	146,931	(10)	—	(2,172)	—	180	—	144,929
Convertible								
debentures	197,585	—	(16)	—	451	439	—	198,459
Finance leases	1,386	(135)	101	—	—	—	—	1,352
Derivatives held to								
hedge long-term								
borrowings	2,001	—	—	—	—	—	768	2,769
<b>Total liabilities</b>								
<b>  from financing</b>								
<b>  activities</b>	347,903	(145)	85	(2,172)	451	619	768	347,509

#### 19. Financial instruments and financial risk management

##### [a] Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at March 31, 2017, AGI's U.S. dollar denominated debt totalled \$42.6 million [December 31, 2016 – \$43.0 million]. The Company had no outstanding foreign exchange forward contracts at March 31, 2017.

Realized gains or losses are included in net earnings, and for the three-month period ended March 31, 2017, the Company realized a loss on its foreign exchange contracts of \$710 [2016 – \$3,583].

##### [b] Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. The interest rate swap contracts are derivative financial instruments designated as cash flow hedges, and changes in the fair value were recognized as a component of other comprehensive income to the extent that it has been assessed to be effective. The amount of gain recorded in other comprehensive income during the three-month period ended March 31, 2017 was \$180 [2016 – loss of \$768].

##### [c] Equity swap

On March 18, 2016, the Company entered into an equity swap agreement with a financial institution ["Counterparty"] to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. Pursuant to this agreement, the Counterparty has agreed to pay the Company the total return of the defined underlying common shares, which includes both the dividend income they may generate and any capital appreciation. In return, the Company has agreed to pay the Counterparty a funding cost calculated daily based on floating rate option [CAD-BA-COOR] plus a spread of 2.0% and any administrative fees or expenses that are incurred by the Counterparty directly.

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As at March 31, 2017, the equity swap agreement covered 500,000 common shares of the Company at a price of \$34.10, and the agreement matures on March 22, 2019.

As at March 31, 2017, the unrealized gain on the equity swap was \$8,313, and in the three-month period ended March 31, 2017, the Company has recorded a loss in the unaudited interim condensed consolidated statements of income of \$975 [2016 – gain of \$320].

#### [d] Fair value

The fair value of cash and cash equivalents, cash held in trust, accounts receivable due from vendor, trade payables and provisions, dividends payable, acquisition, transaction and financing costs payable, and due to vendor approximates the carrying value due to the short-term maturities of these instruments.

Set out below is a comparison by class of the carrying amounts and fair value of the Company's other financial instruments that are carried in the unaudited interim condensed consolidated financial statements:

Level	March 31, 2017		December 31, 2016		
	Carrying amount	Fair value	Carrying amount	Fair value	
	\$	\$	\$	\$	
<b>Financial assets</b>					
Derivative instruments	2	8,313	8,313	9,289	9,289
Available-for-sale investment	3	900	900	900	900
Note receivable	2	822	822	807	807
<b>Financial liabilities</b>					
Other financial liabilities					
Interest-bearing loans and borrowings					
Contingent consideration	2	207,731	208,226	208,581	208,916
Derivative instruments	3	18,658	18,658	20,224	20,224
Convertible unsecured subordinated debentures	2	535	535	1,577	1,577
	2	<b>202,155</b>	<b>198,681</b>	201,210	198,150

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign

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exchange forward contracts. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot and forward rates.

- AGI includes its available-for-sale investment, which is in a private company, in Level 3 of the fair value hierarchy as it trades infrequently and has little price transparency. AGI reviews the fair value of this investment at each reporting period and when recent arm's length market transactions are not available, management's estimate of fair value is determined using a market approach based on external information and observable conditions where possible, supplemented by internal analysis as required.

#### 20. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to general matters was \$246 during the three-month period ended March 31, 2017 [2016 – \$10], and \$280 is included in accounts payable and accrued liabilities as at March 31, 2017.

Salthammer Inc. provides consulting services to the Company and a Director of AGI is the owner of Salthammer Inc. The total cost of these consulting services related to international plant expansion project was \$59 during the three-month period ended March 31, 2017 [2016 – nil], and \$33 is included in accounts payable and accrued liabilities as at March 31, 2017.

These transactions are measured at the exchange amount and were incurred during the normal course of business.

#### 21. Commitments and contingencies

##### [a] Contractual commitment for the purchase of property, plant and equipment

As of the reporting date, the Company has commitments to purchase property, plant and equipment of \$16,112 [2016 – \$513].

##### [b] Letters of credit

As at March 31, 2017, the Company has outstanding letters of credit in the amount of \$1,513 [December 31, 2016 – \$2,414].

##### [c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

## **Ag Growth International Inc.**

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#### **22. Subsequent events**

##### **[a] Acquisition of Global Industries, Inc.**

Effective April 4, 2017, the Company acquired 100% of the outstanding shares of Global Industries, Inc. ["Global"] for \$132 million. Global is a diversified manufacturer of grain storage bins, portable and stationary grain handling equipment, grain drying and aeration equipment, structural components and steel buildings.

##### **[b] Convertible debentures**

On April 4, 2017, the Company entered an agreement with a syndicate of underwriters pursuant to which AGI will issue, on a "bought deal" basis, \$75 million aggregate principal amount of convertible unsecured subordinated debentures [the "Debentures"] at a price of \$1,000 per Debenture. AGI also granted the underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional \$11.25 million aggregate amount of Debentures at the same price. The over-allotment option was fully exercised, and accordingly, the total gross proceeds to AGI were \$86.25 million.

The Debentures will bear interest from the date of issue at 4.85% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2017. The Debentures will have a maturity date of June 30, 2022 [the "Maturity Date"].

The Debentures will be convertible at the holder's option at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and the date specified by AGI for redemption of the Debentures into fully paid and non-assessable common shares ["Common Shares"] of the Company at a conversion price of \$83.45 per Common Share [the "Conversion Price"], being a conversion rate of approximately 11.9832 Common Shares for each \$1,000 principal amount of Debentures.

On April 25, 2017, the Company closed the offering of \$75 million aggregate principal amount of convertible unsecured subordinated debentures. On April 28, 2017, the Company closed the over-allotment option.