

Unaudited interim condensed consolidated financial statements

**Ag Growth International Inc.**

June 30, 2021

Ag Growth International Inc.

Unaudited interim condensed consolidated  
statements of financial position

[in thousands of Canadian dollars]

As at

	June 30, 2021	December 31, 2020
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	55,175	62,456
Cash held in trust and restricted cash	6,080	9,616
Accounts receivable	227,308	176,316
Inventory	211,499	178,904
Prepaid expenses and other assets	51,837	36,457
Current portion of notes receivable	5,306	5,457
Income taxes recoverable	7,003	6,950
	<u>564,208</u>	<u>476,156</u>
<b>Non-current assets</b>		
Property, plant and equipment, net <i>[note 7]</i>	349,175	354,533
Right-of-use assets, net	16,064	14,342
Goodwill	357,766	350,669
Intangible assets, net	265,491	249,459
Investment in associate <i>[note 5]</i>	—	12,878
Non-current accounts receivable	28,394	19,183
Notes receivable	357	475
Derivative instruments <i>[note 17]</i>	727	—
Deferred tax asset	998	964
	<u>1,018,972</u>	<u>1,002,503</u>
Assets held for sale	—	520
<b>Total assets</b>	<u>1,583,180</u>	<u>1,479,179</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	173,434	139,098
Customer deposits	62,856	46,013
Dividends payable	2,817	2,808
Derivative instruments <i>[note 17]</i>	489	6,386
Income taxes payable	5,566	4,825
Current portion of due to vendor	6,263	7,164
Current portion of lease liability	4,326	3,027
Current portion of long-term debt <i>[note 9]</i>	405	475
Current portion of optionally convertible redeemable preferred shares <i>[note 17]</i>	28,525	17,943
Provisions <i>[note 8]</i>	65,110	83,361
	<u>349,791</u>	<u>311,100</u>
<b>Non-current liabilities</b>		
Other financial liabilities	1,868	2,754
Derivative instruments <i>[note 17]</i>	95	771
Due to vendor	1,175	2,247
Optionally convertible redeemable preferred shares <i>[note 17]</i>	—	11,028
Lease liability	14,344	13,815
Long-term debt <i>[note 9]</i>	465,678	408,898
Convertible unsecured subordinated debentures <i>[note 17]</i>	168,770	167,319
Senior unsecured subordinated debentures	249,978	249,079
Deferred tax liability	57,420	49,031
	<u>959,328</u>	<u>904,942</u>
<b>Total liabilities</b>	<u>1,309,119</u>	<u>1,216,042</u>
<b>Shareholders' equity <i>[note 10]</i></b>		
Common shares	3,881	1,730
Accumulated other comprehensive loss	(24,254)	(10,262)
Equity component of convertible debentures	4,427	4,427
Contributed surplus	489,029	487,540
Deficit	(199,022)	(220,298)
<b>Total shareholders' equity</b>	<u>274,061</u>	<u>263,137</u>
<b>Total liabilities and shareholders' equity</b>	<u>1,583,180</u>	<u>1,479,179</u>

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		Six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
<b>Sales</b> [note 6]	<b>302,675</b>	257,938	<b>556,377</b>	487,045
Cost of goods sold [note 12[a]]	<b>227,431</b>	190,589	<b>405,121</b>	358,534
<b>Gross profit</b>	<b>75,244</b>	67,349	<b>151,256</b>	128,511
<b>Expenses</b>				
Selling, general and administrative [note 12[b]]	<b>58,655</b>	53,638	<b>118,396</b>	114,838
Other operating expense (income) [note 12[c] and 17[c]]	<b>1,189</b>	(8,267)	<b>(10,154)</b>	14,976
Finance costs [note 12[d]]	<b>10,327</b>	12,195	<b>20,647</b>	23,014
Finance expense (income) [note 12[e]]	<b>(4,295)</b>	(9,688)	<b>(6,244)</b>	12,575
Share of associate's net loss [note 5]	—	1,107	<b>1,077</b>	2,307
Gain on remeasurement of equity investment [note 5]	<b>(6,778)</b>	—	<b>(6,778)</b>	—
	<b>59,098</b>	48,985	<b>116,944</b>	167,710
Profit (loss) before income taxes	<b>16,146</b>	18,364	<b>34,312</b>	(39,199)
Income tax expense (recovery) [note 14]				
Current	<b>2,179</b>	1,096	<b>4,078</b>	1,975
Deferred	<b>(309)</b>	2,796	<b>3,254</b>	(6,802)
	<b>1,870</b>	3,892	<b>7,332</b>	(4,827)
<b>Profit (loss) for the period</b>	<b>14,276</b>	14,472	<b>26,980</b>	(34,372)
Profit (loss) per share [note 15]				
Basic	<b>0.76</b>	0.77	<b>1.44</b>	(1.84)
Diluted	<b>0.74</b>	0.76	<b>1.40</b>	(1.84)

