Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

September 30, 2019

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	September 30, 2019 $	December 31, 2018 $
Assets		
Current assets		
Cash and cash equivalents	20,948	33,610
Cash held in trust and restricted cash	1,436	2,955
Accounts receivable *[note 6]*	192,406	134,239
Inventory	187,349	190,887
Prepaid expenses and other assets	34,397	26,031
Current portion of note receivable	89	85
Due from vendor	1,414	—
Current portion of derivative instruments *[notes 25[b] and [c]]*	—	185
Income taxes recoverable	3,346	4,344
	441,385	392,336
Non-current assets		
Property, plant and equipment, net *[note 7]*	360,458	332,645
Right-of-use assets, net *[note 8]*	9,795	—
Goodwill *[note 9]*	356,414	256,619
Intangible assets, net *[note 10]*	265,315	233,199
Investment in associate *[note 11[b]]*	18,931	—
Equity investment *[note 11[a]]*	—	900
Non-current accounts receivable *[note 6]*	8,309	8,122
Note receivable	520	650
Derivative instruments *[notes 25[b] and [c]]*	4,310	7,464
Deferred tax asset	27	455
	1,024,079	840,054
Assets held for sale *[note 12]*	1,040	1,169
Total assets	1,466,504	1,233,559
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 26]*	127,675	101,504
Customer deposits	38,214	47,941
Dividends payable	3,731	3,673
Income taxes payable	2,375	4,286
Current portion of due to vendor	8,368	7,973
Current portion of contingent consideration	—	4,552
Current portion of obligations under finance lease	—	65
Current portion of lease liability *[note 14]*	2,599	—
Current portion of long-term debt *[note 15]*	31,883	289
Current portion of convertible unsecured subordinated debentures *[note 16]*	—	50,708
Provisions *[note 13]*	15,625	7,685
	230,470	228,676
Non-current liabilities		
Other financial liabilities *[note 21]*	917	85
Due to vendor	4,409	1,376
Contingent consideration	5,221	1,834
Optionally convertible redeemable preferred shares *[note 5[e]]*	26,468	—
Obligations under finance lease	—	165
Lease liability *[note 14]*	7,153	—
Long-term debt *[note 15]*	403,243	271,132
Convertible unsecured subordinated debentures *[note 16]*	237,094	234,140
Senior unsecured subordinated debentures *[note 17]*	82,660	—
Deferred tax liability	72,986	61,952
	840,151	570,684
Total liabilities	1,070,621	799,360
Shareholders' equity *[note 18]*		
Common shares	455,628	450,645
Accumulated other comprehensive income	26,628	57,324
Equity component of convertible debentures	6,707	8,203
Contributed surplus	26,156	26,045
Deficit	(119,236)	(108,018)
Total shareholders' equity	395,883	434,199
Total liabilities and shareholders' equity	1,466,504	1,233,559

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income (loss)

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

	Three-month period ended		Nine-month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Sales *[note 27]*	260,198	242,166	767,171	715,987
Cost of goods sold *[note 20[d]]*	194,688	171,783	555,271	508,781
Gross profit	65,510	70,383	211,900	207,206
Expenses				
Selling, general and administrative *[note 20[e]]*	50,760	43,918	155,844	129,829
Other operating expense (income) *[note 20[a]]*	6,870	(7,841)	611	(9,810)
Impairment charge	46	—	46	232
Finance costs *[note 20[c]]*	11,626	10,883	33,464	28,099
Finance expense (income) *[note 20[b]]*	3,025	(3,415)	(5,744)	5,895
Share of associate's net loss *[note 11[b]]*	788	—	788	—
	73,115	43,545	185,009	154,245
Profit (loss) before income taxes	(7,605)	26,838	26,891	52,961
Income tax expense (recovery) *[note 22]*				
Current	3,225	5,814	8,089	10,912
Deferred	(8,011)	280	(4,117)	3,570
	(4,786)	6,094	3,972	14,482
Profit (loss) for the period	(2,819)	20,744	22,919	38,479
Profit (loss) per share *[note 23]*				
Basic	(0.15)	1.26	1.23	2.34
Diluted	(0.15)	1.14	1.21	2.25

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Profit (loss) for the period	**(2,819)**	20,744	**22,919**	38,479
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Change in fair value of derivatives designated as cash flow hedges	**—**	(2,494)	**—**	(1,768)
Exchange differences on translation of foreign operations	**(5,265)**	(12,741)	**(29,477)**	(663)
Income tax effect on cash flow hedges	**—**	682	**—**	485
	(5,265)	(14,553)	**(29,477)**	(1,946)
Items that will not be reclassified to profit or loss				
Change in the fair value of equity investment *[note 11[a]]*	**—**	—	**(900)**	—
Actuarial loss (gain) on defined benefit plans	**149**	536	**(437)**	1,022
Income tax effect on defined plans	**(40)**	(146)	**118**	(278)
	109	390	**(1,219)**	744
Other comprehensive loss for the period	**(5,156)**	(14,163)	**(30,696)**	(1,202)
Total comprehensive income (loss) for the period	**(7,975)**	6,581	**(7,777)**	37,277

See accompanying notes

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2019

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency reserve $	Equity investment $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2019	450,645	8,203	26,045	(108,018)	57,417	—	(93)	434,199
Profit for the period	—	—	—	22,919	—	—	—	22,919
Other comprehensive loss	—	—	—	—	(29,477)	(900)	(319)	(30,696)
Share-based payment transactions *[notes 18[a] and 18[b]]*	4,958	—	(1,039)	—	—	—	—	3,919
Dividends paid to shareholders *[note 18[c]]*	—	—	—	(33,510)	—	—	—	(33,510)
Dividends on share-based compensation awards *[note 18[c]]*	—	—	—	(627)	—	—	—	(627)
Conversion of convertible unsecured subordinated debentures *[note 18[a]]*	25	—	—	—	—	—	—	25
Redemption of convertible unsecured subordinated debentures *[notes 16 and 18[b]]*	—	(1,496)	1,150	—	—	—	—	(346)
As at September 30, 2019	455,628	6,707	26,156	(119,236)	27,940	(900)	(412)	395,883

See accompanying notes

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2018

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2018	323,199	9,903	20,956	(92,842)	1,283	28,618	(263)	290,854
Profit for the period	—	—	—	38,479	—	—	—	38,479
Other comprehensive income (loss)	—	—	—	—	(1,283)	(663)	744	(1,202)
Share-based payment transactions *[notes 18[a] and [b]]*	5,820	—	1,740	—	—	—	—	7,560
Dividend reinvestment plan *[note 18[c]]*	1,384	—	—	—	—	—	—	1,384
Dividends paid to shareholders *[note 18[c]]*	—	—	—	(29,633)	—	—	—	(29,633)
Dividends on share-based compensation awards *[note 18[c]]*	—	—	—	(899)	—	—	—	(899)
Issuance of convertible unsecured subordinated debentures	—	1,433	—	—	—	—	—	1,433
Conversion of convertible unsecured subordinated debentures	8,678	—	—	—	—	—	—	8,678
As at September 30, 2018	339,081	11,336	22,696	(84,895)	—	27,955	481	316,654

