



Consolidated Financial Statements

Three and Six Month Periods ended June 30, 2011 and June 30, 2010

These unaudited interim financial statements have been prepared by management of Alliance Grain Traders Inc. ("AGT") and have not been reviewed by AGT's auditors

Consolidated Statements of Financial Position
as at

(Stated in Canadian Dollars)
 (Unaudited)

	Note	Jun 30, 2011	Dec 31, 2010
Assets			
Current			
Cash and cash equivalents	5	\$ 36,909,919	\$ 23,628,472
Accounts receivable		125,978,826	134,886,424
Inventory	6	139,720,744	110,782,630
Prepaid expenses and deposits		17,258,873	7,239,024
Income tax receivable		3,755,705	3,210,941
Total current assets		323,624,067	279,747,491
Property, plant and equipment	7	173,940,906	168,685,433
Intangible assets	8	8,302,562	8,845,168
Goodwill	9	61,725,570	65,235,436
Investment		1,250,000	1,250,000
Deferred income taxes		6,554,443	3,503,983
Total non-current assets		251,773,481	247,520,020
Total assets		\$ 575,397,548	\$ 527,267,511
Liabilities			
Current			
Bank indebtedness	10	\$ 116,397,412	\$ 80,335,924
Short term financing	11	28,958,010	24,925,150
Accounts payable and accrued liabilities		53,620,444	68,157,031
Income taxes payable		616,433	1,690,907
Current portion of long-term debt and finance leases	12	9,931,712	13,163,084
Dividends payable		2,958,912	-
Total current liabilities		212,482,923	188,272,096
Long-term debt and finance leases	12	56,484,763	22,892,916
Deferred income taxes		15,567,949	13,012,526
Total liabilities		284,535,635	224,177,538
Shareholders equity			
Share capital	13	267,679,156	267,499,165
Contributed surplus		408,795	383,357
Accumulated other comprehensive income (loss)		(26,224,258)	(16,102,786)
Retained earnings		48,998,220	51,310,236
Total shareholders equity		290,861,913	303,089,972
Total liabilities and shareholders equity		\$ 575,397,548	\$ 527,267,511

Commitments and contingencies (Note 20)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income
For the periods ended June 30

(Stated in Canadian Dollars)
(Unaudited)

	Note	3 months		6 months	
		2011	2010	2011	2010
Revenues	19	\$ 169,914,667	\$ 149,222,319	\$ 337,968,028	\$ 335,577,966
Cost of sales		153,010,926	136,882,080	299,774,168	293,656,785
Gross profit		16,903,741	12,340,239	38,193,860	41,921,181
General administrative expenses		5,399,651	4,970,770	10,011,505	9,619,412
Marketing, sales and distribution expenses		5,989,988	4,843,023	10,731,808	9,702,997
Other expenses		1,974	-	19,660	1,894
Earnings from operations		5,512,128	2,526,446	17,430,887	22,596,878
Foreign exchange loss		8,432,895	6,603,984	7,826,886	5,171,351
Finance expense	14	2,207,158	1,435,532	4,734,869	2,851,493
Earnings (loss) before income tax		(5,127,925)	(5,513,070)	4,869,132	14,574,034
Current income tax (recovery)		(241,341)	(84,596)	1,937,524	4,520,504
Future income tax (recovery)		(1,011,322)	(1,100,367)	(375,609)	(3,303,050)
Net earnings (loss)		(3,875,262)	(4,328,107)	3,307,217	13,356,580
Other comprehensive loss		(5,100,886)	(356,940)	(10,121,472)	(1,403,858)
Total comprehensive income (loss)		(\$ 8,976,148)	(\$ 4,685,047)	(\$ 6,814,255)	\$ 11,952,722
Basic net earnings (loss) per share		(\$ 0.20)	(\$ 0.23)	\$ 0.17	\$ 0.74
Diluted net earnings (loss) per share		(\$ 0.19)	(\$ 0.22)	\$ 0.17	\$ 0.73
Basic weighted average number of shares		19,712,524	18,925,175	19,709,319	18,019,243
Diluted weighted average number of shares		19,970,487	19,250,851	19,978,778	18,349,056

The accompanying notes are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2010	\$ 187,151,311	\$ 866,662	\$ -	\$ 42,629,917	\$ 230,647,890
Net earnings	-	-	-	18,966,394	18,966,394
Other comprehensive loss	-	-	(16,102,786)	-	(16,102,786)
Increase in share capital	80,347,854	-	-	-	80,347,854
Dividends to shareholders	-	-	-	(10,286,075)	(10,286,075)
Other	-	(483,305)	-	-	(483,305)
Balance at December 31, 2010	\$ 267,499,165	\$ 383,357	\$ (16,102,786)	\$ 51,310,236	\$ 303,089,972
Net earnings	-	-	-	3,307,217	3,307,217
Other comprehensive loss	-	-	(10,121,472)	-	(10,121,472)
Stock based compensation	-	25,438	-	-	25,438
Options Exercised	179,991	-	-	-	179,991
Dividends to shareholders	-	-	-	(5,619,233)	(5,619,233)
Balance at June 30, 2011	\$ 267,679,156	\$ 408,795	\$ (26,224,258)	\$ 48,998,220	\$ 290,861,913
Balance at January 1, 2010	\$ 187,151,311	\$ 866,662	\$ -	\$ 42,629,917	\$ 230,647,890
Net earnings	-	-	-	13,356,580	13,356,580
Other comprehensive loss	-	-	(1,403,858)	-	(1,403,858)
Increase in share capital	77,063,988	-	-	-	77,063,988
Stock based compensation	-	412,220	-	-	412,220
Dividends to shareholders	-	-	-	(4,965,433)	(4,965,433)
Other comprehensive loss	-	(332,602)	-	-	(332,602)
Balance at June 30, 2010	\$ 264,215,299	\$ 946,280	\$ (1,403,858)	\$ 51,021,064	\$ 314,778,785

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow
For the six month periods ended June 30

(Stated in Canadian Dollars)
 (Unaudited)