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		Six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Profit (loss) for the period	14,276	14,472	26,980	(34,372)
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	2,041	(28,368)	(15,462)	(2,935)
	2,041	(28,368)	(15,462)	(2,935)
Items that will not be reclassified to profit or loss				
Actuarial gain (loss) on defined benefit plans	435	(633)	2,000	(825)
Income tax effect on defined plans	(115)	171	(530)	223
	320	(462)	1,470	(602)
<b>Other comprehensive income (loss) for the period</b>	<b>2,361</b>	<b>(28,830)</b>	<b>(13,992)</b>	<b>(3,537)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>16,637</b>	<b>(14,358)</b>	<b>12,988</b>	<b>(37,909)</b>

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2021

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Foreign currency reserve \$	Equity investment \$	Defined benefit plan reserve \$	Total shareholders' equity \$
<b>As at January 1, 2021</b>	1,730	4,427	487,540	(220,298)	(8,938)	(900)	(424)	263,137
Profit for the period	—	—	—	26,980	—	—	—	26,980
Other comprehensive income (loss)	—	—	—	—	(15,462)	—	1,470	(13,992)
Share-based payment transactions [note 10[a] and [b]]	2,151	—	1,489	—	—	—	—	3,640
Dividends paid to shareholders [note 10[c]]	—	—	—	(5,634)	—	—	—	(5,634)
Dividends on share-based compensation awards [note 10[c]]	—	—	—	(70)	—	—	—	(70)
<b>As at June 30, 2021</b>	<b>3,881</b>	<b>4,427</b>	<b>489,029</b>	<b>(199,022)</b>	<b>(24,400)</b>	<b>(900)</b>	<b>1,046</b>	<b>274,061</b>

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Six-month period ended June 30, 2020

	Common shares \$	Equity component of convertible debentures \$	Contributed surplus \$	Deficit \$	Foreign currency reserve \$	Equity investment \$	Defined benefit plan reserve \$	Total shareholders' equity \$
<b>As at January 1, 2020</b>	455,857	6,707	27,113	(138,657)	23,337	(900)	(62)	373,395
Loss for the period	—	—	—	(34,372)	—	—	—	(34,372)
Other comprehensive loss	—	—	—	—	(2,935)	—	(602)	(3,537)
Share-based payment transactions [note 10[a] and [b]]	3,913	—	(699)	—	—	—	—	3,214
Dividends paid to shareholders [note 10[c]]	—	—	—	(14,020)	—	—	—	(14,020)
Dividends on share-based compensation awards [note 10[c]]	—	—	—	(231)	—	—	—	(231)
Redemption of convertible unsecured subordinated debentures	—	(2,280)	2,304	—	—	—	—	24
Reduction in stated capital	(459,769)	—	459,769	—	—	—	—	—
<b>As at June 30, 2020</b>	<b>1</b>	<b>4,427</b>	<b>488,487</b>	<b>(187,280)</b>	<b>20,402</b>	<b>(900)</b>	<b>(664)</b>	<b>324,473</b>

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated  
statements of cash flows

[in thousands of Canadian dollars]

	Three-month period ended		Six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
<b>Operating activities</b>				
Profit (loss) before income taxes	16,146	18,364	34,312	(39,199)
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	6,225	6,386	12,062	12,779
Depreciation of right-of-use assets	1,072	1,076	2,028	1,988
Amortization of intangible assets	8,358	6,519	15,074	12,728
Loss (gain) on sale of property, plant and equipment	(20)	72	99	129
Loss (gain) on settlement of lease liability	18	(2)	18	(2)
Share of associate's net loss [note 5]	—	1,107	1,077	2,307
Gain on remeasurement of equity investment [note 5]	(6,778)	—	(6,778)	—
Loss on redemption of convertible debentures	—	—	—	746
Non-cash component of interest expense	1,336	1,328	2,654	2,459
Non-cash movement in derivative instruments	3,360	(7,497)	(7,298)	16,021
Non-cash investment tax credits	(377)	(341)	(389)	(405)
Share-based compensation expense	1,912	2,061	3,843	4,816
Defined benefit plan expense	36	33	72	66
Employer contributions to defined benefit plan	—	—	(9)	—
Due to vendor and OCRPS	573	2,017	2,059	5,243
Translation loss (gain) on foreign exchange	816	(17,258)	(7,594)	6,758
	32,677	13,865	51,230	26,434
Net change in non-cash working capital balances related to operations [note 16]	(40,823)	(268)	(65,818)	(16,146)
Non-current accounts receivable	(7,607)	(2,054)	(9,211)	(1,938)
Long-term payables	23	88	(56)	161
Settlement of EIAP obligation	(110)	(239)	(357)	(1,879)
Post-combination payments	81	—	(2,636)	—
Income taxes paid	(1,323)	(670)	(2,810)	(1,752)
<b>Cash provided by (used in) operating activities</b>	<b>(17,082)</b>	<b>10,722</b>	<b>(29,658)</b>	<b>4,880</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(7,568)	(8,129)	(13,741)	(18,056)
Acquisitions, net of cash acquired [note 5]	(12,865)	—	(12,865)	(7,301)
Transfer from restricted cash	263	(949)	3,184	(949)
Proceeds from sale of property, plant and equipment	71	54	165	148
Development and purchase of intangible assets	(7,061)	(1,889)	(10,325)	(5,269)
Transaction costs	—	(6,233)	—	(9,116)
<b>Cash used in investing activities</b>	<b>(27,160)</b>	<b>(17,146)</b>	<b>(33,582)</b>	<b>(40,543)</b>
<b>Financing activities</b>				
Issuance of long-term debt, net of issuance costs	39,788	46,455	39,788	149,229
Repayment of long-term debt	(128)	(11,268)	(296)	(127,885)
Change in swing line	20,267	—	23,997	—
Repayment of obligation under lease liabilities	(857)	(876)	(1,746)	(1,696)
Change in interest accrued	(5,431)	(4,639)	(6)	(512)
Issuance of senior unsecured subordinated debentures	(153)	(213)	(153)	80,979
Redemption of convertible unsecured subordinated debentures	—	—	—	(75,031)
Dividends paid in cash [note 10[c]]	(2,817)	(3,741)	(5,625)	(14,945)
<b>Cash provided by financing activities</b>	<b>50,669</b>	<b>25,718</b>	<b>55,959</b>	<b>10,139</b>
<b>Net increase (decrease) in cash during the period</b>	<b>6,427</b>	<b>19,294</b>	<b>(7,281)</b>	<b>(25,524)</b>
Cash and cash equivalents, beginning of period	48,748	3,603	62,456	48,421
<b>Cash and cash equivalents, end of period</b>	<b>55,175</b>	<b>22,897</b>	<b>55,175</b>	<b>22,897</b>
<b>Supplemental cash flow information</b>				
Interest paid	14,611	15,577	18,811	20,777

