Alliance
GRAIN TRADERS
Income Fund

Year End

Management's Discussion and Analysis

December 31, 2008

ALLIANCE GRAIN TRADERS INCOME FUND
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

The following management discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto for the years ended December 31, 2008 and 2007, which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles. This Management's Discussion and Analysis has been prepared as of March 26, 2009. All dollar amounts are in Canadian dollars unless otherwise indicated. Additional information relating to the Fund and Alliance is available on the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com, under the filings for Alliance Grain Traders Income Fund.

Business Overview

Alliance Grain Traders Income Fund (formerly Agtech Income Fund) (the "**Fund**") is a limited purpose open-ended trust established on June 25, 2004. The Fund was originally created for the purpose of acquiring all of the voting securities of Agtech Processors Inc. ("**Agtech**"), which transaction was completed on March 22, 2005. The Fund subsequently acquired Saskcan Pulse Trading Inc. ("**Saskcan**") on August 1, 2007 and amalgamated it with Agtech to form Alliance Pulse Processors Inc. ("**Alliance**"). The Fund, through its operating company Alliance, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. The Fund's companies in Canada, US and Australia handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. The units of the Fund are listed for trading on Tier 2 of the TSX Venture Exchange under the symbol "AGT.UN".

The Fund owns six processing plants in Canada, one in the US and one in Australia. Canadian operating divisions include Saskcan Pulse Trading, Saskcan Rosetown, Saskcan Agtech, Saskcan Milestone, Saskcan Horizon and Saskcan Pulse Depot. Wholly owned foreign subsidiaries include United Pulse Trading Inc. ("**United Pulse**") in North Dakota, USA and Australia Milling Group Pty Ltd. ("**Australia Milling Group**") in Victoria, Australia, each with one plant. On September 30, 2008 Alliance acquired the 45% non-controlling interest in Saskcan Horizon Trading Inc. ("**Saskcan Horizon**"), which owns a processing plant in Aberdeen, Saskatchewan. Effective October 1, 2008 Saskcan Horizon became a wholly owned subsidiary of Alliance. The Fund's operations currently focus on value added splitting of lentils and peas. It is among the world's largest splitters of pulses.

Highlights of 2008

Net earnings for 2008 were $21.7 million or $3.10 per unit and unit equivalent ($2.91 on a diluted basis) before extraordinary gain and other comprehensive income, compared to $3.7 million for 2007 or $1.07 per unit and unit equivalent ($.91 on a diluted basis).

Consolidated sales for 2008 were $328.7 million, up 315% from 2007 sales of $79.1 million.

Capital expenditures for 2008 were $26.7 million, which included acquisitions of $13.6 million and enhancements to building, equipment and vehicles at facilities in Canada, the United States and Australia of $13.1 million.

Selected Annual Information

The following table presents selected financial information for the Fund taken from the financial statements mentioned above.

As an income trust, the Fund derives its revenues solely from the business carried on by Alliance and its subsidiaries. The results of operations for the period ended December 31, 2008 presented in this discussion and analysis reflect the results of operations of: (I) Alliance Pulse Processors Inc. which includes all of the Fund's Canadian operating divisions, (ii) United Pulse, and (iii) Australia Milling Group.

(in thousands of Cdn. $ except as indicated)

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ended December 31, 2006
Sales	328,673	79,137	12,108
Cost of sales[(1)]	278,403	66,359	8,942
Gross margin	50,270	12,778	3,166
Other Income	-	-	8
Selling, general and administration expenses[(2)]	18,060	7,119	1,917
Amortization in cost of sales[(1)]	990	263	
EBITDA[(3)]	**33,200**	**5,922**	**1,257**
Interest	1,516	561	67
Depreciation and amortization[(1)]	2,026	705	145
Provision for income taxes	8,016	961	133
Add back extraordinary gain [(4)]	562		
NET INCOME [(5)]	**22,204**	**3,695**	**912**
Basic net earnings per unit and unit equivalent [(6)]	3.10	1.07	0.78
Diluted net earnings per unit and unit equivalent [(6)]	2.91	0.91	0.78
Total assets	148,381	74,071	13,114
Bank indebtedness (short-term debt)	17,448	6,541	1,512
Long-term debt	14,903	6,892	-
Unitholders' equity [(7)]	68,496	33,978	6,481
Cash distributions declared per unit	0.5479	0.51	0.492

(1) Cost of sales for 2008 includes $989,665 of amortization on equipment used to process inventory. Amortization on other capital assets is $1,035,858. Total amortization of $2,025,523 is added back for the EBITDA calculation. The cost of sales for 2007 has been reclassified to include amortization on equipment used to process inventory. For greater clarity, the $989,665 in amortization was an annual adjustment put into the fourth quarter for presentation purposes.