	Note	2011	2010
Cash from (used for) the following:			
Operating activities			
Net earnings		\$ 3,307,217	\$ 13,356,581
Items not involving cash:			
- Depreciation		2,747,883	1,299,185
- Depreciation in costs of sales		3,385,574	1,178,864
- Unrealized foreign exchange loss		7,826,886	5,171,351
- Provision for future income taxes		(375,609)	(3,563,150)
- Loss of disposal of property, plant and equipment		19,660	-
Non-cash working capital	17	(53,500,477)	27,274,042
		(36,588,866)	44,716,873
Financing activities			
Increase in (repayment of) bank indebtedness		36,731,417	(62,394,927)
Short term financing		4,032,860	
Net proceeds from the issuance of shares		179,999	77,063,988
Increase in long term debt	12	38,204,336	2,293,875
Repayment of long term debt	12	(9,231,357)	(14,694,622)
Dividends paid		(2,660,321)	(4,617,875)
		67,256,934	(2,349,561)
Investing activities			
Purchase of property, plant and equipment	7	(16,549,849)	(9,290,270)
Restricted cash		-	6,009,799
		(16,549,849)	(3,280,471)
Effect of exchange rate changes on cash and cash equivalents		(836,772)	(305,445)
Increase (decrease) in cash and cash equivalents		\$ 13,281,447	\$ 38,781,396
Cash and cash equivalents, beginning of the period		\$ 23,628,472	\$ 10,115,784
Cash and cash equivalents end of the period		\$ 36,909,919	\$ 48,897,180
Supplemental cash flow information:			
Interest paid		\$ 4,355,779	\$ 1,600,262
Income taxes paid		\$ 4,588,821	\$ 4,901,945

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

1. Reporting entity

Alliance Grain Traders Inc. ("AGT") is located in Canada. The address of AGT's registered office is 1 Mile South of Hwy #1 East, Regina, Saskatchewan S4N 7K9. The consolidated financial statements of AGT are comprised of AGT and its subsidiaries. AGT and its subsidiaries in Canada, USA, China, Europe, Australia and Turkey are engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) a full range of specialty crops, including lentils, peas, chickpeas, beans and canary seed, primarily for export markets along with wheat, bulgar, rice and pasta.

2. Basis of presentation**(a) Statement of compliance**

The consolidated interim financial statements and the notes thereto have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. All financial statements are expressed in Canadian dollars, AGT's functional currency, unless otherwise stated.

For all periods up to and including the year ended December 31, 2010, AGT prepared its financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These consolidated interim financial statements for the three and six months ended June 30, 2011 are the second AGT has prepared in accordance with International Financial Reporting Standards (IFRS) for periods beginning on or after January 1, 2011 as described in the accounting policies. In preparing these financial statements, AGT's opening statement of financial position was prepared as at January 1, 2010, AGT's date of transition to IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of AGT is provided in note 22.

These interim financial statements should be read in conjunction with AGT's 2010 annual financial statements, which were prepared in accordance with GAAP and in conjunction with the IFRS disclosures included in Note 3 to these interim financial statements. Note 22 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements.

The consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 10, 2011.

(b) Basis of measurement

The consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through net earnings are measured at fair value

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

2. Basis of presentation – continued**(c) Use of estimates and judgements**

The preparation of the consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property, plant and equipment. The fair value of net assets acquired in business combinations are determined based on available market information and analysis that is subjective in nature. Estimates are used when accounting for items such as collectability of receivables, net realizable value of inventory, estimated useful lives and impairment of long-lived assets, valuation of goodwill, valuation of intangible assets, allocation of acquisition purchase prices, stock-based compensation, income taxes, fair value of financial assets and liabilities and amounts and likelihood of contingencies.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by AGT's entities.

(a) Revenue recognition

Revenue on North American sales is recognized when the product is delivered to the customer and/or when the risks and rewards of ownership are otherwise transferred to the customer and when the price is fixed and determinable. Revenue on North American export sales is recognized upon transfer of title to the customer and when the other revenue recognition criteria have been met, which generally occurs when product is transferred to port facilities. Revenue from sales originating outside of North America is recognized upon transfer of title to the customer based on contractual terms of each arrangement and when the other revenue recognition criteria have been met. Shipping and handling costs are included as a component of cost of goods sold.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**(b) Basis of consolidation****Business combinations****Acquisitions on or after January 1, 2010**

For acquisitions on or after January 1, 2010, AGT measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net earnings.

Transaction costs, other than those associated with the issue of debt or equity securities, that AGT incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010

As part of its transition to IFRS, AGT elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

Subsidiaries

Subsidiaries are entities controlled by AGT. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by AGT.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements

(c) Foreign currency**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of AGT entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in net earnings. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average monthly exchange rates. Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

(d) Financial instruments**(i) Non-derivative financial assets**

AGT initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through net earnings) are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument.

AGT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by AGT is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, AGT has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

AGT has the following non-derivative financial assets: financial assets at fair value through net earnings, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through net earnings

A financial asset is classified at fair value through net earnings if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through net earnings if AGT manages such investments and makes purchase and sale decisions based on their fair value in accordance with AGT's documented risk management or investment strategy. Upon initial recognition relevant transaction costs are recognized in net earnings as incurred. Financial assets at fair value through net earnings are measured at fair value, and changes therein are recognized in net earnings.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**(i) Non-derivative financial assets – (continued)****Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and term deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of AGT's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. AGT's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3 (i)), are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net earnings.

(ii) Non-derivative financial liabilities

AGT initially recognizes debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through net earnings) are recognized initially on the trade date at which the AGT becomes a party to the contractual provisions of the instrument. AGT derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when AGT has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

AGT has the following non-derivative financial liabilities: bank indebtedness, short term financing, accounts payable and accrued liabilities and long-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments

AGT holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivative are separated from the host contracts and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net earnings.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**(iii) Derivative financial instruments - continued**

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized immediately in net earnings.

Share capital**Common shares**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(e) Property, plant and equipment**Recognition and measurement**

Items of property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, interest and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in net earnings.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to AGT, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the AGT will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Building and site improvement	Straight line	20 to 50 years
• Motor vehicles	Straight line	5 to 10 years
• Plant and equipment	Straight line	2 to 30 years
• Fixtures and fittings	Straight line	20 to 25 years
• Equipment under capital leases	Straight line	2 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is recorded separately. For measurement of goodwill at initial recognition, see note 3 (b).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by AGT and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**(iii) Subsequent expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in net earnings as incurred.