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]

June 30, 2021

#### 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 Standard ["IAS"] 34, Interim Financial Reporting ["IAS 34"] as issued by the International Accounting Standards Board ["IASB"] and using the same accounting policies and methods as were used for the Company's consolidated financial statements and the notes thereto for the year ended December 31, 2020.

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale, and contingent consideration resulting from business combinations and optionally convertible redeemable preferred shares ["OCRPS"] and previously held investment in associate, 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, 2020, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The unaudited interim condensed consolidated financial statements of AGI for the six-month period ended June 30, 2021 were authorized for issuance in accordance with a resolution of the directors on August 11, 2021.



## 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]

June 30, 2021

#### **[b] Adoption of new accounting standards and policies**

##### **Interest Rate Benchmark Reform – Phase 2**

In August 2020, the IASB published amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement [“IAS 39”], IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The amendments address issues that arise from implementation of IBOR reform, where IBORs are replaced with alternative benchmark rates. For financial instruments at amortized cost, the amendments introduce a practical expedient such that if a change in the contractual cash flows is as a result of IBOR reform and occurs on an economically equivalent basis, the change will be accounted for by updating the effective interest rate with no immediate gain or loss recognized. The amendments also provide additional temporary relief from applying specific IAS 39 hedge accounting requirements to hedging relationships affected by IBOR reform.

The amendments are effective for fiscal years beginning on or after January 1, 2021. The Company adopted the amendment on January 1, 2021, electing to apply the practical expedient; the adoption of this standard had no impact on the Company’s unaudited interim condensed consolidated financial statements.

#### **3. Standards issued but not yet effective**

##### **Amendments to IAS 1 – Presentation of Financial Statements [“IAS 1”]**

In January 2020, amendments were issued to IAS 1, which provide requirements for classifying liabilities as current or non-current. Specifically, the amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

The amendments must be applied retrospectively for annual periods beginning after January 1, 2023. The Company will assess the impact, if any, of adoption of the amendment.

## 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]

June 30, 2021

#### Amendments to IAS 1 and IFRS Practice Statement ["PS"] 2 *Making Materiality Judgments*

In February 2021, amendments were issued to IAS 1 and IFRS PS 2, which provide guidance and examples to help entities apply materiality judgment to accounting policy disclosures. Specifically, the amendments aim to:

- Replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their 'material' accounting policies; and
- Add guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual periods beginning after January 1, 2023. The Company will assess the impact, if any, of adoption of the amendment.

#### 4. Seasonality of business

Interim period sales and earnings historically reflect some seasonality as the agricultural equipment business is highly seasonal, which causes the Company's quarterly results and its cash flow to fluctuate during the year. Farmers generally purchase agricultural equipment in the spring and fall in conjunction with the major planting and harvesting seasons; as a result, 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. The Company'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. In addition, the Company's 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, the Company 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 resulting in significant working capital requirements in the first and second quarters. Historically, the Company's use of its operating facilities 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]

June 30, 2021

#### Impact of COVID-19 pandemic

The COVID-19 pandemic in 2020 has resulted in the significant downturn in economic activity and disruption of normal operations, stemming in part from temporary site restrictions and closures and timing of delivery of project schedules. Government authorities in jurisdictions in which the Company operates continue to enact emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-isolation and quarantine periods, social distancing, and business operating restrictions and closures. In addition, the duration and severity of the pandemic depends on the success of the vaccination campaign, its deployment acceleration, effectiveness, uptake, and acceptance ratio. These factors make the timing and extent of the recovery of the economies in the countries in which the Company has operations difficult to estimate. Therefore, although AGI operations were captured as essential services and management has undertaken appropriate steps to mitigate the disruptions, the full extent, depth, and trailing impacts of COVID-19 are unknown at this time, including the impact on the consolidated financial results and condition of the Company in future periods.