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Operating activities				
Profit (loss) before income taxes for the period	(7,605)	26,838	26,891	52,961
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	5,660	4,847	16,408	14,269
Depreciation of right-of-use assets	748	—	2,177	—
Amortization of intangible assets	6,913	3,462	17,681	9,964
Loss (gain) on sale of property, plant and equipment	124	(71)	124	145
Gain on redemption of convertible debentures	—	—	(55)	—
Impairment charge	46	—	46	232
Share of loss of an associate	788	—	788	—
Non-cash component of interest expense	1,320	3,229	4,417	5,042
Non-cash movement in derivative instruments	7,592	(7,256)	3,350	(8,501)
Non-cash investment tax credits	(162)	—	(162)	—
Share-based compensation expense	1,388	2,311	4,642	6,985
Employer contribution to defined benefit plans	(10)	—	(27)	(4)
Defined benefit plan expense	32	34	97	102
Contingent consideration	(233)	101	4,783	1,049
Equipment provided to vendor	—	—	—	(115)
Non-cash transaction costs	—	886	—	2,246
Translation loss (gain) on foreign exchange	1,500	(7,170)	(13,090)	5,857
	18,101	27,211	68,070	90,232
Net change in non-cash working capital balances related to operations *[note 24[a]]*	27,147	(12,688)	(40,405)	(52,595)
Non-current accounts receivable	42	(1,345)	(187)	(883)
Long-term payables	—	—	—	(135)
Settlement of EIAP obligation	(296)	57	(2,461)	(1,953)
Income taxes paid	(5,114)	(2,096)	(8,084)	(6,219)
Cash provided by operating activities	39,880	11,139	16,933	28,447
Investing activities				
Acquisition of property, plant and equipment	(15,739)	(8,970)	(36,850)	(25,203)
Acquisitions, net of cash acquired *[note 5]*	—	(19,724)	(112,619)	(46,067)
Investment in associate	(19,720)	—	(19,720)	—
Transfer from restricted cash	—	1,441	827	884
Proceeds from sale of property, plant and equipment	267	476	715	813
Proceeds from sale of assets held for sale	—	—	—	2,031
Development and purchase of intangible assets	(2,215)	(2,033)	(8,207)	(4,710)
Transaction costs paid and payable	(10,274)	(983)	(21,884)	1,746
Cash used in investing activities	(47,681)	(29,793)	(197,738)	(70,506)
Financing activities				
Issuance of long-term debt, net of issuance costs	29,803	50,000	168,350	50,000
Repayment of long-term debt	(161)	(243)	(458)	(330)
Change in obligation under finance lease	—	38	—	38
Repayment of obligations under finance lease	—	(101)	—	(1,045)
Repayment of obligation under lease liabilities	(642)	—	(1,895)	—
Change in interest accrued	(3,144)	3,630	4,744	(3,900)
Issuance of senior unsecured subordinated debentures, net of issuance costs *[note 17]*	—	—	82,640	82,293
Redemption of convertible unsecured subordinated debentures	—	—	(51,786)	(77,477)
Dividends paid in cash *[note 18[c]]*	(11,192)	(9,891)	(33,452)	(28,249)
Cash provided by financing activities	14,664	43,433	168,143	21,330
Net increase (decrease) in cash during the period	6,863	24,779	(12,662)	(20,729)
Cash and cash equivalents, beginning of period	14,085	18,473	33,610	63,981
Cash and cash equivalents, end of period	20,948	43,252	20,948	43,252
Supplemental cash flow information				
Interest paid	13,552	2,832	23,185	22,906

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2019

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. AGI is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Statement of compliance and basis of presentation

[a] Statement of compliance

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

The unaudited interim condensed consolidated financial statements of AGI for the three- and nine-month periods ended September 30, 2019, were authorized for issuance in accordance with a resolution of the directors on November 13, 2019.

[b] Basis of preparation

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale, equity investment, and optionally convertible redeemable preferred share ["OCRPS"] liability, which are measured at fair value.

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2018, which are available on SEDAR at www.sedar.com.

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as at January 1, 2019. As required by IAS 34, the nature and effect of those changes are disclosed in note 3.

IAS 28, *Investments in associates and joint ventures* ["IAS 28"]

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

AGI's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The unaudited interim condensed consolidated statements of income (loss) reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income ["OCI"] of those investees is presented as part of AGI's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the unaudited interim condensed consolidated statements of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between AGI and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is shown on the face of the unaudited interim condensed consolidated statements of income (loss) and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of AGI.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within "Share of associate's net income (loss)" in the unaudited interim condensed consolidated statements of income (loss).

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

[c] Standard issued but not yet effective

The standard issued but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements that the Company reasonably expects to be applicable at a future date is listed below. The Company intends to adopt this standard when it becomes effective.

Amendments to IFRS 3, *Business Combinations* ["IFRS 3"]

The IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on January 1, 2020. Consequently, transactions that occurred in prior periods do not need to be reassessed.

3. Adoption of new accounting standards and policies

IFRS 16, *Leases* ["IFRS 16"]

The Company has applied IFRS 16 using the modified retrospective approach, and therefore the comparative information has not been restated and continues to be reported under IAS 17, *Leases*, ["IAS 17"] and IFRIC 4, *Determining whether an Arrangement contains a Lease* ["IFRIC 4"].

Effective January 1, 2019, the Company adopted IFRS 16 and the following are the policies for leases:

At inception of a contract, AGI assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, AGI has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant, and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. On adoption of IFRS 16, AGI used the incremental borrowing rate as required by the standard.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rates, the amount expected to be payable under a residual value guarantee, or the Company's assessment of whether it will exercise a purchase, extension or termination option. Upon remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use asset and lease liabilities for short-term leases [12 months or less] and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a result of adoption of IFRS 16, the Company recorded a right-of-use asset and a lease liability of $9,071 as at January 1, 2019 on the unaudited interim condensed consolidated statements of financial position.

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

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as at December 31, 2018 as follows:

	$
Operating lease commitments as at December 31, 2018	**11,059**
Weighted average incremental borrowing rate as at January 1, 2019	5.02%
Discounted operating lease commitments at January 1, 2019	10,841
Less:	
Commitments relating to short-term and low-value leases	(1,770)
Lease liabilities as at January 1, 2019	**9,071**

Prior to January 1, 2019, the Company's policies under IAS 17 were as follows:

The determination of whether an arrangement is, or contains, a lease is based on whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

Finance leases, which transfer to AGI substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the unaudited interim condensed consolidated statements of income (loss).

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that AGI will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in selling, general, and administrative expense in the unaudited interim condensed consolidated statements of income (loss) on a straight-line basis over the lease term.