(iv) Amortization

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in net earnings on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--------------------------|----------|
| • Rights | 10 years |
| • Customer relationships | 10 years |
| • Other | 10 years |

(g) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(h) Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct costs related to the purchase such as cost of grain, direct materials, direct labour, operational overhead expenses, depreciation and freight costs. Net realizable value for finished products, intermediate products and raw materials is generally considered to be the selling price of the finished product in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. In certain circumstances, particularly pertaining to the AGT's materials and supplies inventories, replacement cost is considered to be the best available measure of net realizable value. Inventory is reviewed monthly to ensure the carrying value does not exceed net realizable value. If so, a write-down is recognized. The write-down may be reversed if the circumstances which caused it no longer exist.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**(i) Impairment****Financial assets (including receivables)**

A financial asset not carried at fair value through net earnings is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to AGT on terms that AGT would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

AGT considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment AGT uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings. Any subsequent recovery in the fair value of an impaired available for-sale equity security is recognized in other comprehensive income.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**Non-financial assets**

The carrying amounts of AGT's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

AGT's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Employee benefits**Termination benefits**

Under Turkish labour law, AGT is required to pay termination benefits to each Turkish employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. Such payments are calculated on the basis of 30 days pay limited to a maximum of 2,365 Turkish Lira per year of employment at the rate of pay applicable at the date of retirement.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**(j) Employee benefits – continued****Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(k) Provisions

A provision is recognized if, as a result of a past event, AGT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by AGT from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, AGT recognizes any impairment loss on the assets associated with that contract.

(l) Lease payments

Payments made under operating leases are recognized in net earnings on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued**(m) Finance income and finance costs**

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through net earnings, and gains on hedging instruments that are recognized in net earnings. Interest income is recognized as it accrues in net earnings, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through net earnings, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in net earnings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net earnings using the effective interest method. Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued

(o) Earnings per share

AGT presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of AGT by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, such as compensation options granted to employees and Directors.

(p) Segment reporting

An operating segment is a component of AGT that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of AGT's other components. All operating segments' operating results are reviewed regularly by AGT's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily AGT's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(q) New standards and interpretations

The International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”) have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements as their effective dates fall in periods beginning subsequent to the current reporting period.

Proposed standards/amendments	Old standard (if applicable)	Effective date
IFRS 1 - First-time Adoption of IFRS (Amendments regarding severe hyperinflation and removal of fixed dates for first-time adopters)	IFRS 1 - First-time Adoption of IFRS	July 1, 2011
IFRS 7 - Financial Instruments: Disclosures (Amendments regarding disclosures - transfers of financial assets)	IFRS 7 - Financial Instruments: Disclosures	July 1, 2011
IAS 12 - Income Taxes (Amendments regarding deferred tax: recovery of underlying assets)	IAS 12 - Income Taxes	January 1, 2012
IFRS 9 - Financial Instruments (New)	IAS 39 - Financial Instruments: Recognition and Measurement	January 1, 2013

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

3. Significant accounting policies – continued
(q) New standards and interpretations – continued

Management has assessed the proposed standards and amendments with effective dates in 2011 and has determined there will be no impact to AGT upon adoption. Management continues to assess the potential impact of standards and amendments effective in future years on both quantitative and qualitative disclosure.

4. Business combinations

The purchase for business combinations is as follows:

<i>Purchase price comprised of:</i>	Balco and Northern Yorke Processing (1)		Poortmans (2)	Total
Total purchase price	\$	5,095,127	\$ 14,375,610	\$ 19,470,737
Allocation of purchase price:				
Cash and cash equivalents		-	790,613	790,613
Accounts receivable		-	8,777,076	8,777,076
Inventory		-	7,539,283	7,539,283
Property, plant and equipment		5,044,893	384,478	5,429,371
Identifiable tangible assets		5,044,893	17,491,450	22,536,343
Accounts payable and accrued liabilities		-	(8,566,268)	(8,566,268)
Deferred income tax liability		-	(525,230)	(525,230)
Intangible assets		-	1,875,822	1,875,822
Goodwill		50,234	4,099,836	4,150,070
	\$	5,095,127	\$ 14,375,610	\$ 19,470,737

(1) On November 15, 2010, AGT completed the acquisition of Balco Grain Services and certain real property from Balco Holdings, located in Bowmans, South Australia. The acquisition included real property, vertical and horizontal storage for pulses and grains, and related handling equipment. The purchase price for the acquisition was \$2,131,322 which was paid in cash. Also on November 15, 2010, AGT completed the acquisition of Northern Yorke Processing, located at Kadina, South Australia. The acquisition included real property, vertical and horizontal storage for pulses and grains, processing plant assets and related handling equipment. The purchase price for the acquisition was \$2,963,805, which was paid in cash. Goodwill acquired is not deductible for tax purposes.

The acquisition was accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed. As the acquisition was completed in November of 2010, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill, will be finalized in a subsequent period.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

4. Business combinations – continued

(2) On November 1, 2010, AGT acquired the shares of A. Poortman (London) Ltd. Group ("the Poortmans Group"), an international importer, distributor and stockist of pulses, with offices in London, UK, the Netherlands and Tianjin, China. The business acquired included a processing plant for dry edible beans and pulses, located in Tianjin, China, and trading and sales offices in Europe. The purchase price for the Poortmans Group acquisition was \$14,375,610, which was paid in cash. Goodwill acquired is not deductible for tax purposes.

The acquisition was accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed. As the acquisition was completed in November of 2010, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill, will be finalized in a subsequent period.