(2) Excluding interest and amortization. Non-controlling interest in Saskcan Horizon is also included in this number, up to and including the period ended September 30, 2008.

(3) EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA is used because the Fund's net income alone does not give an accurate picture of the Fund's cash-generating potential. Management believes that EBITDA is an important measure in evaluating the performance of the Fund and in determining whether to invest in the Fund. However EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

(4) The December 8, 2007 fire at the Williston North Dakota facility (operating under the name United Pulse Trading Inc) resulted in total loss and subsequent replacement of certain equipment. Proper insurance was in place to cover all repairs and replacement as well as business interruption. The additional value associated with the replaced equipment resulted in an extraordinary gain in the amount of $561,426. This gain was recognized during the year when the final insurance settlement was completed. Regular plant operations re-commenced in February of 2008.

(5) Net income includes extraordinary gain but excludes non-controlling interest and other comprehensive income of $456,893 which arises from the foreign currency translation of self-sustaining foreign operations.

(6) Basic and diluted earnings per unit and unit equivalent are calculated using net income before other comprehensive income of $456,893 and extraordinary gain of $561,426.

(7) Unitholders' equity includes extraordinary gain of $561,426 and other comprehensive income of $456,893.

Discussion of Annual Results

The Fund's sales were $328,672,293 for the year ended December 31, 2008, compared to sales of $79,136,612 for the year ended December 31, 2007. This increase from the same period in 2007 is due to the Fund's acquisition of Saskcan and the integration of the US, Australian and Canadian operating division acquisitions from 2007 and the addition of Pulse Depot and Tradewind acquisitions in 2008. Increased volumes as well as increased world food prices are also factors. Increases in world food prices and strong demand from all of the Fund's consumption markets contributed to the strong operational results, as did weak competition from other producing regions, whose supply position was impaired by drought conditions.

When comparing 2008 results to 2007 results, EBITDA increased by 426%. Alliance's sales performance for the year ended December 31, 2008 was in line with management expectations. Management attributes this success to its continued strategy of diversifying markets for the Fund's products, with significant market development in Latin America, the Middle East, North Africa and the Indian Subcontinent. Market diversification is being achieved and with a continued strategy of product mix diversification and origin diversification (through the acquisition of the US and Australian factories). The continued positive sales performance is due to deeper penetration into export markets and the Fund's success in delivering a higher quality product to its customers than that supplied by its competitors, allowing continued strong sales throughout the year.

Summary of Quarterly Results

(in thousands of Cdn. $ except as indicated)	3 Months Ended December 31, 2008[1] (unaudited)	3 Months Ended September 30, 2008 (unaudited)	3 Months Ended June 30, 2008 (unaudited)	3 Months Ended March 31, 2008 (unaudited)	3 Months Ended December 31, 2007[2] (unaudited)	3 Months Ended September 30, 2007 (unaudited)	3 Months Ended June 30, 2007 (unaudited)	3 Months Ended March 31, 2007 (unaudited)
Sales	100,855	107,886	72,314	47,618	42,744	29,689	3,091	3,613
Cost of sales[9]	85,716	91,669	60,267	40,751	35,716	25,079	2,314	2,987
Gross margin	15,139	16,217	12,047	6,867	7,028	4,610	777	626
Other Income	-	-	-	-	-	-	-	-
Selling, general and administration expenses[3]	4,830	5,509	4,399	3,322	3,646	2,332	379	373
Amortization in cost of sales[9]	990							
EBITDA[4]	11,299	10,708	7,648	3,545	3,382	2,278	27	253
Interest	454	409	333	320	108	407	37	19
Depreciation and amortization[9]	698	472	437	419	365	266	-	37
Provision for income taxes	2,573	3,184	1,614	645	686	275	-	-
Add back extraordinary gain [6]	562							
NET INCOME [7]	**8,136**	**6,643**	**5,264**	**2,161**	**2,223**	**1,330**	**334**	**197**
Basic net earnings per unit and unit equivalent[10]	0.95	0.92	0.89	0.34	0.33	0.28	0.25	0.21
Diluted net earnings per unit and unit equivalent[10]	0.89	0.83	0.89	0.30	0.19	0.26	0.25	0.21
Total assets	148,381	160,104	99,857	84,292	74,071	61,154	13,258	13,226
Bank indebtedness (short-term debt)	17,448	34,625	20,483	20,960	6,541	13,724	1,818	1,745
Long-term debt	14,903	8,872	7,844	8,065	-	-	-	-
Unitholders' equity [8]	68,496	60,726	39,990	35,358	33,978	32,281	6,668	6,592
Cash distributions declared per unit	0.137511	0.1326403[5]	0.138766	0.13898	0.135	0.125	0.125	0.125

