Ag Growth Announces Third Quarter 2016 Results and Dividends; Announcement of Strategic Acquisition

Winnipeg, MB, November 10, 2016 – Ag Growth International Inc. (TSX: AFN) ("AGI" or the "Company") today announced its financial results for the three and nine-month periods ended September 30, 2016, and declared dividends for December 2016, January 2017 and February 2017.

Overview of Results

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Trade sales [1][2]	162,970	123,570	420,186	324,142
Adjusted EBITDA [1][2][3]	36,368	19,909	82,203	59,269
Adjusted EBITDA % [1][4]	22%	16%	20%	18%
Profit (loss)	13,034	(8,638)	24,016	(3,874)
Diluted profit (loss) per share	$0.85	$(0.60)	$1.61	$(0.28)
Adjusted profit [1]	17,285	8,343	32,105	28,944
Diluted adjusted profit per share [1][5]	$1.07	$0.57	$2.15	$1.90

(1) See "Non-IFRS Measures".
(2) See "Basis of Presentation".
(3) See "Adjusted EBITDA".
(4) Adjusted EBITDA as a percentage of Trade Sales.
(5) See "Diluted profit per share and Diluted adjusted profit per share" below in Summary of Results.

Trade sales and adjusted EBITDA in the third quarter of 2016 were the highest ever for AGI as significant contributions from acquisitions complemented robust in-season sales in western Canada and strong results from AGI's Commercial business units. Adjusted EBITDA from divisions acquired in 2015 and 2016 was $14.5 million (2015 - $2.2 million) and resulted from robust storage demand in western Canada, a significant contribution from Vis, NuVision and Mitchell and strong results from the Company's Italian subsidiaries. Excluding acquisitions, AGI's adjusted EBITDA increased $4.2 million over Q3 2015 as sales of grain handling and aeration equipment benefited from a large crop and a wet harvest in western Canada and higher adjusted EBITDA from AGI's Commercial divisions resulted from a strong operational performance that in part reflects the commissioning of two new manufacturing facilities in 2015.

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

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

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Profit (loss) as reported Diluted per share as reported	13,034 $0.85	(8,638) $(0.60)	24,016 $1.61	(3,874) $(0.28)
Loss on foreign exchange	4,560	11,872	7,138	22,288
Assets under review [1] [2]	(82)	(626)	(562)	672
Asset impairment	0	0	2,313	0
Allowance for net receivables [3]	0	1,955	0	1,955
M&A expenses	883	1,192	1,833	4,706
Contingent consideration expense	491	0	940	0
Gain on financial instruments	(1,735)	0	(5,160)	0
Loss on sale of PP&E	134	2,588	1,587	3,197
Adjusted profit [4]	17,285	8,343	32,105	28,944
Numerator for dilutive adjusted profit per share [4][5] Diluted adjusted profit per share [4]	19,966 $1.07	8,343 $0.57	34,775 $2.15	28,964 $1.90

(1) See "Strategic Review of Applegate and Mepu Operations".
(2) Based on operations' profit
(3) In the three months ended September 30, 2015, the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.
(4) See "Non-IFRS Measures"
(5) Includes the add back of interest expense related to the applicable convertible debentures.

OUTLOOK

AGI's Farm business is comprised primarily of portable grain handling equipment and Westeel's North American storage business. The primary demand driver for portable handling equipment is the amount of grain handled as this dictates farmer capacity requirements and the product replacement cycle. Large crops and generally wet harvest conditions in both Canada and the U.S. have increased the wear on existing equipment and are supportive of in-season sales and future replacement sales. In Canada, these factors combined with positive farmer sentiment have resulted in higher sales of portable equipment. In the U.S. however, negative farmer sentiment has resulted in very cautious buying behavior. Sales of replacement parts in the U.S. are well above prior year levels which appears to indicate end-users are managing with existing equipment and deferring new equipment purchases to future quarters. Accordingly, management anticipates fourth quarter demand for portable equipment will approximate prior year levels.

Westeel's storage business is comprised of corrugated storage bins, smoothwall bins and liquid storage tanks. Demand drivers for storage include volume of grains grown, crop trends, fertilizer storage and handling practices and the consolidation of farms. The macro environment in Canada is supportive of these trends and Westeel experienced high sales volumes in the third quarter. Management anticipates dealer inventory levels will be quite low subsequent to harvest and as a result expects high levels of participation in pre-season sales programs and strong sales in the fourth quarter of 2016 and the first quarter of 2017.

AGI's Commercial business is comprised primarily of high capacity grain handling and conditioning equipment and larger diameter storage bins. In North America, demand for Commercial equipment is less sensitive to a specific harvest but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in a mature market and, more recently in Canada, the dissolution of the Canadian Wheat Board. Commercial activity in North America remains robust however fourth quarter sales may fall below prior year levels as a number of projects were completed and shipped late in the third quarter of 2016.

Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business. Management expects a strong contribution from the Company's Italian subsidiaries in the fourth quarter of 2016 and in 2017 as Frame delivers on a significant backlog and AGI further consolidates its sales structure. Excluding Frame, our international backlog is lower than the prior year and management does not expect international sales to reach the record levels achieved in 2015. However, we have a large and high quality quote log and management anticipates the international sales backlog entering 2017 will be well above the levels experienced early in 2016.

AGI completed a number of acquisitions in recent months including VIS (November 2015), Entringer (March 2016), NuVision (April 2016) and Mitchell (July 2016). These acquisitions were funded with cash and the Company's revolver facility and include earn-out provisions. Management does not anticipate a positive EBITDA contribution from Brazilian-based Entringer in 2016, however, VIS, NuVision and Mitchell are expected to generate significant fourth quarter adjusted EBITDA, approximately in-line with the acquisition metrics disclosed upon announcing the transactions (see "Acquisitions").

Demand in the remainder of 2016 and in 2017 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. 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. However, a portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts and based on current rates of exchange the Company expects to recognize a loss on these contracts. Short-term fluctuations in the price of steel may impact our financial results even though we strive to partially mitigate our exposure to such fluctuations through the use of long-term purchase contracts, bidding commercial projects based on current input costs and passing input costs on to customers through sales price increases.

Management anticipates fourth quarter results to reflect a significant contribution from recent acquisitions and strong demand in Canada for Farm products including Westeel storage equipment. However, the portable Farm market in the U.S. continues to be soft, North American Commercial sales are expected to be impacted by timing of project completion and delivery and our international business, excluding acquisitions, is not expected to gain significant momentum until 2017. On balance, based on current conditions, management anticipates fourth quarter adjusted EBITDA, including acquisitions, will be moderately above the prior year.

Management is positively biased towards 2017 and anticipates growth in a number of areas. A significant contribution is expected from the 2016 acquisitions of NuVision and Mitchell and management anticipates a positive contribution from operations in Brazil subsequent to the commissioning of the Company's new facility in early 2017. Based on current conditions, management anticipates robust demand in Canada for portable handling, aeration and storage equipment. In the U.S., management anticipates a modest increase in demand for portable equipment as the industry works through elevated inventory levels and farmers begin to replace older equipment. Finally, international sales are expected to benefit from a higher opening backlog for North American exports and continued high levels of activity at AGI's Italian subsidiaries. On balance, based on current conditions, management anticipates results in 2017 will exceed current year results.

Dividends

AGI today announced the declaration of cash dividends of $0.20 per common share for the months of December 2016, January 2017 and February 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:

Monthly dividend	Payable date	Record date
December 2016	December 15, 2016	November 30, 2016
January 2017	January 13, 2017	December 30, 2016
February 2017	February 15, 2017	January 31, 2017

Agreement to Acquire Yargus Manufacturing, Inc.

AGI is pleased to announce it has entered into an agreement to acquire 100% of the outstanding shares of Yargus Manufacturing, Inc. ("Yargus"). Based in Marshall, Illinois, Yargus is a manufacturer of material handling equipment used primarily in commercial fertilizer applications. Yargus is recognized for its custom design and manufacturing expertise, and its product offering, sold under the brand name Layco, includes tower blender systems, batch blending systems, control systems, in-plant receiving, automated coating systems, conditioners/delumpers, performance mixers, declining weight/volumetric blend systems, and conveyor systems.

The acquisition of Yargus will substantially expand AGI's North American fertilizer handling platform, both geographically and in terms of service offering. Yargus has a substantial presence in the U.S., as well as a growing international presence, both of which are highly complementary to AGI's current material handling footprint. Yargus has recently made substantial investments in

plant, equipment, personnel, and product development, and when combined with AGI's existing divisions, will be very well positioned to compete in both local and international markets.

The purchase price for Yargus is U.S. $43.2 million, which includes U.S. $5.2 million of debt related to its recent building expansion and investment in equipment that was required to drive Yargus' next phase of growth. The purchase price will be payable upon closing, which is scheduled for the week of November 14, 2016. Yargus' normalized EBITDA averaged approximately U.S. $5.3 million over the past three years. Excluding the portion of the purchase price relating to the recent expansion capital expenditures, the transaction represents a multiple of 7.1 times the average normalized EBITDA over the past three years. Strong financial performance over the past nine months has enabled AGI to fund the transaction from cash and AGI's existing revolving credit facility.

"Yargus has been built over the past 48 years by a market leading team driven by the vision of Larry Yargus and we are very pleased to welcome the Yargus family and entire team to AGI," said AGI CEO Tim Close. "We pride ourselves on being a great home for family owned businesses in the agriculture sector where we can continue to invest in the people and facilities that have created exceptional brands and product lines. We would like to thank Larry and his daughters Anne, Kate and Meg for placing their trust in AGI and choosing to partner with us to continue to grow Yargus domestically and to accelerate their international growth. This acquisition completes our fertilizer platform in North America, significantly accelerates our global strategy and adds unique product lines including controls and proprietary software to our catalogue. We look forward to presenting our full fertilizer platform, from design through to production and installation to the market in the following months."

MD&A and Financial Statements

AGI's financial statements and MD&A for the three and nine-month periods ended September 30, 2016 can be obtained at http://media3.marketwire.com/docs/1076000P.pdf and will also be available electronically on SEDAR (www.sedar.com) and on AGI's website (www.aggrowth.com).

Conference Call

Management will hold a conference call on Thursday, November 10, 2016, at 8:00 a.m. EST to discuss its results for the three and nine-month periods ended September 30, 2016. To participate in the conference call, please dial 1-866-696-5910 or for local access dial 416-340-2217, and enter passcode 7816783. 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 9524275 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, and the United Kingdom, and distributes its products globally.

For More Information Contact:
Investor Relations
Steve Sommerfeld
204-489-1855
steve@aggrowth.com

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with International Financial Reporting Standards ("IFRS"), with a number of non-IFRS financial measures including “EBITDA”, “adjusted EBITDA”, “adjusted EBITDA %”, “gross margin”, “funds from operations”, “payout ratio”, “adjusted 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 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 AGI's most recently filed 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 certain amounts. 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 asset impairment charges. 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 and expenses related to corporate acquisition activity. Adjusted EBITDA excludes the results of AGI divisions Applegate and Mepu as the previously announced strategic review of

these assets has 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.

References to "adjusted EBITDA %" are to adjusted EBITDA as a percentage of trade sales.

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. Trade sales exclude the results of AGI divisions Applegate and Mepu as the previously announced strategic review of these assets has resulted in their sale in 2016.

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. References to "adjusted payout ratio" are to declared dividends paid in cash as a percentage of funds from operations.

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 the non-cash CRA settlement, losses on foreign exchange, transaction costs, non-cash loss on available-for-sale investment and gain on sale of property, plant and equipment.

In addition, this press release includes certain financial information relating to Yargus, which is prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), 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. In the case of the Yargus financial information, references to "normalized EBITDA" are to Yargus' unaudited earnings before income taxes, finance costs, depreciation and amortization and include certain normalization adjustments including owner/manager compensation structure and related party transactions. Management believes that, in addition to sales, profit or loss and cash flows from operating, investing, and financing activities, normalized EBITDA is a useful supplemental measure in evaluating a company's performance. Normalized EBITDA is not a financial measure recognized by IFRS or U.S. GAAP and does not have standardized meanings prescribed by IFRS or U.S. GAAP. Management cautions investors that normalized EBITDA should not replace sales or profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of a company's liquidity and cash flows. AGI's method of calculating normalized EBITDA may differ from the methods used by other issuers.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, “will” or similar expressions suggesting future conditions or events. In particular, the forward-looking statements in this press release include statements relating to our business and strategy, including our outlook for our future financial and operating performance including our expectations for sales and adjusted EBITDA, with respect to our ability to achieve the expected benefits of recent acquisitions including the Yargus acquisition and the contribution therefrom. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated grain production in our market areas, financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, political events, currency exchange rates, the cost of materials, labour and services and the value of businesses and assets and liabilities assumed pursuant to the recent acquisitions including the Yargus acquisition. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange rates, competition and AGI failure to achieve the expected benefits of the recent acquisitions. These risks and uncertainties are described under “Risks and Uncertainties” in our most recently filed MD&A and Annual Information Form. These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking statements. There can be no assurance that the acquisition of Yargus will be completed when anticipated or at all or that any of the anticipated benefits of the Yargus acquisition will be realized. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: November 10, 2016

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated comparative financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2015 and the unaudited interim condensed consolidated comparative financial statements of the Company for the three and nine month periods ended September 30, 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", "adjusted EBITDA %", "gross margin", "funds from operations", "payout ratio", "adjusted 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 statements. Please refer to the cautionary language under the heading "Risks and Uncertainties" and "Forward-Looking Statements" in this MD&A and in our most recently filed Annual Information Form.

SUMMARY OF RESULTS

A brief summary of our operating results can be found below. A more detailed narrative is included later in this MD&A under "Explanation of Operating Results".

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Trade sales (1)(2)	162,970	123,570	420,186	324,142
Adjusted EBITDA (1)(2)(3)	36,368	19,909	82,203	59,269
Adjusted EBITDA % (1)(4)	22%	16%	20%	18%
Profit (loss)	13,034	(8,638)	24,016	(3,874)
Diluted profit (loss) per share	$0.85	$(0.60)	$1.61	$(0.28)
Adjusted profit (1)	17,285	8,343	32,105	28,944
Diluted adjusted profit per share (1)(5)	$1.07	$0.57	$2.15	$1.90

(1) See "Non-IFRS Measures".
(2) See "Basis of Presentation".
(3) See "Adjusted EBITDA".
(4) Adjusted EBITDA as a percentage of Trade Sales.
(5) See "Diluted profit per share and Diluted adjusted profit per share" below in Summary of Results.

Trade sales and adjusted EBITDA in the third quarter of 2016 were the highest ever for AGI as significant contributions from acquisitions complemented robust in-season sales in western Canada and strong results from AGI's Commercial business units. Adjusted EBITDA from divisions acquired in 2015 and 2016 was $14.5 million (2015 - $2.2 million) and resulted from robust storage demand in western Canada, a significant contribution from Vis, NuVision and Mitchell and strong results from the Company's Italian subsidiaries. Excluding acquisitions, AGI's adjusted EBITDA increased $4.2 million over Q3 2015 as sales of grain handling and aeration equipment benefited from a large crop and a wet harvest in western Canada and higher adjusted EBITDA from AGI's Commercial divisions resulted from a strong operational performance that in part reflects the commissioning of two new manufacturing facilities in 2015.

Basis of Presentation

Trade sales and adjusted EBITDA in both 2015 and 2016 exclude the results of Applegate and Mepu as a strategic review of these assets resulted in their sale in fiscal 2016. See "Strategic Review of Applegate and Mepu Operations".

To allow for improved comparability between 2015 and 2016, certain metrics including trade sales and adjusted EBITDA have been presented both before and after results from acquisitions made in 2015 and 2016. See "Recent Acquisitions".

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

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Excluding acquisitions				
Canada	23,363	19,160	70,116	64,073
US	57,174	53,942	147,085	146,365
International	10,453	20,703	29,109	65,840
Subtotal excluding acquisitions	**90,990**	**93,805**	**246,310**	**276,278**
Acquisitions				
Canada	43,859	22,998	113,638	38,890
US	6,344	4,135	9,425	5,258
International	21,777	2,632	50,813	3,716
Subtotal Acquisitions	**71,980**	**29,765**	**173,876**	**47,864**
Total Trade Sales	**162,970**	**123,570**	**420,186**	**324,142**

Trade sales in Canada, excluding acquisitions, increased over 2016 due to strong in-season sales of grain handling and aeration equipment and due to a high level of activity in the Canadian Commercial sector. Total trade sales in Canada increased significantly due to the acquisitions of Westeel, VIS, NuVision and Mitchell. Sales at VIS, NuVision and Mitchell were very strong while a large crop and favourable farmer sentiment resulted in a significant increase in demand for Westeel storage equipment compared to 2015.

In the Unites States, sales in the third quarter increased compared to the prior year as robust demand in the Commercial sector was only partially offset by a soft market for Farm equipment. The year-over-year decline in sales of Farm handling equipment lessened considerably in Q3 compared to recent quarters. Increased U.S. sales from acquisitions were primarily the result of higher sales of storage and material handling equipment.

AGI's international sales, excluding acquisitions, decreased significantly against a strong 2015 comparative. Customer commitments in 2016 remain slow to materialize however recent activity suggests the Company's backlog entering 2017 may be well above the levels experienced early in the current year. International sales related to acquisitions reflect strong Commercial demand for Frame storage equipment, primarily in Europe, the Middle East, Africa and Southeast Asia.

See also "Outlook"

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

Gross margin				
	Three Months Ended September 30		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
AGI excluding acquisitions	39.5%	35.5%	39.5%	36.6%
Acquisitions	30.0%	20.7%	29.1%	22.3%
Consolidated	**35.3%**	**31.9%**	**35.2%**	**34.5%**

Strong gross margins in 2016 were achieved despite a decrease in sales of higher margin Farm equipment. Efficient labour utilization, the procurement of steel in advance of steel price increases, the positive impact of a weaker Canadian dollar and strong Commercial operating margins all contributed to the increase in gross margin. The gross margin percentage at Brazilian-based Entringer improved considerably compared to prior quarters due to changes in Entringer's pricing model and a focus on margin discipline.

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

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Excluding Acquisitions	21,903	17,689	50,782	54,736
Acquisitions	14,465	2,220	31,421	4,533
Consolidated	**36,368**	**19,909**	**82,203**	**59,269**

Adjusted EBITDA in the three and nine month periods ended September 30 increased significantly compared to the prior year due to contributions from divisions acquired in 2015 and 2016, robust demand in western Canada and a strong operational performance at AGI's Commercial divisions. The increase over 2015 was achieved despite continued weakness in the U.S. Farm sector and a decrease in exports from AGI's North American divisions. As a percentage of sales, adjusted EBITDA increased compared to 2015 as strong Commercial margins and results from acquisitions more than offset the impact of lower sales of high margin Farm handling equipment.