5. Cash and cash equivalents

	Jun 30, 2011		Dec 31, 2010	
Cash	\$	36,909,919	\$	23,628,472
	\$	36,909,919	\$	23,628,472

6. Inventory

	Jun 30, 2011		Dec 31, 2010	
Raw materials	\$	48,528,943	\$	32,213,675
Processed product		37,568,565		47,975,303
Split production		14,217,594		5,037,187
Packaged product		33,349,295		23,601,093
Other		6,056,346		1,955,372
	\$	139,720,744	\$	110,782,630
Depreciation in ending inventory	\$	506,342	\$	350,309
Inventory expensed in cost of goods sold		251,313,219		370,639,018

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

7. Property plant and equipment
Cost

	Land	Building and site improvement	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	Construction in Progress	Total
Balance at January 1, 2010	\$ 13,443,448	\$ 48,619,454	\$ 74,893,466	\$ 3,988,740	\$ 2,096,563	\$ 15,502,666	\$ 158,544,337
Addition	523,995	4,936,038	5,467,750	929,510	525,639	28,659,850	41,042,782
Disposal	-	(3,448)	(788,430)	(161,335)	(13,593)	-	(966,806)
Acquisition through business combination	3,114,092	377,243	2,236,876	58,607	1,010,330	-	6,797,148
Asset reclassified within the schedule	410,316	(131,935)	(278,381)	-	-	-	-
Transfer from construction in progress	-	-	8,544,611	-	-	(8,544,611)	-
Effects of movement in exchange rates	(1,214,862)	(1,446,751)	(3,791,418)	(82,579)	62,247	652,092	(5,821,271)
Balance at December 31, 2010	\$ 16,276,989	\$ 52,350,601	\$ 86,284,474	\$ 4,732,943	\$ 3,681,186	\$ 36,269,997	\$ 199,596,190
Addition	588,830	904,454	2,437,500	445,019	677,265	11,861,162	16,914,230
Disposal	-	-	(30,937)	(59,495)	(636,260)	-	(726,692)
Asset reclassified within the schedule	(4,002,722)	4,002,722	-	-	-	-	-
Transfer from construction in progress	-	-	6,244,326	-	-	(6,244,326)	-
Effects of movements in exchange rates	(1,055,515)	(1,685,147)	(2,925,736)	(224,308)	(398,482)	(1,962,613)	(8,251,801)
Balance at June 30, 2011	\$ 11,807,582	\$ 55,572,630	\$ 92,009,627	\$ 4,894,159	\$ 3,323,709	\$ 39,924,220	\$ 207,531,927

Accumulated Depreciation

Balance at January 1, 2010	\$ -	\$ 2,810,421	\$ 18,586,556	\$ 1,497,939	\$ 839,100	\$ -	\$ 23,734,015
Depreciation for the period	-	1,742,226	3,883,972	591,269	1,344,226	-	7,561,693
Disposal	-	-	(286,923)	(76,770)	(7,325)	-	(371,018)
Effects of movements in exchange rates	-	(12,881)	15,428	(1,544)	(14,936)	-	(13,933)
Balance at December 31, 2010	\$ -	\$ 4,539,766	\$ 22,199,033	\$ 2,010,894	\$ 2,161,065	\$ -	\$ 30,910,757
Depreciation for the period	-	744,259	2,684,409	288,902	195,087	-	3,912,657
Disposal	-	-	(6,134)	(9,343)	(568,808)	-	(584,285)
Effects of movements in exchange rates	-	810	(621,013)	(39,163)	(12)	11,270	(648,108)
Balance at June 30, 2011	\$ -	\$ 5,284,835	\$ 24,256,294	\$ 2,251,290	\$ 1,787,332	\$ 11,270	\$ 33,591,021
Net Book Value at January 1, 2010	\$ 13,443,448	\$ 45,809,033	\$ 56,306,911	\$ 2,490,801	\$ 1,257,463	\$ 15,502,666	\$ 134,810,322
Net Book Value at December 31, 2010	16,276,989	47,810,835	64,085,442	2,722,049	1,520,121	36,269,997	168,685,433
Net Book Value at June 30, 2011	11,807,582	50,287,795	67,753,333	2,642,869	1,536,377	39,912,950	173,940,906

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

8. Intangible assets

Cost	Rights	Brands	Customer Relationships	Other Intangible Assets	Total
Balance at January 1, 2010	\$ 85,047	\$ 4,000,000	\$ -	\$ 134,166	\$ 4,219,213
Acquisitions through business combinations	-	-	1,875,822	3,469,485	5,345,307
Effects of movements in exchange rates	(7,065)	(338,625)	(98,701)		(444,391)
Balance at December 31, 2010	\$ 77,982	\$ 3,661,375	\$ 1,777,121	\$ 3,603,651	\$ 9,120,129
Additions	208,062	-	-	4,067	212,129
Effects of movements in exchange rates	(1,443)	(375,967)	(2,285)	(196,923)	(576,618)
Balance at June 30, 2011	\$ 284,601	\$ 3,285,408	\$ 1,774,836	\$ 3,410,795	\$ 8,755,640
Accumulated Amortization					
Balance at January 1, 2010	\$ 38,764	\$ 100,000	\$ -	\$ 54,988	\$ 193,752
Amortization for the period	6,142	(100,000)	31,264	143,803	81,209
Balance at December 31, 2010	\$ 44,906	\$ -	\$ 31,264	\$ 198,791	\$ 274,961
Amortization for the period	6,022	-	31,264	140,830	178,116
Balance at June 30, 2011	\$ 50,928	\$ -	\$ 62,528	\$ 339,621	\$ 453,077
Carrying amounts					
At January 1, 2010	\$ 46,283	\$ 3,900,000	\$ -	\$ 79,178	\$ 4,025,461
At December 31, 2010	33,076	3,661,375	1,745,857	3,404,860	8,845,168
At June 30, 2011	233,673	3,285,408	1,712,308	3,071,173	8,302,562

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

9. Goodwill

Cost	Goodwill
Balance at January 1, 2010	\$ 66,088,311
Acquisitions through business combinations	5,222,940
Effects of movements in exchange rates	(5,841,934)
Transaction costs expensed (note 22)	(233,881)
Balance at December 31, 2010	\$ 65,235,436
Effects of movements in exchange rates	(3,509,866)
Balance at June 30, 2011	\$ 61,725,570

10. Bank indebtedness

At June 30, 2011 AGT had total operating lines of credit and other credit facilities available of \$254,059,200 (June 30, 2010 - \$176,445,227), a portion of which is secured by a general security agreement. Interest rates on Canadian lines are at Canadian prime. USD lines bear interest between LIBOR plus 2.71% and LIBOR plus 4.71%. Turkish lines bear interest between Turkey Interbank Offered Rate plus 1% and Turkey Interbank Offered Rate plus 2%.