Notes:

(1) Calculated from the audited annual financial statements of the Fund for the year ended December 31, 2008, and the unaudited financial statements of the Fund for the period ended September 30, 2008.

(2) Calculated from the audited annual financial statements of the Fund for the year ended December 31, 2007, and the unaudited financial statements of the Fund for the period ended September 30, 2007.

(3) Excluding interest and amortization. Non-controlling interest is also included in this number, up to and including the period ended September 30, 2008.

(4) EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur

and service debt. EBITDA is used because the Fund's net income alone does not give an accurate picture of the Fund's cash-generating potential. Management believes that EBITDA is an important measure in evaluating the performance of the Fund and in determining whether to invest in the Fund. However EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

(5) The principal amount of the Alliance Note is increased when the Fund issues Units. The distribution per Unit for the third quarter of 2008 was below the Fund's target of $0.135 per Unit because the Fund issued additional Units during the quarter as described under "Recent Events", and since the additional Units were issued after the beginning of the quarter the promissory notes issued by Alliance in respect of such additional Units (subsequently consolidated into the Alliance Note) did not earn a full quarter's interest income for the Fund.

(6) The December 8, 2007 fire at the Williston North Dakota facility (operating under the name United Pulse Trading Inc) resulted in total loss and subsequent replacement of certain equipment. Proper insurance was in place to cover any repairs and replacement as well as business interruption. The additional value associated with the replaced equipment resulted in an extraordinary gain in the amount of $561,426. This gain was recognized during the year when the final insurance settlement was completed. Regular plant operations commenced in February of 2008.

(7) Net income includes extraordinary gain but excludes other comprehensive income of $456,893 which arises from the foreign currency translation of self-sustaining foreign operations.

(8) Unitholders equity includes extraordinary gain of $561,426 and other comprehensive income of $456,893.

(9) Cost of sales for 2008 includes $989,665 of amortization on equipment used to process inventory. Amortization on other capital assets is $1,035,858. Total amortization of $2,025,523 is added back for the EBITDA calculation. 2007 has been reclassified to include amortization on equipment used to process inventory. For greater clarity, $989,665 in amortization was an annual adjustment put into the fourth quarter for presentation purposes.

(10) Basic and diluted earnings per unit and unit equivalent are calculated using net income before other comprehensive income of $456,893 and extraordinary gain of $561,426.

Discussion of Quarterly Results

The Fund's sales were $100,853,598 for the three months ended December 31, 2008, compared to sales of $107,886,461 for the three months ended September 30, 2008 and sales of $72,314,047 for the three months ended June 30, 2008. When comparing fourth quarter 2008 results to third quarter 2008 results, EBITDA increased by 5.5%. Increased volumes due to acquisitions throughout the year contributed to the increase in sales. In addition, managements focus on product mix and capacity utilization resulted in favourable increases to EBITDA.

Selling, general and administration expenses for the quarter ending December 31, 2008 include a year end foreign exchange adjustment gain calculated on outstanding foreign exchange contracts in the amount of $655,000, which if excluded, would make the quarter four amount consistent with quarter three.

