



FROM THE
GROUND
UP
2015
Quarterly Report

For the three month period ended March 31, 2015

CEO Message

On behalf of our Board of Directors and everyone at AGI we are pleased to provide you our Q-1, 2015 financial results. Trade sales of \$94.4m exceeded last year's record sales of \$86.2m by 9.5%, while Adjusted EBITDA for Q-1, 2015 was \$16.4m, an increase of 13.6% over last year's record \$14.5m. Our preseason on farm business was buoyed by back to back record corn crops in the USA, leaving dealer inventory levels in need of replenishment. Commercial activity internationally made up for a more traditional start to the year in North America. We see international sales remaining robust while North American markets become watchful for evidence of a good crop. This behavior is being expressed through increased utilization of our portable grain handling warehouse inventory to bridge preseason and in-season demand. A recent uptick in North American commercial quoting activity is an encouraging sign that the slower start to the year was merely traditional seasonality and not suggestive of a longer term trend.

Offshore business continues to grow in spite of political unrest in certain areas of Eastern Europe, where Q-1 sales in the region were \$12m, up from \$7.2m a year ago. Our business in Latin America is building on last year's momentum, making up 25% of our backlog at March 31st. In total sales and order backlog at the end of Q-1 totaled \$55.6m up significantly over the end of Q-1, 2014 of \$38.4m. We are also encouraged by current quoting activity and those of which are in the most likely to close category. This quarter we will be value stream mapping our internal processes in support of international activity to ensure that we are capable of scaling up the business as it grows.

Solid progress was made in the first quarter to advance development of our business in Brazil. While we are keen to move forward, we are being diligent with training the team, refining the quoting process and pricing strategy, developing the manufacturing plan and determining best opportunities for both the short and long term. In April we participated in our first commercial and farm trade shows, formally launching our presence in the market. It is premature to offer metrics, but we were favourably impressed with the market's response. We expect to see a modest level of activity by Q-4, with momentum building into 2016 and beyond.

Here at home we continue to work through the process with the Competition Bureau and the other parties in the Vicwest transaction. An agreement was recently signed to extend the transaction's outside date to May 20th. Our Westeel integration team is as prepared as one can be and anxious to get started. Referencing our current involvement in the storage and conditioning market in western Canada, we expect softer market conditions than those of a year ago. Regardless, we will be happy to get the keys and begin our work toward synergizing the transaction and positioning ourselves for long term growth.

Before closing I would like to acknowledge the exceptional work that has taken place over the past number of years at our Nobleford Alberta bin and aeration plant. In late April our Nobleford team hosted representatives from all of our North American divisions to participate in a 3 day lean symposium. It was an eye opener for a lot of people to see the extent to which lean practices and philosophy were present in this operation. For me it was the reflection of just how far we have come in our lean journey in Nobleford since the fall of 2008. We truly have achieved a lean culture; one that will serve as an internal benchmark in our quest to create a companywide standard and cultural identity. I would like to commend Kyle South, GM of AGI Nobleford, Adam Savidant, Lean Coordinator and the entire Nobleford Team for their dedication and resolve to continuous improvement and shop floor empowerment. I would also like to thank Gurcan Kocdag, our VP of Storage and Conditioning, for his

leadership and trust in the team. As we move forward, Tim Close, our recently appointed President, will provide encouragement and direction to all of our operations to go beyond current lean tactics and embrace lean as a culture.

The results will benefit customers, employees and shareholders alike. We will update you on our progress periodically. As always, thanks for your support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Anderson', written in a cursive style.

Gary Anderson
CEO

AG GROWTH INTERNATIONAL INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
Dated: May 12, 2015

This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. (“AGI”, the "Company", "we", "our" or "us") for the year ended December 31, 2014 and the unaudited interim condensed consolidated financial statements of the Company for the three month period ended March 31, 2015. Results are reported in Canadian dollars unless otherwise stated.

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

Throughout this MD&A references are made to "trade sales", "EBITDA", “adjusted EBITDA”, “gross margin”, “funds from operations”, "payout ratio", “adjusted 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 March 31	
	2015	2014
Trade sales ⁽¹⁾	\$94,420	\$86,181
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$16,441	\$14,470
Net (loss) profit	\$(3,409)	\$1,218
Diluted (loss) profit per share	\$(0.26)	\$0.09
Adjusted net profit ⁽¹⁾	\$7,404	\$4,297
Diluted adjusted profit per share ⁽¹⁾⁽³⁾	\$0.56	\$0.32

(1) See “Non-IFRS Measures”.

(2) See “Adjusted EBITDA” below in Summary of Results.

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

Trade sales and adjusted EBITDA increased over record first quarter 2014 results due to robust demand for on-farm equipment, higher international sales and the impact of a weaker Canadian dollar. On-farm portable grain handling sales were very strong,

particularly in the U.S., as record crop production volumes resulted in strong in-season demand in 2014 and relatively low levels of post-harvest dealer inventory. International sales increased in several regions, most significantly in Russia/Ukraine/Kazakhstan (“RUK”) and Latin America, due to projects in Ukraine, Bolivia and Peru. The impact of foreign exchange was also significant as AGI’s sales denominated in USD exceed its USD denominated costs, resulting in an increase in sales and adjusted EBITDA when the Canadian dollar weakens against the USD. High production volumes, a favourable rate of foreign exchange and the continued benefit of lean manufacturing contributed to a strong gross margin and, combined with higher sales, resulted in record adjusted EBITDA of \$16.4 million in 2015.

Trade Sales (see "Non-IFRS Measures")

Trade sales were at record levels in the quarter ended March 31, 2015 due to the carryover effect of record North American crop production volumes in 2014, higher international sales and the impact of a weaker Canadian dollar.

(\$000s)	Three Months Ended March 31		
	2015	2014	Change
Canada	\$21,767	\$23,167	\$(1,400)
US	49,782	49,159	623
International	22,871	13,855	9,016
Total	\$94,420	\$86,181	\$8,239

Canadian sales of on-farm handling equipment approximated the records achieved in 2014 as distributor participation in AGI’s annual preseason programs were at levels consistent with the prior year despite an increase in inventory carried over from 2014. The decrease in total Canadian sales of \$1.4 million was almost entirely due to AGI’s decision in 2014 to exit the low margin OEM business that had previously been undertaken at the Company’s Winnipeg based Franklin division.

Sales in the United States equalled the record levels of 2014 as strong demand for on-farm handling equipment and the positive impact of translating U.S. dollar sales at more favourable exchange rates were offset by lower sales of commercial grain handling equipment. Strong sales of on-farm portable equipment is reflective of the products primary demand driver, crop production volumes, as the record harvest of 2014 resulted in relatively low levels of inventory at the dealer level and strong preseason dealer sales orders. Sales of commercial handling equipment decreased compared to the prior year, reflecting a return to more traditional seasonality as well as what appears to be a somewhat softer domestic market compared to the extremely high level of activity in 2014.

AGI’s international sales for the quarter ended March 31, 2015 were \$22.9 million (2014 - \$13.9 million). The increase is largely due to increased activity in RUK where sales of \$12.0 million accounted for 52% of AGI’s total international sales in the quarter (2014 - \$7.2 million and 53%). Sales in RUK were largely related to a new port project in Ukraine with a multinational grain trader. Sales in Latin America of \$4.2 million accounted for 18% of total international sales and represents an increase of \$2.8 million over the prior year. Strong Q1 Latin American sales were

largely related to projects in Bolivia and Peru and to the recognition of revenue deferred from 2014. In addition to an increase in sales, AGI exited Q1 2015 with a geographically diverse international backlog of \$32.7 million (2014 - \$24.5 million). The backlog at March 31, 2015 is comprised of RUK (57%) Latin America (25%) and ROW (18%).

See also “Outlook”.

Gross Margin (see "Non-IFRS Measures")

The Company’s gross margin percentage for the quarter ended March 31, 2015 was 36.5% (2014 – 35.1%). The increase in gross margin was the result of a number of factors, including production volume efficiencies at on-farm divisions, the successful integration of the Rem product line into the Batco division production facility, the continued benefit of lean manufacturing and the favourable impact of the weaker Canadian dollar. These gains were partially offset by a lower margin at the Company’s Union Iron division that resulted from engineering and production issues related to rapid growth in a recently expanded product line.

Adjusted EBITDA (see "Non-IFRS Measures")

Adjusted EBITDA for the quarter ended March 31, 2015 was \$16.4 million (2014 - \$14.5 million). The record in 2015 and significant increase over the prior year was primarily due to high levels of demand for on-farm portable equipment that resulted from the carryover effect of record U.S. production volumes in 2014. In addition, as described above, adjusted EBITDA benefits from a weaker Canadian dollar.

(thousands of dollars)	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014
EBITDA⁽¹⁾	4,548	10,524	25,434	18,734	5,778
Loss (gain) on foreign exchange ⁽²⁾	9,866	2,944	(1,360)	5,231	5,148
Non-cash Share Based Compensation	1,080	867	841	1,786	1,022
M&A activity	1,077	135	51	973	642
Loss (gain) on sale of PP&E	(130)	0	(918)	(12)	408
Adjusted EBITDA⁽¹⁾	<u>\$16,441</u>	<u>\$14,470</u>	<u>\$24,048</u>	<u>\$26,712</u>	<u>\$12,998</u>

(1) See “Non-IFRS Measures”.

(2) See “Impact of Foreign Exchange” below.

Diluted profit per share and Diluted adjusted profit per share

Diluted loss per share for the quarter ended March 31, 2015 was \$0.26 (2014 – profit of \$0.09). The decrease was primarily the result of non-cash losses on foreign exchange that resulted from a significant decline in the value of the Canadian dollar vs. the USD in the quarter. The non-cash losses relate primarily to translating certain U.S. dollar denominated balance sheet accounts, including long-term debt, into CAD at the rate of exchange in effect on the balance sheet debt.

(thousands of dollars)	Q1 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Profit (loss) as reported	\$(3,409)	\$1,218	\$13,638	\$8,653	\$(19,409)
Per share as reported	\$(0.26)	\$0.09	\$0.91	\$0.65	\$(1.45)
Non-cash CRA settlement ⁽²⁾	0	0	0	0	16,889
Non-cash loss (gain) on foreign exchange	7,935	2,359	(2,096)	3,758	2,598
Realized loss on foreign exchange	1,931	585	736	1,473	2,550
M&A Activity	1,077	135	51	973	642
Non-cash loss on available-for-sale investment	0	0	1,100	0	0
Loss (gain) on sale of PP&E	<u>(130)</u>	<u>0</u>	<u>(918)</u>	<u>(12)</u>	<u>408</u>
Adjusted profit ⁽¹⁾	<u>\$7,404</u>	<u>\$4,297</u>	<u>\$12,511</u>	<u>\$14,845</u>	<u>\$3,678</u>
Diluted adjusted profit per share ⁽¹⁾	<u>\$0.56</u>	<u>\$0.32</u>	<u>\$0.84</u>	<u>\$1.11</u>	<u>\$0.27</u>

(1) See “Non-IFRS Measures”

(2) See “AGI Conversion – Agreement with CRA” below.