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
EBITDA [(1)]	**30,410**	**1,354**	**72,201**	**25,505**
Loss on foreign exchange [(2)]	4,560	11,872	7,138	22,288
Share Based Compensation	1,755	1,931	5,075	2,076
Assets under review [(3)]	134	(983)	335	(458)
Allowance for net receivables [(4)]	0	1,955	0	1,955
Gain on Financial Instruments	(1,735)	0	(5,160)	0
M&A expenses	883	1,192	1833	4,706
Contingent consideration	491	0	940	0
Loss on sale of PP&E	(130)	2,588	(159)	3,197
Adjusted EBITDA [(1)]	**36,368**	**19,909**	**82,203**	**59,269**

(1) See "Non-IFRS Measures".
(2) See "Impact of Foreign Exchange".
(3) See "Strategic Review of Applegate and Mepu Operations".
(4) In the three months ended September 30, 2015, the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

Diluted profit per share and Diluted adjusted profit per share

Diluted profit per share for the three months ended September 30, 2016 was $0.85 (2015 – loss of $0.60) and for the nine months then ended was $1.61 (2015 – loss of $0.28). Profit per share in 2015 and 2016 has been significantly impacted by the items below:

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Profit (loss) as reported Diluted per share as reported	13,034 $0.85	(8,638) $(0.60)	24,016 $1.61	(3,874) $(0.28)
Loss on foreign exchange	4,560	11,872	7,138	22,288
Assets under review [1] [2]	(82)	(626)	(562)	672
Asset impairment	0	0	2,313	0
Allowance for net receivables [3]	0	1,955	0	1,955
M&A expenses	883	1,192	1,833	4,706
Contingent consideration expense	491	0	940	0
Gain on financial instruments	(1,735)	0	(5,160)	0
Loss on sale of PP&E	134	2,588	1,587	3,197
Adjusted profit [4]	17,285	8,343	32,105	28,944
Numerator for dilutive adjusted profit per share [4][5] Diluted adjusted profit per share [4]	19,966 $1.07	8,343 $0.57	34,775 $2.15	28,964 $1.90

(1) See "Strategic Review of Applegate and Mepu Operations".
(2) Based on operations' profit
(3) In the three months ended September 30, 2015, the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.
(4) See "Non-IFRS Measures"
(5) Includes the add back of interest expense related to the applicable convertible debentures.

Acquisitions

Yargus Manufacturing

Yargus is a manufacturer of material handling equipment used primarily in commercial fertilizer applications. Yargus is recognized for its custom design and manufacturing expertise, and the company's product offering, sold under the brand name Layco, includes tower blender systems, batch blending systems, control systems, in-plant receiving, automated coating systems, conditioners/delumpers, performance mixers, declining weight/volumetric blend systems, and conveyor systems.

The purchase price for Yargus will be U.S. $43.2 million, which includes U.S. $5.2 million for the assumption of debt related to its recent building expansion and investment in equipment, which will drive Yargus' next phase of growth. Yargus' normalized EBITDA averaged approximately U.S. $5.3 million over the past three years. The purchase price will be paid upon closing and will be financed by cash on hand and AGI's existing revolving credit facility.

Mitchell Mill Systems (July 18, 2016)

Mitchell is a manufacturer of material handling equipment used in grain, fertilizer, animal feed, food processing, and industrial applications. Mitchell is recognized for its extensive design, fabrication and installation expertise and the company's product offering includes conveyor systems, bucket elevators, screw conveyors, and drag conveyors.

The transaction was completed at similar metrics to AGI's recent North American acquisitions. Mitchell's revenue for their fiscal year ended February 28, 2016 was approximately $30 million. The financial consideration is comprised of a fixed amount payable upon closing, and a contingent amount payable over three years based on the achievement of EBITDA targets. The amount payable upon close was funded from cash on hand and AGI's revolving credit facility.

NuVision (April 1, 2016)

NuVision designs, manufactures, installs, and maintains fertilizer blending and handling facilities throughout Western Canada. NuVision sales and adjusted EBITDA, normalized primarily for related party items, averaged approximately $18 million and $3.4 million respectively over the previous four years.

The final purchase price will be based on five times NuVision's average EBITDA for the financial years 2015, 2016, 2017 and 2018, with a maximum purchase price of $26 million. The maximum purchase price represents a multiple of approximately 4.0x 2015 normalized EBITDA. Terms of the transaction included payment of $12 million upon closing with additional amounts payable annually based on achieved EBITDA in 2016, 2017 and 2018. All payments under the agreement are payable 50% in cash and 50% in AGI equipment and the cash amount payable upon closing was funded from AGI's cash balance.

Entringer (March 9, 2016)

Entringer is a Brazilian based manufacturer of grain bins, bucket elevators, dryers and cleaners. Founded in 1988 and strategically located in Brazil's Sao Paulo province, Entringer provides AGI with a measured entry into the rapidly expanding agricultural sector in Brazil. Entringer sales in 2015 were R$38 million and EBITDA over the previous six years has averaged approximately R$5.6 million. As expected, LTM EBITDA continues to be negative and reflects poor market conditions in Brazil as well as pricing practices and poor utilization of production labour that have been addressed by AGI subsequent to acquisition. The Company acquired Entringer for cash consideration of R$30 million and contingent consideration of R$15 million based on specified earnings targets.

VIS (November 30, 2015)

VIS is a Winnipeg-based manufacturer of material handling equipment used in the fertilizer, feed and grain sectors. VIS provides AGI with new capability and experience in the planning, design and manufacture of high throughput industrial fertilizer handling equipment. The purchase price of

$15 million represents a valuation of approximately 4.5 times VIS' trailing twelve month normalized EBITDA.

AGI acquired VIS for cash consideration of $10.0 million and contingent consideration of $5.0 million. In the third quarter of 2016 the vendors of VIS joined AGI's senior management team and the contingent consideration amount was guaranteed. The purchase price payable upon closing was funded from AGI's cash balance.

Westeel (May 20, 2015)

Westeel is Canada's leading provider of grain storage solutions offering a wide range of on-farm and commercial products for the agricultural industry. The acquisition included Westeel's foreign sales offices, its 100% interest in Italian subsidiary PTM Technology, a manufacturer of grain handling equipment, and its 51% interest in Frame, an Italian manufacturer of storage bins. Westeel generated adjusted EBITDA of approximately $20 million in 2014, net of an adjustment for corporate costs, and subsequent to acquisition AGI realized additional cost synergies at Westeel of approximately $5 million. AGI acquired the 49% minority interest in Frame in the second quarter of 2016 for cash consideration €6.0 million.

The purchase price for Westeel was $205 million, net of cash acquired and a redundant manufacturing plant. The acquisition was financed through the issuance of common shares, convertible unsecured subordinated debentures and long-term debt.

Impact of Foreign Exchange

Sales and Adjusted EBITDA

AGI's average rate of exchange for the three and nine months ended September 30, 2016 was $1.34 (2015 = $1.26) and $1.32 (2015 = $1.26), respectively. A lower Canadian dollar results in an increase in reported trade sales as U.S. dollar denominated sales are translated into Canadian dollars at a higher rate. Similarly, a lower Canadian dollar results in an increase in 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 has entered forward foreign exchange contracts with the objective of partially mitigating exposure to currency fluctuations. The table below summarizes outstanding foreign exchange contracts.

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
2016 – Q4	26,000	$1.18	30,773
2017 – Q1	9,000	$1.25	11,216

In the three and nine month periods ended September 30, 2016, AGI realized losses on maturing foreign exchange contracts of approximately $4.3 million and $10.6 million, respectively. Based on current rates of foreign exchange the Company expects to realize a loss on its foreign exchange contracts in the fourth quarter of 2016. Currency fluctuations also result in non-cash gains or losses on foreign exchange. See "Financial Instruments – Foreign exchange contracts".

CORPORATE OVERVIEW

AGI is a manufacturer of agricultural equipment with a focus on grain handling, storage and conditioning products. Our products service both Farm and Commercial markets and we sell to farmers, contractors and corporate entities. Our business is affected by regional and global trends in grain volumes, on-farm and commercial grain storage and handling practices, harvest conditions and, to a lesser extent, crop prices. Our business is seasonal, with higher sales occurring in the second and third calendar quarters compared with the first and fourth quarters. We manufacture in Canada, the U.S., Brazil and Europe and we sell products globally.

OUTLOOK

AGI's Farm business is comprised primarily of portable grain handling equipment and Westeel's North American storage business. The primary demand driver for portable handling equipment is the amount of grain handled as this dictates farmer capacity requirements and the product replacement cycle. Large crops and generally wet harvest conditions in both Canada and the U.S. have increased the wear on existing equipment and are supportive of in-season sales and future replacement sales. In Canada, these factors combined with positive farmer sentiment have resulted in higher sales of portable equipment. In the U.S. however, negative farmer sentiment has resulted in very cautious buying behavior. Sales of replacement parts in the U.S. are well above prior year levels which appears to indicate end-users are managing with existing equipment and deferring new equipment purchases to future quarters. Accordingly, management anticipates fourth quarter demand for portable equipment will approximate prior year levels.

Westeel's storage business is comprised of corrugated storage bins, smoothwall bins and liquid storage tanks. Demand drivers for storage include volume of grains grown, crop trends, fertilizer storage and handling practices and the consolidation of farms. The macro environment in Canada is supportive of these trends and Westeel experienced high sales volumes in the third quarter. Management anticipates dealer inventory levels will be quite low subsequent to harvest and as a result expects high levels of participation in pre-season sales programs and strong sales in the fourth quarter of 2016 and the first quarter of 2017.

AGI's Commercial business is comprised primarily of high capacity grain handling and conditioning equipment and larger diameter storage bins. In North America, demand for Commercial equipment is less sensitive to a specific harvest but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in a mature market and, more recently in Canada, the dissolution of the Canadian Wheat Board. Commercial activity in North America remains robust however fourth quarter sales may fall below prior year levels as a number of projects were completed and shipped late in the third quarter of 2016.

Offshore, the commercial infrastructure in many grain producing and importing countries remains vastly underinvested resulting in significant global opportunities for AGI's Commercial business.

Management expects a strong contribution from the Company's Italian subsidiaries in the fourth quarter of 2016 and in 2017 as Frame delivers on a significant backlog and AGI further consolidates its sales structure. Excluding Frame, our international backlog is lower than the prior year and management does not expect international sales to reach the record levels achieved in 2015. However, we have a large and high quality quote log and management anticipates the international sales backlog entering 2017 will be well above the levels experienced early in 2016.

AGI completed a number of acquisitions in recent months including VIS (November 2015), Entringer (March 2016), NuVision (April 2016) and Mitchell (July 2016). These acquisitions were funded with cash and the Company's revolver facility and include earn-out provisions. Management does not anticipate a positive EBITDA contribution from Brazilian-based Entringer in 2016, however, VIS, NuVision and Mitchell are expected to generate significant fourth quarter adjusted EBITDA, approximately in-line with the acquisition metrics disclosed upon announcing the transactions (see "Acquisitions").

Demand in the remainder of 2016 and in 2017 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. 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. However, a portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts and based on current rates of exchange the Company expects to recognize a loss on these contracts. Short-term fluctuations in the price of steel may impact our financial results even though we strive to partially mitigate our exposure to such fluctuations through the use of long-term purchase contracts, bidding commercial projects based on current input costs and passing input costs on to customers through sales price increases.

Management anticipates fourth quarter results to reflect a significant contribution from recent acquisitions and strong demand in Canada for Farm products including Westeel storage equipment. However, the portable Farm market in the U.S. continues to be soft, North American Commercial sales are expected to be impacted by timing of project completion and delivery and our international business, excluding acquisitions, is not expected to gain significant momentum until 2017. On balance, based on current conditions, management anticipates fourth quarter adjusted EBITDA, including acquisitions, will be moderately above the prior year.

Management is positively biased towards 2017 and anticipates growth in a number of areas. A significant contribution is expected from the 2016 acquisitions of NuVision and Mitchell and management anticipates a positive contribution from operations in Brazil subsequent to the commissioning of the Company's new facility in early 2017. Based on current conditions, management anticipates robust demand in Canada for portable handling, aeration and storage equipment. In the U.S., management anticipates a modest increase in demand for portable equipment as the industry works through elevated inventory levels and farmers begin to replace older equipment. Finally, international sales are expected to benefit from a higher opening backlog for North American exports and continued high levels of activity at AGI's Italian subsidiaries. On balance, based on current conditions, management anticipates results in 2017 will exceed current year results.

DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Trade sales [1][2]	$162,970	$123,570	$420,186	$324,142
Loss on FX	(4,290)	(8,652)	(8,946)	(16,876)
Sales [2]	$158,680	$114,918	$411,240	$307,266
Cost of inventories [2]	105,449	84,097	272,402	212,342
Depreciation / amortization [2]	3,925	2,893	11,161	6,415
Cost of sales [2]	109,374	86,990	283,563	218,757
General and administrative [2]	23,512	24,774	72,123	58,814
M&A expenses	883	1,192	1,833	4,706
Contingent consideration expense	491	0	940	0
Depreciation/ amortization [2]	1,605	1,746	5,778	4,442
Other operating expense (income)	(2,393)	1,197	(6,625)	907
Impairment of available for sale assets	263	0	4,059	0
Finance costs	6,058	5,164	17,944	12,240
Finance (income) expenses	270	3,219	(1,847)	5,181
Profit (loss) before income taxes	18,617	(9,364)	33,472	2,219
Current income taxes	4,426	(236)	10,230	2,331
Deferred income taxes	1,239	136	(212)	3,090
Profit (loss) for the period from Continuing operations	12,952	$(9,264)	$23,454	$(3,202)
Profit (loss) from discontinued Operations	82	626	562	(672)
Profit (loss) for the period	13,034	(8,638)	24,016	(3,874)
Profit (loss) per share				
Basic	$0.88	$(0.60)	$1.64	$(0.28)
Diluted	$0.85	$(0.60)	$1.61	$(0.28)

(1) See “Non-IFRS Measures”.
(2) See “Basis of Presentation”
(3) See Strategic Review of Applegate and Mepu Operations

Strategic Review of Applegate and Mepu Operations

A strategic review of the Applegate and Mepu operations commenced in 2015. As noted under "Basis of Presentation", results from Mepu and Applegate have been removed from our calculation of Trade Sales and Adjusted EBITDA in both 2015 and 2016. For the three and nine month periods ended September 30, 2016, Trade Sales related to these operations was $1.8 million (2015 - $10.7 million) and $15.3 million (2015 - $28.0 million), respectively. Combined, Applegate and Mepu reported third quarter adjusted EBITDA of negative $0.1 million (2015 – positive $0.9 million) and for the nine months ended September 30 reported negative adjusted EBITDA of negative $0.3 million (2015 – positive $0.4 million).

The sale of Mepu in June 2016 resulted in cash proceeds on closing of $3.1 million and management anticipates an additional $3.8 million will be received in the second half of 2016 upon collection of accounts receivable and receipt of the second and final payment for inventory. Terms of the sale included a note receivable of $0.8 million from the purchaser related to the building, repayable over ten years.

The sale of Applegate in August 2016 resulted in cash proceeds on closing of $4.1 million and management anticipates an additional $1.4 million will be received in the second half of 2016 upon collection of accounts receivable.

EBITDA AND ADJUSTED EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Profit before income taxes[1][3]	18,699	(8,738)	34,034	1,547
Finance costs	6,058	5,164	17,944	12,240
Impairment of assets	119	0	3,119	0
Depr/amort in cost of sales [1][3]	3,927	3,102	11,300	7,005
Depr/amort in SG&A expenses [1][3]	1,607	1,826	5,804	4,713
EBITDA [2]	**30,410**	**1,354**	**72,201**	**25,505**
Loss on foreign exchange	4,560	11,872	7,138	22,288
Share based compensation	1,755	1,931	5,075	2,076
M&A expenses	883	1,192	1,833	4,706
Contingent consideration	491	0	940	0
Gain on financial instruments	(1,735)	0	(5,160)	0
Loss (gain) on sale of property, plant & equipment	(130)	2,588	(159)	3,197
Allowance for net receivables [5]	0	1,955	0	1,955
Assets under review [3]	134	(983)	335	(458)

Adjusted EBITDA (2)(4)	36,368	19,909	82,203	59,269
Adjusted EBITDA as a % of trade sales	22%	16%	20%	18%

(1) Adjusted for discontinued operations
(2) See "Non-IFRS Measures".
(3) See "Strategic Review of Applegate and Mepu Operations".
(4) See "Basis of Presentation".
(5) In the three months ended September 30, 2015, the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

ASSETS AND LIABILITIES

(thousands of dollars)	September 30 2016	September 30 2015
Total assets	796,807	750,081
Total liabilities	548,639	492,425

EXPLANATION OF OPERATING RESULTS

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

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Excluding acquisitions				
Canada	23,363	19,160	70,116	64,073
US	57,174	53,942	147,085	146,365
International	10,453	20,703	29,109	65,840
Subtotal excluding acquisitions	**90,990**	**93,805**	**246,310**	**276,278**
Acquisitions				
Canada	43,859	22,998	113,638	38,890
US	6,344	4,135	9,425	5,258
International	21,777	2,632	50,813	3,716
Subtotal Acquisitions	**71,980**	**29,765**	**173,876**	**47,864**
Total Trade Sales	**162,970**	**123,570**	**420,186**	**324,142**

Canada

Trade sales in Canada, excluding acquisitions, increased over 2016 due to strong in-season sales of grain handling and aeration equipment and due to a high level of activity in the Canadian Commercial sector. Total trade sales in Canada increased significantly due to the acquisitions of Westeel, VIS, NuVision and Mitchell. A large crop and favourable farmer sentiment resulted in a significant increase in demand for Westeel storage equipment compared to 2015. Sales at VIS, NuVision and Mitchell into the fertilizer sector were very strong and reflect the build-out underway in commercial fertilizer infrastructure.

United States

In the Unites States, sales in the third quarter increased compared to the prior year as robust demand in the Commercial sector was only partially offset by a soft market for Farm equipment. The year-over-year decline in sales of Farm handling equipment lessened considerably in Q3 compared to recent quarters. Increased sales from acquisitions were primarily the result of higher sales of storage equipment and sales into the processing sector.

International

AGI's international sales, excluding acquisitions, decreased significantly against a very strong 2015 comparative. Customer commitments in 2016 remain slow to materialize however recent activity suggests the Company's backlog entering 2017 may be well above the levels experienced early in the current year. International sales related to acquisitions reflect strong Commercial demand for Frame storage equipment, primarily in Europe, the Middle East, Africa and Southeast Asia.

Gross Margin

Gross margin (1)(2)				
	Three Months Ended September 30		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
AGI excluding acquisitions	39.5%	35.5%	39.5%	36.6%
Acquisitions	30.0%	20.7%	29.1%	22.3%
Consolidated (3)	**35.3%**	**31.9%**	**35.2%**	**34.5%**

(1) See "Non-IFRS Measures".
(2) Excludes depreciation and amortization included in cost of sales.
(3) See "Basis of Presentation"

Strong gross margins in 2016 were achieved despite a decrease in sales of higher margin Farm equipment. Efficient labour utilization, the procurement of steel in advance of steel price increases, the positive impact of a weaker Canadian dollar and strong Commercial operating margins all contributed to the increase in gross margin. The gross margin percentage at Brazilian-based Entringer improved considerably compared to prior quarters due to changes in Entringer's pricing model and a focus on margin discipline.