IAS 19, *Employee Benefits* ["IAS 19"]

The Company adopted the amendments to IAS 19 with a date of application of January 1, 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments will be applied prospectively to any future plan amendments, curtailments, or settlements of the Company; as at September 30, 2019, there were no such amendments.

IFRIC 23, *Uncertainty Over Income Tax Treatments* ["IFRIC 23"]

The Company adopted IFRIC 23 with a date of application of January 1, 2019. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Company's adoption of IFRIC 23 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

4. Seasonality of business

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

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

5. Business combinations

[a] Danmare Group Inc. and Danmare, Inc.

Effective February 22, 2018, the Company acquired 100% of the outstanding shares of Danmare Group Inc. and its affiliate Danmare, Inc. [collectively, "Danmare"]. Based in Canada and the U.S., Danmare provides engineering solutions and project management services to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	9,000
Cash acquired	126
Working capital adjustment	85
Contingent consideration	1,000
Total purchase price	10,211
Post-combination expense	(3,000)
Purchase consideration	7,211

Terms of the purchase agreement included $6.0 million payable upon closing and $3.0 million payable in annual instalments, contingent on certain conditions. The $3.0 million is expected to be expensed over the three-year period. In addition, contingent consideration of $1.0 million was payable based on an earnings target. In April 2018, the purchase agreement was amended such that payment of the first annual instalment of $1.0 million and contingent consideration of $1.0 million was guaranteed. Related to certain terms of the purchase agreement, $1,797 was expensed during the year ended December 31, 2018. During the three- and nine-month periods ended September 30, 2019, $218 and $656 were expensed, of which $1,050 was paid during the nine-month period ended September 30, 2019.

The purchase has been accounted for by the acquisition method, with the results of Danmare included in the Company's net earnings from the date of acquisition.

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

The following table summarizes the fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	126
Accounts receivable	1,112
Prepaid expenses and other assets	40
Income taxes recoverable	56
Property, plant and equipment	237
Intangible assets	
Brand name	490
Distribution network	2,690
Customer backlog	250
Goodwill	3,651
Deferred tax liability	(918)
Accounts payable and accrued liabilities	(278)
Customer deposits	(245)
Purchase consideration	7,211

The goodwill of $3,651 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,112. This consists of the gross contractual value of $1,162 less the estimated amount not expected to be collected of $50.

The components of the purchase consideration are as follows:

	$
Cash paid	6,000
Cash held in trust	525
Due to vendor	686
Purchase consideration	7,211

During the year ended December 31, 2018, the cash held in trust and the amounts due to vendor were paid and the allocation of the purchase price to acquired assets and liabilities was finalized. During the nine-month period ended September 30, 2019, $1,050 of post-combination expense was paid to the vendor.

Transaction costs related to the Danmare acquisition in the three- and nine-month periods ended September 30, 2019 were nil and $40 [2018 – $11 and $154] and are included in selling, general and administrative expenses.

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

[b] Sabe Group of Companies

Effective July 26, 2018, the Company acquired 100% of the outstanding shares of Cobalt Investissement and its wholly owned subsidiaries Sabe, Sabe Distribution, Agro Maintenance Système (AMS), Sabis and Société D'Études Techniques D'Installation (Setir) [collectively, "Sabe"]. Based in France, Sabe offers design, manufacturing, installation and commissioning of turnkey solutions to the food industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	24,464
Cash acquired	3,708
Working capital adjustment	820
Contingent consideration	2,709
Employee loans	18
Long-term debt	(738)
Total purchase price	30,981
Post-combination expense	(4,436)
Purchase consideration	26,545

The $4.4 million of post-combination expense is expected to be expensed over the three-year period. During the three- and nine-month periods ended September 30, 2019, $281 and $1,614 [2018 – $668 and $668] related to certain terms of the purchase agreement was expensed, of which $1,430 was paid during the three-month period ended September 30, 2019. In the three-month period ended September 30, 2019, the earn-out period expired, and the earnings target was not met. As a result, the contingent consideration of $2.7 million was derecognized and a gain was recorded in transaction costs in the unaudited interim condensed consolidated statements of income (loss).

The purchase has been accounted for by the acquisition method, with the results of Sabe included in the Company's net earnings from the date of acquisition.

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

The following table summarizes the fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	3,708
Accounts receivable	2,090
Inventory	749
Prepaid expenses and other assets	135
Property, plant and equipment	4,233
Intangible assets	
Trade name	5,234
Customer relationships	6,493
Customer backlog	837
Goodwill	14,131
Accounts payable and accrued liabilities	(4,920)
Customer deposits	(585)
Income taxes payable	(123)
Deferred tax liability	(4,695)
Long-term payables	(4)
Long-term debt	(738)
Purchase consideration	26,545

The fair value of the accounts receivable acquired is $2,090. This consists of the gross contractual value of $2,332 less the estimated amount not expected to be collected of $242.

The goodwill of $14,131 comprises the value of the assembled workforce and other expected synergies arising from the acquisition. During the measurement period, further deferred tax liabilities existing at acquisition were identified, resulting in a $1,337 increase in deferred tax liability and an offsetting increase in goodwill, in the nine-month period ended September 30, 2019.

The components of the purchase consideration are as follows:

	$
Cash paid	23,432
Due to vendor	404
Contingent consideration	2,709
Purchase consideration	26,545

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

Transaction costs related to the Sabe acquisition in the three- and nine-month periods ended September 30, 2019, were nil and $208 [2018 – $297 and $615] and are included in selling, general and administrative expenses. During the nine-month period ended September 30, 2019, the allocation of the purchase price to acquired assets and liabilities was finalized.

[c] Improtech Ltd.

Effective January 18, 2019, the Company acquired 100% of the outstanding shares of Improtech Ltd ["Improtech"]. Improtech is a professional engineering services firm specializing in providing engineering design, project management and integration of new machinery and processes within the food and beverage industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	3,000
Cash acquired	438
Working capital adjustment	479
Pre-paid tax instalments	124
Total purchase price	4,041
Post-combination expense	(2,000)
Purchase consideration	2,041

The $2 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the three- and nine-month periods ended September 30, 2019, $305 and $917 [2018 – nil and nil] related to certain terms of the purchase agreement was expensed.

The purchase has been accounted for by the acquisition method, with the results of Improtech included in the Company's net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed has been determined on a provisional basis utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. Additional information is being gathered to finalize these provisional measurements, particularly with respect to working capital and deferred taxes. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

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

The following table summarizes the provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	438
Accounts receivable	1,422
Prepaid expenses and other assets	149
Property, plant and equipment	17
Right-of-use assets	131
Intangible assets	
Customer relationships	748
Goodwill	316
Accounts payable and accrued liabilities	(600)
Customer deposits	(249)
Lease liability	(131)
Deferred tax liability	(200)
Purchase consideration	2,041

The goodwill of $316 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,422. This consists of the gross contractual value of $1,447 less the estimated amount not expected to be collected of $25.

From the date of acquisition, Improtech contributed to the results $1,320 of revenue and $975 of net loss. If the acquisition had taken place as at January 1, 2019, revenue in 2019 would not have materially changed.