Impact of Foreign Exchange

Sales and Adjusted EBITDA

In the first quarter of 2015 AGI’s average rate of exchange was U.S. \$1.00 = CAD \$1.23 (2014 = CAD \$1.10). Sales denominated in U.S. dollars were U.S. \$61 million (2014 – U.S. \$55 million) and U.S. dollar denominated costs (cost of sales + SG&A) were U.S. \$37 million (2014 – U.S. \$34 million). The depreciation of the Canadian dollar in the first quarter of 2015 results in an increase in reported trade sales as U.S. denominated sales are translated into Canadian dollars at a higher rate. Similarly, as U.S. dollar sales exceed U.S. dollar costs, adjusted EBITDA benefits from a weaker Canadian dollar.

Gains and Losses on Foreign Exchange

AGI enters forward foreign exchange contracts with maturity dates up to two years from the contract date with the objective of partially mitigating exposure to currency fluctuations. The table below summarizes outstanding foreign exchange contracts. For reference, AGI’s net currency exposure in 2014 (sales less cost of sales and SG&A) was U.S. \$116 million.

Forward Foreign Exchange Contracts			
Settlement Dates	Face Amount USD (000's)	Average Rate CAD	CAD Amount (000's)
2015 (April – Dec)	85,500	1.13	97,002
2016 (Jan – Dec)	100,500	1.16	116,109
2017 (Q1)	9,000	1.25	11,216

In the three months ended March 31, 2015, AGI realized a loss on maturing foreign exchange contracts of \$1.9 million. Currency fluctuations also result in non-cash gains or losses on foreign exchange. In the first quarter of 2015, due to the significant decline in the Canadian dollar, the impact of translating certain U.S. dollar denominated balance sheet items including U.S. dollar denominated debt into Canadian dollars resulted in a non-cash loss on foreign exchange of \$7.9 million.

CORPORATE OVERVIEW

AGI is a manufacturer of agricultural equipment with a focus on grain handling, storage and conditioning products. Our products service most agricultural markets including the individual farmer, corporate farms and commercial operations. Our business is affected by regional and global trends in grain volumes, on-farm and commercial grain storage and handling practices, 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. and Europe and we sell products globally, with most of our sales in the U.S.

Our business is sensitive to fluctuations in the value of the Canadian and U.S. dollars as a result of our exports from Canada to the U.S. and as a result of earnings derived from our U.S. based divisions. Fluctuations in currency impact our results even though we engage in currency hedging with the objective of partially mitigating our exposure to these fluctuations. The Company's average rate of foreign exchange per USD \$1.00 in the quarter ended March 31, 2015 was CAD \$1.23 (2014 - \$1.10).

Our business is also sensitive to fluctuations in input costs, especially steel, a principal raw material in our products, which represented approximately 26% of the Company's production costs in fiscal 2014. Short-term fluctuations in the price of steel 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.

OUTLOOK

Demand for on-farm grain handling equipment is driven primarily by the volume of grains grown. A record crop in the U.S. stimulated demand in 2014 and resulted in relatively low post-harvest dealer inventory levels, albeit slightly elevated compared to the prior year, resulting in strong sales early in 2015 as dealers replenished inventory levels. Although commodity prices are not considered a key near-term demand driver for on-farm equipment and should not impact ultimate end user demand, farmer sentiment and cash flow considerations at the dealer level appear to be contributing to a deferral in purchases that historically have been made earlier in the calendar year. As a result, portable grain handling equipment backlogs are not at the levels of a

year ago and management does not expect sales in the second quarter to reach the record levels achieved in 2014. Demand in the second half of 2015 will be influenced by the number of acres planted, dealer buying behavior, weather patterns, crop conditions and the timing of harvest and conditions during harvest.

The long-term trend towards increasing amounts of grain grown continues to drive demand for capacity and efficiency enhancements throughout the North American commercial grain handling infrastructure. While the domestic business climate remains positive and quoting activity remains high, customers have not committed to projects as early in the year compared to 2014. As a result, domestic commercial backlogs are lower than the very high levels of a year ago and second quarter sales are not expected to reach 2014 levels. Sales in the second half of 2015 will in large part depend on orders booked over the next several months and although the commercial market currently appears to be somewhat softer compared against a very strong 2014, the pace of customer order commitment has improved significantly subsequent to the first quarter.

International sales in the three months ended March 31, 2015 significantly exceeded the prior year and AGI exited the first quarter with a backlog of \$33 million (2014 - \$24 million). Projects in Ukraine, primarily with multinational grain handlers, accounted for 59% of the backlog while Latin American business accounted for 34%. Consistent with the prior quarter, we have excluded from our backlog the large Ukrainian Black Sea port project that has seen significant delays. AGI has a high quality quote log and expects to close on significant new business in Latin America and RUK in the near term. Projects in the backlog, though subject to change based on customer requirements, are expected to ship in 2015 and management expects international sales in the current year to significantly exceed 2014 levels.

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 adjusted EBITDA. AGI's average rate of exchange in fiscal 2014 of \$1.10 is significantly lower than prevailing rates and accordingly AGI's financial results in 2015 may significantly benefit from a weaker Canadian dollar compared to the prior year. A portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts.

Sales in 2015 will be influenced by weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macro-economic factors as well as sociopolitical factors in certain local or regional markets, including the ongoing uncertainty and volatility in Ukraine, 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. Results may also be impacted by changes in steel prices and other material input costs and the rate of exchange between the Canadian and U.S. dollars.

On balance, order backlogs are currently lower compared to the prior year and accordingly sales and adjusted EBITDA in the second quarter of 2015 are expected to be below record 2014 levels. Sales of on-farm portable equipment in the second half will be influenced by a number of factors, primarily crop volume, and based on current forecasts for a large North American crop management anticipates strong in-season sales in Q3 and Q4. Although sales of commercial equipment in the second half of 2015 will in large part depend on orders booked over the next several months, quoting levels remain high and the pace of customer order commitment has improved significantly subsequent to the first quarter. Based on current backlogs and high levels of quoting activity our international business is expected to increase significantly compared to 2014. Based on the factors discussed above, and with the favourable tailwind of a weaker Canadian dollar, management maintains a positive outlook towards the second half of fiscal 2015.

DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended March 31	
	2015	2014
Trade sales ⁽¹⁾	\$94,420	\$86,181
Loss on FX	<u>(7,161)</u>	<u>(1,903)</u>
Sales	<u>87,259</u>	<u>84,278</u>
Cost of inventories	59,918	55,936
Depreciation/Amortization	<u>1,761</u>	<u>1,612</u>
Cost of sales	<u>61,679</u>	<u>57,548</u>
General and administrative	19,595	16,735
M&A Activity	1,077	135
Depreciation/ amortization	1,354	1,193
Other operating income	(569)	(49)
Finance costs	3,100	4,256
Finance expense	<u>2,690</u>	<u>997</u>
Profit (loss) before income taxes	(1,667)	3,463
Current income taxes	870	672
Deferred income taxes	<u>872</u>	<u>1,573</u>
Profit (loss) for the period	<u>\$(3,409)</u>	<u>\$1,218</u>
Net profit (loss) per share		
Basic	<u>\$(0.26)</u>	<u>\$0.09</u>
Diluted	<u>\$(0.26)</u>	<u>\$0.09</u>

(1) See “Non-IFRS Measures”.

EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended March 31	
	2015	2014
Profit (loss) before income taxes	\$(1,667)	\$3,463
Finance costs	3,100	4,256
Depreciation/amortization in cost of sales	1,761	1,612
Depreciation/ amortization in SG&A expenses	<u>1,354</u>	<u>1,193</u>
EBITDA ⁽¹⁾	4,548	10,524
Loss on FX in sales	7,161	1,903
Loss on FX in finance income	2,705	1,041
Non-cash Share Based Compensation	1,080	867
M&A Activity	1,077	135
Gain on sale of property, plant & equipment	<u>(130)</u>	<u>0</u>
Adjusted EBITDA ⁽¹⁾	<u>\$16,441</u>	<u>\$14,470</u>
Adjusted EBITDA as a % of trade sales	<u>17.4%</u>	<u>16.8%</u>

(1) See “Non-IFRS Measures”.

ASSETS AND LIABILITIES

(thousands of dollars)	March 31 2015	December 31 2014	March 31 2014
Total assets	\$472,030	\$447,116	\$422,788
Total liabilities	\$262,451	\$237,390	\$207,763

EXPLANATION OF OPERATING RESULTS

Trade sales

(\$000s)	Three Months Ended March 31		
	2015	2014	Change
Canada	\$21,767	\$23,167	\$(1,400)
US	49,782	49,159	623
International	<u>22,871</u>	<u>13,855</u>	<u>9,016</u>
Total	<u>\$94,420</u>	<u>\$86,181</u>	<u>\$8,239</u>

Canada

Canadian sales of on-farm handling equipment approximated the records achieved in 2014 as distributor participation in AGI's annual preseason programs were at levels consistent with the prior year despite an increase in inventory carried over from the 2014. The decrease in total Canadian sales of \$1.4 million was almost entirely due to AGI's decision in 2014 to exit the low margin OEM business that had previously been undertaken at the Company's Winnipeg based Franklin division.

United States

Sales in the United States equalled the record levels of 2014 as strong demand for on-farm handling equipment and the positive impact of translating U.S. dollar sales at more favourable exchange rates were offset by lower sales of commercial grain handling equipment. Strong sales of on-farm portable equipment is reflective of the products primary demand driver, crop production volumes, as the record harvest of 2014 resulted in relatively low levels of inventory at the dealer level and strong preseason dealer sales orders. Sales of commercial handling equipment decreased compared to the prior year, reflecting a return to more traditional seasonality as well as what appears to be a somewhat softer domestic market compared to the extremely high level of activity in 2014.

International

AGI's international sales for the quarter ended March 31, 2015 were \$22.9 million (2014 - \$13.9 million). The increase is largely due to increased activity in RUK where sales of \$12.0 million accounted for 52% of AGI's total international sales in the quarter (2014 - \$7.2 million and 53%). Sales in RUK were largely related to a new port project in Ukraine with a multinational grain trader. Sales in Latin America of \$4.2 million accounted for 18% of total international sales and represents an increase of \$2.8 million over the prior year. Strong Q1 Latin American sales were largely related to projects in Bolivia and Peru and to the recognition of revenue deferred from 2014. In addition to an increase in sales, AGI exited Q1 2015 with a geographically diverse international backlog of \$32.7 million (2014 - \$24.5 million). The backlog at March 31, 2015 is comprised of RUK (59%) Latin America (34%) and ROW (7%).