General and Administrative Expenses

For the three and nine months ended September 30, 2016, SG&A expenses excluding acquisitions were $16.3 million (2015 - $20.9 million) and $52.8 million (2015 - $52.9 million), respectively. The decrease in Q3 compared to the prior year is largely related to the items below:

- The third quarter of 2015 included a $2.9 million bad debt allowance for an international customer.
- Moving costs in the third quarter of 2015 related to moving the Hi Roller and Union Iron divisions to their new production facilities were $0.6 million.
- The remaining variance is the result of a number of offsetting factors with no individual variance larger than $0.5 million.

For the nine months ended September 30, 2016, SG&A expenses decreased $0.1 million compared to the prior year as the lower expenses in Q3 described above were largely offset by the following:

- Share based compensation expense increased $2.9 million compared to the prior year as the nine-month expense in 2015 reflected a downward change in forecasted achievement that resulted in a credit to previously accrued expenses.
- Salary expense increased $2.0 million over the prior year due to the expansion of AGI's senior management team and because bonus accruals were reversed in 2015 when the Company lowered its achievement forecast.
- Third party commission expense decreased $1.3 million primarily due to geographical sales mix.
- The remaining variance is the result of a number of offsetting factors with no individual variance larger than $1.0 million.

EBITDA and Adjusted EBITDA

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
EBITDA [1]	30,410	1,354	72,201	25,505
Adjusted EBITDA [1]	36,368	19,909	82,203	59,269

(1) See the EBITDA and adjusted EBITDA reconciliation table above, "Non-IFRS Measures" and "Basis of Presentation".

Adjusted EBITDA in the three and nine months ended September 30, 2016 increased significantly compared to the prior year due to contributions from divisions acquired in 2015 and 2016, robust demand in western Canada and a strong operational performance at AGI's Commercial divisions. The increase over 2015 was achieved despite continued weakness in the U.S. Farm sector and a decrease in exports from AGI's North American divisions. As a percentage of sales, adjusted EBITDA increased compared to 2015 as strong Commercial margins and results from acquisitions more than offset the impact of lower sales of high margin Farm handling equipment.

Finance Costs

Senior Debt

(thousands of dollars)	Currency[1]	Maturity	Total Facility	Amount Drawn	Interest Rate [2]	Interest
Series A Notes [3]	USD	2016	32,793	32,793	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.10%	Floating
Swing Line	USD	2019	6,559	0	5.00%	Floating
Revolver [4]	CAD	2019	105,000	15,000	4.50%	Floating
Revolver	USD	2019	59,027	0	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
Total			**338,379**	**162,793**		

(1) USD amounts translated to Canadian dollars at the September 30, 2016 rate of exchange of $1.3117.
(2) As at September 30, 2016.
(3) Upon maturity in October 2016 the Series A notes were replaced with Series C notes from the same lender that mature in October 2026 and bear interest at 3.7%.
(4) In conjunction with its July 18, 2016 acquisition of Mitchell, AGI drew $15 million on its CAD Revolver. This amount was repaid in Q4 2016.

In addition to the above, as at September 30, 2016, the Company had outstanding $138 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures and $75 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures. See “Capital Resources”.

Finance costs for the quarter ended September 30, 2016 were $6.1 million (2015 – $5.2 million) and for the nine months then ended were $17.9 million (2015 - $12.2 million). The higher expense in 2016 relates primarily to financing the acquisition of Westeel partially through a convertible debenture issuance and through an increase in amounts drawn on the Company’s credit facility as well as a debenture issuance in September 2015. 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 Expense

Finance expense in both periods relates primarily to non-cash gains and losses 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 income in 2016 includes a gain on financial instruments and in both periods includes gains and losses on the sale of property, plant & equipment.

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 2016 primarily relates to acquisitions made in 2015 and 2016. Total depreciation and amortization is summarized below:

Depreciation (thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Depreciation in cost of sales	2,733	2,155	7,755	5,163
Depreciation in G&A	212	129	720	428
Total Depreciation	2,945	2,284	8,475	5,591

Amortization (thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Amortization in cost of sales	1,192	738	3,406	1,252
Amortization in G&A	1,393	1,617	5,058	4,014
Total Amortization	2,585	2,355	8,464	5,266

Current income tax expense

For the three and nine month periods ended September 30, 2016 the Company recorded current tax expense of $4.4 million (2015 – recovery of $0.2 million) and 10.2 million (2015 – 2.3 million). Current tax expense relates primarily to Ag Growth U.S. and Italy subsidiaries.

Deferred income tax expense

For the three and nine month periods ended September 30, 2016 the Company recorded deferred tax expense of $1.2 million (2015 – $0.1 million) and a recovery of ($0.2) million (2015 – expense of $3.1 million). Deferred tax recovery in 2016 relates to the decrease of deferred tax liabilities plus an increase in deferred tax assets that related to recognition of temporary differences between the accounting and tax treatment of depreciable assets, accruals and long-term provisions and convertible debentures.

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 nine-month period ended September 30, 2016, the Company offset $2.0 million of Canadian tax otherwise payable (2015 - $2.7 million). Through the use of these attributes and since the date of Conversion a cumulative amount of $38.1 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at September 30, 2016, the balance sheet asset related to these unused attributes was $15.3 million.

Effective tax rate (thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Current tax expense	$4,426	($236)	$10,230	$2,331
Deferred tax expense	1,239	136	(212)	3,090
Total tax	$5,665	($100)	$10,018	$5,421
Profit (loss) before taxes	$18,699	($8,738)	$34,034	$1,547
Total tax %	30.3%	1.1%	29.4%	350.4%

Profit (loss) and diluted profit (loss) per share and adjusted diluted profit (loss) per share

For the three months ended September 30, 2016 the Company reported profit of $13.0 million (2015 – loss of $8.6 million), basic profit per share of $0.88 (2015 – loss of $0.60) and a fully diluted profit per share of $0.85 (2015 – loss of $0.60). For the nine months ended September 30, 2016 the Company reported profit of $24.0 million (2015 – loss of $3.9 million), basic profit per share of $1.64 (2015 – loss of $0.28) and a fully diluted profit per share of $1.61 (2015 – loss of $0.28).

A reconciliation of adjusted profit per share is below:

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Profit (loss) as reported Diluted per share as reported	13,034 $0.85	(8,638) $(0.60)	24,016 $1.61	(3,874) $(0.28)
Loss on foreign exchange	4,560	11,872	7,138	22,288
Assets under review [(1) (2)]	(82)	(626)	(562)	672
Asset impairment	0	0	2,313	0
Allowance for net receivables [(3)]	0	1,955	0	1,955
M&A expenses	883	1,192	1,833	4,706
Contingent consideration expense	491	0	940	0
Gain on financial instruments	(1,735)	0	(5,160)	0
Loss on sale of PP&E	134	2,588	1,587	3,197
Adjusted profit [(4)]	17,285	8,343	32,105	28,944
Numerator for dilutive adjusted profit per share [(4)(5)] Diluted adjusted profit per share [(4)]	19,966 $1.07	8,343 $0.57	34,775 $2.15	28,964 $1.90

(1) See “Strategic Review of Applegate and Mepu Operations”.
(2) Based on operations’ profit
(3) In the three months ended September 30, 2015, the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.
(4) See “Non-IFRS Measures”
(5) Includes the add back of interest expense related to the applicable convertible debentures.

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

2016					
	Average USD/CAD Exchange Rate	**Sales**	**Profit**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	1.38	117,760	5,697	$0.39	$0.38
Q2	1.29	144,573	5,285	$0.36	$0.35
Q3	1.34	158,680	13,034	$0.88	$0.85
YTD	**1.32**	**411,240**	**24,016**	**$1.64**	**$1.61**

2015					
	Average USD/CAD Exchange Rate	**Sales**	**Profit / (Loss)**	**Basic Profit (loss) per Share**	**Diluted Profit (loss) per Share**
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)	$(1.48)
YTD	**1.27**	**449,484**	**(25,229)**	**$(1.81)**	**$(1.81)**

2014					
	Average USD/CAD Exchange Rate	**Sales**	**Profit / (Loss)**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	1.09	84,278	1,218	$0.09	$0.09
Q2	1.10	112,838	13,638	$1.04	$0.98
Q3	1.09	114,915	8,653	$0.66	$0.65
Q4	1.13	88,114	(19,409)	$(1.48)	($1.45)
YTD	**1.10**	**400,145**	**4,100**	**$0.31**	**$0.31**

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) and Mitchell (Q3 2016) significantly impacts comparisons to prior periods of assets, liabilities and operating results.

- 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.
- The loss and loss per share in the fourth quarter of 2014 was significantly impacted by an expense of $16.9 million related to the Company's agreement with the CRA regarding its conversion to a corporation.
- 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. Due to the seasonality of AGI's working capital movements, cash provided by operations will typically be highest in the fourth quarter. The seasonality of AGI's business may be impacted by a number of factors including weather and the timing and quality of harvest in North America.

CASH FLOW AND LIQUIDITY

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2016	**2015**	**2016**	**2015**
Profit before income taxes from continuing operations	$18,617	$(9,364)	$33,472	$2,219
Add charges (deduct credits) to operations not requiring a current cash payment:				
Depreciation/Amortization	5,530	4,639	16,939	10,857
Translation (gain) loss on FX	(720)	14,353	(5,619)	24,523
Non-cash interest expense	1,099	788	3,252	2,025
Share based compensation	1,755	1,931	5,075	2,076
Defined benefit pension plan	31	108	123	161
Non-cash movement in derivative Instruments	(1,735)	0	(5,160)	0
Non-cash Investment tax credit	(68)	(325)	(68)	(394)
Impairment charge	263	0	4,059	0
Dividends receivable on equity swap	0	0	(100)	0
Dividends on share based compensation	0	0	(55)	0
Contingent Consideration	491	0	940	0
Loss (gain) on sale of assets	(130)	2,588	(159)	3,197
	25,133	14,718	52,699	44,664

Net change in non-cash working capital balances related to operations:				
Accounts receivable	6,295	2,983	(13,524)	(15,474)
Inventory	6,578	7,204	7,459	1,087
Prepaid expenses	(135)	666	(1,067)	66
Accounts payable	925	(10,997)	9,249	(11,285)
Customer deposits	(4,074)	3,566	(7,661)	2,132
Provisions	(46)	462	(433)	965
	9,543	3,884	(5,977)	(22,509)
Income tax paid	(5,010)	(1,823)	(6,073)	(1,982)
Cash provided by operations (net of discontinued operations)	$29,666	$16,779	$40,649	$20,173

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 third quarter 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 fiscal 2016 are expected to be generally consistent with historical patterns however recent acquisitions have had the effect of increasing business activity 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 quarter ended September 30, 2016 were $1.0 million (0.6% of trade sales) compared to $1.2 million (0.9%) in 2015. Maintenance capital expenditures in the nine months ended September 30, 2016 were $3.0 million (0.7% of trade sales) compared to $2.9 million (0.8%) in 2015. Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Maintenance capital expenditures in 2016 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 $16.0 million in the quarter ended September 30, 2016 (2015 - $8.7 million) and $17.6 million in the nine months then ended (2015 - $30.2 million). In 2016, non-maintenance capital expenditures relate

primarily to equipment purchases, facility upgrades and the construction of AGI's production facility in Brazil. In the nine months ended September 30, 2016, a total of $12.4 million was expended on the Brazil facility and management anticipates a total of approximately $40 million will be required to complete the project with the majority of these funds expended in 2016. Maintenance and non-maintenance capital expenditures are expected to be financed through bank indebtedness, cash on hand or through the Company's credit facility (see "Capital Resources").

Cash Balance

The Company's cash balance at September 30, 2016 was $36.4 million (September 30, 2015 – $33.3 million; December 31, 2015 - $58.2 million).

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	**2016**	**2017**	**2018**	**2019**	**2020+**
2013 Debentures	86,250	0	0	86,250	0	0
2014 Debentures	51,750	0	0	0	51,750	0
2015 Debentures	75,000	0	0	0	0	75,000
Long-term debt	162,793	32,793	0	0	65,000	65,000
Finance lease	1,241	36	1,205	0	0	0
Operating leases	8,440	615	2,047	1,659	1,172	2,947
Total obligations	**385,474**	**33,444**	**3,252**	**87,909**	**117,922**	**142,947**

The 2013, 2014 and 2015 Debentures relate to the aggregate principal amount of the Debentures (see "Convertible Debentures" below) and long-term debt is comprised of a revolver facility, term debt and non-amortizing notes (see "Capital Resources").

CAPITAL RESOURCES

Cash

The Company's cash balance at September 30, 2016 was $36.4 million (September 30, 2015 – $33.3 million; December 31, 2015 - $58.2 million).

Debt Facilities

(thousands of dollars)	Currency[1]	Maturity	Total Facility	Amount Drawn	Interest Rate [2]	Interest
Series A Notes [3]	USD	2016	32,793	32,793	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.10%	Floating
Swing Line	USD	2019	6,559	0	5.00%	Floating
Revolver [4]	CAD	2019	105,000	15,000	4.50%	Floating
Revolver	USD	2019	59,027	0	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
Total			**338,379**	**162,793**		

(1) USD amounts translated to Canadian dollars at the September 30, 2016 rate of exchange of $1.3117.
(2) As at September 30, 2016.
(3) Upon maturity in October 2016 the Series A notes were replaced with Series C notes from the same lender that mature in October 2026 and bear interest at 3.7%.
(4) In conjunction with its July 18, 2016 acquisition of Mitchell, AGI drew $15 million on its CAD Revolver. This amount was repaid in Q4 2016.

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of CAD $105.0 million and U.S. $45.0 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 facility bear interest at BA plus 2.50% per annum based on performance calculations. At September 30, 2016, the Company has also 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 A and Series B Notes"). The Series A and B 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

Debentures (2013)

In December 2013 the Company issued $86.3 million aggregate principal amount of convertible unsecured subordinated debentures (the "2013 Debentures") at a price of $1,000 per 2013 Debenture. The 2013 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $55.00 per common share. The maturity date of the 2013 Debentures is December 31, 2018.

On and after December 31, 2016 and prior to December 31, 2017, the 2013 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 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 and after December 31, 2017, the 2013 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.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2013 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, to satisfy all or part of its obligation to pay interest on the 2013 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2013 Debentures trade on the TSX under the symbol AFN.DB.A.

Debentures (2014)

In December 2014 the Company issued $51.8 million aggregate principal amount of extendible convertible unsecured subordinated debentures (the "2014 Debentures") at a price of $1,000 per 2014 Debenture. The 2014 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $65.57 per common share.

On and after December 31, 2017 and prior to December 31, 2018, the 2014 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 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 and after December 31, 2018, the 2014 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.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2014 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, to satisfy all or part of its obligation to pay interest on the 2014 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2014 Debentures trade on the TSX under the symbol AFN.DB.B.

Debentures (2015)

In September 2015 the Company issued $75 million aggregate principal amount of convertible unsecured subordinated debentures (the "2015 Debentures") at a price of $1,000 per 2015 Debenture. The 2015 Debentures bear interest at an annual rate of 5.00% payable semi-annually on June 30 and December 31. Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $60.00 per common share. The maturity date of the 2015 Debentures is December 31, 2020.

On and after December 31, 2018 and prior to December 31, 2019, the 2019 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 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 and after December 31, 2019, the 2015 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.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2015 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, to satisfy all or part of its obligation to pay interest on the 2015 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2015 Debentures trade on the TSX under the symbol AFN.DB.C.

COMMON SHARES

The following number of common shares were issued and outstanding at the dates indicated:

	# Common Shares
December 31, 2014	13,165,627
Shares issues to partially finance acquisition of Westeel [(1)]	1,112,050
Shares issued under DRIP	132,165
Shares issued under EAIP	169,592
Shares issued on exercise of DDCP grants	10,934
December 31, 2015	14,590,368
Shares issued under EAIP	47,279
Shares issued under DRIP	118,379
September 30, 2016	14,756,026

Shares issued under DRIP in October 2016	9,154
November 10, 2016	14,765,180

(1) Subscription receipts issued in November 2014 converted into common shares upon completion of the acquisition of Westeel.

A total of 915,000 common shares are available for issuance under the Company's Equity Award Incentive Plan (the "EAIP"). As at September 30, 2016 and November 10, 2016, a total of 321,000 restricted Share Awards ("RSUs") have been granted and 213,001 remain outstanding. As at September 30, 2016, 367,131 performance Share Awards ("PSUs") have been granted and 247,500 remain outstanding.

A total of 62,108 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 3,607,415 common shares are issuable on conversion of the outstanding 2013, 2014 and 2015 Debentures.

AGI's common shares trade on the TSX under the symbol AFN.

DIVIDENDS

In the quarter ended September 30, 2016 AGI declared dividends to shareholders of $8.8 million (2015 - $8.6 million) and in the nine months then ended declared dividends of $26.4 million (2015 - $24.9 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 the quarter ended September 30, 2016 were financed $1.2 million by the DRIP (2015 – $1.5 million) and the remainder was financed from cash on hand and cash from operations or bank indebtedness. Dividends in the nine months ended September 30, 2016 were financed $4.0 million by the DRIP (2015 – $3.7 million) and the remainder was financed from cash on hand and cash from operations or bank indebtedness.

FUNDS FROM OPERATIONS AND PAYOUT RATIO

In 2016 management adjusted its calculation of funds from operations as described below. The change was made to simplify the calculation and provide readers with a clearer measure of FFO. The comparative percentages in the table below have been restated to reflect the change in definition.

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 September 30		Nine Months Ended September 30	
	2016	**2015**	**2016**	**2015**
Adjusted EBITDA	36,368	19,909	82,203	59,269
Interest expense	(6,058)	(5,164)	(17,944)	(12,240)
Non-cash interest	1,099	788	3,252	2,025
Cash taxes	(5,010)	(1,823)	(6,073)	(1,982)
Maintenance CAPEX	(990)	(1,326)	(3,038)	(1,700)
Realized loss on FX	(4,317)	(5,708)	(10,568)	(9,389)
Funds from operations	**21,092**	**6,676**	**47,832**	**35,983**
Dividends	8,846	8,610	26,432	25,766
Payout Ratio	**42%**	**129%**	**55%**	**72%**

The Company's payout ratio for the twelve months ended September 30, 2016 is 68% (2015 – 86%). The payout ratio has been negatively impacted by realized losses on foreign exchange contracts. Excluding these losses, the Company's payout ratio for the twelve-month period ended September 30, 2016 was 51% (2015 – 66%). The Company expects to realize additional foreign exchange losses in 2016. See "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 has entered into foreign exchange contracts with three Canadian chartered banks to partially hedge its foreign currency exposure and as at September 30, 2016, had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
2016 – Q4	26,000	$1.18	30,773
2017 – Q1	9,000	$1.25	11,216

The fair value of the outstanding forward foreign exchange contracts in place as at September 30, 2016 was a loss of $3.9 million. Consistent with prior periods, the Company has elected to apply

hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income.