The components of the purchase consideration are as follows:

	$
Cash paid	1,000
Due to vendor	1,041
Purchase consideration	2,041

During the nine-month period ended September 30, 2019, the amount due to vendor was paid in full.

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

Transaction (recovery) costs related to the Improtech acquisition in the three- and nine-month periods ended September 30, 2019, were $(4) and $107 [2018 – nil and nil] and are included in selling, general and administrative expenses.

[d] IntelliFarms LLC

Effective March 5, 2019, the Company acquired 100% of the LLC interests of IntelliFarms LLC ["IntelliFarms"]. IntelliFarms is a provider of hardware and software solutions that benefit grain growers, processors, and other participants in the agriculture market. IntelliFarms was founded in 2001 and is headquartered in Archie, Missouri.

	$
Purchase price	19,350
Cash acquired	53
Working capital adjustment	87
Contingent consideration	5,105
Customer deposits	(1,566)
Total purchase price	23,029
Post-combination expense	(7,340)
Purchase consideration	15,689

The $7.3 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the three- and nine-month periods ended September 30, 2019, $907 and $2,133 [2018 – nil and nil] related to certain terms of the purchase agreement was expensed. In addition, contingent consideration of $5.1 million is payable based on an earnings target.

The purchase has been accounted for by the acquisition method, with the results of IntelliFarms included in the Company's net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed has been determined on a provisional basis utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. Additional information is being gathered to finalize these provisional measurements particularly with respect to working capital, intangible assets, property, plant and equipment, right-of-use assets, goodwill, and lease liabilities. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

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

The following table summarizes the provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	53
Accounts receivable	225
Inventory	1,514
Prepaid expenses and other assets	61
Property, plant and equipment	803
Right-of-use assets	289
Intangible assets	
Trade name	387
Customer relationships	1,551
Customer backlog	378
Software	3,302
Goodwill	13,507
Accounts payable and accrued liabilities	(3,112)
Customer deposits	(2,740)
Lease liability	(65)
Long-term debt	(464)
Purchase consideration	15,689

The goodwill of $13,507 comprises the value of the assembled workforce and other expected synergies arising from the acquisition. During the measurement period, further information regarding inventory and working capital existing at acquisition was identified, resulting in a $36 decrease in inventory and a $218 increase in working capital purchase consideration with an offsetting increase in goodwill in the nine-month period ended September 30, 2019.

The fair value of the accounts receivable acquired is $225. This consists of the gross contractual value of $359 less the estimated amount not expected to be collected of $134.

From the date of acquisition, IntelliFarms contributed to the results $9,676 of revenue and $3,900 of net loss. Revenue and net loss that occurred as though the acquisition date for the business had been as of the beginning of the annual reporting period are impracticable to disclose due to IntelliFarms historically reporting under differing reporting standards and differing year-end.

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

The components of the purchase consideration are as follows:

	$
Cash paid	12,010
Due from vendor	(1,426)
Contingent consideration	5,105
Purchase consideration	15,689

Transaction costs related to the IntelliFarms acquisition in the three- and nine-month periods ended September 30, 2019, were $3 and $162 [2018 – nil and nil] and are included in selling, general and administrative expenses.

[e] Milltec Machinery Limited

Effective March 28, 2019, the Company acquired 100% of the outstanding shares of Milltec Machinery Limited ["Milltec"]. Based in India, Milltec is a market leading manufacturer of rice milling and processing equipment. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	113,079
Cash acquired	6,746
Working capital adjustment	32
Due to vendor	4,917
Optionally convertible redeemable preferred shares ["OCRPS"]	26,494
Purchase consideration	151,268

The due to vendor and OCRPS redemption value of $31.4 million is payable based on earnings targets from 2019 through 2024.

The purchase has been accounted for by the acquisition method, with the results of Milltec included in the Company's net earnings from the date of acquisition. The fair value of the assets acquired and the liabilities assumed has been determined on a provisional basis utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. Additional information is being gathered to finalize these provisional measurements particularly with respect to intangible assets, goodwill and deferred taxes. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date.

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

The following table summarizes the provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	6,746
Restricted cash	1,425
Accounts receivable	11,796
Inventory	8,809
Prepaid expenses and other assets	4,489
Income taxes recoverable	87
Property, plant and equipment	20,456
Intangible assets	
Trade name	12,764
Customer relationships	23,599
Customer backlog	3,835
Goodwill	93,329
Accounts payable and accrued liabilities	(16,347)
Other liabilities	(172)
Customer deposits	(2,533)
Deferred tax liability	(16,725)
Long-term payables	(290)
Purchase consideration	151,268

The goodwill of $93,329 comprises the value of the assembled workforce and other expected synergies arising from the acquisition. During the measurement period, further analysis of revenue recognition resulted in the reversal of certain sales and related costs. As a result, accounts receivable decreased by $946, inventory increased by $846, accounts payable and accrued liabilities decreased by $98 and intangible assets increased by $197. In addition, the fair value of property, plant, and equipment acquired increased by $129, income taxes recoverable decreased by $240, and deferred tax liability increased by $13,488. All other adjustments net to $60. These changes resulted in an overall increase of $13,691 to goodwill.

The fair value of the accounts receivable acquired is $11,796. This consists of the gross contractual value of $12,281 less the estimated amount not expected to be collected of $485.

From the date of acquisition, Milltec contributed to the results $23,456 of revenue and $2,270 of net loss. Revenue and net income that occurred as though the acquisition date for the business had been as of the beginning of the annual reporting period are impracticable to disclose due to Milltec historically reporting with a differing year-end.

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

The components of the purchase consideration are as follows:

	$
Cash paid	106,845
Due to vendor	17,929
Optionally convertible redeemable preferred shares	26,494
Purchase consideration	151,268

As part of the acquisition, a subsidiary of the Company issued 1,050 Series A1 and 700 Series A2 non-voting OCRPS at a price per share of INR 1,000. The Series A1 and A2 OCRPS have a cumulative preferential dividend rate of 0.00001% and must be redeemed by the nineteenth anniversary of their issuance. The OCRPS represent contingent consideration included within the acquisition agreement and the future value of the OCRPS, to a maximum of INR 1,750 million [$34.4 million CAD], will be based on the achievement of certain earning targets over the period of April 1, 2020 to March 31, 2024, as set forth in the terms and conditions of the OCRPS agreement. The OCRPS can be redeemed by the Company for cash or the Company has the option to convert the OCRPS for shares and direct an affiliate of the Company to purchase the shares for cash. As such, the preferred shares are recorded as a financial liability at fair value through profit and loss.

Transaction costs related to the Milltec acquisition in the three- and nine-month periods ended September 30, 2019, were $76 and $2,096 [2018 – nil and nil] and are included in selling, general and administrative expenses.