11. Short term financing

At June 30, 2011, AGT had financing instruments in place, with maturities ranging from March 2012 to May 2012, and bearing interest rates ranging from 1.8% to 1.9% (June 30, 2010 -2.6% to 2.9%). Due to the short term nature of these facilities the carrying amount approximates fair value.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

12. Long term debt

	Jun 30, 2011	Dec 31, 2010
<u>Term Debt</u>		
Loan payable, USD \$10,000,000, bearing an interest rate of 8.7%, with interest only payments, with maturity dates ranging from May 2011 to February 2012, secured by inventory and accounts receivable.	\$ 7,258,384	\$ 10,023,792
Loan payable, bearing an interest rate of Canadian prime plus 1.1%, with monthly payments of interest only, due November 2015, secured by certain property, plant and equipment.	49,998,472	15,270,036
Loans payable, bearing interest rates varying from 4% to 8%, with monthly payments of USD \$93,725, due dates ranging from Sept 2011 to July 2022, secured by property, plant and equipment.	4,801,695	5,222,256
Loan payable, bearing an interest rate of Canadian Bankers Acceptance rate plus 3.75%, monthly principal payments of \$6,900, due October 2012, secured by certain property, plant and equipment.	526,400	567,800
Vehicle debt payable, bearing an interest rate of 0.9%, monthly payments of \$858, due June 2011, secured by vehicle.	-	5,265
<u>Finance Leases</u>		
Leases payable in total monthly payments of EUR 158,292 and \$8,149 USD, secured by equipment, due dates ranging from September 2011 to June 2014.	3,741,804	4,817,476
Leases payable, bearing variable interest rates from 9.1% to 10.25%, with monthly payments of \$7,704 CAD, secured by equipment, due on dates varying from September 2011 to February 2013.	62,934	114,732
Lease, bearing interest rates varying from 9% to 12.7% with monthly payments of \$1,463 USD currency, secured by equipment, due dates between July 2012 and November 2015.	26,786	34,643
	\$ 66,416,475	\$ 36,056,000
Total current portion	(9,931,712)	(13,163,084)
	\$ 56,484,763	\$ 22,892,916

The estimated principal repayments for term loans and future minimum payments for finance leases in each of the next five years are as follows:

	Term loans	Finance leases	Total
2011	\$ 8,079,652	\$ 1,852,060	\$ 9,931,712
2012	1,204,369	1,294,202	2,498,571
2013	770,267	679,624	1,449,891
2014	607,302	3,099	610,401
2015	50,334,460	2,540	50,337,000
thereafter	1,588,900	-	1,588,900
	\$ 62,584,950	\$ 3,831,525	\$ 66,416,475

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

13. Share capital

- a) Authorized – Unlimited number of voting common shares without par value
- b) Issued – 19,726,077 common shares

	# of Common Shares	Amount
Issued and outstanding at January 1, 2010	17,103,246	\$ 187,151,311
Issuance of common shares (1)	2,500,000	80,000,000
Share issuance costs, net of tax	-	(577,634)
Issuance of shares pursuant to stock option plan	102,832	925,488
Balance, December 31, 2010	19,706,078	\$ 267,499,165
Issuance of shares pursuant to stock option plan	19,999	179,991
Balance, June 30, 2011	19,726,077	\$ 267,679,156

1. Issuance of common shares

On April 26, 2010, 2,500,000 shares were issued at a deemed price of \$32.00 per share. The net proceeds of the offering were used to finance AGT's growth strategy, working capital requirements and for general corporate purposes.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

13. Share capital – continued

c) Stock option plan

On April 21, 2008 AGT issued options to acquire 605,000 shares, each exercisable for one common share at a price of \$9.00 per unit until April 21, 2013. Subsequently 75,000 options were cancelled and never exercised.

Risk free interest rate	3%
Expected volatility	25%
Expected time until exercise	5 years
Dividend Yield	10%

The Black-Scholes options valuation model used by AGT to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future share price volatility and expected time until exercise. AGT's outstanding options have characteristics which are significantly different from those of traded options and changes in any of the assumptions may have a material effect on the estimated value.

Changes in the number of options, with their weighted average exercise prices, are summarized below:

	2011		2010	
	Number of options	average exercise price	Number of options	average exercise price
Stock options outstanding, beginning of year	427,168	\$ 9.00	530,000	\$ 9.00
Granted	-	-	-	-
Exercised	(19,999)	-	(102,832)	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Stock options outstanding, end of period	407,169	\$ 9.00	427,168	\$ 9.00
Stock options exercisable, end of period	263,836	\$ 9.00	107,168	\$ 9.00

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

14. Finance expense

	3 Months Ended		6 Months Ended	
	2011	2010	2011	2010
Interest current	1,351,537	1,132,947	2,614,644	2,063,035
Interest on long term debt	975,991	149,758	1,906,186	298,118
Other	(126,991)	47,933	105,137	125,676
Trade finance fees and expense	6,621	104,894	108,902	364,664
	\$ 2,207,158	\$ 1,435,532	\$ 4,734,869	\$ 2,851,493

15. Financial instruments

Financial risk management objectives and policies

Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments. AGT, as part of its operations, carries a number of financial instruments that include cash and cash equivalents, restricted cash, bank indebtedness, short term financing, accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, and long-term debt and finance leases. The fair value of bank indebtedness, accounts receivable, accounts payable and accruals, and dividends payable approximate their carrying value given their short-term maturities. The fair value of long-term debt and finance leases are not materially different than their carrying value. All financial instruments measured at fair value are categorized into one of three hierarchy, described below, for disclosure purposes. Each level is based on transparency of inputs used to measure the fair value of assets and liabilities:

Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. There were no items measured at fair value using level 3 in 2010 or 2011.