Interest Rate Swaps

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

	Currency	Maturity	Total Facility (000's)	Amount of Swap (000's)	Fixed Rate
Term Loan A	CAD	2019	50,000	50,000	3.84%
Term Loan B	CAD	2022	40,000	40,000	4.32%

The fair value of the interest rate swap contracts in place as at September 30, 2016 was a loss of $2.6 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

On March 18, 2016, the Company entered into an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EAIP. Pursuant to this agreement, the financial institution 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 which are incurred by the counterparty directly. As at September 30, 2016, 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. By their nature, these estimates are subject to a degree of uncertainty and are based on historical experience and trends in the industry. Management reviews these estimates on an ongoing basis. While management has applied judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

AGI believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, goodwill, convertible debentures and deferred income taxes. AGI's accounting policies are described in the notes to its December 31, 2015 audited financial statements.

Allowance for Doubtful Accounts
Due to the nature of AGI's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. AGI maintains an allowance for doubtful accounts to reflect expected credit losses. A considerable amount of judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously evaluated and updated. AGI is not able to predict changes in the financial conditions of its customers, and the Company's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company's customers deteriorates.

Valuation of Inventory
Assessments and judgments are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are slow moving, damaged, obsolete, or if the selling price of the inventory is less than its cost. AGI regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Judgment related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Goodwill and Intangible Assets
Assessments and judgments are inherent in the determination of the fair value of goodwill and intangible assets. Goodwill and indefinite life intangible assets are recorded at cost and finite life intangibles are recorded at cost less accumulated amortization. Goodwill and intangible assets are tested for impairment at least annually. Assessing goodwill and intangible assets for impairment requires considerable judgment and is based in part on current expectations regarding future performance. The classification of assets into cash generating units requires significant judgment and interpretations with respect to the integration between assets, the nature of products, the way in which management allocates resources and other relevant factors. Changes in circumstances including market conditions may materially impact the assessment of the fair value of goodwill and intangible assets.

Deferred Income Taxes
Deferred income taxes are calculated based on assumptions related to the future interpretation of tax legislation, future income tax rates, and future operating results, acquisitions and dispositions of assets and liabilities. AGI periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant. A significant change in any of the Company's assumptions could materially affect AGI's estimate of deferred tax assets and liabilities. See "Risks and Uncertainties – Income Tax Matters".

Future Benefit of Tax-loss Carryforwards
AGI should only recognize the future benefit of tax-loss carryforwards where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. We are required to make significant estimates and assumptions regarding future revenues and profit, and our ability to implement certain tax planning strategies, in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to significant uncertainty and if changed could materially affect our assessment of the ability to fully realize the benefit of the deferred income tax assets. Deferred tax asset balances would be reduced and additional income tax expense recorded in the applicable accounting period in the event that circumstances change and we, based on revised estimates and assumptions, determined that it was no longer probable that those deferred tax assets would be fully realized. See "Risks and Uncertainties – Income Tax Matters".

Retirement Benefits
Provisions for defined benefit post-employment obligations are calculated by independent actuaries and reviewed by management. The principal actuarial assumptions and estimates are based on independent actuarial advice and include the discount rate and other factors.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below 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 the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected. See also "Risks and Uncertainties" in AGI's most recent Annual Information Form, which is available on SEDAR (www.sedar.com).

Industry Cyclicality and General Economic Conditions
Our success depends substantially on the health of the agricultural industry. The performance of the agricultural industry, including the grain handling, storage and conditioning business, is cyclical. Sales of agricultural equipment generally are related to the health of the agricultural industry, which is affected by farm income, farm input costs, debt levels and land values, all of which reflect levels of agricultural commodity prices, acreage planted, crop yields, agricultural product demand, including crops used as renewable energy sources such as ethanol, government policies and government subsidies. Sales also are influenced by economic conditions, interest rate and exchange rate levels, and the availability of distributor and customer financing. Trends in the agricultural industry, such as farm consolidations, may affect the agricultural equipment market. In addition, weather conditions, such as floods, heat waves or droughts, can affect farmers' buying decisions. Downturns in the agricultural industry due to these or other factors could vary by market and are likely to result in decreases in demand for agricultural equipment, which would adversely affect our sales, growth, results of operations and financial condition.

To the extent that the agricultural industry declines or experiences a downturn, this is likely to have a negative impact on the grain handling, storage and conditioning business, and the business of AGI. Among other things, the agricultural sector has in recent years benefited from an increase in crop production and investment in agricultural infrastructure including outside of North America. To the extent crop production declines or economic conditions result in a decrease in agricultural investment including in offshore markets, this is likely to have a negative impact on the agricultural industry in those markets and the business of AGI. In addition, if the ethanol industry declines or experiences a downturn, due to changes in governmental policies or otherwise, this is may have a negative impact on the demand for and prices of certain crops which may have a negative impact on the grain handling, storage and conditioning industry, and the business of AGI.

Future developments in the North American and global economies may negatively affect the demand for our products. Management cannot estimate the level of growth or contraction of the economy as a whole or of the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of negative economic conditions, declines in stock markets, contraction of credit availability, political instability or other factors affecting economic conditions generally.

Risk of Decreased Crop Yields
Decreased crop yields due to poor or unusual weather conditions, natural disasters or other factors are a significant risk affecting AGI. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling, storage and conditioning equipment.

Potential Volatility of Production Costs
Our products include various materials and components purchased from others, some or all of which may be subject to wide price variation. Consistent with industry practice, AGI seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and through the alignment of material input pricing with the terms of contractual sales commitments. AGI endeavours to pass through to customers, most, if not all, material and component price volatility. There can be no assurance, however, that industry conditions will allow AGI to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers. A significant increase in the price of any component or material, such as steel, could adversely affect our profitability.

Foreign Exchange Risk
AGI's consolidated financial statements are presented in Canadian dollars. AGI generates the majority of its sales in U.S. dollars and the remainder in Canadian dollars and other currencies including Euros, but a materially smaller proportion of its expenses are denominated in U.S. dollars and currencies other than the Canadian dollar. In addition, AGI denominates a portion of its long term borrowings in U.S. dollars as part of its foreign currency hedging strategy. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and principally the U.S. dollar may significantly affect the Company's financial results. If the Canadian dollar strengthens relative to the U.S. dollar, profit and adjusted EBITDA would decline whereas a weakening of the Canadian dollar relative to the U.S. dollar would increase profit and adjusted EBITDA. The Company regularly enters hedging arrangements as part of its foreign currency hedging strategy to partially mitigate the potential effect of fluctuating exchange rates. To the extent AGI enters into such hedging arrangements, it potentially foregoes the benefits that might result from a weakening of the Canadian dollar relative to the U.S. dollar or other currencies in which it generate sales and in addition may realize a loss on its forward foreign exchange contracts to the extent that the relevant exchange rates are above the contract rates at the date of maturity of the contracts. Conversely, to the extent that AGI does not fully hedge its foreign exchange exposure, it remains subject to the risk that a strengthening Canadian dollar relative to the U.S. dollar or other currencies in which it generates sales will adversely affect its financial results, which effects could be material to its business, prospects and financial condition.

Acquisition and Expansion Risk
AGI has historically expanded its operations by increasing the scope or changing the nature of operations at existing facilities and by acquiring or developing additional businesses, products and technologies in existing and new markets. There can be no assurance that the Company will continue to be able to identify, acquire, develop or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into AGI's business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. The Company's ability to increase the scope, or change the nature of, its operations or acquire or develop additional businesses may be impacted by its cost of capital and access to credit.

Acquisitions and expansions, including the acquisition of businesses or the development of manufacturing capabilities outside of North America, may involve a number of special risks

including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, unanticipated market dynamics in new agricultural markets, added political and economic risk in other jurisdictions, risks associated with new market development outside of North America, and legal liabilities, some or all of which could have a material adverse effect on AGI's performance. In emerging markets, some of these (and other) risks can be greater than they might be elsewhere. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired or newly developed businesses, products, or technologies will achieve anticipated revenues and income. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of some or all of such benefits may be affected by a number of factors, many of which are beyond the control of AGI.

The challenges involved in the integration of acquired businesses may include, among other things, the following:

- the necessity of coordinating both geographically disparate and geographically overlapping organizations;
- integration of information technology systems and resources;
- integrating the acquired business into AGI's accounting system and adjusting AGI's internal control environment to cover the operations of the acquired business;
- performance shortfalls relative to expectations at one or both of the businesses as a result of the diversion of management's attention to the acquisition; and
- unplanned costs required to integrate the businesses and achieve synergies.

Further, actual cost synergies, the expenses required to realize the cost synergies and the sources of the cost synergies anticipated in connection with acquisitions could differ materially from management's estimates. In light of these significant uncertainties, an investor should not place undue reliance on the estimated cost synergies.

The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on AGI's results of operations and financial condition.

International Sales and Operations

A portion of AGI's sales are generated in overseas markets the majority of which are in emerging markets such as countries in Eastern Europe, including most significantly Ukraine and also Russia and Romania, as well as countries in Central and South America including Brazil, the Middle East and Southeast Asia. An important component of AGI's strategy is to increase its offshore sales and operations in the future. Sales and operations outside of North America, particularly in emerging markets, are subject to various additional risks, including: currency exchange rate fluctuations; foreign economic conditions; trade barriers; competition with North American and international manufacturers and suppliers; exchange controls; restrictions on dividends and the repatriation of funds; national and regional labour strikes; political risks; limitations on foreign investment; sociopolitical instability; fraud; risk of trade embargoes and sanctions prohibiting sales to specific persons or countries; risks of increases in duties; taxes and changes in tax laws; expropriation of property, cancellation or modification of contract rights, unfavourable legal climate for the collection of unpaid accounts; unfavourable political or economic climate limiting or eliminating support from export credit agencies; changes in laws and policies governing operations of foreign-based companies; as well as risks of loss due to civil strife and acts of war.

There is no guarantee that one or more of these factors will not materially adversely affect AGI's offshore sales and operations in the future, which could have a material adverse effect on AGI's results of operations and financial condition.

There have also been instances of political turmoil and other instability in some of the countries in which AGI operates, including most recently in Ukraine, which has and is currently experiencing political changes, civil unrest and military action, which are contributing to significant economic uncertainty and volatility. AGI continues to closely monitor the political, economic and military situation in Ukraine, and will seek to take actions to mitigate its exposure to potential risk events. However, AGI has no way to predict outcome of the situation in Ukraine. Continued unrest, military activities, or broader-based trade sanctions or embargoes, should they be implemented, could have a material adverse effect on our sales in Ukraine and Russia and other countries in the region, and a material adverse effect on our sales, growth, results of operations and financial condition.

Anti-Corruption Laws

The Company's business practices must comply with the *Corruption of Public Foreign Officials Act* (Canada) and other applicable similar laws. These anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. These risks can be more acute in emerging markets. Recently, there has been a substantial increase in the global enforcement of anti-corruption laws. If violations of these laws were to occur, they could subject us to fines and other penalties as well as increased compliance costs and could have an adverse effect on AGI's reputation, business and results of operations and financial condition.

Agricultural Commodity Prices, International Trade and Political Uncertainty

Prices of agricultural commodities are influenced by a variety of unpredictable factors that are beyond the control of AGI, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. A decrease in agricultural commodity prices could negatively affect the agricultural sector, and the business of AGI. New legislation or amendments to existing legislation, including the *Energy Independence and Security Act in the U.S. of 2007* or the 2014 Farm Bill, may ultimately affect demand for the Company's products. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

Competition

AGI experiences competition in the markets in which it operates. Certain of AGI's competitors have greater financial and capital resources than AGI. AGI could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on AGI's primary markets. As the grain handling, storage and conditioning equipment sector is fragmented, there is also a risk that a larger, formidable competitor may be created through a combination of one or more smaller competitors. AGI may also face potential competition from the emergence of new products or technology.

Seasonality of Business

The agricultural equipment business is highly seasonal, which causes our quarterly results and our cash flow to fluctuate during the year. 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 three quarters of each calendar year, which may affect the ability of the Company to

make cash dividends to shareholders, or the quantum of such dividends, if any. No assurance can be given that AGI's credit facility will be sufficient to offset the seasonal variations in AGI's cash flow.

Business Interruption
The operation of AGI's manufacturing facilities are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, labour disruptions and weather conditions/natural disasters. AGI may suffer damages associated with such events that it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. For instance, AGI's Rosenort facility is located in an area that is often subject to widespread flooding, and insurance coverage for this type of business interruption is limited. AGI is not able to predict the occurrence of business interruptions.

Litigation
In the ordinary course of its business, AGI may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Farming is an inherently dangerous occupation. Grain handling, storage and conditioning equipment used on farms or in commercial applications may result in product liability claims that require insuring of risk and management of the legal process.

Dependence on Key Personnel
AGI's future business, financial condition, and operating results depend on the continued contributions of certain of AGI's executive officers and other key management and personnel, certain of whom would be difficult to replace.

Labour Costs and Shortages
The success of AGI's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of AGI to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on the Company's results of operations.

Distribution, Sales Representative and Supply Contracts
AGI typically does not enter into written agreements with its dealers, distributors or suppliers in North America. As a result, such parties may, without notice or penalty, terminate their relationship with AGI at any time. In addition, even if such parties should decide to continue their relationship with AGI, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis.

AGI often enters into supply agreements with customers outside of North America. These contracts may include penalties for non-performance including in relation to product quality, late delivery and in some cases project assembly services. In addition, contractual commitments negotiated with foreign customers conducted in languages other than English may increase the likelihood of disputes with respect to agreed upon commitments. In the event AGI fails to perform to the standards of its contractual commitments, it could suffer a negative financial impact, which in some cases could be material.

Availability of Credit
AGI's credit facility matures on May 19, 2019 and is renewable at the option of the lenders. There can be no guarantee the Company will be able to obtain alternate financing and no guarantee that future credit facilities will have the same terms and conditions as the existing facility. This may have an adverse effect on the Company, its ability to pay dividends and the market value of its

Common Shares and other securities. In addition, the business of the Company may be adversely impacted in the event that the Company's customers do not have access to sufficient financing to purchase AGI's products and services. Sales related to the construction of commercial grain handling facilities, sales to developing markets, and sales to North American farmers may be negatively impacted.

Interest Rates
AGI's term and operating credit facilities bear interest at rates that are in part dependent on performance based financial ratios. The Company's cost of borrowing may be impacted to the extent that the ratio calculation results in an increase in the performance based component of the interest rate. To the extent that the Company has term and operating loans where the fluctuations in the cost of borrowing are not mitigated by interest rate swaps, the Company's cost of borrowing may be impacted by fluctuations in market interest rates.

Operating Hazards
AGI's revenue is dependent on the continued operation of its facilities. The operation of facilities involves risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. AGI's operations are also subject to various hazards incidental to the production, use, handling, processing, storage and transportation of certain hazardous materials. These hazards can cause fatal personal injury, severe damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials. There can be no assurance as to the actual amount of these liabilities or their timing.

Uninsured and Underinsured Losses
AGI uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

AGI obtains insurance for certain of its accounts receivables outside of North America while assuming a percentage of the risk, most often 10% of the insured amount. In the event that AGI is unable to collect on its accounts receivables outside of North America, the Company will incur financial losses related to the uninsured portion.

Income Tax Matters
Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of income tax rules and regulations of the various jurisdictions in which AGI operates and judgments as to their interpretation and application to AGI's specific situation. The amount and timing of reversals of temporary differences also depends on AGI's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of AGI are complex and AGI has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors as well as AGI's interpretation of and compliance with relevant tax legislation and regulations. While AGI believes that its' existing and proposed tax filing positions are probable to be sustained, there are a number of existing and proposed tax filing positions that are or may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by AGI and the ultimate value of AGI's income tax assets and liabilities could change in

the future and that changes to these amounts could have a material adverse effect on AGI and its financial results.

Leverage; Restrictive Covenants

The degree to which AGI is leveraged could have important consequences to shareholders, including: (i) the ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a material portion of AGI's cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations and to pay dividends; (iii) certain of the borrowings under the Company's credit facility may be at variable rates of interest, which exposes AGI to the risk of increased interest rates; and (iv) AGI may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. AGI's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The ability of AGI to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing its indebtedness, including the Company's credit facility and note purchase agreement. AGI's credit facility and note purchase agreements contain restrictive covenants customary for agreements of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of AGI to incur additional indebtedness, to pay dividends or make certain other payments and to sell or otherwise dispose of material assets. In addition, the credit facility and note purchase agreements contain a number of financial covenants that will require AGI to meet certain financial ratios and financial tests. A failure to comply with these obligations could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness and trigger financial penalties including a make-whole provision in the note purchase agreement. If the indebtedness under the credit facility and/or note purchase agreements were to be accelerated, there can be no assurance that the assets of AGI would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facility or any other indebtedness of the Company will be able to be refinanced.

Information Systems, Privacy and Data Protection

Security breaches and other disruptions to AGI's information technology infrastructure could interfere with AGI's operations and could compromise AGI's and its customers' and suppliers' information, exposing AGI to liability that would cause AGI's business and reputation to suffer.
In the ordinary course of business, AGI relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of AGI equipment. AGI uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements.

Additionally, AGI collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary business information of AGI's customers and suppliers, as well as personally identifiable information of AGI's customers and employees, in data centers and on information technology networks. The secure operation of these information technology networks and the processing and maintenance of this information is critical to AGI's business

operations and strategy. Despite security measures and business continuity plans, AGI's information technology networks and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers or breaches due to employee error or malfeasance or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters or other catastrophic events. The occurrence of any of these events could compromise AGI's networks, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage AGI's reputation, which could adversely affect AGI's business.

Labour Relations
AGI's workforce is comprised of both unionized and non-union employees. With respect to those employees that are covered by collective bargaining agreements, there can be no assurance as to the outcome of any negotiations to renew such agreements on satisfactory terms. Failure to renegotiate collective bargaining agreements could result in strikes, work stoppages or interruptions, and if any of these events were to occur, they could have a material adverse effect on AGI's reputation, operations and financial performance. If non-unionized employees become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

Environmental
Due to the nature of its operations, AGI is subject to environmental laws relating to, among other things, air emissions, the management of contaminants and wastes (including the generation, handling, storage, transportation, treatment and disposal of contaminants and wastes), discharges to water and the remediation of environmental impacts. No assurance can be given that all environmental liabilities have been determined or accurately quantified, that AGI is not responsible for a material environmental condition not known to it, or that environmental laws and regulations will not change or be enforced in the future in a manner that will have an adverse effect on the business, financial condition or results of operations of AGI.