See also "Outlook".

Gross Profit and Gross Margin

(thousands of dollars)	Three Months Ended March 31	
	2015	2014
Trade sales ⁽¹⁾	\$94,420	\$86,181
Cost of inventories ⁽²⁾	<u>59,918</u>	<u>55,936</u>
Gross Margin	<u>\$34,502</u>	<u>\$30,245</u>

(1) See "Non-IFRS Measures".

(2) Excludes depreciation and amortization included in cost of sales.

The Company's gross margin percentage for the quarter ended March 31, 2015 was 36.5% (2014 – 35.1%). The increase in gross margin was the result of a number of factors, including production volume efficiencies at on-farm divisions, the successful integration of the Rem product line into the Batco division production facility, the continued benefit of lean manufacturing and the favourable impact of the weaker Canadian dollar. These gains were partially offset by a lower margin at the Company's Union Iron division that resulted from engineering and production issues related to rapid growth in a recently expanded product line.

On an earnings basis, AGI benefits from a weaker Canadian dollar as its U.S. dollar denominated sales significantly exceed costs denominated in that currency. On a gross margin percentage basis however, the benefit of a weaker Canadian dollar relates only to AGI's Canadian divisions that derive U.S. dollar revenues in excess of U.S. dollar costs.

General and Administrative Expenses

For the quarter ended March 31, 2015, selling, general & administrative expenses were \$19.6 million (21% of sales) compared to \$16.7 million (19% of sales) in 2014. As a percentage of sales, general and administrative expenses in the first quarter of a fiscal year are generally higher than the annual percentage due to seasonally lower sales volumes. The increase from 2014 is largely due to the following:

- Salaries and wages increased \$0.8 million in the quarter ended March 31, 2015 due to wage adjustments, engineering and other resources added to accommodate growth and the creation of an office in Brazil in Q4 2014.
- Sales and marketing expenses increased \$0.8 million due largely to higher sales commissions, additional personnel at the divisional level to support growth as well as continued investment to support the Company's international sales team.
- Third party commission expense in 2015 increased \$0.7 million primarily due to the geographic sales mix of on-farm products.
- Share based compensation increased \$0.2 million over 2014 due to an increase in the number of awards granted and an increase in the Company's estimate of achievement under the plan. As at March 31, 2015 there are 352,000 shares based awards outstanding (2014 – 336,000). Based on current participation and achievement expectations the expense going forward will approximate \$1.0 million per quarter until awards begin to vest. The expense in future periods may change in the event of a change in the achievement assumption.
- The remaining variance is the result of a number of offsetting factors with no individual variance larger than \$0.2 million.

EBITDA and Adjusted EBITDA

(thousands of dollars)	Year Ended March 31	
	2015	2014
EBITDA ⁽¹⁾	\$4,548	\$10,524
Adjusted EBITDA ⁽¹⁾	\$16,441	\$14,470

(1) See the EBITDA reconciliation table above and "Non-IFRS Measures".

Adjusted EBITDA increased significantly compared to 2014 as a substantial increase in sales and a higher gross margin were partially offset by an increase in SG&A expenses. EBITDA decreased compared to 2014 due primarily to losses on foreign exchange. See “EBITDA Reconciliation” above for a reconciliation between these measures.

Finance Costs

The Company’s bank indebtedness as at March 31, 2015 was \$5.1 million (December 31, 2014 – nil; March 31, 2014 – nil) and its outstanding long-term debt was \$31.7 million (December 31, 2014 - \$28.9 million; March 31, 2014 - \$52.5). The increase in long-term debt from December 31, 2014 is the result of movement in foreign exchange rates. Long-term debt is comprised of U.S. \$25.0 million of non-amortizing secured notes that bear interest at 6.80% and mature October 29, 2016 and at March 31, 2014 also included CAD \$25.0 million drawn under the company’s revolver facility. See “Capital Resources” for a description of the Company's credit facilities. As at March 31, 2015 the Company had outstanding \$138 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures (see “Capital Resources”).

Finance costs for the quarter ended March 31, 2015 were \$3.1 million (2014 - \$4.3 million). The lower expense in 2015 is primarily the result of AGI’s lower cost of debt subsequent to the refinancing of its 2009 debentures in the first quarter of 2014, a decrease in long-term debt outstanding and the inclusion in 2014 of non-cash charges related to refinancing its 2009 debentures. Finance costs in both periods include non-cash interest related to debenture accretion, the amortization of deferred finance costs related to AGI’s debentures, stand-by fees and other sundry cash interest.

Finance Expense

Finance expense in both periods relates primarily to a non-cash loss 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 Income

Other operating income both periods included interest income charged on accounts receivable and in the quarter ended March 31, 2015 also included a gain on the sale of a redundant manufacturing facility in Lethbridge, AB.

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. Total depreciation and amortization is summarized below:

Depreciation (thousands of dollars)	Three Months Ended March 31	
	2015	2014
Depreciation in cost of sales	\$1,599	\$1,491
Depreciation in G&A	<u>167</u>	<u>162</u>
Total Depreciation	<u>\$1,766</u>	<u>\$1,653</u>

Amortization (thousands of dollars)	Three Months Ended March 31	
	2015	2014
Amortization in cost of sales	\$162	\$121
Amortization in G&A	<u>1,187</u>	<u>1,031</u>
Total Amortization	<u>\$1,349</u>	<u>\$1,152</u>

Current income tax expense

For the three months ended March 31, 2015 the Company recorded current tax expense of \$0.9 million (2014 – \$0.7 million). Current tax expense relates primarily to Ag Growth U.S. subsidiaries.

Deferred income tax expense

For the three months ended March 31, 2015 the Company recorded deferred tax expense of \$0.9 million (2014 – \$1.6 million). Deferred tax expense in 2015 relates to the utilization of deferred tax assets plus a decrease in deferred tax liabilities that related to the application of corporate tax rates to reversals of temporary differences between the accounting and tax treatment of depreciable assets and intangible assets.

Upon conversion to a corporation from an income trust in June 2009 (the “Conversion”) the Company received certain tax attributes that may be used to offset tax otherwise payable in Canada. The Company’s Canadian taxable income is based on the results of its divisions domiciled in Canada, including the corporate office, and realized gains or losses on foreign exchange. For the quarter ended March 31, 2015, the Company offset \$1.1 million of Canadian tax otherwise payable (2014 - \$1.7 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 March 31, 2015, the balance sheet asset related to these unused attributes was \$15.1 million.

AGI Conversion – Agreement with CRA

On February 25, 2015, AGI announced that it had entered into an agreement with the CRA regarding the CRA's objection to the tax consequences of the conversion of AGI from an income trust structure into a business corporation in June 2009. The agreement did not give rise to any cash outlay by AGI and subsequent to the settlement AGI had unused tax attributes remaining of \$16.3 million and these are recorded as an asset on the Company’s balance sheet. As at March 31, 2015, the balance sheet asset related to these unused attributes was \$15.1 million.

Effective tax rate (thousands of dollars)	Three Months Ended March 31	
	2015	2014
Current tax expense	\$ 870	\$ 672
Deferred tax expense	<u>872</u>	<u>1,573</u>
Total tax	<u>\$ 1,742</u>	<u>\$ 2,245</u>
Profit (loss) before taxes	(\$1,667)	\$3,463
Total tax %	(105%)	64%

The effective tax rate in both periods was significantly impacted by non-cash income statement losses that are not deductible for tax purposes.

Effective tax rate (thousands of dollars)	Three Months Ended March 31	
	2015	2014
Profit (loss) before taxes	\$(1,667)	\$3,463
Non-cash losses on foreign exchange	<u>5,897</u>	<u>2,272</u>
	<u>\$4,230</u>	<u>\$5,735</u>
Total tax	\$1,742	\$2,245
Total tax %	41%	39%

Profit and profit per share

For the quarter ended March 31, 2015, the Company reported a net loss of \$3.4 million (2014 – profit of \$1.2 million), a basic net loss per share of \$0.26 (2014 – profit of \$0.09) and a fully diluted net loss per share of \$0.26 (2014 – profit of \$0.09). Although sales and adjusted EBITDA increased compared to the prior year, profit and profit per share in 2014 decreased primarily as a result of the items in the table below:

	Three Months Ended March 31	
(thousands of dollars)	2015	2014
Profit (loss) as reported	(3,409)	1,218
Diluted profit per share as reported	(0.26)	(0.09)
Loss on foreign exchange	9,866	2,944
Transaction costs	1,077	135
Gain on sale of property, plant and equipment	(130)	0
Adjusted profit ⁽¹⁾	<u>\$7,404</u>	<u>\$4,297</u>
Diluted adjusted profit per share ⁽¹⁾	<u>\$0.56</u>	<u>\$0.32</u>

(1) See “Non-IFRS Measures”.

QUARTERLY FINANCIAL INFORMATION (thousands of dollars):

2015					
	Average USD/CAD Exchange Rate	Sales	Profit	Basic Profit per Share	Diluted Profit per Share
Q1	1.23	87,259	(3,409)	(0.26)	(0.26)
YTD	1.23	87,259	(3,409)	(0.26)	(0.26)

2014					
	Average USD/CAD Exchange Rate	Sales	Profit	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

2013					
	Average USD/CAD Exchange Rate	Sales	Profit	Basic Profit per Share	Diluted Profit per Share
Q1	\$1.01	\$59,547	\$3,399	\$0.27	\$0.26
Q2	\$1.02	\$93,320	\$5,956	\$0.47	\$0.46
Q3	\$1.04	\$116,447	\$12,718	\$1.01	\$0.95
Q4	\$1.04	\$87,473	\$518	\$0.04	\$0.04
YTD	\$1.03	\$356,787	\$22,591	\$1.80	\$1.75

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.

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

- Net profit (loss) in the first quarter of 2015 and in the third and fourth quarters of 2014 was significantly impacted by losses on foreign exchange that resulted from the weakening of the Canadian dollar vs. its U.S. counterpart.
- The net loss and loss per share in the fourth quarter of 2014 was significantly impacted by an expense of \$16,889 related to the Company's agreement with the CRA regarding its conversion to a corporation (see "AGI Conversion – Agreement with CRA").
- 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.
- A widespread drought in the U.S. in 2012 impacted sales and profit the first and second quarters of 2013.

CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended March 31	
	2015	2014
Profit (loss) before income taxes	\$(1,667)	\$3,463
Add charges (deduct credits) to operations not requiring a current cash payment:		
Depreciation/Amortization	3,115	2,805
Translation loss on FX	13,143	4,825
Non-cash interest expense	584	1,923
Share based compensation	1,080	867
Non-cash investment tax credit	(76)	0
Gain on sale of assets	(130)	0
	16,049	\$13,883

Net change in non-cash working capital balances related to operations:		
Accounts receivable	(15,996)	(8,687)
Inventory	(15,824)	(9,257)
Prepaid expenses	(195)	(415)
Accounts payable	5,698	1,301
Customer deposits	(1,820)	(948)
Provisions	<u>336</u>	<u>54</u>
	<u>(27,801)</u>	<u>(17,952)</u>
Income tax paid	<u>(40)</u>	<u>(2,064)</u>
Cash used in operations	<u>(11,792)</u>	<u>(6,133)</u>

For the quarter ended March 31, 2015, cash used by operations was \$11.8 million (2014 – \$6.1 million). The translation loss on foreign exchange resulted from a significant weakening in the Canadian dollar and is related to translating U.S. dollar denominated debt and U.S. based subsidiaries into Canadian dollars at the balance sheet date. A negative net change in accounts receivable in the first quarter is expected due to seasonality and the increase over 2014 is primarily the result of higher first quarter sales with collection dates later in the year and the non-cash movement related to translating U.S. dollar denominated receivables into Canadian dollars at the balance sheet date.

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. As a result of these working capital movements, historically, AGI begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. AGI has typically fully repaid its operating line balance by early in the fourth quarter. Working capital movements in 2014 differed from historical seasonal patterns as both accounts receivable and inventory increased in the fourth quarter. Requirements for fiscal 2015 are expected to be generally consistent with historical patterns. 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 March 31, 2015 were \$0.4 million (0.4% of trade sales) compared to \$1.4 million (1.7%) in 2014. Management generally expects maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. Maintenance capital expenditures in 2015 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 \$10.1 million in the quarter ended March 31, 2015 (2014 - \$0.4 million). In 2015, non-maintenance capital expenditures relate to two new commercial grain handling production facilities in the U.S. and expenditures to date are \$18 million. The total project costs for these facilities is estimated at CAD \$35 million with the majority of the remaining spend expected to occur in the second quarter of 2015. 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 March 31, 2015 was nil (December 31, 2014 - \$25.3 million; March 31, 2014 - \$9.0 million) and its outstanding long-term debt was \$31.7 million (December 31, 2014 - \$28.9 million; March 31, 2014 - \$52.5 million).

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	2015	2016	2017	2018	2019+
2013 Debentures	86,250	0	0	0	86,250	0
2014 Debentures ⁽¹⁾	51,750	51,750	0	0	0	0
Long-term debt	31,707	0	31,707	0	0	0
Operating leases	<u>6,602</u>	<u>1,241</u>	<u>1,409</u>	<u>1,094</u>	<u>837</u>	<u>2,021</u>
Total obligations	<u>176,309</u>	<u>52,991</u>	<u>33,116</u>	<u>1,094</u>	<u>87,087</u>	<u>2,021</u>

(1) See "Pending Transaction" for description of the 2014 Debentures. Upon closing of the pending acquisition of Westeel, provided that such closing occurs on or before June 29, 2015, the maturity date of the 2014 Debentures will automatically be extended to December 31, 2019.

2013 and 2014 Debentures relate to the aggregate principal amount of the Debentures (see "Convertible Debentures" below) and long-term debt is comprised of U.S. \$25.0 million of non-amortizing secured notes.

CAPITAL RESOURCES

Cash

Cash and cash equivalents at March 31, 2015 were nil (December 31, 2014 - \$25.3 million; March 31, 2014 - \$9.0 million). A net decrease in cash is expected in the first quarter of a fiscal year due to seasonality and in 2015 the decrease in the first quarter was larger than typical due primarily to expenditures related the construction of two new manufacturing facilities in the U.S. and a larger investment in working capital compared to the prior year.

Debt Facilities

On October 29, 2009, the Company issued US \$25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement. The notes are non-amortizing, bear interest at 6.80% and mature October 29, 2016. Under the note purchase agreement, AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio. The Company is in compliance with all financial covenants.

The Company also has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of \$73.0 million and U.S. \$22.5 million. As at March 31, 2015, \$5.1 million was drawn under this facility (December 31, 2014 – nil). Amounts drawn under the facility bear interest at rates of prime plus 0.0% to prime plus 1.0% based on performance calculations and the facility matures on March 8, 2016. 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.

In conjunction with the pending Westeel Acquisition and for the purposes of partially funding the purchase price (see "Pending Transaction"), AGI has obtained an underwritten financing commitment from one of the Canadian chartered banks that is a lender under its Credit Facility, as sole lead arranger and sole bookrunner (the "Arranger") providing for (i) a 4-year extendible revolving credit facility in the maximum amount of \$125 million (the "Canadian Revolver Facility"), (ii) a 4-year extendible revolving credit facility in the maximum amount of US\$50 million (the "U.S. Revolver Facility" and together with the Canadian Revolver Facility, the "Revolver Facilities") and (iii) a 4-year non-amortizing term loan in the maximum amount of \$50 million (the "Term Loan"). The New Credit Facilities are to be provided by a syndicate of financial institutions (collectively, the "Lenders") to be identified by the Arranger in consultation with AGI prior to the Westeel Acquisition Closing Date. The New Credit Facilities are subject to customary conditions including completion of definitive documentation and the absence of any material adverse change in the Westeel Business.

Short-term Debt

Short-term debt is comprised of the 2014 Debentures (see "Debentures (2014)" below), net of costs. The initial maturity date of the 2014 Debentures is June 29, 2015, provided that if the closing of AGI's pending acquisition of Westeel is completed by June 29, 2015, the maturity date of the 2014 Debentures will automatically be extended to December 31, 2019 (see "Pending Transaction"). Accordingly, until such time as the maturity date is extended, the 2014 Debentures are considered a current liability and have been classified as short-term debt.

Convertible Debentures

Debentures (2009)

In 2009 the Company issued \$115 million aggregate principal amount of convertible unsecured subordinated debentures (the "2009 Debentures") at a price of \$1,000 per 2009 Debenture. On and after December 31, 2013, at the option of the Company, the 2009 Debentures could be redeemed at a price equal to their principal amount plus accrued and unpaid interest. In December 2013 the Company announced its intention to redeem the 2009 Debentures effective January 20, 2014. In January 2014, holders of \$19.0 million principal amount of the 2009 Debentures exercised the conversion option and were issued 422,897 common shares. The Company redeemed all remaining outstanding 2009 Debentures on January 20, 2014.

Debentures (2013)

In December 2013 the Company issued \$86.2 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 with the first payment due on June 30, 2015. 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. The initial maturity date of the 2014 Debentures is June 29, 2015, provided that if the closing of AGI's pending acquisition of Westeel is completed by June 29, 2015, the maturity date of the 2014 Debentures will automatically be extended to the December 31, 2019. (see "Pending Transaction").

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.

COMMON SHARES

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

	# Common Shares
December 31, 2013	12,628,291
Shares issued under Dividend Reinvestment Plan (the "DRIP")	114,439
Shares issued on Conversion of 2009 Debentures	<u>422,897</u>
December 31, 2014	13,165,627
Shares issued under DRIP	<u>23,753</u>
March 31, 2015	13,189,380
Shares issued under DRIP in April 2015	<u>6,499</u>
Shares issued under RSU in April 2015	<u>6,429</u>
May 12, 2015	<u>13,202,308</u>

A total of 465,000 common shares are available for issuance under the Company's Share Award Incentive Plan (the "2012 SAIP"). As at March 31, 2015, a total of 242,000 restricted Share Awards ("RSUs") and 110,000 performance Share Awards ("PSUs") have been granted.

A total of 48,614 deferred grants of common shares have been granted under the Company's Director's Deferred Compensation Plan and 7,502 common shares have been issued.

A total of 2,357,416 common shares are issuable on conversion of the outstanding 2013 and 2014 Debentures.

A total of 1,112,050 common shares are issuable upon the exercise of 1,112,050 outstanding Subscription Receipts (as defined below) (See "Pending Transaction").

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

DIVIDENDS

In the quarter ended March 31, 2015, AGI declared dividends to shareholders of \$7.9 million (2014 - \$7.8 million). AGI's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines, and through the DRIP. Dividends in the quarter ended March 31, 2015 were financed \$1.2 million by the DRIP (2014 - \$1.4 million) and \$6.7 million (2014 - \$6.5 million) from cash on hand and cash from operations or bank indebtedness.

FUNDS FROM OPERATIONS AND PAYOUT RATIO

Funds from operations ("FFO"), defined under "Non-IFRS Measures", is cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for gains or losses on the sale of property, plant & equipment. 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 March 31	
	2015	2014
EBITDA ⁽¹⁾	\$4,548	\$10,524
Share based compensation	1,080	867
Non-cash interest expense	584	1,923
Translation loss on foreign exchange	13,143	4,825
Interest expense	(3,100)	(4,256)
Income taxes paid	(40)	(2,064)
Maintenance CAPEX	<u>(374)</u>	<u>(1,425)</u>
Funds from operations ⁽¹⁾	<u>\$15,841</u>	<u>\$10,394</u>

Funds from operations can be reconciled to cash provided by operating activities as follows:

(thousands of dollars)	Three Months Ended March 31	
	2015	2014
Cash used in operating activities	(11,792)	(6,133)
Change in non-cash working capital	27,801	17,952
Maintenance CAPEX	(374)	(1,425)
Non-cash investment tax credit	76	0
Gain on sale of assets	<u>130</u>	<u>0</u>
Funds from operations ⁽¹⁾	<u>15,841</u>	<u>10,394</u>
Payout ratio		
Dividends to shareholders	\$7,908	\$7,843
Payout ratio ⁽¹⁾	50%	75%
Adjusted payout ratio		
Dividends to shareholders	\$7,908	\$7,843
Dividends paid under DRIP	<u>(1,246)</u>	<u>(1,389)</u>
Dividends paid in cash	<u>\$6,662</u>	<u>\$6,454</u>
Adjusted payout ratio ⁽¹⁾	42%	62%

(1) See “Non-IFRS Measures”.

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 March 31, 2015, 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)
2015 (April – Dec)	85,500	1.13	97,002
2016 (Jan – Dec)	100,500	1.16	116,109
2017 (Q1)	9,000	1.25	11,216

Forward Foreign Exchange Contracts			
Settlement Dates	Face Amount Euros (000's)	Average Rate CAD	CAD Amount (000's)
August 2015	500	1.52	760

The fair value of the outstanding forward foreign exchange contracts in place as at March 31, 2015 was a loss of \$20.7 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 for the period ended March 31, 2015.