Interest expense for the quarter ending December 31, 2008 is higher than the expense recorded for the quarter ending September 30, 2008 due to higher utilization of the Fund's operating line during the fourth quarter.

Amortization expense for the quarter ending December 31, 2008 is higher than the expense recorded for the quarter ending September 30, 2008 due to the additional amortization associated with new acquisitions.

Corporate tax expense for the quarter ending December 31, 2008 is lower than the expense recorded for the quarter ending September 30, 2008 due to lower average tax rates throughout the year and a year end adjustment using an average tax rate of 29.5%, compared to 32.12% in prior quarters.

Distributions and Distributable Cash

The Fund paid a distribution of $818,463.56 ($0.1374642 per Unit) in the aggregate to its Unitholders of record as of December 31, 2008. The distribution represented the Fund's quarterly interest payment to the Fund for the quarter ended December 31, 2008 under the consolidated promissory note issued by Alliance to the Fund (the "**Alliance Note**").

A total of $2,900,894.67 was distributed to unitholders in 2008.

The next distribution will be made within seven business days of the end of the Fund's first quarter of 2009 (March 31, 2009). The distribution is expected to be $0.135 per Unit.

The Fund intends to make quarterly cash distributions within seven business days of the last business day of each quarter, as prescribed by resolution of the Fund's Board of Trustees. The Fund's distributable cash ("**Distributable Cash**") will consist of all cash received by the Fund in each calendar quarter, less: (i) amounts which have become payable in cash by the Fund relating to the redemption of Units; and (ii) any amount which the Trustees may reasonably consider to be necessary to provide for the payment of any obligations which have been or may be incurred or for making investments in the course of the activities and operations of the Fund and to provide for the payments of any income tax liability of the Fund. Please note that "Distributable Cash" is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, Distributable Cash may not be comparable to similar measures presented by other issuers.

Generally, the Fund's Distributable Cash will consist of the quarterly interest payments made by its operating subsidiary Alliance under the Alliance Note. Alliance will pay to the Fund interest on the Alliance Note quarterly, generally within two business days of the end of each quarter.

In addition, Alliance may pay dividends or make other distributions of its available cash to the Fund after determining what cash remains available at fiscal year end. Alliance will apply its EBITDA (see note 4 on page 3) first to pay all of its obligations and operating expenses, including management incentive bonuses and payment of interest to the Fund under the Alliance Note, and, after setting aside such reasonable reserve for working capital and/or sustaining capital expenditures as it may determine, Alliance will distribute cash entitlements to the holders of its Exchangeable Shares on a basis matching the cash distributions made to unitholders of the Fund. Since Alliance and the Fund both have December 31 as their fiscal year end, this additional distribution, if any, may be made at the same time as the distribution for the Fund's first quarter in each year.

To date, The Board of Trustees has chosen to keep the surplus distributable cash in the company to fund operations and the Fund's growth and expansion strategy.

Liquidity and Capital Resources

As the historical information presented above shows, Alliance has not had difficulty in generating from its operations sufficient cash to maintain its operations, fund development, and, to pay its obligations under the Alliance Note. Alliance's ability to generate sufficient cash in the future will depend on future harvests of and demand for pulses and special crops. Please see "Outlook" below for a discussion of these factors.

Alliance's working capital requirements fluctuate from year to year as the supply of pulses and special crops fluctuates, since payments to suppliers form the largest item of the working capital requirements. Alliance's working capital requirements are met from its earnings as its financial statements show, with its credit facility providing bridge financing until payment for shipments is received (see "recent events" for information on the credit facility).