Climate Change
AGI recognizes climate change as an important environmental issue facing society. Accordingly, AGI is committed to responsibly managing the regulatory and physical impacts of climate change on its business. AGI believes that it is unlikely that changes to regulations would result in direct material changes to AGI's operations and/or costs; however, AGI recognizes that environmental risks are important from the perspective of corporate social responsibility. Poorly executed environmental performance could have negative legal or community relations impacts. In addition, AGI recognizes that many of its customers and suppliers operate businesses that will face new regulations in the near future. Changes to suppliers' operations to comply with new regulations could result in higher material costs to AGI. Physical changes of climate change could cause variations in agricultural yields and growing seasons, which may reduce demand from agricultural customers.

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 fair value through profit or loss or through OCI, 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 OCI, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focus 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 l, 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 is currently evaluating the impact of the above standard on its consolidated financial statements.

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, Revenue from contracts with customers. The Company has not yet assessed the impact of the adoption of this standard 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.

The Company acquired VIS on November 30, 2015, Entringer on March 9, 2016, NuVision on April 1, 2016 and Mitchell Mill Systems on July 18, 2016. See “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 acquisition 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 this acquisition, 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 VIS’, Entringer’s, NuVision’s and Mitchell’s financial information. The following is the summary financial information pertaining to VIS, Entringer, NuVision and Mitchell that were included in AGI’s consolidated financial statements as at and for the quarter ended September 30, 2016:

(thousands of dollars)	**VIS**	**Entringer**	**NuVision**	**Mitchell**
Revenue	$5,136	$2,452	$6,364	$3,900
Profit (loss)	$1,209	$(146)	$660	$(391)
Current assets[1]	$8,911	$3,912	$6,093	$7,511
Non-current assets[1]	$12,493	$29,395	$20,206	$23,417
Current liabilities[1]	$5,367	$7,379	$16,980	$10,688
Non-current liabilities[1]	$1,674	$0	$0	$152

Note 1 - Balance sheet as at September 30, 2016

There have been no material changes in AGI’s internal controls over financial reporting that occurred in the three-month period ended September 30, 2016, 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 International Financial Reporting Standards (“IFRS”), with a number of non-IFRS financial measures including “EBITDA”, “adjusted EBITDA”, “adjusted EBITDA %”, “gross margin”, “funds from operations”, “payout ratio”, “adjusted 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 certain amounts. 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 asset impairment charges. 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 and expenses related to corporate acquisition activity. Adjusted EBITDA excludes the results of AGI divisions Applegate and Mepu as the previously announced strategic review of these assets has 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.

References to "adjusted EBITDA %" are to adjusted EBITDA as a percentage of trade sales.

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. Trade sales exclude the results of AGI divisions Applegate and Mepu as the previously announced strategic review of these assets has resulted in their sale in 2016.

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. References to “adjusted payout ratio” are to declared dividends paid in cash as a percentage of funds from operations.

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 the non-cash CRA settlement, losses on foreign exchange, transaction costs, non-cash loss on available-for-sale investment and gain on sale of property, plant and equipment.

This MD&A includes certain financial information relating to Yargus, which is prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"), 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. In the case of the Yargus financial information, references to “normalized EBITDA” are to Yargus’ unaudited earnings before income taxes, finance costs, depreciation and amortization and include certain normalization adjustments including owner/manager compensation structure and related party transactions. Management believes that, in addition to sales, profit or loss and cash flows from operating, investing, and financing activities, normalized EBITDA is a useful supplemental measure in evaluating a company's performance. Normalized EBITDA is not a financial measure recognized by IFRS or U.S. GAAP and does not have standardized meanings prescribed by IFRS or U.S. GAAP. Management cautions investors that normalized EBITDA should not replace sales or profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a

measure of a company’s liquidity and cash flows. AGI’s method of calculating normalized EBITDA may differ from the methods used by other issuers.

In addition, this MD&A includes certain financial information relating to Entringer, which is prepared in accordance with Brazilian generally accepted accounting principles ("Brazilian GAAP"), 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. In the case of the Entringer financial information, references to “normalized EBITDA” are to Entringer’s unaudited earnings before income taxes, finance costs, depreciation and amortization and include certain normalization adjustments including owner/manager compensation structure and related party transactions. Management believes that, in addition to sales, profit or loss and cash flows from operating, investing, and financing activities, normalized EBITDA is a useful supplemental measure in evaluating a company's performance. Normalized EBITDA is not a financial measure recognized by IFRS or Brazilian GAAP and does not have standardized meanings prescribed by IFRS or Brazilian GAAP. Management cautions investors that normalized EBITDA should not replace sales or profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of a company’s liquidity and cash flows. AGI’s method of calculating normalized EBITDA may differ from the methods used by other issuers.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans”, “will” or similar expressions suggesting future conditions or events. In particular, the forward-looking statements in this MD&A include statements relating to our business and strategy, including our outlook for our future financial and operating performance including our expectations for sales and adjusted EBITDA, and with respect to our ability to achieve the expected benefits of the recent acquisitions including the Yargus acquisition and the contribution therefrom. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated grain production in our market areas, financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, political events, currency exchange rates, the cost of materials, labour and services and the value of businesses and assets and liabilities assumed pursuant to the recent acquisitions including the Yargus acquisition. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange rates, competition and AGI failure to achieve the expected benefits of the recent acquisitions. These risks and uncertainties are described under “Risks and Uncertainties” in this 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 statements. There can be no assurance that the acquisition of Yargus will be completed when anticipated or at all or that any of the anticipated benefits of the Yargus acquisition will be realized. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

ADDITIONAL INFORMATION

Additional information relating to AGI, including AGI's most recent Annual Information Form, is available on SEDAR (www.sedar.com).

Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

September 30, 2016

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	September 30, 2016 $	December 31, 2015 $
Assets *[note 17]*		
Current assets		
Cash and cash equivalents	**36,395**	58,234
Cash held in trust *[note 5]*	**250**	250
Accounts receivable *[note 14]*	**98,370**	73,524
Inventory	**91,942**	98,722
Prepaid expenses and other assets	**4,147**	2,790
Due from vendor *[note 5]*	**1,598**	—
Current portion of note receivable and consideration receivable *[note 6]*	**399**	—
Income taxes recoverable	**124**	916
	233,225	234,436
Non-current assets		
Property, plant and equipment, net *[note 26]*	**179,503**	165,687
Goodwill *[note 9]*	**189,991**	164,081
Intangible assets, net *[note 8]*	**179,809**	163,781
Available-for-sale investment *[note 11]*	**900**	900
Other assets *[note 19]*	**—**	234
Note receivable *[note 6]*	**718**	—
Income taxes recoverable	**4,028**	3,930
Derivative instruments *[note 21]*	**5,239**	—
Deferred tax asset *[note 20]*	**256**	84
	560,444	498,697
Assets held for sale *[note 10]*	**3,138**	6,606
Total assets	**796,807**	739,739
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 23]*	**65,635**	47,721
Customer deposits	**17,042**	21,461
Dividends payable *[note 15[d]]*	**2,951**	2,883
Current portion of contingent consideration *[note 5]*	**8,241**	2,687
Due to vendor *[note 5]*	**6,852**	1,114
Acquisition, transaction and financing costs payable	**1,972**	732
Other financial liabilities *[note 5[b]]*	**—**	9,017
Income taxes payable	**7,973**	4,472
Current portion of long-term debt *[note 17]*	**32,793**	34,600
Current portion of obligations under finance lease *[note 17[d]]*	**246**	209
Current portion of derivative instruments *[note 21]*	**3,892**	20,577
Provisions	**6,542**	6,550
	154,139	152,023
Non-current liabilities		
Long-term debt *[note 17]*	**127,864**	112,331
Due to vendor	**758**	800
Contingent consideration *[note 5]*	**17,658**	1,976
Other liabilities *[note 19]*	**1,114**	—
Convertible unsecured subordinated debentures *[note 18]*	**200,278**	197,585
Obligations under finance lease *[note 17[d]]*	**995**	1,177
Derivative instruments *[note 21]*	**2,617**	3,191
Deferred tax liability *[note 20]*	**43,216**	32,938
	394,500	349,998
Total liabilities	**548,639**	502,021
Shareholders' equity *[note 15]*		
Common shares	**250,456**	244,840
Accumulated other comprehensive income	**46,552**	42,560
Equity component of convertible debentures *[note 18]*	**6,912**	6,912
Contributed surplus *[note 15 [b]]*	**14,850**	10,193
Deficit	**(70,602)**	(66,787)
Total shareholders' equity	**248,168**	237,718
Total liabilities and shareholders' equity	**796,807**	739,739

Commitments and contingencies *[note 26]*

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]

	Three-month period ended		Nine-month period ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	$	$	$	$
Sales	**158,680**	114,918	**411,240**	307,266
Cost of goods sold *[note 7[d]]*	**109,374**	86,990	**283,563**	218,757
Gross profit	**49,306**	27,928	**127,677**	88,509
Expenses				
Selling, general and administrative *[note 7[e]]*	**26,491**	27,712	**80,674**	67,962
Other operating expense (income) *[note 7[a]]*	**(2,393)**	1,197	**(6,625)**	907
Impairment charge *[notes 10 and 13]*	**263**	—	**4,059**	—
Finance costs *[note 7[c]]*	**6,058**	5,164	**17,944**	12,240
Finance expense (income) *[note 7[b]]*	**270**	3,219	**(1,847)**	5,181
	30,689	37,292	**94,205**	86,290
Profit (loss) before income taxes	**18,617**	(9,364)	**33,472**	2,219
Income tax expense (recovery) *[note 20]*				
Current	**4,426**	(236)	**10,230**	2,331
Deferred	**1,239**	136	**(212)**	3,090
	5,665	(100)	**10,018**	5,421
Profit (loss) from continuing operations	**12,952**	(9,264)	**23,454**	(3,202)
Profit (loss) from discontinued operations, net of tax *[note 6]*	**82**	626	**562**	(672)
Profit (loss) for the period	**13,034**	(8,638)	**24,016**	(3,874)
Profit (loss) per share from continuing operations *[note 24]*				
Basic	**0.87**	(0.64)	**1.60**	(0.23)
Diluted	**0.84**	(0.64)	**1.57**	(0.23)
Profit (loss) per share from discontinued operations *[note 24]*				
Basic	**0.01**	0.04	**0.04**	(0.05)
Diluted	**0.01**	0.04	**0.04**	(0.05)
Profit (loss) per share *[note 24]*				
Basic	**0.88**	(0.60)	**1.64**	(0.28)
Diluted	**0.85**	(0.60)	**1.61**	(0.28)

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
	$	$	$	$
Profit (loss) for the period	**13,034**	(8,638)	**24,016**	(3,874)
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	**(470)**	(12,409)	**6,776**	(23,596)
Losses on derivatives designated as cash flow hedges recognized in net earnings in the current period	**3,824**	3,995	**10,482**	7,777
Hedge ineffectiveness recognized in net earnings in the current period	**—**	1,317	**—**	1,317
Actuarial gains on defined benefit plans	**(100)**	(674)	**(1,224)**	(674)
Exchange differences on translation of foreign operations	**1,496**	15,253	**(7,467)**	29,539
Income tax effect on cash flow hedges	**(906)**	1,916	**(4,660)**	3,951
Income tax effect on defined benefit plans	**27**	182	**331**	182
Other comprehensive income (loss) from discontinued operations *[note 6]*	**54**	531	**(246)**	665
Other comprehensive income for the period	**3,925**	10,111	**3,992**	19,161
Total comprehensive income for the period	**16,959**	1,473	**28,008**	15,287

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2016

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2016	**244,840**	**6,912**	**10,193**	**(66,787)**	**(17,358)**	**59,761**	**157**	**237,718**
Profit for the period	—	—	—	**24,016**	—	—	—	**24,016**
Other comprehensive income (loss)	—	—	—	—	**12,598**	**(7,713)**	**(893)**	**3,992**
Share-based payment transactions *[notes 15 and 16]*	**1,640**	—	**4,657**	—	—	—	—	**6,297**
Dividend reinvestment plan *[notes 15[d] and 15[e]]*	**3,976**	—	—	—	—	—	—	**3,976**
Dividends to shareholders *[note 15[d]]*	—	—	—	**(26,432)**	—	—	—	**(26,432)**
Dividends on share-based compensation awards *[note 15[d]]*	—	—	—	**(1,399)**	—	—	—	**(1,399)**
As at September 30, 2016	**250,456**	**6,912**	**14,850**	**(70,602)**	**(4,760)**	**52,048**	**(736)**	**248,168**

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2015

	Common shares	Equity component of convertible debentures	Contributed surplus	Deficit	Cash flow hedge reserve	Foreign currency reserve	Defined benefit plan reserve	Total equity
	$	$	$	$	$	$	$	$
As at January 1, 2015	184,771	3,135	12,954	(5,972)	(6,545)	21,383	—	209,726
Loss for the period	—	—	—	(3,874)	—	—	—	(3,874)
Other comprehensive income (loss)	—	—	—	—	(10,551)	30,204	(492)	19,161
Share-based payment transactions *[notes 15 and 16]*	202	—	2,500	—	—	—	—	2,702
Dividend reinvestment plan transactions *[notes 15[d] and 15[e]]*	3,652	—	—	—	—	—	—	3,652
Dividends to shareholders *[note 13[d]]*	—	—	—	(24,888)	—	—	—	(24,888)
Issuance of 2015 convertible unsecured subordinated debentures	—	3,777	—	—	—	—	—	3,777
Dividends on share-based compensation awards	—	—	—	(626)	—	—	—	(626)
Dividends on subscription receipts	—	—	—	(1,112)	—	—	—	(1,112)
Share issuance related to Westeel acquisition *[note 5[b]]*	49,138	—	—	—	—	—	—	49,138
As at September 30, 2015	237,763	6,912	15,454	(36,472)	(17,096)	51,587	(492)	257,656

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		Nine-month period ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	$	$	$	$
Operating activities				
Profit (loss) before income taxes for the period	**18,617**	(9,364)	**33,472**	2,219
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	**2,945**	2,284	**8,475**	5,591
Amortization of intangible assets	**2,585**	2,355	**8,464**	5,266
Non-cash investment tax credit	**(68)**	(325)	**(68)**	(394)
Translation loss (gain) on foreign exchange	**(720)**	14,353	**(5,619)**	24,523
Non-cash component of interest expense	**1,099**	788	**3,252**	2,025
Share-based compensation expense	**1,755**	1,931	**5,075**	2,076
Loss (gain) on sale of property, plant and equipment	**(130)**	2,588	**(143)**	3,328
Loss (gain) on sale of asset held for sale	**—**	—	**(16)**	(131)
Defined benefit plan expense	**157**	208	**470**	301
Employer contribution to defined benefit plans	**(126)**	(100)	**(347)**	(140)
Non-cash movement in derivative instruments	**(1,735)**	—	**(5,160)**	—
Dividends receivable on equity swap	**—**	—	**(100)**	—
Dividends on share based compensation	**—**	—	**(55)**	—
Contingent consideration	**491**	—	**940**	—
Impairment charge	**263**	—	**4,059**	—
	25,133	14,718	**52,699**	44,664
Net change in non-cash working capital balances related to operations *[note 12]*	**9,543**	3,884	**(5,977)**	(22,509)
Income taxes paid	**(5,010)**	(1,823)	**(6,073)**	(1,982)
Cash provided by operating activities	**29,666**	16,779	**40,649**	20,173
Investing activities				
Acquisition of property, plant and equipment	**(16,970)**	(9,519)	**(20,547)**	(32,965)
Acquisition of Entringer, net of cash acquired *[note 5[d]]*	**1,129**	—	**(8,582)**	—
Acquisition of NuVision *[note 5 [e]]*	**—**	—	**(6,000)**	—
Acquisition of Westeel, net of cash acquired *[note 5[b]]*	**—**	—	**—**	(208,459)
Acquisition of European subsidiary *[note 5[b]]*	**—**	—	**(8,775)**	—
Acquisition of Mitchell *[note 5[f]]*	**(16,300)**	—	**(16,300)**	—
Changes to deposits related to property, plant and equipment	**—**	3,560	**—**	2,201
Transaction costs paid and payable	**117**	(1,467)	**(938)**	(921)
Proceeds from sale of property, plant and equipment	**173**	3,189	**412**	3,210
Proceeds from sale of assets held for sale	**—**	—	**1,202**	1,147
Proceeds on disposal of business *[note 6]*	**4,102**	—	**7,209**	—
Development and purchase of intangible assets	**(949)**	(520)	**(2,271)**	(1,262)
Cash used in investing activities	**(28,698)**	(4,757)	**(54,590)**	(237,049)
Financing activities				
Repayment of long-term debt	**—**	(50,000)	**—**	(50,000)
Repayment of obligations under finance lease	**(24)**	(63)	**(246)**	(63)
Costs related to issuance of long-term debt	**—**	—	**(10)**	—
Issuance of long-term debt	**15,000**	232	**15,000**	174,721
Issuance of convertible unsecured subordinated debentures		71,300	**—**	71,300
Subscription receipts financing costs	**—**	—	**—**	(123)
Subscription receipts commission payable	**—**	—	**—**	(1,036)
Common share issuance	**—**	—	**—**	51,766
Dividends paid in cash	**(7,614)**	(7,152)	**(22,456)**	(22,114)
Cash provided by (used in) financing activities	**7,362**	14,317	**(7,712)**	224,451
Net increase (decrease) in cash and cash equivalents from continuing operations	**8,330**	26,339	**(21,653)**	7,575
Net increase (decrease) in cash and cash equivalents from discontinued operations *[note 6]*	**(61)**	859	**(186)**	471
Net increase (decrease) in cash and cash equivalents during the period	**8,269**	27,198	**(21,839)**	8,046
Cash and cash equivalents, beginning of period	**28,126**	6,143	**58,234**	25,295
Cash and cash equivalents, end of period	**36,395**	33,341	**36,395**	33,341
Supplemental cash flow information				
Interest paid	**2,296**	2,573	**12,296**	8,635

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2016

1. Organization

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three-month and nine-month periods ended September 30, 2016 were authorized for issuance in accordance with a resolution of the directors on November 9, 2016. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded at the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Operations

Ag Growth Inc. conducts business in the grain handling, storage and conditioning market.

Included in these unaudited interim condensed consolidated financial statements are the accounts of Ag Growth Inc. and all of its subsidiary partnerships and incorporated companies [together, Ag Growth Inc. and its subsidiaries are referred to as "AGI" or the "Company"].

3. 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 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, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016. As required by IAS 34, the nature and effect of those changes are disclosed below.

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 are part of the IASB's initiative to improve presentation and disclosure in financial reports. The application of IAS 1 has not materially impacted the unaudited interim condensed consolidated financial statements.

Discontinued operations

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is classified as held for sale, and,

[i] Represents a separate major line of business or geographical area of operations;

[ii] Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

[iii] Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statements of income and comprehensive income. Additional disclosures are provided in note 6.