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

6. Accounts receivable

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

	September 30, 2019 $	December 31, 2018 $
Total accounts receivable	193,947	135,770
Less allowance for doubtful accounts	(1,541)	(1,531)
	192,406	134,239
Non-current accounts receivable	8,309	8,122
Total accounts receivable, net	200,715	142,361
Of which		
Neither impaired nor past due	154,492	110,469
Not impaired and past the due date as follows		
Within 30 days	19,961	14,858
31 to 60 days	5,904	4,167
61 to 90 days	8,732	3,922
Over 90 days	13,167	10,476
Less allowance for doubtful accounts	(1,541)	(1,531)
Total accounts receivable, net	200,715	142,361

7. Property, plant and equipment

	September 30, 2019 $	December 31, 2018 $
Balance, beginning of period	332,645	304,543
Additions	36,850	36,549
Acquisitions *[note 5]*	21,276	4,470
Disposals	(839)	(1,145)
Classification as held for sale *[note 12]*	—	(786)
Transfer to right-of-use assets	(280)	—
Depreciation	(16,408)	(19,200)
Impairment	—	(226)
Exchange differences	(12,786)	8,440
Balance, end of period	360,458	332,645

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

8. Right-of-use assets

	September 30, 2019
	$
Balance, beginning of period[1]	9,071
Acquisitions *[note 5]*	420
Additions	2,587
Depreciation	(2,177)
Exchange differences	(106)
Balance, end of period	9,795

[1] Includes $280 transferred from property, plant, and equipment for leases previously classified as finance lease under IAS 17 and IFRIC 4.

9. Goodwill

	September 30, 2019	December 31, 2018
	$	$
Balance, beginning of period	256,619	234,669
Acquisitions *[note 5]*	108,489	16,423
Exchange differences	(8,694)	5,527
Balance, end of period	356,414	256,619

10. Intangible assets

	September 30, 2019	December 31, 2018
	$	$
Balance, beginning of period	233,199	218,156
Internal development	8,207	7,397
Acquisitions *[note 5]*	46,564	15,994
Amortization	(17,681)	(13,831)
Exchange differences	(4,974)	5,483
Balance, end of period	265,315	233,199

11. Equity investments

[a] Equity investment at fair value through OCI

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. AGI recorded a $1.1 million charge to reflect management's estimate of the fair value of its investment in Investco in 2014. In 2019, AGI concluded that it is unlikely to recover its investment in Investco based on externally available information and observable conditions, and as a result, recorded a decrease of $0.9 million in the fair value of the equity investment in OCI, which represented the remaining value of Investco.

[b] Investment in associate

On July 16, 2019, the Company acquired an equity interest in Farmobile Inc. ["Farmobile"] for $15 million USD. Farmobile, headquartered in Leawood, Kansas, is a privately-held agriculture technology company. AGI has the right to appoint two of the seven directors to the Farmobile board of directors as a result of this investment. The investment was financed by a draw on AGI's credit facility.

The equity interest acquired in Farmobile represents an investment subject to significant influence that is accounted for using the equity method from the date of acquisition. The investment was initially recorded at cost and adjustments were made to include the Company's share of Farmobile's net loss. The Company's share of net loss since acquisition of $788 has been recorded in the unaudited interim condensed consolidated statements of income (loss).

12. Assets held for sale

Assets held for sale include a building in Illinois and land, grounds, and building in Brazil. During the three- and nine-month periods ended September 30, 2019, the Company recorded impairment losses totaling $46 and $46. As at September 30, 2019, the carrying amount of the assets held for sale is $1,040.

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

13. Provisions

Provisions consist of the Company's warranty provision. A provision is recognized for expected claims on products sold based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns.

	September 30, 2019	December 31, 2018
	$	$
Balance, beginning of period	**7,685**	5,909
Additional provisions recognized	**14,017**	7,907
Amounts written off	**(7,832)**	(6,244)
Acquisitions	**1,755**	113
Balance, end of period	**15,625**	7,685

14. Lease liability

	Incremental borrowing rate	Maturity	September 30, 2019
	%		$
Current	2.7 – 13.1	2020	**2,599**
Non-current	2.7 – 13.1	2020 – 2029	**7,153**
Lease liability			**9,752**

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

15. Long-term debt

	Interest rate %	Maturity	September 30, 2019 $	December 31, 2018 $
Current portion of long-term debt				
Canadian swing line	3.7 – 6.8	2023	31,522	—
Equipment financing	nil	2025	361	289
			31,883	289
Non-current portion of long-term debt				
Equipment financing	nil	2025	865	809
Series B secured notes	4.4	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7	2026	33,108	34,105
Canadian Revolver	4.1 – 6.9	2023	146,859	69,203
U.S. Revolver	4.0 – 4.3	2023	200,234	144,877
			406,066	273,994
Less deferred financing costs			(2,823)	(2,862)
			403,243	271,132
Long-term debt			435,126	271,421

[a] Bank indebtedness

AGI has a swing line of $40.0 million and U.S. $20.0 million. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at September 30, 2019, there was $31,522 [December 31, 2018 – nil] outstanding under the swing line.

Collateral for the swing line ranks pari passu with the Series B and C secured notes and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

[b] Long-term debt

AGI's revolver facilities of $175 million and U.S. $215 million are inclusive of amounts that may be allocated to the Company's swing line and can be drawn in Canadian or U.S. funds. The facilities bear interest at BA or LIBOR plus 1.45% to BA or LIBOR plus 2.5% and prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. The combined effective interest rate for the three- and nine-month periods ended September 30, 2019 on AGI's revolver facilities was 5.31%. As at September 30, 2019, there was $347 million [December 31, 2018 – $214 million] outstanding under these facilities. Interest on a portion of the revolver line has been fixed at 3.8% through an interest rate swap contract *[note 25[b]]*. Collateral for the revolving line ranks pari passu and includes 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.

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

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

The Series C secured notes were issued on October 29, 2016. The non-amortizing notes bear interest at 3.7% payable quarterly and mature on October 29, 2026. The Series C secured notes are denominated in U.S. dollars. Collateral for the Series C secured notes and term loans ranks pari passu and includes 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.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.25, the calculation of which excludes the convertible unsecured subordinated debentures from debt, and to provide debt service coverage of a minimum of 1.0. In the event of an acquisition in respect of which the aggregate consideration is $75,000 or greater, the minimum debt to EBITDA ratio increases to 3.75 in the financial quarter in which the acquisition occurs and the three succeeding financial quarters, to 3.50 for the immediately succeeding quarter and subsequently will revert to 3.25. As at September 30, 2019 and December 31, 2018, AGI was in compliance with all financial covenants.

16. Convertible unsecured subordinated debentures

	September 30, 2019	December 31, 2018
	$	$
Current portion of convertible unsecured subordinated debentures	**—**	50,708
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	**247,475**	247,500
Equity component	**(9,629)**	(9,629)
Accretion	**4,927**	3,536
Financing fees, net of amortization	**(5,679)**	(7,267)
	237,094	234,140
Convertible unsecured subordinated debentures	**237,094**	284,848

On April 2, 2019, the Company redeemed its 5.25% convertible unsecured subordinated debentures due December 31, 2019 ["2014 Debentures"] in accordance with the terms of the supplemental trust indenture dated December 1, 2014. Upon redemption, AGI paid to the holders of the 2014 Debentures the redemption price of

$52,435 equal to the outstanding principal amount of the 2014 Debentures redeemed including accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld.