PENDING WESTEEL ACQUISITION AND ASSOCIATED FINANCINGS

AGI entered into an arrangement agreement (the "Arrangement Agreement") dated November 10, 2014, with, among others, Vicwest Inc. ("Vicwest") and Kingspan Group Limited ("Kingspan") pursuant to which, in accordance with a court approved plan of arrangement (the "Arrangement"), Kingspan will acquire all of the issued and outstanding shares of Vicwest and AGI will acquire substantially all of the assets of Vicwest's Westeel Division, a provider of grain storage solutions, (the "Westeel Business") for an aggregate purchase price of approximately \$221.5 million in cash (the "Westeel Acquisition"). Completion of the Arrangement including the closing of the Westeel Acquisition (the "Westeel Acquisition Closing") is subject to a number of customary conditions including regulatory approvals.

In conjunction with the Westeel Acquisition and for the purposes of partially funding the purchase price, in December 2014, AGI issued 1,112,050 subscription receipts ("Subscription Receipts") at a price of \$46.55 per subscription receipt for gross proceeds of approximately \$51.76 million and \$51.75 million aggregate principal amount of 2014 Debentures (collectively, the "Offering") pursuant to a bought deal public offering. The remainder of the purchase price

will be funded through expanded credit facilities that have been fully committed by the Company's lenders. See "Capital Resources".

Each Subscription Receipt represents the right of the holder to receive, upon closing of the Westeel Acquisition, without payment of additional consideration, one common share of AGI plus an amount equal to the amount per common share of any dividends declared for which record dates have occurred during the period from closing of the Offering to the date immediately preceding the closing date of the Westeel Acquisition. Net proceeds from the offering of the Subscription Receipts were deposited in escrow pending the closing of the Westeel Acquisition. If the Westeel Acquisition closes on or before June 29, 2015, the escrowed proceeds from the offering of Subscription Receipts will be released to AGI and used to finance, in part, the Westeel Acquisition. If the Westeel Acquisition does not close on June 29, 2015, the Arrangement Agreement is terminated at any earlier time, or AGI advises the Underwriters or announces to the public that it does not intend to proceed with the Westeel Acquisition, holders of the Subscription Receipts will be refunded their purchase price.

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, 2014 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".

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 Cyclicity 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 impact 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 generates the majority of its sales in U.S. dollars and Euros, but a materially smaller proportion of its expenses are denominated in U.S. dollars and Euros. In addition, AGI may denominate its long term borrowings in U.S. dollars. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and the U.S. dollar and Euro may significantly impact the Company's financial results. Management has implemented a foreign currency hedging strategy and the Company regularly enters hedging arrangements to partially mitigate the potential effect

of fluctuating exchange rates. To the extent that AGI does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar and Euro may have a material adverse effect on AGI's results of operations, business, prospects and financial condition. Conversely, to the extent that we enter into hedging arrangements, we potentially forego the benefits that might result from favourable fluctuations in currency exchange rates.

Acquisition and Expansion Risk

AGI may expand its operations by increasing the scope or changing the nature of operations at existing facilities or by acquiring or developing additional businesses, products or technologies in existing or new markets. There can be no assurance that the Company will be able to identify, acquire, develop or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the 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. 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 (approximately \$78 million or 19% in 2014) 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, 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, the situation in Ukraine is rapidly developing and AGI has no way to predict outcome of the situation. 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 impact 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 impact 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 impact 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 and Labour Relations

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. There is no assurance that some or all of the employees of AGI will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse impact on AGI'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 March 8, 2016 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.

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; Tax Consequences of Conversion

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 including the Conversion. 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 agreement 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 agreement 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 note purchase agreement 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 credit facility 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.

Possible Failure to Complete the Westeel Acquisition

The closing of the Westeel Acquisition is subject to the satisfaction of certain closing conditions including the receipt of required regulatory approvals. There is no certainty, nor can AGI provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the closing of the Westeel Acquisition does not take place as contemplated, AGI could suffer adverse consequences, including the loss of investor confidence.

Risks Related to the Post-Westeel Acquisition Business and Operations of AGI

Similar Risk Factors in the Business and Operations of AGI and the Westeel Business

The risk factors relating to AGI's business generally also apply in respect of the Westeel Business and will continue to affect AGI following the Westeel Acquisition. Additionally, investors should carefully consider the following risk factor in relation to the Westeel Business:

Labour Relations

The Westeel Business 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, whether those of the Westeel Business or AGI, 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.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

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.

Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014 the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports [the "Disclosure Initiative"]. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

IFRS 9 Financial Instruments

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.

IFRS 15 Revenue with Contracts with Customers

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, 2017 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 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.

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three month period ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS, with a number of non-IFRS financial measures including "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "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 the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to "EBITDA" are to profit before income taxes, finance costs, depreciation, amortization, impairment charges related to goodwill, intangibles or available for sale assets.. 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 and expenses related to corporate acquisition activity. 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 "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. References to "gross margin" are to trade sales less cost of sales net of the depreciation and amortization included in cost of sales.

References to "funds from operations" are to cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for the gain or loss on the sale of property, plant & equipment. 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 profit before 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.

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 financial and operating performance including our expectations for adjusted sales and EBITDA. 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, foreign exchange rates and the cost of materials, labour and services. 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, foreign exchange rates, and competition. 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. 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.
March 31, 2015

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION**

[in thousands of Canadian dollars]

	As at March 31, 2015 \$	As at December 31, 2014 \$
ASSETS [note 14]		
Current assets		
Cash and cash equivalents	—	25,295
Cash held in trust [note 5]	250	250
Accounts receivable [note 11]	102,760	86,764
Inventory	86,855	71,031
Prepaid expenses and other assets [note 22]	9,747	6,852
Income taxes recoverable	2,854	3,375
	202,466	193,567
Non-current assets		
Property, plant and equipment, net [note 22]	112,124	99,612
Goodwill [note 8]	73,897	71,356
Intangible assets, net [note 7]	76,280	75,618
Available-for-sale investment [note 9]	900	900
Income taxes recoverable	3,889	3,812
Deferred tax asset [note 16]	1,324	—
	268,414	251,298
Assets held for sale	1,150	2,251
Total assets	472,030	447,116
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness [note 14]	5,095	—
Accounts payable and accrued liabilities [note 19]	41,158	35,460
Customer deposits	11,044	12,864
Dividends payable [note 12[d]]	2,638	2,633
Acquisition, transaction and financing costs payable [notes 5 and 22[e]]	2,735	2,266
Income taxes payable	165	93
Subscription receipts commission payable [note 22[e]]	1,036	1,036
Current portion of derivative instruments [note 17]	13,159	6,618
Short-term debt [note 14]	49,358	49,176
Provisions	4,165	3,829
	130,553	113,975
Non-current liabilities		
Long-term debt [note 14]	31,660	28,949
Due to vendor	733	671
Convertible unsecured subordinated debentures [note 15]	79,811	79,433
Derivative instruments [note 17]	7,554	2,290
Deferred tax liability [note 16]	12,140	12,072
	131,898	123,415
Total liabilities	262,451	237,390
Shareholders' equity [note 12]		
Common shares	186,017	184,771
Accumulated other comprehensive income	23,688	14,838
Equity component of convertible debentures	3,135	3,135
Contributed surplus	14,233	12,954
Deficit	(17,494)	(5,972)
Total shareholders' equity	209,579	209,726
Total liabilities and shareholders' equity	472,030	447,116
Commitments and contingencies [note 22]		

See accompanying notes

On behalf of the Board of Directors:



Bill Lambert
Director



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	
	March 31, 2015	March 31, 2014
	\$	\$
Sales	87,259	84,278
Cost of goods sold <i>[note 6[d]]</i>	61,679	57,548
Gross profit	25,580	26,730
Expenses		
Selling, general and administrative <i>[note 6[e]]</i>	22,026	18,063
Other operating income <i>[note 6[a]]</i>	(569)	(49)
Finance costs <i>[note 6[c]]</i>	3,100	4,256
Finance expense <i>[note 6[b]]</i>	2,690	997
	27,247	23,267
Profit (loss) before income taxes	(1,667)	3,463
Income tax expense <i>[note 16]</i>		
Current	870	672
Deferred	872	1,573
	1,742	2,245
Profit (loss) for the period	(3,409)	1,218
Profit (loss) per share – basic <i>[note 20]</i>	(0.26)	0.09
Profit (loss) per share – diluted <i>[note 20]</i>	(0.26)	0.09

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME**

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2015	March 31, 2014
	\$	\$
Profit (loss) for the period	(3,409)	1,218
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of derivatives designated as cash flow hedges	(13,142)	(4,525)
Losses on derivatives designated as cash flow hedges recognized in net earnings in the current period	1,337	323
Income tax effect on cash flow hedges	3,140	1,116
Exchange differences on translation of foreign operations	17,515	6,478
Other comprehensive income for the period	8,850	3,392
Total comprehensive income for the period	5,441	4,610

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

[in thousands of Canadian dollars]

Three-month period ended March 31, 2015

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Cash flow hedge reserve \$	Foreign currency 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	—	—	—	(3,409)	—	—	(3,409)
Other comprehensive income (loss)	—	—	—	—	(8,665)	17,515	8,850
Share-based payment transactions [notes 12 and 13]	—	—	1,285	—	—	—	1,285
Dividend reinvestment plan	—	—	—	—	—	—	—
transactions [notes 12[d] and 12[e]]	1,246	—	—	—	—	—	1,246
Dividends to shareholders [note 12[d]]	—	—	—	(7,908)	—	—	(7,908)
Dividends on share-based compensation awards [note 12[d]]	—	—	—	(205)	—	—	(205)
Equity component of convertible debentures	—	—	(6)	—	—	—	(6)
As at March 31, 2015	186,017	3,135	14,233	(17,494)	(15,210)	38,898	209,579

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

[in thousands of Canadian dollars]

Three-month period ended March 31, 2014

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Retained earnings \$	Cash flow hedge reserve \$	Foreign currency reserve \$	Total equity \$
As at January 1, 2014	158,542	8,240	4,984	21,847	(3,306)	6,671	196,978
Profit for the period	—	—	—	1,218	—	—	1,218
Other comprehensive income (loss)	—	—	—	—	(3,086)	6,478	3,392
Share-based payment transactions [note 13]	749	—	192	—	—	—	941
Dividend reinvestment plan transactions [notes 12[d] and 12[e]]	1,389	—	—	—	—	—	1,389
Dividends to shareholders [note 12[d]]	—	—	—	(7,843)	—	—	(7,843)
Dividends on share-based compensation awards [note 12[d]]	—	—	—	(74)	—	—	(74)
Redemption of 2009 convertible unsecured subordinated debentures [note 15]	19,024	(3,760)	3,760	—	—	—	19,024
As at March 31, 2014	179,704	4,480	8,936	15,148	(6,392)	13,149	215,025