These unaudited interim condensed consolidated financial statements 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, 2015, which are available on SEDAR at www.sedar.com.

[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 and available-for-sale investments, which are measured at fair value.

Accounting measurements at interim dates, rather than at year-end, inherently involve a greater reliance on estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly the unaudited interim condensed consolidated financial position of the Company as at September 30, 2016.

[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 ["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 fair value through profit or loss or through OCI, 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 OCI, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focus 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 is currently evaluating the impact of the above standard on its consolidated financial statements.

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, Revenue from contracts with customers. 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.

4. Seasonality of business

Interim period sales and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high 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 third quarter, result in accounts receivable levels increasing throughout the year and normally peaking in the third quarter.

5. Business combinations

[a] Rem Grain Vac product line

Effective February 3, 2014, the Company acquired the assets related to the Rem Grain Vac product line ["Grain Vac"]. The acquisition of Grain Vac provides the Company with a complementary product line.

During 2015, the allocation of the purchase price to acquired assets and liabilities was finalized. As at September 30, 2016, the Company had cash held in trust of $250 [2015 – $250] relating to the acquisition of Grain Vac.

[b] Vicwest's Westeel Division

Effective May 20, 2015, the Company acquired substantially all of the assets of Vicwest's Westeel Division ["Westeel"], Canada's leading provider of grain storage solutions. The acquisition of Westeel provides the Company with an expanded growth platform within North America and around the world.

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

	$
Cash and cash equivalents	13,183
Accounts receivable	22,281
Inventory	27,555
Prepaid expenses and other assets	868
Investment in European subsidiary	5,481
Property, plant and equipment	42,871
Intangible assets	
Distribution network	37,600
Brand name	43,300
Order backlog	1,700
Goodwill	81,237
Other long-term assets	702
Accounts payable and accrued liabilities	(22,358)
Customer deposits	(709)
Provisions	(1,172)
Income taxes payable	(4,825)
Deferred tax liability	(21,478)
Other liabilities	(3,172)
Obligations under finance leases	(1,422)
Purchase consideration	221,642

The goodwill of $81,237 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of accounts receivable acquired is $22,281. This consists of the gross contractual value of $23,300, less the estimated amount not expected to be collected of $1,019.

In the three-month period ended June 30, 2016, the estimated fair value of the land and building in Regina, Saskatchewan was decreased based on a more in depth review of the condition of the property as at the date of acquisition. This has resulted in a decrease to property, plant and equipment and an increase in goodwill, each in the amount of $500 from the period previously reported.

Also in the three-month period ended June 30, 2016, a liability was identified that was not recorded at the acquisition date. This has resulted in an increase to goodwill and accounts payable and accrued liabilities, each in the amount of $426.

Included in other liabilities is a put option liability that relates to Westeel's European subsidiary. The put option held by the European subsidiary's non-controlling shareholders provides them an option to put the remaining minority interest to the Company. Significant judgment was required to assess the date when the Company gained control over the European subsidiary and the Company determined that for the purposes of financial reporting such control was effective as at October 1, 2015. Factors relevant to this assessment included Board representation from the Company.

From the date of acquisition, Westeel contributed to the 2015 results $73,214 of revenue and $1,058 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $60,806 and profit from continuing operations in 2015 would have increased by an additional $3,171.

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

	$
Purchase consideration	221,642
Less cash acquired	(13,183)
Less cash acquired with European subsidiary	(2,466)
Purchase consideration transferred	205,993

During the three-month period ended June 30, 2016, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs related to the Westeel acquisition in the three- and nine-month periods ended September 30, 2016 were $9 and $88 [2015 – $219 and $3,373] and are included in selling, general and administrative expenses.

For the purposes of funding the purchase price, AGI issued $51.75 million subscription receipts [the "Subscription Receipts"] and $51.75 million aggregate principal amount extendible convertible unsecured subordinated debentures *[note 18]*. The remainder of the purchase price was funded by the Company through expanded credit facilities *[note 17]*.

Upon the completion of the Westeel acquisition, the Subscription Receipt holders received one common share of AGI per Subscription Receipt.

The assets and liabilities of the European subsidiary on the date of control of October 1, 2015 have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	2,466
Accounts receivable	3,417
Inventory	8,803
Prepaid expenses and other assets	1,243
Deferred tax asset	48
Property, plant and equipment	228
Intangible assets	
Distribution networks	1,780
Brand name	1,929
Order backlog	806
Goodwill	2,579
Accounts payable and accrued liabilities	(12,109)
Purchase consideration	11,190

The goodwill of $2,579 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $3,417. This consists of the gross contractual value of $3,517, less the estimated amount not expected to be collected of $100.

In the six-month period ended June 30, 2016, the Company identified certain non-refundable customer deposits recorded in the purchase price allocation. These deposits related to projects that were terminated prior to acquisition, and should not have been included in the allocation of the purchase price. This has resulted in a decrease in accounts payable and accrued liabilities and a decrease in goodwill, each in the amount of $1,129 from the period previously reported.

From the date of acquisition, the European subsidiary contributed to the 2015 results $14,098 of revenue and $1,217 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $17,223 and profit from continuing operations in 2015 would have increased by an additional $157.

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

There was no cash consideration exchanged at the date of control. The consideration given up or assumed consisted of the fair value of the previously held 51% interest in the European subsidiary and the recognition of a financial liability to acquire the remaining non-controlling interest based on the expected cash outflow which has been recorded as an other financial liability as at December 31, 2015. During the three-month period ended June 30, 2016, the Company acquired the remaining 49% of the European subsidiary for consideration of 6.0 million Euros.

Transaction costs related to the European subsidiary acquisition in the three- and nine-month periods ended September 30, 2016 were $100 and $253 [2015 – nil and nil] and are included in selling, general and administrative expenses.

[c] GJ Vis Holdings Inc. [“Vis”]

Effective November 30, 2015, the Company acquired 100% of the outstanding shares of Vis, a manufacturer of commercial fertilizer and feed handling equipment. The acquisition of Vis provides the Company with a new capability and experience in the planning, design and manufacture of high throughput industrial fertilizer handling equipment.

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

	$
Accounts receivable	1,073
Inventory	2,770
Prepaid expenses and other assets	89
Income taxes recoverable	46
Property, plant and equipment	4,080
Intangible assets	
Distribution network	2,643
Brand name	2,473
Order backlog	583
Goodwill	3,637
Accounts payable and accrued liabilities	(849)
Customer deposits	(922)
Deferred tax liability	(1,674)
Purchase consideration	13,949

The goodwill of $3,637 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,073. This consists of the gross contractual value of $1,123, less the estimated amount not expected to be collected of $50.

From the date of acquisition, Vis contributed to the 2015 results $1,353 of revenue and $196 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $13,854 and profit from continuing operations in 2015 would have increased by an additional $451.

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

	$
Cash paid	10,000
Contingent consideration	4,663
Due from vendor	(714)
Purchase consideration	13,949

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 Vis acquisition in the three- and nine-month periods ended September 30, 2016 were nil and $124 [2015 – nil and nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Vis meeting predetermined earnings targets in 2016 and 2017. A maximum payment of $3,000 in 2016 and $2,000 in 2017 would be required if Vis meets the targets. The Company believes the likelihood of the maximum payment is very high. The present value of the contingent consideration was determined using a 5% discount rate. $2,687 was recorded in current liabilities and $1,976 was recorded in non-current liabilities as at the date of acquisition.

[d] 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:

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2016

	$
Cash and cash equivalents	1,215
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	9,987
Accounts payable and accrued liabilities	(5,164)
Other liabilities	(301)
Purchase consideration	13,425

The goodwill of $9,987 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,246. This consists of the gross contractual value of $1,496, less the estimated amount not expected to be collected of $250.

In the three-month period ended June 30, 2016, the Company identified specific inventories included in the assets that should have been reserved for, resulting in a decrease in inventory and increase in goodwill, each in the amount of $373.

Also, the Company identified health plan costs that were not historically recorded by the vendors, but will be covered by the Company post-acquisition, resulting in an increase in accounts payable and accrued liabilities and an increase in goodwill, each in the amount of $182.

As well, a liability was identified that was not recorded at the acquisition date. This has resulted in an increase in accounts payable and accrued liabilities and an increase in goodwill, each in the amount of $322.

The Company continues to work on the purchase price allocation and has identified updated amounts for assets acquired and liabilities assumed. This has resulted in a decrease to goodwill in the amount of $49 and various decreases to assets and liabilities.

From the date of acquisition, Entringer contributed to the 2016 results $3,644 of revenue and $1,585 of net loss. If the acquisition had taken place as at January 1, 2016, revenue from continuing operations in 2016 would have increased by an additional $1,096 and profit from continuing operations in 2016 would have decreased by an additional $1,819.

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

	$
Cash paid	10,926
Contingent consideration	2,667
Due from vendor	(168)
Purchase consideration	13,425

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 Entringer acquisition in the three- and nine-month periods ended September 30, 2016 were $166 and $372 [2015 – nil and nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Entringer meeting predetermined earnings targets in 2016, 2017 and 2018. A maximum payment of $1,800 in each of 2017, 2018 and 2019 would be required if Entringer meets the targets. The Company believes the likelihood of the maximum payment is low. The present value of the contingent consideration was determined using a 5% discount rate. $2,667 was recorded in non-current liabilities as at the date of acquisition.

[e] 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:

	$
Accounts receivable	3,604
Inventory	1,205
Prepaid expenses and other assets	35
Property, plant and equipment	492
Intangible assets	
Distribution network	6,396
Brand name	3,627
Order backlog	741
Goodwill	10,140
Accounts payable and accrued liabilities	(2,591)
Customer deposits	(1,476)
Income taxes payable	(327)
Deferred tax liability	(2,420)
Purchase consideration	19,426

The goodwill of $10,140 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $3,604. This consists of the gross contractural value of $3,654, less the estimated amount not expected to be collected of $50.

In the three-month period ended September 30, 2016, the Company identified certain customer deposits with a corresponding accounts receivable. As a result, both accounts receivable and customer deposits have been reduced by $785.

From the date of acquisition, NuVision contributed to the 2016 results $11,453 of revenue and $541 of net income. If the acquisition had taken place as at January 1, 2016, revenue from continuing operations in 2016 would have increased by an additional $4,380 and profit from continuing operations in 2016 would have increased by an additional $280.

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	(740)
Purchase consideration	19,426

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 NuVision acquisition in the three- and nine-month periods ended September 30, 2016 were $14 and $80 [2015 – nil and nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on NuVision meeting predetermined earnings targets in 2016, 2017 and 2018. Payments totalling $14 million between 2017 through 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 has been determined using a 5% discount rate. $1,348 has been recorded in current liabilities and $6,818 has been recorded in non-current liabilities as at the date of acquisition.

[f] 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 US 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:

	$
Accounts receivable	6,184
Inventory	3,319
Prepaid expenses and other assets	95
Property, plant and equipment	6,313
Intangible assets	
Brand name	3,607
Distribution network	6,584
Order backlog	1,200
Goodwill	6,613
Accounts payable and accrued liabilities	(2,077)
Customer deposits	(1,340)
Income taxes payable	(365)
Deferred tax liability	(3,761)
Purchase consideration	26,372

The goodwill of $6,613 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $6,184. This consists of the gross contractual value of $6,259, less the estimated amount not expected to be collected of $75.

From the date of acquisition, Mitchell contributed to the 2016 results $3,900 of revenue and $391 of net loss. If the acquisition had taken place as at January 1, 2016, revenue from continuing operations in 2016 would have increased by an additional $16,450 and profit from continuing operations in 2016 would have decreased by an additional $2,589.

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	481
Purchase consideration	26,372

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- and nine-month periods ended September 30, 2016 were $112 and $231 [2015 – nil and 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 has been determined using a 5% discount rate. $3,914 has been recorded in current liabilities and $5,177 has been recorded in non-current liabilities as at the date of acquisition.

6. Discontinued operations

During the second quarter of 2016, the Company entered into an agreement with Arskametalli Oy [“Arska”] to sell selected assets of its wholly-owned subsidiary Mepu Oy [“Mepu”]. On June 15, 2016, the Company completed the sale and, after preliminary customary adjustments and transactions costs, the Company recognized net cash proceeds on sale of $3,107. Final closing adjustments will be recognized and remaining proceeds of $1,088 will be received as $290 in the fourth quarter of 2016 and 10 payments of $105 due annually beginning June of 2017. The present value of these 10 payments has been calculated to be $798.

During the third quarter of 2016, the Company entered into an agreement with Tarter Tube LLC [“Tarter”] to sell selected assets of its wholly-owned subsidiaries Applegate Livestock Equipment Inc. and Applegate Trucking Inc. [“Applegate”]. On August 12, 2016, the Company completed the sale and, after preliminary customary adjustments and transaction costs, the Company recognized net cash proceeds on sale of $4,102.

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

The results of discontinued operations for the three- and nine- month periods ended September 30, 2016 are as follows:

Unaudited interim condensed consolidated statements of profit (loss) from discontinued operations

	Three-month period ended		Nine-month period ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
	$	$	$	$
Sales	**1,755**	10,672	**15,320**	27,979
Cost of goods sold	**1,515**	8,403	**12,795**	23,511
Gross profit	**240**	2,269	**2,525**	4,468
Expenses				
Selling, general and administrative	**304**	1,692	**2,916**	5,192
Other operating income	**(1)**	(49)	**(12)**	(52)
Impairment recovery	**(145)**	—	**(941)**	—
	158	1,643	**1,963**	5,140
Profit (loss) from discontinued operations for the period	**82**	626	**562**	(672)

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2016

Unaudited interim condensed consolidated statements of comprehensive income (loss) from discontinued operations

	Three-month period ended		Nine-month period ended	
	September 30, 2016 $	**September 30, 2015** $	**September 30, 2016** $	**September 30, 2015** $
Profit (loss) from discontinued operations for the period	**82**	626	**562**	(672)
Other comprehensive income				
Items that may be reclassified subsequently to profit or (loss)				
Exchange difference on translation of foreign operations	**54**	531	**(246)**	665
Other comprehensive income (loss) from discontinued operations for the period	**54**	531	**(246)**	665
Total comprehensive income (loss) from discontinued operations for the period	**136**	1,157	**316**	(7)

Unaudited interim condensed consolidated statements of cash flows from discontinued operations for the period

	Three-month period ended		Nine-month period ended	
	September 30, 2016 $	**September 30, 2015** $	**September 30, 2016** $	**September 30, 2015** $
Cash flows (used in) from operating activities	**(61)**	866	**(75)**	723
Cash flows used in investing activities	**—**	(7)	**(111)**	(252)
Cash flows (used in) from discontinued operations	**(61)**	859	**(186)**	471

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2016

7. Other expenses (income)

	Three-month period ended		Nine-month period ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	$	$	$	$
[a] Other operating expenses (income)				
Net loss (gain) on disposal of property, plant and equipment	**(130)**	2,588	**(143)**	3,328
Net loss (gain) on disposal of assets held for sale	**—**	—	**(16)**	(131)
Other	**(2,263)**	(1,391)	**(6,466)**	(2,290)
	(2,393)	1,197	**(6,625)**	907
[b] Finance expenses (income)				
Interest expenses (income) from banks	**1**	(1)	**(38)**	(231)
Loss (gain) on foreign exchange	**269**	3,220	**(1,809)**	5,412
	270	3,219	**(1,847)**	5,181
[c] Finance costs				
Interest on overdrafts and other finance costs	**31**	44	**91**	143
Interest, including non-cash interest, on debts and borrowings	**2,354**	2,710	**6,898**	4,908
Interest, including non-cash interest, on convertible debentures *[note 18]*	**3,673**	2,410	**10,955**	7,189
	6,058	5,164	**17,944**	12,240
[d] Cost of goods sold				
Depreciation	**2,733**	2,155	**7,755**	5,163
Amortization of intangible assets	**1,192**	738	**3,406**	1,252
Warranty provision (recovery)	**54**	1,432	**(8)**	2,137
Cost of inventory recognized as an expense	**105,395**	82,665	**272,410**	210,205
	109,374	86,990	**283,563**	218,757
[e] Selling, general and administrative expenses				
Depreciation	**212**	129	**720**	428
Amortization of intangible assets	**1,393**	1,617	**5,058**	4,014
Minimum lease payments recognized as an operating lease expense	**632**	478	**1,793**	1,194
Transaction costs	**1,374**	1,192	**2,773**	4,706
Selling, general and administrative	**22,880**	24,296	**70,330**	57,620
	26,491	27,712	**80,674**	67,962
[f] Employee benefits expenses				
Wages and salaries	**33,033**	26,585	**98,158**	78,425
Share-based payment transaction expenses *[notes 16[a] and [b]]*	**1,755**	1,931	**5,075**	2,076
Pension costs	**793**	787	**2,409**	1,720
	35,581	29,303	**105,642**	82,221
Included in cost of goods sold	**22,985**	20,442	**66,728**	54,184
Included in selling general and administrative expenses	**12,596**	8,861	**38,914**	28,037
	35,581	29,303	**105,642**	82,221

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2016

8. Intangible assets

	September 30, 2016	December 31, 2015
	$	$
Balance, beginning of period	**163,781**	75,618
Internal development	**2,271**	1,760
Acquisition *[note 5]*	**23,581**	93,565
Amortization	**(8,464)**	(8,610)
Impairment *[note 13]*	**(169)**	(2,185)
Exchange differences	**(1,191)**	3,633
Balance, end of period	**179,809**	163,781

9. Goodwill

	September 30, 2016	December 31, 2015
	$	$
Balance, beginning of period	**164,081**	71,356
Acquisition *[note 5]*	**26,444**	87,564
Impairment *[note 13]*	**—**	(414)
Exchange differences	**(536)**	5,575
Balance, end of period	**189,991**	164,081

10. Assets held for sale

In the three-month period ended March 31, 2015, AGI sold land and buildings in Lethbridge, Alberta and the related carrying amount of $1,101 was removed from assets held for sale. In the three-month period ended June 30, 2015, AGI acquired Westeel, which included land and building in Regina, Saskatchewan that met the definition of assets held for sale. The related carrying amount of $3,600 has been recorded as assets held for sale. In the three-month period ended September 30, 2015, AGI transferred all production activities from an existing facility to a new facility, both located in Decatur, Illinois. AGI concluded that the grounds, building and selected equipment at the existing Decatur, Illinois facility met the definition of assets held for sale. The related carrying amount of $1,274 has been recorded as assets held for sale.

In the three-month period ended June 30, 2016, AGI sold the land and building in Winnipeg, Manitoba that were classified as assets held for sale and the related carrying amount of $1,186 was removed from assets held for sale. Also, the carrying amount of the land and building in Regina, Saskatchewan was reduced from $3,600 to $2,745 *[note 5[b]]* and the carrying amount of the land and building in Decatur, Illinois was reduced from $1,274 to $650. In the three-month period ended September 30, 2016, the carrying amount of the land and building in Decatur, Illinois was further reduced from $650 to $393.