#### 5. Business combination

Effective April 16, 2021, AGI acquired additional outstanding shares of Farmobile, Inc. ["Farmobile"] for approximately \$11 million USD pursuant to the preferred share and common share stock purchase agreements. The terms of the agreements facilitate the acquisition of all outstanding shares of Farmobile, building on AGI's initial equity investment made in Farmobile in 2019. The investment was financed by cash on hand.

Farmobile, headquartered in Leawood, Kansas, is an agriculture technology company. The Farmobile PUC™ is a two-way, field data management device with a platform for data standardization and management; it enables the real-time automation and standardization of critical data collection from equipment used in the field. This acquisition builds on AGI's Internet of Things ["IoT"] product portfolio as an addition to the AGI SureTrack platform.

	\$
Fair value of consideration transferred, net of cash acquired	12,865
Cash acquired	884
Fair value of consideration transferred	13,749
Fair value of equity investment prior to control	18,755
Purchase price	<u>32,504</u>

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

AGI's investment in its associate was accounted for using the equity method. For the six-month period ended June 30, 2021, the Company share of associate's net loss was \$1,077. The additional purchase of shares resulted in control being obtained and has been accounted for by the acquisition method, with the results of Farmobile included in the Company's net earnings subsequent to control being obtained. Immediately before obtaining control, the Company remeasured its previously held equity investment at its acquisition-date fair value and recognized a gain of \$6,778 in profit and loss.

The fair value of the assets acquired and the liabilities assumed have 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, inventory 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.

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

	\$
Cash	884
Accounts receivable	178
Inventory	412
Prepaid expenses and other assets	642
Property, plant and equipment	45
Right-of-use assets	1,671
Intangible assets	
Technology	24,078
Patents	274
Goodwill	13,913
Accounts payable and accrued liabilities	(1,245)
Customer deposits	(977)
Lease liability	(1,671)
Deferred tax liability	(5,700)
Purchase consideration	<u>32,504</u>

The goodwill of \$13,913 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

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

June 30, 2021

The fair value of the accounts receivable acquired is \$178. This consists of the gross contractual value of \$241 less the estimated amount not expected to be collected of \$63.

From the date of acquisition, Farmobile contributed to the results \$323 of revenue and \$3,633 of net loss. If the acquisition had taken place as at January 1, 2021, revenue would have increased by an additional \$458 and profit would have decreased by \$4,708.

The components of the purchase consideration are as follows:

	\$
Cash paid	13,749
Fair value of equity investment prior to control	18,755
Purchase price	<u>32,504</u>

Additional contingent consideration, dependent on the outcome of future events, may be payable to certain selling shareholders of Farmobile and AGI. No amount has been accrued as the outcome of the future events is not yet determinable and any payments will be limited to proceeds received from the future events.

Transaction costs related to the Farmobile acquisition in the six-month period ended June 30, 2021 of \$1,461 are included in selling, general and administrative expenses.

#### 6. Reportable business segment

On January 1, 2021, the Company reorganized its business segments to better reflect changes in its operations and management structure. As a result of those changes, the Company identified three reportable segments: Farm, Commercial, and Technology, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. Certain corporate overheads are included in the segments based on revenue. Taxes and certain other expenses are managed at a consolidated level and are not allocated to the reportable operating segments. Financial information for the comparative period has been restated to reflect the new presentation.

The operating segments are being reported based on the financial information provided to the Chief Executive Officer, who has been identified as the Chief Operating Decision Maker ["CODM"] in monitoring segment performance and allocating resources between segments. The CODM assesses segment performance based on adjusted earnings before income tax, depreciation, and amortization ["Adjusted

## 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]

June 30, 2021

EBITDA”], which is measured differently than profit (loss) from operations in the unaudited interim condensed consolidated financial statements.

The Company’s reportable segments:

- **Farm:** AGI’s Farm business includes the sale of grain and fertilizer handling equipment, aeration products and storage bins, primarily to farmers where on-farm storage practices are conducive to the sale of portable handling equipment and smaller diameter storage bins for grain and fertilizer.
- **Commercial:** AGI’s Commercial business includes the sale of larger diameter storage bins, high-capacity stationary grain handling equipment, fertilizer storage and handling systems, feed handling and storage equipment, aeration products, hazard monitoring systems, automated blending systems, control systems and food processing solutions. AGI’s Commercial customers include large multi-national agri-businesses, grain handlers, regional cooperatives, contractors, food and animal feed manufacturers, and fertilizer blenders and distributors. Commercial equipment is used at port facilities for both the import and export of grains, inland grain terminals, corporate farms, fertilizer distribution sites, ethanol production, oilseed crushing, commercial feed mills, rice mills and flour mills.
- **Technology:** AGI’s Technology business is built on a foundation of IoT products that are designed to monitor, operate, and automate the Company’s equipment including the collection of key operation data. The Technology business offers monitoring, operation, measurement and blending controls, automation, hazard monitoring, embedded electronics, farm management, grain marketing and tools for agronomy, and Enterprise Resource Planning for agriculture retailers and grain buyers. These products are available both as standalone offerings, as well as in combination with larger farm or commercial systems from AGI.