Consequently, in the nine-month period ended September 30, 2019, the Company expensed the remaining unamortized balance of $425 of deferred fees related to the 2014 Debentures. The expense was recorded to finance costs in the unaudited interim condensed consolidated statements of income (loss). Upon redemption, a gain of $55 was recorded to gain on financial instruments and the equity component of the 2014 Debentures was reclassified to contributed surplus.

17. Senior unsecured subordinated debentures

On March 19, 2019, the Company closed the offering of $75 million aggregate principal amount of senior subordinated unsecured debentures [the "2019 Debentures"] at a price of $1,000 per Debenture [the "Offering"]. On March 26, 2019, AGI closed the over-allotment option of $11.25 million aggregate principal amount of 2019 Debentures at the same price.

The net proceeds of the Offering of $82,100, net of fees, were used to fund the redemption of the Company's 2014 Debentures, to repay existing indebtedness and for general corporate purposes.

The 2019 Debentures bear interest from the date of issue at 5.40% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2019. The 2019 Debentures have a maturity date of June 30, 2024.

The 2019 Debentures will not be redeemable by the Company before June 30, 2022, except upon the occurrence of a change of control of the Company in accordance with the terms of the indenture [the "Indenture"] governing the 2019 Debentures. On and after June 30, 2022 and prior to June 30, 2023, the 2019 Debentures may be redeemed at the Company's option at a price equal to 102.70% of their principal amount plus accrued and unpaid interest. On or after June 30, 2023, the 2019 Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest.

The Company will have the option to satisfy its obligation to repay the principal amount of the 2019 Debentures due at redemption or maturity by issuing and delivering that number of freely tradable common shares in accordance with the terms of the Indenture.

The 2019 Debentures will not be convertible into common shares of the Company at the option of the holders at any time.

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

18. Shareholders' equity

[a] Common shares

	Shares	Amount
	#	$
Balance, January 1, 2018	16,160,916	323,199
Dividend reinvestment shares issued from treasury	26,132	1,384
Settlement of equity incentive award plan ["EIAP"] obligation	144,451	5,820
Issuance of common shares	1,874,500	111,564
Convertible unsecured subordinated debentures	157,781	8,678
Balance, December 31, 2018	18,363,780	450,645
Settlement of EIAP obligation	291,421	4,958
Convertible unsecured subordinated debentures	299	25
Balance, September 30, 2019	**18,655,500**	**455,628**

[b] Contributed surplus

	September 30, 2019	December 31, 2018
	$	$
Balance, beginning of period	**26,045**	20,956
Equity-settled director compensation *[note 19[b]]*	**365**	419
Dividends on EIAP	**627**	1,144
Obligation under EIAP *[note 19[a]]*	**4,334**	8,135
Settlement of EIAP obligation	**(6,365)**	(7,742)
Convertible unsecured subordinated debentures	**1,150**	3,133
Balance, end of period	**26,156**	26,045

[c] Dividends paid and proposed

In the three-month period ended September 30, 2019, the Company declared dividends of $11,193 or $0.60 per common share [2018 – $9,891 or $0.60 per common share] and dividends on share compensation awards of $340 [2018 – $312]. In the nine-month period ended September 30, 2019, the Company declared dividends of $33,510 or $1.80 per common share [2018 – $29,633 or $1.80 per common share] and dividends on share compensation awards of $627 [2018 – $899].

In the three-month period ended September 30, 2019, dividends paid to shareholders of $11,192 [2018 – $9,891] were financed from cash on hand and nil [2018 – nil] by the dividend reinvestment plan [the "DRIP"]. In the nine-month period ended September 30, 2019, dividends paid to shareholders were financed $33,452 [2018 – $28,249] from cash on hand and nil [2018 – $1,384] by the DRIP.

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

In 2018, the Company suspended the active operation of its DRIP. Accordingly, dividends payable to shareholders will not be reinvested through the DRIP, and shareholders who were enrolled in the program will automatically receive dividend payments in the form of cash.

AGI's dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company's current monthly dividend rate is $0.20 per common share. Subsequent to September 30, 2019, the Company declared dividends of $0.20 per common share on October 30, 2019.

19. Share-based compensation plans

[a] EIAP

During the three-month period ended September 30, 2019, 11,250 [2018 – nil] Restricted Awards ["RSU"] and 3,494 [2018 – nil] Performance Awards were granted. As at September 30, 2019, a total of 559,691 [December 31, 2018 – 406,006] Restricted Awards and 658,791 [December 31, 2018 – 440,672] Performance Awards had been granted under the plan. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures.

During the three- and nine-month periods ended September 30, 2019, AGI expensed $1,259 and $4,277 for the EIAP [2018 – $2,209 and $6,682].

A summary of the status of the awards under the EIAP is presented below:

	EIAP	
	Restricted Awards	Performance Awards
	#	#
Outstanding, January 1, 2018	156,479	213,175
Granted	68,585	33,883
Vested	(70,918)	(73,281)
Forfeited	(15,166)	(17,000)
Balance, December 31, 2018	138,980	156,777
Granted	153,685	218,119
Vested	(44,343)	(247,151)
Forfeited	(7,000)	—
Balance, September 30, 2019	**241,322**	**127,745**

There is no exercise price on the EIAP awards.

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

For the three- and nine-month periods ended September 30, 2019, an expense of $129 and $365 [2018 – $102 and $303] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 120,000, subject to adjustment in lieu of dividends, if applicable. For the three- and nine-month periods ended September 30, 2019, 2,923 and 6,983 [2018 – 1,644 and 5,297] common shares were granted under the DDCP. As at September 30, 2019, a total of 85,136 [December 31, 2018 – 78,153] common shares had been granted under the DDCP and 18,436 [December 31, 2018 – 18,436] common shares had been issued.