Capital Management

The Fund manages its capital to ensure that financial flexibility is present to increase unitholder value through a combination of acquisitions and organic growth. This allows the Fund to respond to changes in economic and/or marketplace conditions. The Fund also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, the Fund includes bank indebtedness, long-term debt and unitholders equity. It may be difficult to accurately predict market requirements for attracting capital. There were no changes in the Fund's approach to capital management during the year. The Fund has externally imposed capital requirements as governed through its lenders. As of December 31, 2008 the Fund must have a working capital ratio of at least 1.25:1. Working capital is defined as current assets over current liabilities. As at December 31, 2008 this ratio is at 1.44:1. In addition, the Fund must maintain a minimum unitholders equity balance of $30,000,000 and tangible net worth of $20,000,000. As at December 31, 2008 unitholders equity is $68,496,120 and tangible net worth is $56,433,621. The Fund must also maintain a debt service coverage ratio of not less than 1.25:1. Debt service ratio is defined as earnings before interest, taxes, depreciation and amortization divided by senior lenders principal and interest payments and line of credit fees for all facilities. As at December 31, 2008 this ratio was 2.24:1. The Fund must also maintain a debt to equity ratio of less than 2.0:1. As at December 31, 2008 this ratio was 1.17:1. The Fund is in compliance with all covenants as at December 31, 2008.

Related party transactions

During the year, the Fund had the following transactions with related parties:

	2008	2007
Sales of grain to corporations whose shareholders are also Fund unitholders	$ 52,059,248	$ 332,225
Accounts receivable from corporations whose shareholders are also Fund unitholders	$ 24,645,061	$ 1,545,240

These transactions are in the normal course of business and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All related party transactions were undertaken as they were commercially advantageous to the Fund's profitability. The Fund has no reliance on related parties and the Fund's management is confident in its ability to replace these sales in future years with other commercial activities.

Goodwill, intangible assets and financial statement concepts

In February 2008, the CICA issued Section 3064 Goodwill and Intangible Assets, replacing Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The new Section establishes standards on the recognition, measurement, presentation and disclosure for goodwill and intangible assets subsequent to their initial recognition. The standard requires retroactive application to prior period financial statements. While the Fund is currently assessing the impact of this new standard on its consolidated financial statements, management does not expect the standard to have a significant impact on the Fund's consolidated financial results.

International financial reporting standards

The Canadian Accounting Standards Board recently confirmed January 1, 2011 as the date International Financial Reporting Standards (IFRS) will replace Canadian standards and interpretations as Canadian Generally Accepted Accounting Principles for publicly accountable enterprises. The new Standards are effective for annual financial statements with fiscal years beginning January 1, 2011. The Fund is currently assessing the impact to its financial statements.

Changes in Accounting Policies

The Canadian Institute of Chartered Accountants ("**CICA**") issued new accounting standards which became effective for the Fund on January 1, 2008. These changes include:

Section 3031 Inventory replaces Section 3030 Inventories, and establishes standards on the definition of 'cost' to include all costs of the purchase as well as transportation costs incurred in bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate variable and fixed input costs that are incurred in converting raw product into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write-downs if the finished goods in which they will be utilized are expected to be sold at or above cost. The standard requires disclosing, in the current period, the amount recognized as an expense and the amount recognized as a reversal of previous write-downs.

Section 1535 Capital Disclosures now requires disclosure of qualitative and quantitative information to enable financial statement users to evaluate the objectives, policies and processes used by the Fund to manage capital.

Section 3862 Financial Instruments – Disclosures now requires additional disclosures about the significance of financial instruments for the Fund's financial position and performance. Also, the Fund will be required to disclose the nature and extent of risks arising from financial instruments, to which the Fund is exposed, and how those risks are managed.

Section 3863 Financial Instruments – Presentation now requires disclosure of certain aspects of financial instruments, such as classification and circumstances where financial instruments may be offset.

The CICA has also approved a plan to transition Canadian generally accepted accounting standards to the International Financial Reporting Standards by 2011. During the coming year the Fund will be assessing the impact of IFRS on the financial statements.

Recent Events

Alliance has continued on its growth and acquisition plan and has successfully negotiated additional debt and equity agreements to finance these activities.

On July 16, 2008 the Fund completed a private placement of 970,000 units at $15.50 per unit for gross proceeds of $15,035,000 (before deducting the costs of the offering, which were $806,500).

The Fund also finalized an agreement that provides debt financing of up to $20,000,000: $12,000,000 as a revolving loan and a further $8,000,000 as a term loan. This new facility replaces an existing $7,000,000 revolving loan facility.