The following tables sets forth information by segment:

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
Farm	168,119	143,229	303,071	262,078
Commercial	124,929	112,783	239,210	218,312
Technology	8,544	5,408	15,288	9,905
<b>Trade sales<sup>1</sup></b>	<b>301,592</b>	<b>261,420</b>	<b>557,569</b>	<b>490,295</b>
Foreign exchange (gain) loss	1,083	(3,482)	(1,192)	(3,250)
<b>Sales</b>	<b>302,675</b>	<b>257,938</b>	<b>556,377</b>	<b>487,045</b>

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

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June 30, 2021

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
Farm	42,602	33,686	76,729	57,818
Commercial	11,762	15,050	25,915	23,574
Technology	(1,878)	(1,021)	(3,298)	(3,021)
Other <sup>2</sup>	(6,254)	(3,621)	(14,030)	(8,627)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>46,232</b>	<b>44,094</b>	<b>85,316</b>	<b>69,744</b>
Gain (loss) on foreign exchange	5,335	6,094	4,858	(15,996)
Share-based compensation	(1,912)	(2,061)	(3,843)	(4,816)
Gain (loss) on financial instruments	(3,360)	7,497	7,298	(16,767)
Mergers and acquisitions expense	(1,584)	(1,497)	(2,021)	(1,271)
Other transaction and transitional costs	(1,863)	(2,410)	(5,569)	(7,150)
Gain (loss) on sale of property, plant and equipment	20	(72)	(99)	(129)
Gain (loss) on settlement of lease liability	(18)	2	(18)	2
Equipment rework and remediation	(7,500)	(6,000)	(7,500)	(10,000)
<b>EBITDA</b>	<b>35,350</b>	<b>45,647</b>	<b>78,422</b>	<b>13,617</b>
Finance costs	(10,327)	(12,195)	(20,647)	(23,014)
Depreciation and amortization	(15,655)	(13,981)	(29,164)	(27,495)
Share of associate's net loss	—	(1,107)	(1,077)	(2,307)
Gain on remeasurement of equity investment	6,778	—	6,778	—
<b>Profit (loss) before income taxes</b>	<b>16,146</b>	<b>18,364</b>	<b>34,312</b>	<b>(39,199)</b>

<sup>1</sup> The CODM uses Trade Sales and Adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Company's segments. Trade Sales are gross sales excluding impact of foreign exchange. Adjusted EBITDA is defined as net income before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes and share of income (loss) of associates. Trade Sales and Adjusted EBITDA as defined above are not a measure of results that is consistent with IFRS.

<sup>2</sup> Included in Other is the corporate office, which is not a reportable segment, and which provides finance, treasury, legal, human resources and other administrative support to the segments.

## Ag Growth International Inc.

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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		Six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
<b>Sales</b>				
Canada	79,402	75,798	141,909	143,799
United States	140,926	110,740	255,620	208,928
International	82,347	71,400	158,848	134,318
	<b>302,675</b>	<b>257,938</b>	<b>556,377</b>	<b>487,045</b>

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.

#### 7. Property, plant, and equipment

	June 30, 2021	December 31, 2020
	\$	\$
<b>Balance, beginning of period</b>	<b>354,533</b>	363,678
Additions	13,741	28,063
Leasehold improvements received	—	2,086
Acquisition	45	63
Disposals	(264)	(610)
Transfer to inventory	(135)	—
Transfer from assets held for sale	527	—
Transfer to right-of-use assets	—	375
Depreciation	(12,062)	(25,642)
Impairment	—	(1,957)
Exchange differences	(7,210)	(11,523)
<b>Balance, end of period</b>	<b>349,175</b>	<b>354,533</b>



## Ag Growth International Inc.

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#### 8. 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, with the exception of the equipment rework and remediation costs.

	June 30, 2021 \$	December 31, 2020 \$
<b>Balance, beginning of period</b>	<b>83,361</b>	17,539
Additional provisions recognized	11,736	88,386
Amounts written off and utilized	(29,987)	(22,564)
<b>Balance, end of period</b>	<b>65,110</b>	83,361

#### *Remediation costs*

Over the period of 2019–2020, AGI entered into agreements to supply 35 large hopper bins for installation by third parties on two grain storage projects. In 2020, a bin at one of the customer facilities collapsed during commissioning, and as a result, the Company recorded a provision of \$70 million. During the three-month ended June 30, 2021, the Company recorded an additional provision of \$7.5 million. As at June 30, 2021, the warranty provision for remediation costs is \$52.2 million [December 31, 2020 – \$69.7 million], with \$25.0 million of the provision having been utilized during the six-months ended June 30, 2021 as the remediation is underway.