The following items, shown in the consolidated balance sheet as at December 31, 2010 and June 30, 2011 are measured at fair value on a recurring basis using level 1 or level 2 inputs:

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

15. Financial instruments – continued

Financial risk management objectives and policies - continued

Fair values - continued

June 30, 2011	Level 1	Level 2	Total
Asset			
Investment	\$ -	\$ 1,250,000	\$ 1,250,000
Cash and cash equivalents	36,909,919	-	36,909,919
Foreign exchange derivatives	-	2,217,980	2,217,980
	\$ 36,909,919	\$ 3,467,980	\$ 40,377,899
December 31, 2010	Level 1	Level 2	Total
Asset			
Investment	\$ -	\$ 1,250,000	\$ 1,250,000
Cash and cash equivalents	23,628,472	-	23,628,472
Foreign exchange derivatives	-	3,213,562	3,213,562
	\$ 23,628,472	\$ 4,463,562	\$ 28,092,034

Risk management

As a result of the nature of AGT's operations, it may be exposed to various forms of risk related to financial instruments. Those forms of risk include credit risk, foreign exchange risk, liquidity risk, interest rate risk and commodity price risk.

AGT seeks from time to time, to use financial derivatives to reduce market risk exposures from changes in foreign exchanges in foreign exchange rates. AGT does not hold or use any derivative instruments for trading or speculative purposes. Overall, AGT's Board of Directors has responsibility for the establishment and approval of AGT's risk management policies. Management continually perform risk assessments to ensure that all significant risks have been reviewed and assessed to reflect changes in market condition and AGT's operating activities.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions. AGT minimizes this risk by having a diverse customer base and established credit policies, including the use of accounts receivable insurance.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

15. Financial instruments – continued
Financial risk management objectives and policies - continued
Credit risk - continued

The credit risk of AGT relates to accounts receivable. The carrying amount of financial assets represents the maximum credit exposure as follows:

	June 30, 2011	December 31, 2010
Cash and cash equivalents	\$ 36,909,919	\$ 23,628,472
Accounts receivables	125,978,826	134,886,424
Foreign exchange derivatives	106,465,954	120,937,080

Due to the nature and timing of cargo shipments, it is not uncommon for AGT to carry receivable balances in excess of 60 days. Due to risk management processes that AGT has in place, including insurance on substantially all receivables and prepayments from customers, management is confident in its ability to collect outstanding receivables.

The aging of customer receivables is as follows:

	Jun 30, 2011	Dec 31, 2010
Current	21,947,088	40,405,520
0-30 days	34,028,211	39,645,903
31-60 days	57,046,801	39,936,808
Greater than 60 days	12,956,726	14,898,193
	<u>\$ 125,978,826</u>	<u>\$ 134,886,424</u>

The above table reflects a listing of accounts receivable from the date of the invoice.

Management considers that substantially all of the amounts are current and recoverable.

The movement schedule of provision for doubtful accounts is as follows:

	Jun 30, 2011	Dec 31, 2010
Allowance for doubtful accounts - beginning	1,061,487	1,059,328
Recoveries	(151,354)	(49,380)
Provision for losses		51,539
Allowance for doubtful accounts - ending	<u>\$ 910,133</u>	<u>\$ 1,061,487</u>

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

15. Financial instruments – continued**Financial risk management objectives and policies – continued****Credit risk - continued**

The allowance for doubtful receivables represents specific provisions charged to expenses. The allowance is an estimated amount that management believes will be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables.

Foreign currency risk

AGT enters into sales denominated in US currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. AGT 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, Euro dollars, British pounds, Australian dollars and Turkish Lira. For the Arbel Group, transactions in foreign currency expose AGT to foreign currency risk, arising mainly from fluctuation of foreign currency used in conversion of foreign assets and liabilities into Turkish Lira.

Foreign currency risk arises as a result of trading transactions in the future and the difference between the assets and liabilities recognized. In this regard, AGT manages this risk by matching foreign currency denominated assets and liabilities. Management reviews the foreign currency open position and takes risk management measures if required. At June 30, 2011, 73% of the foreign exchange contracts expire within 120 days.

Liquidity risk

Liquidity risk is the risk that AGT cannot meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

The following are the contractual maturities of financial liabilities, including interest payments:

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

15. Financial instruments – continued
Financial risk management objectives and policies – continued
Liquidity risk – continued
LIQUIDITY RISK

June 30, 2011	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	\$ 116,397,412	\$ 116,397,412	\$ 116,397,412	\$ -	\$ -	\$ -
Short term financing	28,958,010	28,958,010	28,958,010	-	-	-
Accounts payable and accrued liabilities	53,620,444	53,620,444	53,620,444	-	-	-
Long-term debt and finance leases	66,416,475	77,355,673	12,839,569	5,235,211	57,437,977	1,842,916
Dividend payable	2,958,912	2,958,912	2,958,912	-	-	-
	\$ 268,351,253	\$ 279,290,451	\$ 214,774,347	\$ 5,235,211	\$ 57,437,977	\$ 1,842,916

December 31, 2010	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	\$ 80,335,924	\$ 80,335,924	\$ 80,335,924	\$ -	\$ -	\$ -
Short term financing	24,925,150	24,925,150	24,925,150	-	-	-
Accounts payable and accrued liabilities	68,157,031	68,157,031	68,157,031	-	-	-
Long-term debt and finance leases	36,056,000	41,677,916	12,292,050	6,051,700	21,031,276	2,302,889
	\$ 209,474,105	\$ 215,096,021	\$ 185,710,155	\$ 6,051,700	\$ 21,031,276	\$ 2,302,889

Future expected operational cash flows and sufficient assets are on hand to fund these obligations. In addition, AGT practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. AGT's 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 AGT's operations allow for substantial mitigation of liquidity risk.

Interest rate risk

Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. With respect to its debt portfolio, AGT addresses interest rate risk by using various floating instruments. The exposure is also managed by aligning current and long term assets with outstanding debt and making use of global credit facilities.

AGT is exposed to interest rate fluctuations on its variable-rate long term debt. The impact of a 1% change in interest rates would have an approximate impact on net earnings of \$505,249 (December 31, 2010-\$158,378).