See accompanying notes

Ag Growth International Inc.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF CASH FLOWS**

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

	Three-month period ended	
	March 31, 2015	March 31, 2014
	\$	\$
OPERATING ACTIVITIES		
Profit (loss) before income taxes for the period	(1,667)	3,463
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	1,766	1,653
Amortization of intangible assets	1,349	1,152
Non-cash investment tax credit	(76)	—
Translation loss on foreign exchange	13,143	4,825
Non-cash component of interest expense	584	1,923
Share-based compensation expense	1,080	867
Loss on sale of property, plant and equipment	1	—
Gain on sale of assets held for sale	(131)	—
	16,049	13,883
Net change in non-cash working capital balances related to operations <i>[note 10]</i>	(27,801)	(17,952)
Income tax paid	(40)	(2,064)
Cash used in operating activities	(11,792)	(6,133)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(10,481)	(1,796)
Acquisition of REM product line <i>[note 5]</i>	—	(13,144)
Changes to deposits related to property, plant and equipment	(2,578)	(873)
Transfer to cash held in trust	—	(250)
Transaction costs paid and payable	469	—
Proceeds from sale of property, plant and equipment	7	56
Proceeds from sale of assets held for sale	1,147	—
Development and purchase of intangible assets	(377)	(298)
Cash used in investing activities	(11,813)	(16,305)
FINANCING ACTIVITIES		
Increase in bank indebtedness	5,095	—
Repayment of long-term debt	—	(1)
Redemption of convertible unsecured unsubordinated debentures, net	—	(95,861)
Subscription receipts financing costs	(123)	—
Issuance of long-term debt	—	25,000
Dividends paid in cash <i>[note 12[d]]</i>	(6,662)	(6,454)
Cash used in financing activities	(1,690)	(77,316)
Net decrease in cash and cash equivalents during the period	(25,295)	(99,754)
Cash and cash equivalents, beginning of period	25,295	108,731
Cash and cash equivalents, end of period	—	8,977
Supplemental cash flow information		
Interest paid	956	1,184

See accompanying notes

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2015

1. ORGANIZATION

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three-month period ended March 31, 2015 were authorized for issuance in accordance with a resolution of the directors on May 11, 2015. 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, 2014.

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, 2014, which are available on SEDAR at www.sedar.com.

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2015

[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 March 31, 2015.

[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

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2015

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, 2017 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.

Amendments to IAS 1, *Presentation of Financial Statements*

On December 18, 2014 the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports [the “Disclosure Initiative”]. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently evaluating the impact of adopting this standard 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. As a result of these working capital movements, historically, AGI’s use of its bank revolver is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2015

5. BUSINESS COMBINATION

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.

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

	<u>\$</u>
Accounts receivable	2,257
Inventory	1,650
Property, plant and equipment	120
Intangible assets	
Distribution network	2,566
Brand name	1,838
Intellectual property	1,266
Order backlog	35
Non-compete agreements	114
Goodwill	3,811
Accounts payable and accrued liabilities	(80)
Customer deposits	(319)
Provisions	(110)
Purchase consideration	<u>13,148</u>

The goodwill of \$3,811 comprises the value of expected synergies arising from the acquisition. Goodwill is expected to be deductible for income tax purposes.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2015

From the date of acquisition, Grain Vac contributed to the 2014 results \$12,540 of revenue and the impacts on the cash flows at December 31, 2014 on the acquisition of Grain Vac were as follows:

	<u>\$</u>
Purchase consideration	13,148
Local taxes	246
Cash held in trust	<u>(250)</u>
Purchase consideration transferred	<u>13,144</u>

The acquisition of Grain Vac was an asset purchase and, as such, the Company does not have access to the books and records of Grain Vac for any periods prior to the acquisition date of February 3, 2014. Therefore, the impact on revenue and profit of the Company from the acquisition of Grain Vac at the beginning of 2014 cannot be reported. The Company has also integrated Grain Vac with one of its divisions. Therefore, the operating results of Grain Vac cannot be separately reported from the date of acquisition.

The consideration transferred of \$13,144 was paid in cash. The impact on the cash flow on the acquisition of Grain Vac is as follows:

	<u>\$</u>
Transaction costs of the acquisition paid in 2013	119
Transaction costs of the acquisition paid in 2014	32
Purchase consideration transferred	<u>13,144</u>
Net cash flow on acquisition	<u>13,295</u>

As at March 31, 2015, the Company had cash held in trust of \$250 relating to the acquisition of Grain Vac. Transaction costs of nil [2014 – \$32] are included in selling, general and administrative costs.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2015

6. OTHER EXPENSES (INCOME)

	Three-month period ended	
	March 31, 2015	March 31, 2014
	\$	\$
[a] Other operating income		
Net loss on disposal of property, plant and equipment	1	—
Net gain on disposal of assets held for sale	(131)	—
Other	(439)	(49)
	(569)	(49)
[b] Finance expense (income)		
Interest income from banks	(15)	(44)
Loss on foreign exchange	2,705	1,041
	2,690	997
[c] Finance costs		
Interest on overdrafts and other finance costs	64	86
Interest, including non-cash interest, on debts and borrowings	646	717
Interest, including non-cash interest, on convertible debentures <i>[note 15]</i>	2,390	3,453
	3,100	4,256
[d] Cost of goods sold		
Depreciation	1,599	1,491
Amortization of intangible assets	162	121
Warranty provision	336	64
Cost of inventory recognized as an expense	59,582	55,872
	61,679	57,548
[e] Selling, general and administrative expenses		
Depreciation	167	162
Amortization of intangible assets	1,187	1,031
Minimum lease payments recognized as an operating lease expense	417	421
Selling, general and administrative	19,178	16,314
Transaction costs	1,077	135
	22,026	18,063
[f] Employee benefits expense		
Wages and salaries	25,861	23,009
Share-based payment transaction expense <i>[note 13[d]]</i>	1,080	867
Pension costs	607	619
	27,548	24,495
Included in cost of goods sold	17,978	16,204
Included in selling general and administrative expense	9,570	8,291
	27,548	24,495

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2015

7. INTANGIBLE ASSETS

	\$
Balance, January 1, 2014	71,487
Internal development	1,338
Acquired	6,206
Amortization	(4,940)
Exchange differences	1,527
Balance, December 31, 2014	75,618
Internal development	313
Acquired	64
Amortization	(1,349)
Exchange differences	1,634
Balance, March 31, 2015	76,280

8. GOODWILL

	March 31, 2015	December 31, 2014
	\$	\$
Balance, beginning of period	71,356	65,322
Acquisition <i>[note 5]</i>	—	3,811
Exchange differences	2,541	2,223
Balance, end of period	73,897	71,356

9. AVAILABLE-FOR-SALE INVESTMENT

In fiscal 2009, AGI invested \$2 million in a privately held Canadian farming company [“Investco”]. In conjunction with AGI’s investment, Investco made a \$2 million deposit to AGI for future purchases of grain handling and storage equipment to support their farming operations and AGI was to become a strategic supplier to Investco. The deposit was fully utilized in 2014. AGI assesses at each reporting period whether there is any objective evidence that its investment is impaired. In 2014, AGI had concluded its investment in Investco was impaired based on external information available and observable conditions and as a result, AGI recorded a \$1.1 million charge to reflect management’s estimate of the fair value of its investment in Investco.

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2015

10. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	March 31, 2015	March 31, 2014
	\$	\$
Accounts receivable	(15,996)	(8,687)
Inventory	(15,824)	(9,257)
Prepaid expenses and other assets	(195)	(415)
Accounts payable and accrued liabilities	5,698	1,301
Customer deposits	(1,820)	(948)
Provisions	336	54
	(27,801)	(17,952)

11. ACCOUNTS RECEIVABLE

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

	March 31, 2015	December 31, 2014
	\$	\$
Total accounts receivable	103,973	87,825
Less allowance for doubtful accounts	(1,213)	(1,061)
Total accounts receivable, net	102,760	86,764
Of which		
Neither impaired nor past due	79,985	60,564
Not impaired and past the due date as follows		
Within 30 days	12,670	10,501
31 to 60 days	4,703	5,524
61 to 90 days	1,484	3,103
Over 90 days	5,131	8,133
Less allowance for doubtful accounts	(1,213)	(1,061)
Total accounts receivable, net	102,760	86,764

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2015

During 2014 accounts receivable owing from one customer in Ukraine that otherwise would have been past due had been renegotiated and extended to September 30, 2015. As at March 31, 2015, amounts owing under these extended and renegotiated terms is \$27,671. The Company continues to work on the renegotiated payment terms with this customer and is in the process of finalizing mortgage collateral agreements related to this outstanding receivable. The accounts receivable owing from this customer are 90% insured with Export Development Canada.

12. EQUITY

[a] Common shares

Authorized

Unlimited number of voting common shares without par value

Issued

13,189,380 common shares

	Shares	Amount
	#	\$
Balance, January 1, 2014	12,613,060	158,542
Settlement of LTIP – vested shares <i>[note 13[d]]</i>	15,231	749
Convertible unsecured subordinated debentures	422,897	20,369
Dividend reinvestment plan costs	—	(16)
Dividend reinvestment shares issued from treasury	114,439	5,127
Balance, December 31, 2014	13,165,627	184,771
Dividend reinvestment shares issued from treasury <i>[note 12[d]]</i>	23,753	1,246
Balance, March 31, 2015	13,189,380	186,017

Ag Growth International Inc.

**NOTES TO UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

March 31, 2015

[b] Contributed surplus

	Three-month period ended March 31, 2015	Year ended December 31, 2014
	\$	\$
Balance, beginning of period	12,954	4,984
Equity-settled director compensation <i>[note 13[c]]</i>	57	308
Obligation under 2012 SAIP <i>[note 13[b]]</i>	1,023	4,208
Settlement of LTIP obligation – vested shares	—	(749)
Dividends on 2012 SAIP	205	443
Redemption of 2009 convertible unsecured subordinated debentures	(6)	3,760
Balance, end of period	14,233	12,954

[c] Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) 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.