In 2021, two legal claims related to the bin collapse were initiated against the Company for a cumulative amount in excess of \$190 million, one of which was received subsequent to the quarter ended June 30, 2021. The investigation into the cause of and responsibility for the collapse remains ongoing. The Company is in the process of assessing these claims and no further provisions have been recorded for these claims at this time. The Company has legal and contractual defenses to the legal claims and will fully and vigorously defend itself. In addition, the Company continues to believe that any financial impact will be partially offset by insurance coverage. AGI is working with insurance providers and external advisors to determine the extent of this cost offset. Insurance recoveries, if any, will be recorded when received.

## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

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#### *Equipment rework*

The provision for equipment rework relates to previously identified issues with equipment designed and supplied to the one commercial facility. As at June 30, 2021, the warranty provision for the equipment rework is \$3.6 million [December 31, 2020 – \$4.5 million], with \$922 of the provision having been utilized during the period.

#### 9. Long-term debt

On April 29, 2021, the Company's one-year liquidity facility matured. Upon maturity, the Company's liquidity agreement was incorporated into the existing revolver facility through the accordion feature. As a result, \$50 million was added to the Company's Canadian revolver availability. The maturity date of the revolver facility remains unchanged at March 20, 2025.

During the three-month ended June 30, 2021, the Company drew \$40 million from its Canadian revolver and as at June 30, 2021, there was \$23,817 outstanding under the Company's swinglines.

#### 10. Equity

##### [a] Common shares

	Shares #	Amount \$
<b>Balance, January 1, 2020</b>	18,658,479	455,857
Settlement of EIAP obligation	59,936	5,642
Reduction in stated capital	—	(459,769)
<b>Balance, December 31, 2020</b>	18,718,415	1,730
Settlement of EIAP obligation	<b>60,279</b>	<b>2,151</b>
<b>Balance, June 30, 2021</b>	<b>18,778,694</b>	<b>3,881</b>

Ag Growth International Inc.

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June 30, 2021

[b] Contributed surplus

	June 30, 2021 \$	December 31, 2020 \$
<b>Balance, beginning of period</b>	<b>487,540</b>	27,113
Equity-settled director compensation [note 11[b]]	334	626
Dividends on EIAP	70	358
Obligation under EIAP [note 11[a]]	3,509	5,802
Settlement of EIAP obligation	(2,424)	(8,432)
Redemption of convertible unsecured subordinated debentures	—	2,304
Reduction in stated capital	—	459,769
<b>Balance, end of period</b>	<b>489,029</b>	487,540

[c] Dividends paid and proposed

In the three-month period ended June 30, 2021, the Company declared dividends of \$2,817 or \$0.15 per common share [2020 – \$2,807 or \$0.60 per common share] and dividends on share compensation awards of \$(72) [2020 – \$69]. In the six-month period ended June 30, 2021, the Company declared dividends of \$5,634 or \$0.30 per common share [2020 – \$14,020 or \$0.75 per common share] and dividends on share compensation awards of \$70 [2020 – \$231]. In the three- and six-month periods ended June 30, 2021, dividends paid to shareholders of \$2,817 and \$5,625 [2020 – \$3,741 and \$14,945] were financed from cash on hand.

On April 14, 2020, the Company announced a reduction of its dividend to an annual level of \$0.60 per common share. At the same time, the dividend moved from monthly to quarterly payments, and accordingly the dividend of \$0.15 per share relates to the months of April, May, June 2021. The dividend is payable on July 15, 2021 to common shareholders of record at the close of business on June 30, 2021.

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Notes to unaudited interim condensed consolidated financial statements

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June 30, 2021

11. Share-based compensation plans

[a] Equity Incentive Award Plan ["EIAP"]

During the six-month period ended June 30, 2021, 143,698 [2020 – 2,500] Restricted Awards ["RSUs"] were granted and 125,036 [2020 – nil] Performance Awards ["PSUs"] were granted and nil cancelled [2020 – 58,502]. The fair values of the RSUs and the PSUs were based on the share price as at the grant date and the assumption that there will be no forfeitures. As at June 30, 2021, 1,469,163 shares have been granted under the EIAP.

During the six-month period ended June 30, 2021, AGI expensed \$3,509 for the EIAP [2020 – \$4,495].

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

	EIAP	
	Restricted Awards #	Performance Awards #
<b>Balance, January 1, 2020</b>	244,408	109,497
Granted	224,578	60,178
Vested	(70,582)	(7,108)
Forfeited	(6,724)	(892)
Modified	(82,952)	—
Cancelled	—	(58,501)
<b>Balance, December 31, 2020</b>	308,728	103,174
Granted	<b>143,698</b>	<b>125,036</b>
Vested	<b>(39,748)</b>	<b>(18,878)</b>
Forfeited	<b>(6,597)</b>	<b>(26,145)</b>
<b>Balance, June 30, 2021</b>	<b>406,081</b>	<b>183,187</b>

There is no exercise price on the EIAP awards.