On August 1, 2008 the Fund, acting through Alliance, purchased all of the outstanding shares of Pulse Depot Rosetown Inc. ("**Pulse Depot**"). Pulse Depot is a leading pulse and special crops processor located in Rosetown, Saskatchewan. Alliance acquired direct and indirect ownership of all of the issued and outstanding shares of Pulse Depot for $9,409,000 (after adjustments for current assets, inventory, pre-paid expenses, accounts receivable, cash on hand, accounts payable and long-term debt of Pulse Depot determined at closing), of which a part was paid by the issuance of 55,000 units of the Fund issued at a deemed value of $13.00 per unit and the assumption of certain debts of Pulse Depot and the balance was paid in cash. The transaction was negotiated at arm's length.

On August 1, 2008 the Fund, acting through Alliance, purchased the assets of Tradewind Commodities Ltd., a leading pulse and special crops processor located in Milestone, Saskatchewan, approximately 60 km south of Regina, for a purchase price of $2,900,000.

On August 6, 2008, the Fund finalized an operating credit facility of up to $50 million. This facility is secured by a general security interest over all present and after-acquired property of the Fund.

On September 29, 2008 the Fund issued 55,556 units in accordance with the earn-up right granted when the Fund acquired Saskcan whereby additional units of the Fund would be issued to the founding shareholders of Saskcan if certain performance targets were met. In addition, 500,000 exchangeable shares of Alliance were issued to the founding shareholders of Saskcan pursuant to the same earn-up right.

On September 30, 2008 the Fund purchased the remaining 45% of the issued and outstanding shares of Saskcan Horizon, a pulse and special crops processor located in Aberdeen, Saskatchewan. Alliance already owned 55% of Saskcan Horizon. The purchase price for the acquisition was $1,400,000, of which $359,996 was paid by the issuance of units of the Fund at $13.31 per unit and the balance was paid in cash. As a result of the transaction Saskcan Horizon became a wholly-owned subsidiary of Alliance.

Outstanding Unit Data

As of the date hereof, there are issued and outstanding 5,951,993 Units and rights to acquire up to an additional 2,628,557 Units of the Fund. These rights consist of: (i) 2,033,334 Exchangeable Shares of Alliance; (ii) options to acquire 75,223 units of the Fund, each exercisable for one unit of the Fund at a price of $5.40 per unit until August 2, 2009, which were issued to various investment companies in connection with the private placement described under "Acquisitions during the year" above and (iii) incentive options to acquire 520,000 units of the Fund, each exercisable for one unit of the Fund at a price of $9.00 per unit until April 21, 2013, which were granted to the trustees and officers of the Fund and key employees of Alliance and its subsidiaries, and vest in equal annual increments over a three year period, beginning April 21, 2011 (April 21, 2009 for independent trustees).

The Exchangeable Shares of Alliance are non-voting and may be exchanged for units of the Fund on a one-for-one basis. However, if a take-over bid is made for Units of the Fund, then the holders of the Exchangeable Shares may exchange a percentage of their Exchangeable Shares corresponding to the percentage of the Units being sought by the offeror of the bid; and provided further that if the Fund is to be wound up, all of the Exchangeable Shares may be exchanged for Units immediately. All of the Exchangeable Shares are held by the former shareholders of Saskcan. The Fund's Declaration of Trust provides that each holder of Exchangeable Shares is entitled to one vote at meetings of unitholders of the Fund for each Exchangeable Share held by him.

Risks and Uncertainties

The Fund's only assets are 100% of the issued and outstanding voting shares of Alliance and the promissory notes issued by Alliance (all of which are consolidated into the Alliance Note immediately following issuance). The Fund's ability to make distributions of cash to its Unitholders depends entirely on the success of Alliance's business. Alliance is a buyer, processor and exporter of a full range of pulses and special crops, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. The following is a summary of the risks specific to Alliance's business and its industry.

Weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the pulses and special crops harvests. Significant increases or decreases in the total harvest may impact Alliance on the amount it sells and the gross profits realized on sales of its product and, consequently, on the results of its operations.

The pulses and special crops processing industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale prices of raw material caused by changes in supply, taxes, price controls and/or other market conditions, all of which are factors beyond the Fund's control.

A portion of Alliance's purchases are made through production contracts, which fix a price at which Alliance may purchase crops from a producer. This production contract system assists the fund in mitigating price and supply risk on forward sales.