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2015

[d] Dividends paid and proposed

In the three-month period ended March 31, 2015, the Company declared dividends of \$7,908 or \$0.60 per common share [2014 – \$7,843 or \$0.60 per common share] and dividends on share compensation awards of \$205 [2014 – \$74]. For the three-month period ended March 31, 2015, 23,753 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the “DRIP”]. In the three-month period ended March 31, 2015, dividends paid to shareholders were financed \$6,662 [2014 – \$6,454] from cash on hand and \$1,246 [2014 – \$1,389] by the DRIP.

AGI’s dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company’s current monthly dividend rate is \$0.20 per common share. Subsequent to March 31, 2015, the Company declared dividends of \$0.20 per common share on April 30, 2015.

[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 [2014 – \$16] 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 percent 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.

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2015

[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 March 31, 2015 and December 31, 2014, no preferred shares were issued or outstanding.

13. SHARE-BASED COMPENSATION PLANS

[a] Long-term incentive plan ["LTIP"]

The LTIP is a compensation plan that awards common shares to key management based on the Company's operating performance. Pursuant to the LTIP, the Company establishes the amount to be allocated to management based upon the amount by which distributable cash, as defined in the LTIP, exceeds a predetermined threshold. The service period commences on January 1 of the year the award is generated and ends at the end of the fiscal year. The award vests on a graded scale over an additional three-year period from the end of the respective performance year. The LTIP provides for immediate vesting in the event of retirement, death, termination without cause or in the event the participant becomes disabled. The cash awarded under the plan formula is used to purchase AGI common shares at market prices. All vested awards are settled with participants in common shares purchased by the administrator of the plan and there is no cash settlement alternative.

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The amount owing to participants is recorded as an equity award in contributed surplus as the award is settled with participants with treasury shares purchased in the open market. The expense is recorded in the different unaudited interim condensed consolidated statement of income lines by function, depending on the role of the respective management member. During the three-month period ended March 31, 2015, AGI expensed nil [2014 – nil] for the LTIP. The LTIP awards were fully vested in 2014. Additionally, there is nil [2014 – nil] in restricted cash related to the LTIP. Further awards under the LTIP ceased, effective for the fiscal 2012 year.

[b] Share award incentive plan [“SAIP”]

The 2012 SAIP

On May 11, 2012, the shareholders of AGI approved a Share Award Incentive Plan [the “2012 SAIP”] which authorizes the Board to grant Restricted Share Awards [“Restricted Awards”] and Performance Share Awards [“Performance Awards”] [collectively the “Share Awards”] to persons who are officers, employees or consultants of the Company and its affiliates. Share Awards may not be granted to Non-Management Directors.

A total of 465,000 common shares are available for issuance under the 2012 SAIP. At the discretion of the Board, the 2012 SAIP provides for cumulative adjustments to the number of common shares to be issued pursuant to Share Awards on each date that dividends are paid on the common shares. The 2012 SAIP 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%.

The Company intends to settle the Share Award by common shares.

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As at March 31, 2015, 242,000 Restricted Awards and 110,000 Performance Awards have been granted. The Company has accounted for the Share Awards as equity-settled plans. 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. In addition, the expense of the Performance Awards is based on the probability of achieving 143% of the Payout Multiplier. During the three-month period ended March 31, 2015, AGI expensed \$1,023 for the 2012 SAIP [2014 – \$785].

[c] 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 minimum of 20% 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 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-month period ended March 31, 2015, an expense of \$57 [2014 – \$82] 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-month period ended March 31, 2015, 1,079 common shares were granted under the DDCP and as at March 31, 2015, a total of 48,614 common shares had been granted under the DDCP and 7,502 common shares had been issued.

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

For the three-month period ended March 31, 2015, an expense of \$1,080 [2014 - \$867] was recognized for employee and Director services rendered.

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

	2012 SAIP	
	Restricted awards #	Performance awards #
Outstanding, January 1, 2014	214,000	110,000
Granted	28,000	—
Forfeited	(3,000)	—
Balance, December 31, 2014	239,000	110,000
Granted	13,000	—
Vested	(6,429)	—
Forfeited	(3,571)	—
Balance, March 31, 2015	242,000	110,000

There is no exercise price on the 2012 SAIP awards.

During the three-month period ended March 31, 2015, 6,429 shares of Restricted Awards vested and 3,571 shares of Restricted Awards were forfeited.

A summary of the status of the rights to shares to be issued under the LTIP is presented below:

	Three-month period ended March 31, 2015	Year ended December 31, 2014
	Shares #	Shares #
Outstanding, beginning of period	—	15,231
Vested	—	(15,231)
Forfeited	—	—
Outstanding, end of period	—	—

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**14. LONG-TERM DEBT AND OBLIGATIONS UNDER FINANCE
LEASES**

	Interest rate %	Maturity	March 31, 2015 \$	December 31, 2014 \$
Current portion of interest-bearing loans and borrowings				
Short-term debt			<u>49,358</u>	49,176
Total current interest-bearing loans and borrowings			<u>49,358</u>	49,176
Non-current interest-bearing loans and borrowings				
Series A secured notes [U.S. dollar denominated]	6.8	2016	<u>31,707</u>	29,003
Total non-current interest-bearing loans and borrowings			<u>31,707</u>	29,003
			<u>81,065</u>	78,179
Less deferred financing costs			<u>47</u>	54
Total interest-bearing loans and borrowings			<u>81,018</u>	78,125

[a] Bank indebtedness

AGI has operating facilities of \$10.0 million and U.S. \$2.0 million. The facilities bear interest at prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate during the three-month period ended March 31, 2015 on AGI's Canadian dollar operating facility was 3.0% [2014 – 3.0%], and on its U.S. dollar operating facility was 3.3% [2014 – 3.3%]. As at March 31, 2015, there was \$5,095 outstanding under these facilities [December 31, 2014 – nil]. The facilities mature March 8, 2016.

Collateral for the operating facilities rank 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.

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[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 rank *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 \$63.0 million and U.S. \$20.5 million. The facilities bear interest at prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate for the three-month period ended March 31, 2015 on AGI's Canadian dollar revolver facility was 3.0% [2014 – 3.0%] and on its U.S. dollar revolver facility was 3.3% [2014 – 3.3%]. As at March 31, 2015, there was nil [December 31, 2014 – nil] outstanding under these facilities. The facilities mature March 8, 2016.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements, which 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 2.5 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at March 31, 2015 and December 31, 2014, AGI was in compliance with all financial covenants.

[d] Short-term debt

Short-term debt represents the current liability related to the convertible debentures issued in connection with the Arrangement Agreement with Vicwest Inc. ["Vicwest"] and Kingspan Group Limited ["Kingspan"], net of financing fees [note 22[e]].

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15. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
	<u>2013</u>	<u>2013</u>
	<u>Debentures</u>	<u>Debentures</u>
	<u>\$</u>	<u>\$</u>
Principal amount	86,250	86,250
Equity component	(4,480)	(4,480)
Accretion	1,017	814
Financing fees, net of amortization	(2,976)	(3,151)
Convertible unsecured subordinated debentures	79,811	79,433

2009 Debentures

In 2009, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of \$115 million [the “2009 Debentures”]. The maturity date of the 2009 Debentures was December 31, 2014 and, accordingly, as at December 31, 2013, they were classified as current liabilities. In January 2014, holders of \$19.0 million principal amount of the 2009 Debentures exercised the conversion option and were issued 422,897 common shares. The Company fully redeemed all remaining outstanding 2009 Debentures on January 20, 2014. In 2014, the Company recorded interest expense on the 7.0% coupon of \$440 and expensed all remaining unamortized accretion and finance fee balances in the amounts of \$937 and \$588, respectively.

2013 Debentures

On December 17, 2013, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of \$75 million, and on December 24, 2013, the underwriters exercised in full their over-allotment option and the Company issued an additional \$11.2 million of debentures [the “2013 Debentures”]. 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 were issued at a price of \$1,000 per debenture and bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31 in each year commencing June 30, 2014. The maturity date of the 2013 Debentures is December 31, 2018.

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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 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 three-month period ended March 31, 2015 [year ended December 31, 2014 – nil]. As at March 31, 2015, 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 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 three-month period ended March 31, 2015, the Company recorded accretion of \$203 [2014 – \$192], non-cash interest expense relating to financing costs of \$175 [2014 – \$164] and interest expense on the 5.25% coupon of \$1,132 [2014 – \$1,132]. The estimated fair value of 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 tax of \$1,134 and its pro rata share of financing costs of \$211.

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16. INCOME TAXES

The major components of income tax expense for the three-month periods ended March 31, 2015 and 2014 are as follows:

Unaudited interim condensed consolidated statements of income

	2015	2014
	\$	\$
Current tax expense		
Current income tax charge	870	672
Deferred tax expense		
Origination and reversal of temporary differences	872	1,573
Income tax expense reported in the unaudited interim condensed consolidated statement of income	1,742	2,245

Unaudited interim condensed consolidated statement of comprehensive income

	2015	2014
	\$	\$
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized loss on derivatives	(3,140)	(1,116)
Exchange differences on translation of foreign operations	1,012	394
Income tax charged directly to other comprehensive income	(2,128)	(722)

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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 March 31, 2015	As at December 31, 2014
	\$	\$
Inventories	(88)	(88)
Property, plant and equipment and other assets	(14,772)	(14,239)
Intangible assets	(15,364)	(14,943)
Deferred financing costs	(306)	(261)
Accruals and long-term provisions	2,378	2,274
Tax loss carryforwards expiring between 2020 to 2025	458	483
Investment tax credits	(618)	(618)
Canadian exploration expenses	12,804	13,952
Capitalized development expenditures	(919)	(905)
Convertible debentures	(887)	(975)
SAIP liability	988	878
Other comprehensive income	5,510	2,370
Net deferred tax liability	(10,816)	(12,072)
 Reflected in the statement of unaudited interim condensed consolidated financial position as follows		
Deferred tax assets	1,324	—
Deferred tax liabilities	(12,140)	(12,072)
Deferred tax liability, net	(10,816)	(12,072)

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 3,382 Euros [December 31, 2014 – 2,646 Euros]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at March 31, 2015 and as at December 31, 2014.

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As at March 31, 2015, there was no recognized deferred tax liability [December 31, 2014 – 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, 2014 – \$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 these unaudited interim condensed consolidated financial statements.

There are no income tax consequences to the Company attached to the payment of dividends in either 2015 or 2014 by the Company to its shareholders.

17. 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.

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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 investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at March 31, 2015 and December 31, 2014.

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 March 31, 2015 and December 31, 2014, including the effect of hedge accounting.