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June 30, 2021

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

For the three- and six-month period ended June 30, 2021, expenses of \$190 and \$334 [2020 – \$151 and \$321] were recorded for the share grants, and corresponding amounts 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 six-month period ended June 30, 2021, 6,987 [2020 – 14,502] common shares were granted under the DDCP, and as at June 30, 2021, a total of 120,000 [December 31, 2020 – 113,013] common shares had been granted under the DDCP and 19,788 [December 31, 2020 – 18,436] common shares had been issued.

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June 30, 2021

12. Other expenses (income)

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
<b>[a] Cost of goods sold</b>				
Depreciation of property, plant and equipment	5,480	5,700	10,554	11,412
Depreciation of right-of-use assets	288	437	593	759
Amortization of intangible assets	2,888	1,151	4,175	1,935
Warranty expense	9,244	7,900	11,736	13,762
Cost of inventory recognized as an expense	209,531	175,401	378,063	330,666
	<b>227,431</b>	<b>190,589</b>	<b>405,121</b>	<b>358,534</b>
<b>[b] Selling, general and administrative expenses</b>				
Depreciation of property, plant and equipment	745	686	1,508	1,367
Depreciation of right-of-use assets	784	639	1,435	1,229
Amortization of intangible assets	5,470	5,368	10,899	10,793
Minimum lease payments recognized as lease expense	15	60	30	101
Transaction costs	3,447	3,907	7,590	8,421
Selling, general and administrative	48,194	42,978	96,934	92,927
	<b>58,655</b>	<b>53,638</b>	<b>118,396</b>	<b>114,838</b>
<b>[c] Other operating expense (income)</b>				
Net loss on disposal of property, plant and equipment	(20)	72	99	129
Net gain on settlement of lease liability	18	(2)	18	(2)
Loss (gain) on financial instruments	3,360	(7,497)	(7,298)	16,767
Other	(2,169)	(840)	(2,973)	(1,918)
	<b>1,189</b>	<b>(8,267)</b>	<b>(10,154)</b>	<b>14,976</b>
<b>[d] Finance costs</b>				
Interest on overdrafts and other finance costs	170	48	302	653
Interest on lease liabilities	247	173	492	292
Interest, including non-cash interest, on debts and borrowings	3,316	4,894	6,685	9,837
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures [notes 17[b]]	6,594	7,080	13,168	12,232
	<b>10,327</b>	<b>12,195</b>	<b>20,647</b>	<b>23,014</b>
<b>[e] Finance expense (income)</b>				
Interest income from banks	(43)	(112)	(194)	(171)
Loss (gain) on foreign exchange	(4,252)	(9,576)	(6,050)	12,746
	<b>(4,295)</b>	<b>(9,688)</b>	<b>(6,244)</b>	<b>12,575</b>

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

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June 30, 2021

**13. Retirement benefit plans**

During the three- and six-month periods ended June 30, 2021, the expenses associated with the Company's defined pension benefit were \$36 and \$72, respectively [2020 – \$33 and \$66]. As at June 30, 2021, the accrued pension benefit asset (liability) was \$1,166 [December 31, 2020 – \$(771)], which is included in other assets (liabilities) on the unaudited interim condensed consolidated statements of financial position.

**14. Income taxes**

The Company's effective tax rate for the six-month period ended June 30, 2021 was 21.4% [2020 – 12.3%]. The difference between the effective tax rate and the Company's domestic statutory tax rate of 26.5% [2020 – 27%] is attributable to unrealized foreign exchanges gains and (losses), non-deductible expenses, as well as differences in tax rates and deductions allowed in foreign tax jurisdictions.

Ag Growth International Inc.

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15. Profit (loss) per share

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

	Three-month period ended		Six-month period ended	
	June 30, 2021 \$	June 30, 2020 \$	June 30, 2021 \$	June 30, 2020 \$
Profit (loss) attributable to shareholders for basic and dilutive profit (loss) per share	14,276	14,472	26,980	(34,372)
Basic weighted average number of shares	18,778,425	18,707,858	18,768,591	18,695,108
Dilutive effect of DDCP	96,373	78,642	117,356	—
Dilutive effect of RSUs	406,990	205,974	360,387	—
Diluted weighted average number of shares	19,281,788	18,992,474	19,246,334	18,695,108
Profit (loss) per share				
Basic	0.76	0.77	1.44	(1.84)
Diluted	0.74	0.76	1.40	(1.84)

The 2017 and 2018 debentures were excluded from the calculation of diluted profit (loss) per share in the three- and six-month periods ended June 30, 2021 and June 30, 2020, because their effect is anti-dilutive. The DDCP and RSUs were excluded from the calculation of diluted profit (loss) per share in the six-month period ended June 30, 2020 because their effect is anti-dilutive.



## Ag Growth International Inc.

### Notes to unaudited interim condensed consolidated financial statements

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June 30, 2021

#### 16. Statement of cash flows

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

	Three-month period ended		Six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	\$	\$	\$	\$
Accounts receivable	(35,534)	(30,432)	(50,867)	(56,647)
Inventory	(11,281)	7,144	(31,915)	(9,996)
Prepaid expenses and other assets	(9,791)	1,524	(13,720)	4,064
Accounts payable and accrued liabilities	20,946	27,125	33,051	43,942
Customer deposits	5,594	(6,568)	15,867	532
Provisions	(10,757)	939	(18,234)	1,959
	(40,823)	(268)	(65,818)	(16,146)

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

The Company's financial assets and liabilities recorded at fair value in the unaudited interim condensed consolidated financial statements have been categorized into three categories based on a fair value hierarchy. Financial assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. During the six-month period ended June 30, 2021 and year ended December 31, 2020, there were no transfers between Level 1, Level 2, and Level 3 fair value measurements.