Alliance's revenues are dependent on the continued operation of its facilities. The operation of facilities involves certain risks, including the failure or substandard performance of equipment, natural disasters, labour problems, spoilage, as well as other hazards incidental to the production, use, handling, processing, storage and transportation of pulses and special crops. Also, as an industrial operation, Alliance is exposed to workplace health and safety and workers' compensation claims but mitigates these risks through a comprehensive safety program.

Alliance's operations are dependent on the abilities, experience and efforts of its senior management team, an experienced team of grain industry specialists assembled within Alliance and its subsidiaries.

Alliance enters into sales denominated in US currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. Alliance has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in US dollars.

Virtually all of Alliance's production is exported outside Canada to all geographic regions of the world. Alliance minimizes the risks involved with the export of goods to foreign countries by selling with internationally accepted documentary letters of credit, documentary collections and receivables insurance through Export Development Canada ("**EDC**"). Nonetheless, there is a residual risk that goods may be repudiated by a foreign buyer who may refuse delivery of the product after it has been shipped but before it has been paid for in full. This could lead to residual costs to the Fund affecting its profitability. Risk management programs are in place to minimize these risks of the international marketplace.

In addition, the Fund's Distributable Cash will depend on the Fund's success in keeping its operating costs low and funding any increases in expenses, as discussed under "Liquidity and Capital Resources", above.

Commitments and Contingencies

The Fund enters into production contracts with producers. The contracts provide for delivery of specific quantities and include specific prices based on the grade that is delivered. The terms of the production contracts are not longer than one year.

The Fund has in place a letter of credit in favor of the Canadian Grain Commission in the amount of $17,500,000. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires October 31, 2009.

Liquidity Risk

Liquidity risk results from the requirement of the Fund to make cash payments against certain indebtedness over the course of upcoming years. The following are the contractual maturities of financial liabilities, including interest payments:

December 31, 2008	Carrying amount	Contractual cash flows	1 year	2 years	3 – 5 years	More than 5 years
Bank indebtedness	$17,447,581	$17,447,581	$17,447,581	$ -	$ -	$ -
Accounts payable	32,284,766	32,284,766	32,284,766	-	-	-
Long-term debt	16,272,039	18,551,156	1,563,904	1,571,499	4,169,785	11,245,967
Distributions payable	1,098,069	17,972,225	4,312,077	4,366,183	4,646,983	4,646,983
	$67,102,454	$86,255,728	$55,608,327	$5,937,682	$8,816,768	$15,892,950

Future operational cash flows and sufficient assets are on hand to fund these obligations. In addition the Fund practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. The Funds diversified customer base ensures that concentration risks are minimized and that inflows are more predictable. The cash flow management activities and the continued profitability of the Funds operations allow for substantial mitigation of liquidity risk.

Outlook

With record pea and lentil exports from Canada, surging commodity prices have resulted in significant changes to the farm gate returns of growers of pulses and specialty crops, making the crops that the Fund processes profitable crops for farmers to grow. This translated into a 15% increase in pea and lentil production in Canada for the 2008 harvest according to estimates released by a variety of analysts. US production remained stable in 2008 with the price of nitrogen fertilizer driving crop rotations into peas and lentils and other crops that replenish nitrogen and do not require the addition of nitrogen fertilizers. The 2008 yield projections for harvest (August 2008) came in above the ten year average, giving the Fund excellent access to raw materials. Estimates for 2009 seeded acreage of lentils have analysts pegging a 20% increase in seeded acreage. These preliminary seeding intentions are a positive indicator for the Fund's 2009 performance.

The Australian crop in 2008 was affected by yet another drought, limiting supplies to levels similar to those seen in the 2007 drought. In 2009, supplies are forecast to remain tight with drought conditions continuing. To combat the effects of limited crop stocks, the Fund is adding pulses splitting and processing equipment to its Australia factory to allow its operations to capture higher margins. This will assist in ensuring that the Fund's operating company remains profitable.

All of the Funds' supply of raw materials comes from suppliers in Saskatchewan, Alberta, Manitoba, Montana, North Dakota and Australia where crops are harvested once a year. While sales and purchases are fairly evenly spread out during the Fund's fiscal year, they do tend to be slightly higher in the last half of the fiscal year (July 1 to December 31). With geographic diversity of markets achieved through the Saskcan acquisition (the Fund's operating companies export to over 85 countries actively), seasonality is not a major consideration.