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

20. Other expenses (income)

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
[a] Other operating expense (income)				
Loss (gain) on sale of property, plant and equipment	124	(71)	124	145
Loss on financial instruments	7,592	(7,256)	3,060	(8,501)
Other	(846)	(514)	(2,573)	(1,454)
	6,870	(7,841)	611	(9,810)
[b] Finance expense (income)				
Interest income from banks	(45)	(48)	(158)	(145)
Loss (gain) on foreign exchange	3,070	(3,367)	(5,586)	6,040
	3,025	(3,415)	(5,744)	5,895
[c] Finance costs				
Interest on overdrafts and other finance costs	500	278	1,032	497
Interest on lease liabilities	89	—	249	—
Interest, including non-cash interest, on debts and borrowings	5,795	5,788	15,544	13,089
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures *[notes 16 and 17]*	5,242	4,817	16,639	14,513
	11,626	10,883	33,464	28,099
[d] Cost of goods sold				
Depreciation of property, plant and equipment	5,106	4,402	14,838	13,009
Depreciation of right-of-use assets	306	—	869	—
Amortization of intangible assets	2,440	612	5,432	1,823
Warranty provision *[note 13]*	6,638	17	6,185	254
Cost of inventory recognized as an expense	180,198	166,752	527,947	493,695
	194,688	171,783	555,271	508,781
[e] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	554	445	1,570	1,260
Depreciation of right-of-use assets	442	—	1,308	—
Amortization of intangible assets	4,473	2,850	12,249	8,141
Minimum lease payments recognized as lease expense	82	871	399	2,670
Transaction costs	283	1,633	9,473	4,924
Selling, general and administrative	44,926	38,119	130,845	112,834
	50,760	43,918	155,844	129,829
[f] Employee benefits expense				
Wages and salaries	64,976	61,871	188,170	172,791
Share-based payment expense *[notes 19[a] and [b]]*	1,388	2,311	4,642	6,985
Pension costs	1,713	1,241	4,946	3,791
	68,077	65,423	197,758	183,567
Included in cost of goods sold	43,608	36,406	126,303	113,146
Included in selling, general and administrative expenses	24,469	29,017	71,455	70,421
	68,077	65,423	197,758	183,567

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

21. Retirement benefit plans

During the three- and nine-month periods ended September 30, 2019, the expense associated with the Company's defined pension benefit was $32 and $97 [2018 – $34 and $102]. At September 30, 2019, the accrued pension benefit liability was $592 [December 31, 2018 – $85], which is included in other financial liabilities on the unaudited interim condensed consolidated statements of financial position.

22. Income taxes

The major components of income tax expense for the three- and nine-month periods ended September 30, 2019 and 2018 are as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Profit (loss) before income taxes	**(7,605)**	26,838	**26,891**	52,961
Tax expense (recovery) at the statutory rate of 27% [2018 – 27%]	**(2,053)**	7,246	**7,261**	14,299
Tax rate changes	**(3,357)**	253	**(3,236)**	481
Additional deductions allowed in a foreign jurisdiction	**(269)**	—	**(269)**	—
Tax losses not recognized as a deferred tax asset	**177**	539	**1,394**	1,884
Foreign rate differential	**(153)**	(967)	**(1,697)**	(2,426)
Non-deductible EIAP expense	**48**	86	**122**	183
State income taxes, net of federal tax benefit	**139**	442	**560**	961
Unrealized foreign exchange loss (gain)	**742**	(846)	**(1,290)**	1,551
IFRS 15 transition adjustment	**—**	—	**—**	(414)
Change in uncertain tax position	**—**	—	**—**	(2,305)
Permanent differences and others	**(60)**	(659)	**1,127**	268
Tax expense (recovery) at the effective rate of 14.8% [2018 – 27.3%]	**(4,786)**	6,094	**3,972**	14,482

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

23. Profit (loss) per share

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

	Three-month period ended		Nine-month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Net profit (loss)	**(2,819)**	20,744	**22,919**	38,479
Dilutive effect of 2018 convertible debenture interest	**—**	904	**—**	2,699
Dilutive effect of 2015 convertible debenture interest	**—**	917	**—**	2,742
Dilutive effect of 2014 convertible debenture interest	**—**	676	**—**	—
Dilutive effect of 2017 convertible debenture interest	**—**	1,023	**—**	—
Net profit (loss) attributable to shareholders for basic and diluted profit per share	**(2,819)**	24,264	**22,919**	43,920
Basic weighted average number of shares	**18,653,281**	16,484,196	**18,598,530**	16,453,098
Dilutive effect of DDCP	**—**	55,567	**61,753**	53,795
Dilutive effect of RSU	**—**	157,374	**225,562**	170,421
Dilutive effect of 2018 convertible debentures	**—**	1,568,180	**—**	1,568,180
Dilutive effect of 2015 convertible debentures	**—**	1,250,000	**—**	1,250,000
Dilutive effect of 2014 convertible debentures	**—**	789,234	**—**	—
Dilutive effect of 2017 convertible debentures	**—**	1,033,551	**—**	—
Diluted weighted average number of shares	**18,653,281**	21,338,102	**18,885,845**	19,495,494
Profit (loss) per share				
Basic	**(0.15)**	1.26	**1.23**	2.34
Diluted	**(0.15)**	1.14	**1.21**	2.25

The 2015, 2017 and 2018 Debentures were excluded from the calculation of diluted profit (loss) per share in the three-and nine-month periods ended September 30, 2019, because their effect is anti-dilutive. The DDCP and RSU were excluded from the calculation of the diluted loss per share in the three-month period ended September 30, 2019, because their effect is anti-dilutive.

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

24. Statement of cash flows

[a] Net change in non-cash working capital

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

	Three-month period ended		Nine-month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	$	$	$	$
Accounts receivable	**8,037**	14,754	**(44,724)**	(33,328)
Inventory	**9,566**	(6,797)	**12,315**	(27,295)
Prepaid expenses and other assets	**1,529**	(3,140)	**(1,944)**	(6,436)
Accounts payable and accrued liabilities	**(465)**	(9,425)	**1,435**	15,339
Customer deposits	**1,995**	(8,097)	**(15,248)**	(1,129)
Provisions	**6,485**	17	**7,761**	254
	27,147	(12,688)	**(40,405)**	(52,595)

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

[b] Reconciliation of liabilities arising from financing activities

	December 31, 2018 $	Cash flows $	Non-cash changes: Acquisitions $	Conversion $	Foreign exchange $	Accretion $	Amortization $	Fair value $	Other $	September 30, 2019 $
Long-term debt	271,421	167,892	464	—	(5,586)	—	401	534	—	**435,126**
Convertible unsecured subordinated debentures	284,848	(51,786)	—	(25)	—	1,509	2,150	—	398	**237,094**
Senior unsecured subordinated debentures	—	82,640	—	—	—	—	357	—	(337)	**82,660**
Lease liability	8,791	(1,895)	196	—	(157)	—	—	—	2,817	**9,752**
Total liabilities from financing activities	565,060	196,851	660	(25)	(5,743)	1,509	2,908	534	2,878	**764,632**

	December 31, 2017 $	Cash flows $	Non-cash changes: Acquisitions $	Conversion $	Foreign exchange $	Accretion $	Amortization $	Fair value $	September 30, 2018 $
Long-term debt	302,802	49,670	738	—	6,040	—	1,709	—	360,959
Convertible unsecured subordinated debentures	286,058	4,816	—	(8,678)	—	1,641	1,867	(2,063)	283,641
Obligations under finance lease	1,002	(1,007)	—	—	89	—	—	—	84
Derivatives held to hedge long-term borrowings	(1,768)	—	—	—	—	—	—	(1,017)	(2,785)
Total liabilities from financing activities	588,094	53,479	738	(8,678)	6,129	1,641	3,576	(3,080)	641,899

25. Financial instruments and financial risk management

[a] Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at September 30, 2019, AGI's U.S. dollar denominated debt totaled $197 million.