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The following methods and assumptions were used to estimate the fair value of financial instruments:

#### [a] Short-term financial instruments

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

#### [b] Long-term debt financial 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 valuation is determined using Level 2 inputs, which are observable inputs or inputs that can be corroborated by observable market data for substantially the full term of the liability. The carrying amount and fair value of the Company's long-term debt are as follows:

	June 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Interest-bearing loans and borrowings	466,083	463,437	409,373	405,907
Convertible unsecured subordinated debentures	168,770	175,854	167,319	171,366
Senior unsecured subordinated debentures	249,978	251,979	249,079	253,498

#### [c] Derivative financial instruments

Derivatives are marked-to-market at each reporting period and changes in fair value are recognized as a gain (loss) on financial instruments in other operating income. The fair values of interest rate swaps, equity swaps and foreign exchange contracts are determined using discounted cash flow techniques, using Level 2 inputs including interest rate swap curves, the Company's stock price and foreign exchange rates respectively. The fair value of the embedded derivative related to the senior unsecured subordinated debentures is determined by the Company's consultants using valuations models, which incorporate various Level 2 inputs including the contractual contract terms, market interest rates and volatility.

## Ag Growth International Inc.

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#### *Interest rate swap contract*

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on a fixed rate of 4.1%. The notional amounts are \$40,000 in aggregate, resetting the last business day of each month. The contract expires in May 2022. During the three- and six-month periods ended June 30, 2021, an unrealized gain of \$145 and \$282 [2020 – gain (loss) of \$39 and \$(1,472)] were recorded in gain (loss) on financial instruments in other operating expense (income). As at June 30, 2021, the fair value of the interest rate swap was \$(489) [December 31, 2020 – \$(771)].

#### *Equity swap*

The Company has an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. As at June 30, 2021, the equity swap agreement covered 722,000 common shares of the Company at a price of \$38.76, and the agreement matures on May 7, 2024. During the three- and six-month periods ended June 30, 2021, an unrealized gain (loss) of \$(4,231) and \$6,289 [2020 – \$7,451 and \$(13,805)] were recorded in loss on financial instruments in other operating expense (income). As at June 30, 2021, the fair value of the equity swap was \$(95) [December 31, 2020 – \$(6,386)].

#### *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 June 30, 2021, AGI's U.S. dollar denominated debt totaled \$215 million. The Company had no outstanding foreign exchange contracts at June 30, 2021.

#### *Debenture put options*

On March 5, 2020, the Company issued the 2020 Debentures with an option of early redemption beginning on and after December 31, 2022. At time of issuance, the Company's redemption option resulted in an embedded derivative with fair value of \$754. During the three- and six-month periods ended June 30, 2021, a gain (loss) of \$725 and \$727 [2020 – \$7 and \$(744)] were recorded in loss (gain) on financial instruments in other operating expense (income). As at June 30, 2021, the fair value of the embedded derivative was \$727 [December 31, 2020 – nil].

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**[d] Other liabilities at fair value through profit (loss)**

OCRPS are recorded at fair value at each reporting period, and changes in fair value are recognized as a gain (loss) on financial instruments in other operating expense (income). The fair value of the OCRPS are valued using Level 3 inputs using a discounted cash flow technique, which incorporates various inputs including the probability of meeting set performance targets.

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

	June 30, 2021 \$	December 31, 2020 \$
<b>Balance, beginning of period</b>	28,971	31,590
Fair value change	831	3,872
Reclassification to due to vendor	—	(5,270)
Exchange differences	(1,277)	(1,221)
<b>Balance, end of period</b>	<b>28,525</b>	<b>28,971</b>

Set out below are the significant unobservable inputs to valuation as at June 30, 2021:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
OCRPS	Discounted cash flow method	<ul style="list-style-type: none"> <li>Probability of achieving earnings target</li> <li>Weighted average cost of capital ["WACC"]</li> </ul>	<p>0%–100% achievement</p> <p>8.0%–10%</p>	<p>Increase (decrease) in the probability would increase (decrease) the fair value</p> <p>Increase (decrease) in the WACC would result in decrease (increase) in fair value</p>

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**18. 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 six-month periods ended June 30, 2021, the total cost of these legal services related to general matters was \$337 and \$549 [2020 – \$47 and \$689], and \$145 is included in accounts payable and accrued liabilities as at June 30, 2021.

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

**19. 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 \$6,389 [December 31, 2020 – \$5,673].

**[b] Letters of credit**

As at June 30, 2021, the Company has outstanding letters of credit in the amount of \$20,705 [December 31, 2020 – \$23,421].

**[c] Legal actions**

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