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- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges as at March 31, 2015 and December 31, 2014 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 March 31, 2015, AGI's U.S. dollar denominated debt totalled \$31.7 million [December 31, 2014 – \$29.0 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	Average rate
	U.S. \$	Cdn \$
April – December 2015	85,500	1.13
January – December 2016	100,500	1.18
January – February 2017	9,000	1.25

Settlement dates	Face value	Average rate
	Euro	Cdn \$
August – December 2015	500	1.52

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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 three-month period ended March 31, 2015 were U.S. \$61 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. \$37 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a \$6.1 million increase or decrease in sales and a total increase or decrease of \$3.7 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 \$1.3 million increase or decrease in the foreign exchange gain and a \$24.4 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-month period ended March 31, 2015, the Company realized a loss on its foreign exchange contracts of \$1,931 [2014 – \$323].

The open foreign exchange forward contracts as at March 31, 2015 are as follows:

	Notional amount of currency sold \$	Notional Canadian dollar equivalent		
		Contract amount \$	Cdn \$ equivalent \$	Unrealized gain (loss) \$
U.S. dollar contract	195,000	1.50	224,326	(20,788)
Euro contract	500	1.33	761	75

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.

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The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of \$20,713 [2014 – \$8,694], with a deferred tax asset of \$5,510 [2014 – \$2,309] 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 and convertible unsecured subordinated debentures outstanding as at March 31, 2015 and December 31, 2014 are at a fixed rate of interest. As at March 31, 2015 and December 31, 2014, the Company had no U.S. dollar term debt outstanding at a floating rate of interest.

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, including most significantly Ukraine and Russia. 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 nonpayment 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 statement of financial position. Emerging markets are subject to various additional risks, including: currency exchange rate fluctuations; foreign economic conditions; foreign business practices; unfavourable legal climate for the collection of unpaid accounts; as well as unfavourable political or economic climate limiting or eliminating support from export

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credit agencies. 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. As at March 31, 2015, the Company had \$41 million in trade receivables owing from customers located in Russia and Ukraine including a significant balance with one customer in Ukraine. Future collections of accounts receivables that differ from the Company's current estimates would affect the results of the Company's operations in future periods as well as the Company's trade receivables and general and administrative expenses and amounts may be material.

At March 31, 2015, the Company had one international customer [2014 – one international customer] that accounted for approximately 27% [2014 – 22%] of all receivables owing. The requirement for an impairment provision is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The Company does not generally hold collateral as security on its accounts receivable but has received collateral from the one international customer in 2014.

As noted above, the risk of non-collection of trade receivables is currently higher in Russia and Ukraine due to the current political and economic instability. The Company believes that its credit practices and regular monitoring of customer receivables with respect to their collectability reduces the concentration of credit risk.

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.

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[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:

	March 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash and cash equivalents	—	—	25,295	25,295
Cash held in trust	250	250	250	250
Accounts receivable	102,760	102,760	86,764	86,764
Available-for-sale investment	900	900	900	900
Financial liabilities				
Other financial liabilities				
Bank indebtedness	5,095	5,095	—	—
Interest-bearing loans and borrowings	81,018	84,853	78,125	82,119
Trade payables and provisions	45,323	45,323	39,289	39,289
Dividends payable	2,638	2,638	2,633	2,633
Acquisition, transaction and financing costs payable	2,735	2,735	2,266	2,266
Subscription receipts commission payable	1,036	1,036	1,036	1,036
Derivative instruments	20,713	20,713	8,908	8,908
Convertible unsecured subordinated debentures	79,811	77,740	79,433	74,900

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 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.

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- 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 technique includes 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 2014, AGI transferred the available-for-sale investment from Level 2 to Level 3 as direct observable market data was not available.

Fair value ["FV"] hierarchy

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

Level 1

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.

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

	March 31, 2015			December 31, 2014		
	Level 1 \$	Level 2 \$	Level 3 \$	Level 1 \$	Level 2 \$	Level 3 \$
Financial assets						
Available-for-sale investment	—	—	900	—	—	900
Financial liabilities						
Interest-bearing loans and borrowings	—	81,018	—	—	78,125	—
Derivative instruments	—	20,713	—	—	8,908	—
Convertible unsecured subordinated debentures	—	79,811	—	—	79,433	—

During the reporting periods ended March 31, 2015 and December 31, 2014, 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).

18. 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 March 31, 2015 and December 31, 2014, all of these covenants were complied with [note 14].

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

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Directors with steps taken in the subsequent period to restore the Company's capital structure based on its capital management objectives.

19. RELATED PARTY DISCLOSURES

Relationship between parent and subsidiaries

The main transactions between the corporate entity of the Company and its subsidiaries are the providing of cash fundings based on the equity and convertible debt funds of AGI International 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 is providing management services to the Company entities. Between the subsidiaries there are limited intercompany sales of inventories and services. Because all subsidiaries are currently 100% owned by Ag Growth International Inc., these intercompany 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 three-month period ended March 31, 2015 was \$394 [2014 – \$50] and this amount is included in accounts payable and accrued liabilities as at March 31, 2015. These transactions were incurred during the normal course of business.

20. PROFIT (LOSS) PER SHARE

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

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

	March 31, 2015	March 31, 2014
	\$	\$
Net profit (loss) attributable to shareholders for basic and diluted profit per share	(3,409)	1,218
Basic weighted average number of shares	13,177,308	12,991,016
Dilutive effect of DDCP	—	33,226
Dilutive effect of RSU <i>[note 13[d]]</i>	—	223,000
Diluted weighted average number of shares	13,177,308	13,247,242
Profit (loss) per share – basic	(0.26)	0.09
Profit (loss) per share – diluted	(0.26)	0.09

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 2009 and 2013 convertible unsecured subordinated debentures were excluded from the calculation of the above diluted net profit per share because their effect is anti-dilutive. The DDCP and RSU were excluded from the calculation of the March 31, 2015 diluted profit per share because their effect is anti-dilutive.

21. REPORTABLE BUSINESS SEGMENT

The Company is managed as a single business segment that manufactures and distributes grain handling, storage and conditioning equipment. The Company determines and presents business segments based on the information provided internally to the CEO, who is AGI's Chief Operating Decision Maker ["CODM"]. When making resource allocation decisions, the CODM evaluates the operating results of the consolidated entity.

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All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, inter-segment revenue is zero.

	Revenue		Property, plant and equipment, goodwill, intangible assets and available-for-sale investment	
	Three-month period ended March 31, 2015 \$	Three-month period ended March 31, 2014 \$	As at March 31, 2015 \$	As at December 31, 2014 \$
Canada	21,767	23,167	148,132	148,139
United States	42,621	47,256	106,344	90,315
International	22,871	13,855	8,725	9,032
	87,259	84,278	263,201	247,486

The revenue 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 revenue.

22. 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 \$30,392 for which deposits of \$23,131 were made as at March 31, 2015.

[b] Letters of credit

As at March 31, 2015, the Company has outstanding letters of credit in the amount of \$11,110 [December 31, 2014 – \$10,055].

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[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	1,241
After one year but no more than five years	3,897
After five years	1,464
	<u>6,602</u>

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

During the three-month period ended March 31, 2015, the Company recognized an expense of \$417 [2014 - \$421] 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.

[e] Arrangement Agreement

On November 10, 2014, AGI entered into an arrangement agreement [the "Arrangement Agreement"] with Vicwest and Kingspan pursuant to which, in accordance with a court approved plan of arrangement [the "Arrangement"], Kingspan will acquire all of the issued and outstanding shares of Vicwest and AGI will acquire substantially all of the assets of Vicwest's Westeel Division ["Westeel"], a provider of grain storage solutions [AGI's acquisition of the Westeel assets, the "Transaction"] for an aggregate purchase price of approximately \$221.5 million in cash.

Completion of the Arrangement is subject to a number of customary conditions including court and regulatory approvals. In conjunction with the Transaction and for the purposes of partially 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 [the "Debentures" collectively, the "Offering"]. The remainder of the purchase price of the Transaction will be funded by AGI through expanded credit facilities that have been fully committed by the Company's lenders.

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Each Subscription Receipt represents the right of the holder to receive, upon closing of the Transaction, without payment of additional consideration, one common share of AGI plus an amount equal to the amount per common share of any dividends declared for which record dates have occurred during the period from closing of the Offering to the date immediately preceding the closing date of the Transaction. Net proceeds from the offering of the Subscription Receipts were deposited in escrow pending the closing of the Transaction. If the Transaction closes on or before June 29, 2015, the escrowed proceeds from the offering of Subscription Receipts will be released to AGI and used to finance, in part, the Transaction. If the Transaction does not close on June 29, 2015, the Arrangement Agreement is terminated at any earlier time, or AGI advises the underwriters or announces to the public that it does not intend to proceed with the Transaction, holders of the Debentures and the Subscription Receipts will be refunded their purchase price.

On April 15, 2015, AGI extended the expiry and early maturity dates of the subscription receipts and debentures from April 30, 2015 to June 29, 2015.

As noted above, on December 1, 2014, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of \$45.0 million, and on December 3, 2014, the underwriters exercised in full their overallotment option and the Company issued an additional \$6.8 million of debentures [the “2014 Debentures”]. The net proceeds of the offering, after payment of the underwriters’ fee of \$2.1 million and expenses of the offering of \$0.5 million, were approximately \$49.2 million. The 2014 Debentures were issued at a price of \$1,000 per debenture and bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31 in each year commencing June 30, 2015. Following the close of the transaction, the maturity date of the 2014 Debentures will be December 31, 2019. In the event that the Company’s Arrangement Agreement with Vicwest is terminated, the maturity date of the 2014 Debentures is June 29, 2015. As the maturity date is subject to the close of the transaction, the 2014 Debentures have been recorded as a current liability as at March 31, 2015 [note 14[d]].

DIRECTORS

Bill Lambert, Chairman of the Board of Directors
Gary Anderson, Director & Chief Executive Officer of AGI
Janet Giesselman, Director, Compensation & Human Resources Committee Chair
Bill Maslechko, Director
Mac Moore, Director, Governance Committee Chair
David White, CA, ICD.D, Director, Audit Committee Chair

OFFICERS

Gary Anderson, Chief Executive Officer & Director
Tim Close, CFA, President
Steve Sommerfeld, CA, Executive Vice President & Chief Financial Officer
Dan Donner, Senior Vice President, Sales & Marketing
Paul Franzmann, CA, Senior Vice President, Operations
Ron Braun, Vice President, Portable Grain Handling
Paul Brisebois, Vice President, Marketing
Shane Knutson, Vice President, International Sales
Gurcan Kocdag, Vice President, Storage & Conditioning
Craig Nimegeers, Vice President, Engineering
Nicolle Parker, Vice President, Finance & Integration
Eric Lister, Q.C., Counsel

Additional information relating to the Company, including all public filings, is available on SEDAR (www.sedar.com).