During the nine-month period ended September 30, 2019, the Company entered into a short-term forward contract that resulted in a gain of $235, which has been recorded in gain on financial instruments in the unaudited interim condensed consolidated statements of income.

The Company had no outstanding foreign exchange forward contracts at September 30, 2019.

[b] Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. The interest rate swap contracts are derivative financial instruments and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.1%. The notional amounts are $90,323 in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

The interest rate swap contracts were designated as cash flow hedges, and changes in the fair value were recognized as a component of OCI to the extent that they have been assessed to be effective. In 2018, the hedge was discontinued as the forecasted cash flows were no longer probable. Consequently, the interest rate swap was reclassified from fair value through OCI to fair value through profit or loss. During the three- and nine-month periods ended September 30, 2019, a loss of $25 and $1,637 [2018 – gain of $1,060 and $1,874] was recorded in gain (loss) on financial instruments. As at September 30, 2019, the unrealized gain on the interest rate swap was $52.

[c] Equity swap

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

As at September 30, 2019, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on April 6, 2021.

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

As at September 30, 2019, the unrealized gain on the equity swap was $4,258, and in the three- and nine-month periods ended September 30, 2019, the Company recorded in other operating expense (income) a loss of $7,567 and loss of $1,713 [2018 – gain of $4,471 and $5,716].

[d] Fair value

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

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

		September 30, 2019		December 31, 2018	
	Level	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Amortized cost:					
Cash and cash equivalents	1	20,948	20,948	33,610	33,610
Cash held in trust and restricted cash	1	1,436	1,436	2,955	2,955
Accounts receivable	2	192,406	192,406	134,239	134,239
Note receivable	2	609	609	735	735
Fair value through profit or loss:					
Derivative instruments	2	4,310	4,310	7,649	7,649
Fair value through OCI:					
Equity investment	3	—	—	900	900
Financial liabilities					
Amortized cost:					
Interest-bearing loans and borrowings	2	444,878	445,515	271,651	269,685
Accounts payable and accrued liabilities	2	127,675	127,675	101,504	101,504
Dividends payable	2	3,731	3,731	3,673	3,673
Due to vendor	2	12,777	12,777	9,349	9,349
Contingent consideration	3	5,221	5,221	6,386	6,386
Convertible unsecured subordinated debentures	2	237,094	236,406	284,848	305,935
Senior unsecured subordinated debentures	2	82,660	82,122	—	—
Fair value through profit or loss:					
Optionally convertible redeemable preferred shares	3	26,468	26,468	—	—

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

During the nine-month period and year ended September 30, 2019 and December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

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

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

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

- The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Company enters into derivative financial instruments with financial institutions with investment-grade credit ratings. Derivatives include interest rate swaps and equity swaps that are marked-to-market at each reporting period.

- The fair value of contingent consideration and the OCRPS arising from business combinations is estimated by discounting future cash flows based on the probability of meeting set performance targets.

- AGI included its equity investment, which is in a private company, in Level 3 of the fair value hierarchy as it traded 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.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	September 30, 2019 $	December 31, 2018 $
Contingent consideration and OCRPS:		
Balance, beginning of period	**6,386**	9,037
Acquisitions	**31,599**	2,708
Fair value change	**(592)**	1,187
Reclassification to due to vendor	**(4,000)**	(6,849)
Exchange differences	**(1,704)**	303
Balance, end of period	**31,689**	6,386

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

Set out below are the significant unobservable inputs to valuation as at September 30, 2019:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Contingent consideration and OCRPS	Discounted cash flow method	• Probability of achieving earnings target	0%–100% achievement	Increase (decrease) in the probability would increase (decrease) the fair value
		• Weighted average cost of capital ["WACC"]	5%–9.2%	Increase (decrease) in the WACC would result in decrease (increase) in fair value

26. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and nine-month periods ended September 30, 2019, the total cost of these legal services related to general matters was nil and $244 [2018 – $50 and $582], and $275 is included in accounts payable and accrued liabilities as at September 30, 2019.

Salthammer Inc. previously provided consulting services to the Company, and a Director of AGI is a minority shareholder of Salthammer Inc. During the three- and nine-month periods ended September 30, 2019, the total cost of these consulting services related to AGI's international plant expansion project was $1 and $1 [2018 – nil and $80], and nil is included in accounts payable and accrued liabilities as at September 30, 2019.

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

27. Reportable business segment

The Company is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. As at September 30, 2019, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

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

The Company operates primarily within three geographical areas: Canada, United States and International. The following details the sales by geographical area, reconciled to the Company's unaudited interim condensed consolidated financial statements:

	Three-month period ended		Nine-month period ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
	$	$	$	$
Canada	**78,796**	77,899	**264,630**	254,141
United States	**117,548**	116,025	**325,811**	301,119
International	**63,854**	48,242	**176,730**	160,727
	260,198	242,166	**767,171**	715,987

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

28. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $8,126 [December 31, 2018 – $9,308].

[b] Letters of credit

As at September 30, 2019, the Company has outstanding letters of credit in the amount of $12,890 [December 31, 2018 – $11,020].

[c] Legal actions

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

29. Subsequent event

On October 30, 2019, the Company announced the issuance of $75 million aggregate principal amount of senior subordinated unsecured debentures [the “Debentures”] at a price of $1,000 per Debenture [the “Offering”]. AGI has also granted to the Underwriters an over-allotment option, exercisable in whole or in part for a period expiring 30 days following closing, to purchase up to an additional $11.25 million aggregate principal amount of Debentures at the same price. If the over-allotment option is fully exercised, the total gross proceeds from the Offering to AGI will be $86.25 million. Closing of the Offering is expected to occur on or about November 19, 2019. The Offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange.

AGI intends to redeem in full the Company’s 5.00% Convertible Unsecured Debentures due December 31, 2020 [the “2015 Debentures”]. The Company intends to provide a formal notice of redemption to the holders of 2015 Debentures in accordance with the terms of the indenture governing the 2015 Debentures. The net proceeds of the Offering will initially be used to repay a portion of the Company's revolving bank debt which will then be redrawn to fund the redemption of the outstanding 2015.

The Debentures will bear interest from the date of issue at 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2020. The Debentures will have a maturity date of December 31, 2024.

The Debentures will not be redeemable by the Company before December 31, 2022, except upon the occurrence of a change of control of the Company in accordance with the terms of the indenture [the "Indenture"] governing the Debentures. On and after December 31, 2022 and prior to December 31, 2023, the Debentures may be redeemed at the Company’s option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On or after December 31, 2023, the Debentures will be redeemable at the Company’s option at a price equal to their principal amount plus accrued and unpaid interest.

The Company will have the option to satisfy its obligation to repay the principal amount of the Debentures due at redemption or maturity by issuing and delivering that number of freely tradeable common shares in accordance with the terms of the Indenture.

The Debentures will not be convertible into common shares of the Company at the option of the holders at any time.