As at September 30, 2016, assets held for sale consist of land, grounds, buildings and selected equipment in Regina, Saskatchewan and Decatur, Illinois.

11. Available-for-sale investment

In fiscal 2009, AGI invested in a privately held Canadian farming company [“Investco”]. AGI assesses at each reporting period whether there is any objective evidence that its investment is impaired.

12. Net change in non-cash working capital

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

	Three-month period ended		**Nine-month period ended**	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
	$	$	$	$
Accounts receivable	**6,295**	2,983	**(13,524)**	(15,474)
Inventory	**6,578**	7,204	**7,459**	1,087
Prepaid expenses and other assets	**(135)**	666	**(1,067)**	66
Accounts payable and accrued liabilities	**925**	(10,997)	**9,249**	(11,285)
Customer deposits	**(4,074)**	3,566	**(7,661)**	2,132
Provisions	**(46)**	462	**(433)**	965
	9,543	3,884	**(5,977)**	(22,509)

13. Impairment of assets

During 2015, AGI conducted a strategic review regarding operations in Union City, USA and Yläne, Finland. Management concluded that these operations were no longer strategically aligned with the business objectives of AGI and accordingly determined to exit the businesses by way of divestiture or disposal. As a result, the Company concluded that certain of the assets of these CGU’s were impaired and incurred impairment charges of $13,439 during the fourth quarter of 2015 to reflect the FVLCS of these assets. These non-cash impairment charges were recorded to income. Management’s estimate of the recoverable amount of these assets was based on external information and observable conditions where possible, supplemented by internal analysis as required, which falls within Level 3 of the fair value hierarchy – refer to note 21[c] for further details related to the determination of fair value.

As at September 30, 2016, Mepu and Applegate have been classified as discontinued operations *[note 6].* AGI completed the sale of Mepu on June 15, 2016 *[note 6],* and the sale of Applegate on August 12, 2016 *[note 6],* and accordingly Mepu and Applegate have been classified as discontinued operations. Based on the terms of the sale of Mepu, the final impairment amount was $5,109 and as a result, a reversal of the impairment charge of $1,492 was recorded in the three months ended June 30, 2016. Based on the terms of the sale of Applegate, the final impairment amount was $6,795 and as a result, a reversal of the impairment charge of $43 was recorded in the three months ended September 30, 2016. These amounts are included in the unaudited interim condensed consolidated statements of income from discontinued operations.

In the three months ended June 30, 2016, AGI finalized plans to transfer certain assets from its Nobleford, Alberta production facility to a facility in Brazil that is currently under construction. An impairment charge of $2.3 million related to property, plant and equipment, inventory and intangible assets which were determined to be obsolete was recorded in the three months ended June 30, 2016 in the unaudited interim condensed consolidated statements of income.

14. 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:

	September 30, 2016	December 31, 2015
	$	$
Total accounts receivable	**99,756**	77,820
Less allowance for doubtful accounts	**(1,386)**	(4,296)
Total accounts receivable, net	**98,370**	73,524
Of which		
Neither impaired nor past due	**68,924**	44,624
Not impaired and past the due date as follows		
Within 30 days	**15,709**	18,745
31 to 60 days	**5,163**	5,046
61 to 90 days	**2,347**	2,835
Over 90 days	**7,613**	6,570
Less allowance for doubtful accounts	**(1,386)**	(4,296)
Total accounts receivable, net	**98,370**	73,524

15. Equity

[a] Common shares

Authorized
Unlimited number of voting common shares without par value

Issued
14,756,026 common shares

	Shares	Amount
	#	$
Balance, January 1, 2015	13,165,627	184,771
Dividend reinvestment plan costs	—	(16)
Dividend reinvestment shares issued from treasury	132,165	5,252
Exercise of grants under DDCP *[note 16[b]]*	10,934	396
Settlement of 2012 EIAP obligation	163,678	5,162
Dividends on 2012 EIAP	5,914	137
Share issuance related to Westeel acquisition *[note 5[b]]*	1,112,050	49,138
Balance, December 31, 2015	14,590,368	244,840
Dividend reinvestment shares issued from treasury *[note 15[e]]*	118,379	3,976
Settlement of 2012 EIAP obligation	47,279	1,640
Balance, September 30, 2016	**14,756,026**	**250,456**

[b] Contributed surplus

	Nine-month period ended September 30, 2016	Year ended December 31, 2015
	$	$
Balance, beginning of period	**10,193**	12,954
Equity-settled director compensation *[note 16[b]]*	**294**	268
Exercise of grants under DDCP	**—**	(396)
Dividends on 2012 EIAP	**1,399**	881
Settlement of 2012 EIAP dividends	**(293)**	(1,066)
Obligation under 2012 EIAP *[note 16[a]]*	**4,781**	2,736
Settlement of 2012 EIAP obligation	**(1,530)**	(5,184)
2015 convertible unsecured subordinated debentures	**6**	—
Balance, end of period	**14,850**	10,193

[c] Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the following:

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

[d] Dividends paid and proposed

In the three-month period ended September 30, 2016, the Company declared dividends of $8,846 or $0.60 per common share [2015 – $8,610 or $0.60 per common share] and dividends on share compensation awards of $248 [2015 – $233]. In the nine-month period ended September 30, 2016, the Company declared dividends of $26,432 or $1.80 per common share [2015 – $24,888 or $1.80 per common share] and dividends on share compensation awards of $1,399 [2015 – $626]. For the three- and nine-month periods ended September 30, 2016, 30,513 and 118,379 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the "DRIP"]. In the three-month period ended September 30, 2016, dividends paid to shareholders were financed $7,614 [2015 – $7,152] from cash on hand and $1,227 [2015 – $1,451] by the DRIP. In the nine-month period ended September 30, 2016, dividends paid to shareholders were financed $22,456 [2015 – $22,114] from cash on hand and $3,976 [2015 – $3,652] 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 September 30, 2016, the Company declared dividends of $0.20 per common share on October 30, 2016.

[e] Dividend reinvestment plan

On March 5, 2013, the Company announced the adoption of the DRIP. Eligible shareholders who elect to reinvest dividends under the DRIP will initially receive common shares issued from treasury at a discount of 4% from the market price of the common shares, with the market price being equal to the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days preceding the applicable dividend payment date. The Company incurred costs of nil [2015 – nil] with respect to administration of the DRIP.

[f] Shareholder protection rights plan

On December 20, 2010, the Company's Board of Directors adopted a Shareholders' Protection Rights Plan [the "Rights Plan"]. Specifically, the Board of Directors has implemented the Rights Plan by authorizing the issuance of one right [a "Right"] in respect of each common share [the "Common Shares"] of the Company. If a person or

a Company, acting jointly or in concert, acquires [other than pursuant to an exemption available under the Rights Plan] beneficial ownership of 20% or more of the Common Shares, Rights [other than those held by such acquiring person, which will become void] will separate from the Common Shares and permit the holder thereof to purchase that number of Common Shares having an aggregate market price [as determined in accordance with the Rights Plan] on the date of consummation or occurrence of such acquisition of Common Shares equal to four times the exercise price of the Rights for an amount in cash equal to the exercise price. The exercise price of the Rights pursuant to the Rights Plan is $150 per Right.

[g] Preferred shares

On May 14, 2014, the shareholders of AGI approved the creation of two new classes of preferred shares, each issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the Company's Board of Directors may, at any time from time to time determine, subject to an aggregate maximum number of authorized preferred shares. In particular, no preferred shares of either class may be issued if:

[i] The aggregate number of preferred shares that would then be outstanding would exceed 50% of the aggregate number of common shares then outstanding; or
[ii] The maximum aggregate number of common shares into which all of the preferred shares then outstanding could be converted in accordance with their terms would exceed 20% of the aggregate number of common shares then outstanding; or
[iii] The aggregate number of votes, which the holders of all preferred shares then outstanding would be entitled to cast at any meeting of the shareholders of the Company [other than meetings at which only holders of preferred shares are entitled to vote] would exceed 20% of the aggregate number of votes, which the holders of all common shares then outstanding would be entitled to cast at any such meeting.

As at September 30, 2016 and December 31, 2015, no preferred shares were issued or outstanding.

16. Share-based compensation plans

[a] Equity incentive award plan ["EIAP"]

The 2012 EIAP

On May 11, 2012, the shareholders of AGI approved an Equity Incentive Award Plan [the "2012 EIAP"], which authorizes the Board to grant Restricted Awards ["Restricted Awards"] and Performance Awards ["Performance Awards"] [collectively the "Awards"] to persons who are officers, employees or consultants of the Company and its affiliates. Awards may not be granted to non-management Directors.

On May 5, 2016, the shareholders of AGI approved an amendment to the 2012 EIAP to increase the number of common shares available for issuance to 915,000. At the discretion of the Board, the 2012 EIAP provides for cumulative adjustments to the number of common shares to be issued pursuant to, or the value of, Awards on each date that dividends are paid on the common shares. The 2012 EIAP provides for accelerated vesting in the event of a change in control, retirement, death or termination without cause.

Each Restricted Award will entitle the holder to be issued the number of common shares designated in the Restricted Award with such common shares to be issued as to one-third on each of the third, fourth and fifth anniversary dates of the date of grant, subject to earlier vesting in certain events. The Company has an obligation to settle any amount payable in respect of a Restricted Award by common shares issued from treasury of the Company.

Each Performance Award requires the Company to deliver to the holder at the Company's discretion either the number of common shares designated in the Performance Award multiplied by a Payout Multiplier or the equivalent amount in cash after the third and prior to the fourth anniversary date of the grant. The Payout Multiplier is determined based on an assessment of the achievement of pre-defined measures in respect of the applicable period. The Payout Multiplier may not exceed 200%. As at September 30, 2016, 321,000 Restricted Awards and 367,131 Performance Awards have been granted. The Company has accounted for the 2012 EIAP as an equity-settled plan. 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. During the three- and nine-month periods ended September 30, 2016, AGI expensed $1,661 and $4,781 for the 2012 EIAP [2015 – $1,880 and $1,922].

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

Under the DDCP, every Director receives a fixed base retainer fee, an attendance fee for meetings and a committee chair fee, if applicable, and a predetermined minimum of the total compensation must be taken in common shares. A Director will not be entitled to receive the common shares he or she has been granted until a period of three years has passed since the date of grant or until the Director ceases to be a Director, whichever is earlier. The Directors' common shares are fixed based on the fees eligible to him or her for the respective period and his or her decision to elect for cash payments for dividends related to the common shares; therefore, the Director's remuneration under the DDCP vests directly in the respective service period. The three-year period [or any shorter period until a Director ceases to be a Director] qualifies only as a waiting period to receive the vested common shares.

For the three- and nine-month periods ended September 30, 2016, an expense of $94 and $294 [2015 – $51 and $154] 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 70,000, subject to adjustment in lieu of dividends, if applicable. For the three- and nine-month periods ended September 30, 2016, 2,199 and 7,536 [2015 – 1,671 and 3,662] common shares were granted under the DDCP and as at September 30, 2016, a total of 62,108 [2015 – 51,197] common shares had been granted under the DDCP and 18,436 [2015 – 7,502] common shares had been issued.

[c] Summary of expenses recognized under share-based payment plans

For the three- and nine-month periods ended September 30, 2016, an expense of $1,755 and $5,075 [2015 – $1,931 and $2,076] was recognized for employee and Director services rendered.

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

	2012 EIAP	
	Restricted Awards	**Performance Awards**
	#	#
Outstanding, January 1, 2015	241,000	110,000
Granted	16,000	9,631
Vested	(54,383)	(119,631)
Forfeited	(8,283)	—
Balance, December 31, 2015	194,334	—
Granted	58,000	247,500
Vested	(34,974)	—
Forfeited	(4,359)	—
Balance, September 30, 2016	**213,001**	**247,500**

There is no exercise price on the 2012 EIAP awards.

17. Long-term debt and obligations under finance leases

	Interest rate %	Maturity	September 30, 2016 $	December 31, 2015 $
Current portion of long-term debt				
Series A secured notes [U.S. dollar denominated]	6.8	2016	**32,793**	34,600
Total current long-term debt			**32,793**	34,600
Non-current portion of long-term debt				
Series B secured notes	4.4	2025	**25,000**	25,000
Term A secured loan	3.4	2019	**50,000**	50,000
Term B secured loan	3.4	2022	**40,000**	40,000
Canadian revolver line	3.7	2019	**15,000**	—
Total non-current long-term debt			**130,000**	115,000
Less deferred financing costs			**2,136**	2,669
Long-term debt			**127,864**	112,331
Current portion of obligations under finance leases	Euribor +2	2017	**246**	209
Non-current portion of obligations under finance leases	Euribor +2	2017	**995**	1,177
Obligations under finance leases			**1,241**	1,386
Total interest-bearing loans and borrowings			**161,898**	148,317

[a] Bank indebtedness

AGI has operating facilities of $20.0 million and U.S. $5.0 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. The effective interest rate during the nine-month period ended September 30, 2016 on AGI's Canadian dollar operating facility was 3.95% [2015 – 3.5%] and on its U.S. dollar operating facility was 3.5% [2015 – 3.3%]. As at September 30, 2016, there was nil [December 31, 2015 – nil] outstanding under these facilities. The facilities mature March 19, 2019.

Collateral for the operating facilities ranks pari passu with the Series A secured notes and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

[b] Long-term debt

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8% payable quarterly and mature on October 29, 2016. The Series A secured notes are denominated in U.S. dollars. Collateral for the Series A secured notes and term loans ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks. Upon maturity in October 2016, the Series A secured notes were refinanced with Series C secured notes from the same lender. Terms of the Series C secured notes are the same as the Series A secured notes other than the Series C secured notes bear interest at 3.7% and mature in October 2026.

The Series B secured notes were issued on May 22, 2015. The non-amortizing notes bear interest at 4.4% payable quarterly and mature on May 22, 2025. Collateral for the Series B secured notes and term loans ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term A secured loan was issued on May 20, 2015 and matures on May 19, 2019. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 3.8% through an interest rate swap contract *[note 21].* Collateral for the Term A loan and secured notes ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term B secured loan was issued on May 20, 2015 and matures on May 19, 2022. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 4.3% through an interest rate swap contract *[note 21].* Collateral for the Term B loan and secured notes ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

AGI has revolver facilities of $105 million and U.S. $45 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. As at September 30, 2016, there was $15 million [December 31, 2015 – nil] outstanding under these facilities. The facilities mature on May 19, 2019.

[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 September 30, 2016 and December 31, 2015, AGI was in compliance with all financial covenants.

[d] Obligations under finance lease

The Company has a real estate lease that matures on December 31, 2017. The lease is denominated in Euros and bears interest at Euribor plus 2%.

18. Convertible unsecured subordinated debentures

	September 30, 2016	December 31, 2015
	$	$
Principal amount	**213,000**	213,000
Equity component	**(9,922)**	(9,922)
Accretion	**3,567**	2,193
Financing fees, net of amortization	**(6,367)**	(7,686)
Convertible unsecured subordinated debentures	**200,278**	197,585

2013 Debentures

In December 2013, the Company issued $86.3 million aggregate principal amount of convertible unsecured subordinated debentures [the "2013 Debentures"] at a price of $1,000 per 2013 Debenture. The net proceeds of the offering, after payment of the underwriters' fee of $3.5 million and expenses of the offering of $0.6 million, were approximately $82.2 million. The 2013 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. The maturity date of the 2013 Debentures is December 31, 2018.

Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2013 Debenture, at a conversion price of $55.00 per common share being a conversion rate of approximately 18.1818 common shares per $1,000 principal amount of 2013 Debentures. No conversion options were exercised during the nine-month period ended September 30, 2016 [year ended December 31, 2015 – nil]. As at September 30, 2016, AGI has reserved 1,568,182 common shares for issuance upon conversion of the 2013 Debentures.

The 2013 Debentures are not redeemable before December 31, 2016. On and after December 31, 2016 and prior to December 31, 2017, the 2013 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 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 and after December 31, 2017, the 2013 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.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2013 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligations to pay interest on the 2013 Debentures by delivering common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of any shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2013 Debentures, the Company recorded a liability of $86,250, less related offering costs of $3,847. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2016, the Company recorded accretion of $660 [2015 – $621], non-cash interest expense relating to financing costs of $567 [2015 – $532] and interest expense of $3,396 [2015 – $3,396]. The residual value assigned to the holder's option to convert the 2013 Debentures to common shares in the total amount of $4,480 has been separated from the fair value of the liability and is included in shareholders' equity, net of income taxes of $1,134 and its pro rata share of financing costs of $211.

2014 Debentures

In December 2014, the Company issued $51.8 million aggregate principal amount of extendible convertible unsecured subordinated debentures [the "2014 Debentures"] at a price of $1,000 per 2014 Debenture. The 2014 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. The maturity date of the 2014 Debentures is December 31, 2019.

Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2014 Debenture, at a conversion price of $65.57 per common share being a conversion rate of approximately 15.2509 common shares per $1,000 principal amount of 2014 Debentures. No conversion options were exercised during the nine-month period ended September 30, 2016 [year ended December 31, 2015 – nil]. As at September 30, 2016, AGI has reserved 789,233 common shares for issuance upon conversion of the 2014 Debentures.

The 2014 Debentures are not redeemable before December 31, 2017. On and after December 31, 2017 and prior to December 31, 2018, the 2014 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 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 and after December 31, 2018, the 2014 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.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2014 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2014 Debentures by delivering sufficient common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2014 Debentures, the Company recorded a liability of $51,750, less related offering costs of $2,663 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2016, the Company recorded accretion of $298 [2015 – $281], non-cash interest expense relating to financing costs of $346 [2015 – $325] and interest expense on the 5.25% coupon of $2,038 [2015 – $2,038]. The residual value assigned to the holder's option to convert the 2014 Debentures to common shares in the total amount of $2,165 has been separated from the fair value of the liability and is included in shareholders' equity, net of income taxes of $557 and its pro rata share of financing costs of $111.

2015 Debentures

In September 2015, the Company issued $75.0 million aggregate principal amount of convertible unsecured subordinated debentures [the "2015 Debentures"] at a price of $1,000 per 2015 Debenture. The 2015 Debentures bear interest at an annual rate of 5.00% payable semi-annually on June 30 and December 31. The maturity date of the 2015 Debentures is December 31, 2020.

Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2015 Debenture, at a conversion price of $60.00 per common share being a conversion rate of approximately 16.6667 common shares per $1,000 principal amount of 2015 Debentures. No conversion options were exercised during the nine-month period ended September 30, 2016. As at September 30, 2016, AGI has reserved 1,250,000 common shares for issuance upon conversion of the 2015 Debentures.