With the advancement of Ramadan by 10 days every year (this year early September), purchasing demand in the Islamic world has shifted from September/October to the summer months as purchasers arrange for shipments to be received before the fasting month begins. This shift in exports will assist the Fund in its efforts to achieve consistent revenues and profits each quarter. This effect is further complemented by the opposite seasonal demand of the South American markets (peak winter demand is February to July) and the Mediterranean/ Indian sub-continent/Middle East (July to January).

The Fund is well positioned to capitalize on the opportunities of the 2009-2010 crop year. Pulses growers in North America are formulating seeding intentions with growing conditions forecast for 2009 as positive with adequate sub-soil moisture with fall rains. Large stocks from 2008 and increases in production forecast in 2009 will allow the Fund to execute its plans to expand and diversify its business both by geographic region and product.

With the acquisition of Saskcan in August 2007 and subsequent acquisitions of US and Australian assets, the Fund has broadly expanded its global reach, client base and product mix. Offering a full range of split and value-added lentils, peas and chickpeas puts the Fund's operating company in a position of strength among its competitors globally.

The continued strong demand from the Indian sub-continent and the Middle East and Latin America for pulse crops support management's view that the Fund will maintain its current revenues and earnings through 2009. The US and Australian acquisitions and increased capacity utilization of Canadian assets are expected to boost the funds tonnage shipped and allow the Fund to capitalize on 2008 crop stocks and a forecast of a larger 2009 crop.

Unexpected drought conditions in Turkey, Australia and Syria have created a global shortage of lentils, turning these regions from competitors to customers for 2008-2009. New crops in this region will arrive only after June 2009 and the forecasts are that these competing origins will return only to average production meaning that their produced stocks will be consumed in their local markets. The Fund is not expecting heightened competition from other origins in 2009. Extra demand and the absence of regional competition in the Middle East will allow the Fund's operating companies to benefit from an opportunity to ship more product to these regions at continued strong margins.

Traditional protein crops like corn, wheat and soy are being consumed at an increasing rate by the growing biofuels industry in the US. US domestic biofuels policy is expected to continue this trend in 2009 and beyond. Commodity price escalation in the food sector is real and is expected to remain above ten year averages. Consumption of pulses in the developing world is rising as more pulses consumption is replacing other traditional protein crops that are being priced out of the diets of subsistence consumers. Other competing producer areas (India and Turkey) have reported sub-par crops and crop growing conditions for 2008, further solidifying management's belief that Alliance's 2009 performance will continue to be positive.

The acquisition of United Pulse in North Dakota and Australia Milling Group were key events in the implementation of management's global production diversification strategy. These plants are fully operational and are expected to add substantial earnings potential to the Fund's operations. Management continues to expand international sales opportunities to bring its North American processing plants to capacity. The Fund continues to investigate opportunities for additional acquisitions, partnerships and alliances in the Americas and globally. The Pulse Depot Rosetown Inc. acquisition and the purchase of the Tradewind Commodities Ltd. assets will augment the Fund's rail transportation capacity and allow it to capture further market share in Canada and globally.

The global economic crisis of 2008 and the continued recession conditions in 2009 are expected to have minimal impact on the Fund's operations. In fact, in times of economic crisis, staple protein consumption of pulses tend to rise. As disposable incomes contract, food choices are made by the household to ensure their proper nutrition and sustenance. Pulses provide a traditional option of relatively high protein and relatively low cost. The financial ability of importers to continue imports is being positively affected by developing country central bank regulations allowing favourable terms for import letters of credit for basic staple commodities which include pulses. Export Development Canada continues its strong support of Alliance's global operations with receivables insurance and other trade finance insurance support mitigating 90% of the Fund's payment risks.

Forward Looking Statements

This discussion and analysis of financial position, results of operations, and cash flows of the Fund contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, and requirements for additional capital. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents, or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled "Risk Factors" in the prospectus of the Fund dated

December 30, 2004 which is available on SEDAR at www.sedar.com, and which should be reviewed in conjunction with this document. Although the Fund has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Fund expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.