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

15. Financial instruments – continued

Financial risk management objectives and policies – continued

Commodity risk

AGT is a producer and supplier of pulse crops and bears significant exposure to changes in prices of these products. A substantial change in prices will affect AGT's net earnings and future cash flows. Prices are volatile and are influenced by numerous factors beyond AGT's control, such as supply and demand fundamentals, geographical events and weather.

AGT sales contracting focuses on reducing the volatility in future earnings and cash flow, while providing both protections against decreases in market price and retention of exposure to future market price increases. To mitigate the risks associated with the fluctuations in the market price for pulse crops, AGT seeks to maintain a portfolio of product sales contracts with a variety of delivery dates and pricing mechanisms that reflect the delivery dates and pricing with customers that provides a degree of protection from pricing volatility.

16. Capital management

AGT manages its capital to ensure that financial flexibility exists to increase equity through a combination of acquisitions and organic growth. This allows AGT to respond to changes in economic and/or marketplace conditions. AGT also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, AGT utilizes bank indebtedness (net of cash and cash equivalents), long-term debt and finance leases and shareholders' equity. It may be difficult to accurately predict market conditions for attracting capital. There were no changes in AGT's approach to capital management during the first quarter of this year.

AGT includes net debt and shareholders' equity as components of its capital structure. The calculation of net debt, shareholders equity and capital are set out in the following table:

	June 30, 2011	December 31, 2010
Long-term debt and finance leases	\$ 56,484,763	\$ 22,892,916
Bank indebtedness and current portion long-term debt	126,329,124	93,499,008
Short term financing	28,958,010	24,925,150
Cash and cash equivalents	(36,909,919)	(23,628,472)
Net debt	174,861,978	117,688,602
Shareholders' equity	290,861,913	303,089,972
Total capital	\$ 465,723,891	\$ 420,778,574

AGT is bound by certain covenants with its general credit facilities. These covenants place restrictions on working capital ratios, total debt, including guarantees and set minimum levels of capital. As of June 30, 2011 and December 31, 2010, AGT met these requirements.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

17. Non-cash working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	June 30	
	2011	2010
(Increase) decrease in current assets:		
Accounts receivable	\$ 10,934,354	\$ (5,917,270)
Inventory	(32,742,588)	7,605,444
Prepaid expenses and deposits	(9,797,077)	10,565,039
	(31,605,311)	12,253,213
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(20,881,901)	16,165,266
Income taxes payable	(1,013,265)	(1,144,437)
	(21,895,166)	15,020,829
	\$ (53,500,477)	\$ 27,274,042

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

18. Related party transaction

The consolidated financial statements of AGT include the accounts of AGT and its seven directly wholly-owned subsidiaries incorporated in Canada, USA, China, Europe, Australia and Turkey:

(a)Subsidiaries

Alliance Pulse Processors Inc.
 Arbel Bakliyat Hububat Sanayi ve Ticaret A.Ş.
 Durum Gıda Sanayi ve Ticaret A.Ş.
 Turkpulse Dış Ticaret A.Ş.
 A. Poortman (London) Ltd.
 Australia Milling Group Pty Ltd.
 United Pulse Trading Inc.

(b)Key management personnel

AGT has defined key management personnel as senior executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of AGT. The following table outlines the total compensation expense for key management personnel for the six months ended June 30, 2011 and 2010.

	June 30, 2011	June 30, 2010
Short-term fees and other short-term benefits	\$ 1,362,279	\$ 2,004,595

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

19. Segmented information

AGT is in the business of sourcing and processing specialty crops, wheat, bulgar, rice and pasta, specializing in various markets for domestic and export, and operating in one reporting segment. This reporting segment is involved in the milling, cleaning, sizing, color sorting and packaging for distribution to end use customers. Pasta, rice and pulses share common customers and therefore have a common platform and are managed as one reporting segment. Geographic information about AGT's revenues is based on the product shipment destination.

Sales by product line

		3 months ended June 30		6 months ended June 30	
		2011	2010	2011	2010
Pulses and specialty crops	\$	141,658,839	\$ 123,999,257	\$ 280,028,097	\$ 269,588,889
Pasta, semolina and bulgur		17,557,547	9,675,436	33,431,087	27,447,734
Rice		3,543,237	15,547,626	12,896,509	36,749,044
Other commodities		6,367,202	-	10,093,336	1,792,299
Miscellaneous revenue		787,842	-	1,518,999	-
Total	\$	169,914,667	\$ 149,222,319	\$ 337,968,028	\$ 335,577,966

Sales were derived from customers located in the following geographic areas:

		3 months ended June 30		6 months ended June 30	
		2011	2010	2011	2010
Canada	\$	11,295,539	\$ 32,570,646	\$ 22,857,054	\$ 36,432,198
Americas / Caribbean, excluding Canada		22,940,195	25,346,817	46,929,156	47,317,188
Asia / Pacific Rim		33,571,684	73,353,644	47,706,788	98,176,857
Europe / Middle East / North Africa		102,107,249	17,951,212	220,475,030	153,651,723
Total	\$	169,914,667	\$ 149,222,319	\$ 337,968,028	\$ 335,577,966

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

19. Segmented information – continued

Segmented assets:

Property, plant and equipment and goodwill by geographic areas are as follows:

	Property, plant and equipment	
	June 30, 2011	December 31, 2010
Canada	\$ 61,227,746	\$ 59,168,422
United States	14,752,123	14,185,230
Australia	23,654,712	20,748,920
Turkey	74,006,828	74,291,754
China	299,497	291,107
Total	\$ 173,940,906	\$ 168,685,433

	Goodwill	
	June 30, 2011	December 31, 2010
Canada	\$ 16,262,556	\$ 16,262,557
United States	9,653	9,970
Australia	51,728	50,708
Turkey	41,535,105	45,040,395
United Kingdom	3,866,528	3,871,806
Total	\$ 61,725,570	\$ 65,235,436

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

20. Commitments and contingencies

AGT enters into 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.

At June 30, 2011, AGT had a letter of credit in favour of the Canadian Grain Commission in the amount of \$10,000,000, (December 31, 2010 - \$35,000,000). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires December 31, 2012. This change is the result of AGT being re-classified from a grain dealer to primary elevator.