The 2015 Debentures are not redeemable before December 31, 2018. On and after December 31, 2018 and prior to December 31, 2019, the 2015 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 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 and after December 31, 2018, the 2015 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.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2015 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2015 Debentures by delivering sufficient common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2015 Debentures, the Company recorded a liability of $75,000, less related offering costs of $3,509 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2016, the Company recorded accretion of $416 [2015 – $3], non-cash interest expense relating to financing costs of $423 [2015 – $3] and interest expense on the 5.00% coupon of $2,813 [2015 – $22]. The residual value assigned to the holder's option to convert the 2015 Debentures to common shares in the total amount of $3,277 has been separated from the fair value of the liability and is included in shareholders' equity, net of income taxes of $835 and its pro rata share of financing costs of $162.

19. Retirement benefit plans

During the three- and nine-month periods ended September 30, 2016, the expenses associated with the Company's defined pension benefit was $157 and $470 [2015 – $208 and $301]. At September 30, 2016, the accrued pension benefit liability was $1,114 [December 31, 2015 – accrued pension benefit of $234 included in other assets], which is included in other liabilities on the unaudited interim condensed consolidated statements of financial position.

20. Income taxes

The major components of income tax expense for the nine-month periods ended September 30, 2016 and 2015 are as follows:

Unaudited interim condensed consolidated statements of income

	2016 $	**2015** $
Current tax expense		
Current income tax charge	**10,230**	2,331
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(212)**	3,090
Income tax expense reported in the unaudited interim condensed consolidated statements of income	**10,018**	5,421

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2016

Unaudited interim condensed consolidated statements of comprehensive income

	2016 $	2015 $
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized gain (loss) on derivatives	**4,660**	(3,951)
Actuarial gains on defined benefit plans	**(331)**	(182)
Exchange differences on translation of foreign operations	**(392)**	1,894
Income tax charged (credited) directly to other comprehensive income	**3,937**	(2,239)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	As at September 30, 2016 $	As at December 31, 2015 $
Inventory	**(90)**	(90)
Property, plant and equipment and other assets	**(21,058)**	(21,115)
Intangible assets	**(36,403)**	(32,833)
Deferred financing costs	**(699)**	(611)
Accruals and long-term provisions	**4,576**	4,238
Tax loss carryforwards expiring between 2020 to 2036	**1,464**	1,614
Investment tax credits	**(627)**	(627)
Canadian exploration expenses	**11,618**	13,218
Capitalized development expenditures	**(1,278)**	(1,060)
Convertible debentures	**(1,716)**	(2,087)
EIAP liability	**889**	82
Derivative instruments	**(1,393)**	—
Other comprehensive income	**1,757**	6,417
Net deferred tax liability	**(42,690)**	(32,854)
Reflected in the unaudited interim condensed consolidated statements of financial position as follows		
Deferred tax assets	**256**	84
Deferred tax liabilities	**(43,216)**	(32,938)
Deferred tax liability, net	**(42,690)**	(32,854)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the analysis of taxable temporary differences and future taxable income, management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities incurred other than losses in its Finnish operations of 5,661 Euros [December 31, 2015 – 6,283 Euros] and its Brazilian operations of 10,030 BRL [December 31, 2015 – 2,764 BRL]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at September 30, 2016 and as at December 31, 2015.

Included in the current year's income tax expense was nil [December 31, 2015 – $1,652] withholding tax paid on the repatriation of surplus from a subsidiary. As at September 30, 2016, there was no recognized deferred tax liability [December 31, 2015 – nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which a deferred tax asset has not been recognized, aggregate to $622 [December 31, 2015 – $622].

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to AGI's specific situation. The amount and timing of reversals of temporary differences will also depend on AGI's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of AGI are complex, and AGI has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors, as well as AGI's interpretation of and compliance with relevant tax legislation and regulations. While AGI believes that its tax filing positions are probable to be sustained, there are a number of tax filing positions that may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by AGI, and the ultimate value of AGI's income tax assets and liabilities could change in the future, and that changes to these amounts could have a material effect on unaudited interim condensed consolidated financial statements.

There are no income tax consequences to the Company attached to the payment of dividends in either 2016 or 2015 by the Company to its shareholders.

21. Financial instruments and financial risk management

[a] Management of risks arising from financial instruments

AGI's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has deposits, trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Company also holds an available-for-sale investment and enters into derivative transactions.

The Company's activities expose it to a variety of financial risks: market risk [including foreign exchange and interest rate], credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to mitigate certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes. Risk management is the responsibility of the corporate finance function, which has the appropriate skills, experience and supervision. The Company's domestic and foreign operations along with the corporate finance function identify, evaluate and, where appropriate, mitigate financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors. The Audit Committee reviews and monitors the Company's financial risk-taking activities and the policies and procedures that were implemented to ensure that financial risks are identified, measured and managed in accordance with Company policies.

The risks associated with the Company's financial instruments are as follows:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which AGI is exposed are discussed below. Financial instruments affected by market risk include trade accounts receivable and payable, available-for-sale investment and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at September 30, 2016 and December 31, 2015.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The unaudited interim condensed consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant unaudited interim condensed consolidated statements of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at September 30, 2016 and December 31, 2015, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges as at September 30, 2016 and December 31, 2015, for the effects of the assumed underlying changes.

Foreign currency risk

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts. Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure.

A significant part of the Company's sales are transacted in U.S. dollars and, as a result, fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at September 30, 2016, AGI's U.S. dollar denominated debt totalled $32.8 million [December 31, 2015 – $34.6 million] and the Company has entered into the following foreign exchange forward contracts to sell U.S. dollars in order to hedge its foreign exchange risk on revenue:

Settlement dates	**Face value** U.S. $	**Average rate** Cdn $
October – December 2016	26,000	1.1836
January – February 2017	9,000	1.2461

The Company enters into foreign exchange forward contracts to mitigate foreign currency risk relating to certain cash flow exposures. The hedged transactions are expected to occur within a maximum 24-month period. The Company's foreign exchange forward contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset gains and losses on transactions being hedged. The Company's exposure to foreign currency changes for all other currencies is not material.

AGI's sales denominated in U.S. dollars for the nine-month period ended September 30, 2016 were U.S. $165.8 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $95 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $16.6 million increase or decrease in sales and a total increase or decrease of $9.5 million in its cost of goods sold and its selling, general and administrative expenses. In relation to AGI's foreign exchange hedging contracts, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $9.8 million increase or decrease in the foreign exchange loss and a $4.6 million increase or decrease to other comprehensive income.

The counterparties to the contracts are three multinational commercial banks and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in net earnings, and for the three- and nine-month periods ended September 30, 2016, the Company realized a loss on its foreign exchange contracts of $4,317 and $10,568 [2015 – $5,708 and $9,398].

The open foreign exchange forward contracts as at September 30, 2016 are as follows:

		Notional Canadian dollar equivalent		
	Notional amount of currency sold $	**Weighted average rate**	**Cdn $ equivalent** $	**Unrealized loss** $
U.S. dollar contract	**35,000**	**1.1997**	**41,988**	**(3,892)**

The terms of the foreign exchange forward contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the unaudited interim condensed consolidated statements of income.

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of $3,892 [2015 – $21,488], with a deferred tax asset of $1,757 [2015 – $6,503] relating to the hedging instruments, is included in accumulated other comprehensive income.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as AGI regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. AGI's Series A secured notes, Series B secured notes and convertible unsecured subordinated debentures outstanding at September 30, 2016 and December 31, 2015, are at a fixed rate of interest.

Interest rate swap contracts

On May 22, 2015, the Company entered into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. Through these contracts, the Company agreed to receive interest on notional amounts from the counterparty and pay interest on the same notional amounts at rates between 3.84% and 4.32%. The notional amounts are $90,000 in aggregate resetting the last business day of each month. The contracts expire in May 2019 and May 2022.

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 (loss) recorded in other comprehensive income during the three- and nine-month periods ended September 30, 2016 was $207 and $(2,617) [2015 – $(849) and $(1,922)].

Equity swap

On March 18, 2016, the Company entered into 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.

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.

As at September 30, 2016, 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 September 30, 2016, the unrealized gain on the equity swap was $5,239 and in the three- and nine-month periods ended September 30, 2016, the Company has recorded a gain in the unaudited interim condensed consolidated statements of income of $1,735 and $5,160 [2015 – nil and nil].

Credit risk

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. A substantial portion of AGI's accounts receivable are with customers in the agriculture industry and are subject to normal industry credit risks. A portion of the Company's sales and related accounts receivable are also generated from transactions with customers in overseas markets, several of which are in emerging markets such as countries in Eastern Europe. It is often common business practice for international customers to pay invoices over an extended period of time. Accounts receivable is subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company regularly monitors customers for changes in credit risk. The Company's credit exposure is mitigated through the use of credit practices that limit transactions according to the customer's credit quality and due to the accounts receivable being spread over a large number of customers. Trade receivables from international customers are often insured for events of non-payment through third-party export insurance. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit or letter of credit is received before goods are shipped.

Assessments about the recoverability of financial assets, including accounts receivable, require significant judgment in determining whether there is objective evidence that a loss event has occurred and estimates of the amount and timing of future cash flows. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables, which is netted against the accounts receivable on the unaudited interim condensed consolidated statements of financial position. Emerging markets are subject to various additional risks, including currency exchange rate fluctuations, foreign economic conditions and foreign business practices. One or more of these factors could have a material effect on the future collectability of such receivables. In assessing whether objective evidence of impairment exists at each reporting period, the Company considers its past experience of collecting payments, historical loss experience, customer credit ratings and financial data as available, collateral on amounts owing including insurance coverage from export credit agencies, as well as observable changes in national or local economic conditions.

The Company does not believe that any single customer group represents a significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that AGI will encounter difficulties in meeting its financial liability obligations. AGI manages its liquidity risk through cash and debt management. In managing liquidity risk, AGI has access to committed short- and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. AGI believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

[b] Fair value

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

	September 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Cash and cash equivalents	**36,395**	**36,395**	58,234	58,234
Cash held in trust	**250**	**250**	250	250
Accounts receivable	**98,370**	**98,370**	73,524	73,524
Due from vendor	**1,598**	**1,598**	—	—
Derivative instruments	**5,239**	**5,239**	—	—
Available-for-sale investment	**900**	**900**	900	900
Note receivable and consideration receivable	**1,117**	**1,117**	—	—
Financial liabilities				
Other financial liabilities				
Interest-bearing loans and borrowings	**161,898**	**164,507**	148,317	148,531
Trade payables and provisions	**72,177**	**72,177**	54,271	54,271
Dividends payable	**2,951**	**2,951**	2,883	2,883
Acquisition, transaction and financing costs payable	**1,972**	**1,972**	732	732
Due to vendor	**7,610**	**7,610**	1,914	1,914
Contingent consideration	**25,899**	**25,899**	4,663	4,663
Other financial liabilities	**—**	**—**	9,017	9,017
Derivative instruments	**6,509**	**6,509**	23,768	23,768
Convertible unsecured subordinated debentures	**200,278**	**192,818**	197,585	185,414

The fair value 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:

- Cash and cash equivalents, cash held in trust, accounts receivable, dividends payable, acquisition, transaction and financing costs payable, accounts payable and accrued liabilities, due to vendor, contingent consideration and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- 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 exchange forward contracts and one option embedded in each convertible debt agreement. 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. In 2015, AGI transferred the available-for-sale investment from Level 2 to Level 3 as direct observable market data was not available.

[c] Fair value ["FV"] hierarchy

AGI uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level I

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.

Level 2

Fair value measurements that require inputs other than quoted prices in Level 1, and for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, are classified as Level 2 in the FV hierarchy.

Level 3

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy.

The FV hierarchy of financial instruments recorded on the unaudited interim condensed consolidated statements of financial position is as follows:

	September 30, 2016			**December 31, 2015**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	$	$	$	$	$	$
Financial assets						
Derivative instruments	**—**	**5,239**	**—**	—	—	—
Available-for-sale investment	**—**	**—**	**900**	—	—	900
Note receivable and consideration receivable	**—**	**1,117**	**—**	—	—	—
Assets held for sale	**—**	**3,138**	**—**	—	—	—
Financial liabilities						
Interest-bearing loans and borrowings	**—**	**161,898**	**—**	—	148,317	—
Contingent consideration	**—**	**—**	**25,899**	—	—	4,663
Other financial liabilities	**—**	**—**	**—**	—	—	9,017
Derivative instruments	**—**	**6,509**	**—**	—	23,768	—
Convertible unsecured subordinated debentures	**—**	**200,278**	**—**	—	197,585	—

During the reporting periods ended September 30, 2016 and December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

Interest from financial instruments is recognized in finance costs and finance income. Foreign currency and impairment reversal impacts for loans and receivables are reflected in finance expenses (income).

22. Capital disclosure and management

The Company's capital structure is comprised of shareholders' equity and long-term debt. AGI's objectives when managing its capital structure are to maintain and preserve AGI's access to capital markets, continue its ability to meet its financial obligations, including the payment of dividends, and finance future organic growth and acquisitions.

AGI manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at September 30, 2016 and December 31, 2015, all of these covenants were complied with *[note 17[c]]*.

The Board of Directors does not establish quantitative capital structure targets for management, but rather promotes sustainable and profitable growth. Management monitors capital using non-GAAP financial metrics, primarily total debt to the trailing 12 months EBITDA and net debt to total shareholders' equity. There may be instances where it would be acceptable for total debt to trailing EBITDA to temporarily fall outside of the normal targets set by management such as in financing an acquisition to take advantage of growth opportunities or industry cyclicality. This would be a strategic decision recommended by management and approved by the Board of Directors with steps taken in the subsequent period to restore the Company's capital structure based on its capital management objectives.

23. Related party disclosures

Relationship between parent and subsidiaries

The main transactions between the corporate entity of the Company and its subsidiaries is the providing of cash fundings based on the equity and convertible debt funds of Ag Growth Inc. Furthermore, the corporate entity of the Company is responsible for the billing and supervision of major construction contracts with external customers and the allocation of sub-projects to the different subsidiaries of the Company. Finally, the parent company provides management services to the Company entities. Between the subsidiaries there are limited inter-company sales of inventories and services. Because all subsidiaries are currently 100% owned by Ag Growth Inc., these inter-company transactions are 100% eliminated on consolidation.

Other relationships

Burnet, Duckworth & Palmer LLP ["BDP"] provides legal services to the Company and a Director of AGI is a partner of BDP. The total cost of these legal services in the nine-month period ended September 30, 2016 was $135 [2015 – $2,093] and $13 [2015 – $100] is included in accounts payable and accrued liabilities as at September 30, 2016. These transactions were incurred during the normal course of business.

24. Profit (loss) per share

Profit (loss) per share is based on the consolidated profit (loss) for the year divided by the weighted average number of shares outstanding during the year. Diluted profit (loss) per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2016

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

	Three-month period ended		Nine-month period ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
	$	$	$	$
Net profit (loss) from continuing operations	**12,952**	(9,264)	**23,454**	(3,202)
Net profit (loss) from discontinued operations	**82**	626	**562**	(672)
Net profit (loss) attributable to shareholders for basic and diluted profit per share	**13,034**	(8,638)	**24,016**	(3,874)
Interest expense on 2013 Debentures	**1,132**	—	**—**	—
Interest expense on 2014 Debentures	**656**	—	**—**	—
Interest expense on 2015 Debentures	**893**	—	**—**	—
Numerator for dilutive earnings per share	**15,715**	(8,638)	**24,016**	(3,874)
Basic weighted average number of shares	**14,735,339**	14,344,802	**14,688,655**	13,751,306
Dilutive effect of DDCP	**41,497**	42,042	**38,902**	41,077
Dilutive effect of RSU *[note 15[d]]*	**200,055**	242,000	**211,069**	239,385
Dilutive effect of 2013 Debentures	**1,568,180**	—	**—**	—
Dilutive effect of 2014 Debentures	**789,234**	—	**—**	—
Dilutive effect of 2015 Debentures	**1,250,000**	—	**—**	—
Diluted weighted average number of shares	**18,584,305**	14,628,844	**14,938,626**	14,031,768
Profit (loss) per share from continuing operations				
Basic	**0.87**	(0.64)	**1.60**	(0.23)
Diluted	**0.84**	(0.64)	**1.57**	(0.23)
Profit (loss) per share from discontinued operations				
Basic	**0.01**	0.04	**0.04**	(0.05)
Diluted	**0.01**	0.04	**0.04**	(0.05)
Profit (loss) per share				
Basic	**0.88**	(0.60)	**1.64**	(0.28)
Diluted	**0.85**	(0.60)	**1.61**	(0.28)

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 Debentures were included in the calculation of diluted profit per share in the three-month period ended September 30, 2016 because their effect is dilutive. However, they were excluded from the nine-month period ended September 30, 2016 because their effect is anti-dilutive.

25. Reportable business segment

The Company manufactures agricultural equipment with a focus on grain handling, storage and conditioning products. As at September 30, 2016, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

The Company operates primarily within three geographical areas: Canada, United States and International. The following details the sales, property, plant and equipment, goodwill, intangible assets and available-for-sale investment by geographical area, reconciled to the Company's unaudited interim condensed consolidated financial statements:

	Sales				**Property, plant and equipment, goodwill, intangible assets and available-for-sale investment**	
	Three-month period ended		**Nine-month period ended**			
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**	**As at September 30, 2016**	**As at December 31, 2015**
	$	$	$	$	$	$
Canada	**67,222**	42,157	**183,754**	102,963	**397,729**	352,741
United States	**59,230**	49,426	**147,564**	134,747	**108,900**	120,479
International	**32,228**	23,335	**79,922**	69,556	**43,515**	21,229
	158,680	114,918	**411,240**	307,266	**550,144**	494,449

The sales information above is based on the location of the customer. The Company has no single customer that represents 10% or more of the Company's sales.

26. Commitments and contingencies

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

As of the reporting date, the Company has entered into commitments to purchase property, plant and equipment of $42,556 [2015 – $1,432] for which deposits of $13,811 [2015 – $50] were made as at September 30, 2016.

[b] Letters of credit

As at September 30, 2016, the Company has outstanding letters of credit in the amount of $1,600 [December 31, 2015 – $4,802].

[c] Operating leases

The Company leases office and manufacturing equipment, warehouse facilities and vehicles under operating leases with minimum aggregate rent payable in the future as follows:

	$
Within one year	2,186
After one year, but no more than five years	4,711
After five years	1,543
	8,440

These leases have a life of between one and nine years with no renewal options included in the contracts.

During the three- and nine-month periods ended September 30, 2016, the Company recognized an expense of $632 and $1,793 [2015 – $478 and $1,194] for leasing contracts. This amount relates only to minimum lease payments.

[d] 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.

27. Subsequent events

Effective November 10, 2016, the Company entered into an agreement to acquire 100% of the outstanding shares of Yargus Manufacturing Inc. and its affiliated real estate holding company Clark Center Properties, Inc. [collectively "Yargus"] for a purchase price of U.S. $43.2 million, which includes $5.2 million of long-term debt related to recent expansionary capital spending. The purchase price was financed through cash on hand and the Company's existing revolver facility.