In the normal course of operations AGT may become involved in various legal matters, both claims by and against AGT. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Based on the information provided by legal counsel, there does not appear to be significant litigation risk for AGT at June 30, 2011.

21. Subsequent event

On August 2, 2011, AGT acquired all of the assets of Canz Commodities (previously owned by Bodana Pty Ltd and the Pars Ram Punj Family), a chickpea and pulse processor in Narrabri, New South Wales Australia, located approximately 500 km from Sydney. The assets acquired include real property, storage and related handling equipment and a processing plant for pulses and grains, specializing in desi and kabuli chickpeas, faba beans, mung beans and albus lupins. The total investment, including the cash acquisition price and a budget for improvements, is CDN \$8.0 million. The Narrabri facility is currently operational with capital expansions and improvements planned to commence immediately. The new company will be owned and operated by AGT's wholly owned subsidiary, Australia Milling Group PTY Ltd.

22. Explanation of transition to IFRS

As discussed in note 2(a), these are AGT's second consolidated interim financial statements and notes thereto, for the three months and six months ended June 30, 2011, that AGT is required to prepare in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the quarter ended June 30, 2011, and the comparative information presented in these financial statements for the year ended December 31, 2010.

In preparing its opening IFRS statement of financial position, AGT has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected AGT's financial position, financial performance and cash flows is set out in the following tables, in the notes that accompany the tables and in note 22 of AGT's interim financial statements for the three months ended March 31, 2011.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

Reconciliation of Consolidated Statement of Financial Position as at December 31, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS December 31, 2010	IFRS
Assets				
Current				
Cash and equivalents		\$ 23,628,472	\$ -	\$ 23,628,472
Accounts receivable		134,886,424	-	134,886,424
Inventory		110,782,630	-	110,782,630
Prepaid expenses and deposits		7,239,024	-	7,239,024
Income taxes receivable		3,210,941		3,210,941
Deferred taxes	<i>h</i>	287,539	(287,539)	-
Total current assets		280,035,030	(287,539)	279,747,491
Property, plant and equipment	<i>a,e,g</i>	169,347,573	(662,140)	168,685,433
Intangible assets		8,845,168	-	8,845,168
Goodwill	<i>a</i>	65,469,317	(233,881)	65,235,436
Investment	<i>d</i>	1,000,000	250,000	1,250,000
Deferred income taxes	<i>h</i>	3,216,444	287,539	3,503,983
Total non-current assets		247,878,502	(358,482)	247,520,020
Total assets		\$ 527,913,532	\$ (646,021)	\$ 527,267,511
Liabilities				
Current				
Bank indebtedness		\$ 80,335,924	\$ -	\$ 80,335,924
Short-term financing		24,925,150	-	24,925,150
Accounts payable and accruals		68,157,031	-	68,157,031
Income taxes payable		1,690,907	-	1,690,907
Current portion of long term debt and finance leases		13,163,084	-	13,163,084
Total current liabilities		188,272,096	-	188,272,096
Long term debt and finance leases		22,892,916	-	22,892,916
Deferred income taxes	<i>h</i>	13,211,918	(199,392)	13,012,526
Total non-current liabilities		36,104,834	(199,392)	35,905,442
Total liabilities		\$ 224,376,930	\$ (199,392)	\$ 224,177,538
Shareholders equity				
Common shares		267,499,165	-	267,499,165
Contributed surplus		383,357	-	383,357
Accumulated comprehensive income	<i>b,d</i>	(15,419,405)	(683,381)	(16,102,786)
Retained earnings	<i>i</i>	51,073,485	236,751	51,310,236
Total shareholders equity		303,536,602	(446,630)	303,089,972
Total liabilities and shareholders equity		\$ 527,913,532	\$ (646,021)	\$ 527,267,511

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

Reconciliation of Consolidated Statement of Comprehensive Income for the three months and six months ended June 30, 2010

	Note	Previous Canadian GAAP	3 Months Ended Effect of transition to IFRS	IFRS	Previous Canadian GAAP	6 Months Ended Effect of transition to IFRS	IFRS
Revenues		\$ 149,222,319	\$ -	\$ 149,222,319	\$ 335,577,966	\$ -	\$ 335,577,966
Cost of sales	<i>g</i>	138,300,091	(1,418,011)	136,882,080	297,939,167	(4,282,382)	293,656,785
Gross profit		10,922,228	1,418,011	12,340,239	37,638,799	4,282,382	41,921,181
Depreciation	<i>g</i>	605,026	(605,026)	-	1,299,185	(1,299,185)	-
Foreign exchange loss (gain)		6,603,984	(6,603,984)	-	5,171,351	(5,171,351)	-
Interest and bank charges	<i>g</i>	1,132,947	(1,132,947)	-	2,063,035	(2,063,035)	-
Interest on long-term debt	<i>g</i>	149,758	(149,758)	-	298,118	(298,118)	-
Amortization of fair value of stock options	<i>g</i>	301,353	(301,353)	-	412,220	(412,220)	-
General and administration	<i>g</i>	7,427,198	(2,456,428)	4,970,770	14,834,522	(5,215,110)	9,619,412
Marketing, sales and distribution expenses	<i>g</i>	-	4,843,023	4,843,023	-	9,702,997	9,702,997
Other expenses		-	-	-	1,894	-	1,894
Earnings (loss) from operating activities		(5,298,038)	7,824,484	2,526,446	13,558,474	9,038,404	22,596,878
Foreign exchange loss		-	6,603,984	6,603,984	-	5,171,351	5,171,351
Finance expenses	<i>c,f</i>	-	1,435,532	1,435,532	-	2,851,493	2,851,493
Earnings (loss) from operations before income tax		(5,298,038)	(215,032)	(5,513,070)	13,558,474	1,015,560	14,574,034
Current income tax (recovery)		(84,596)	-	(84,596)	4,520,504	-	4,520,504
Deferred income tax (recovery)	<i>f</i>	(1,046,466)	(53,901)	(1,100,367)	(3,563,150)	260,100	(3,303,050)
Net earnings (loss)		(4,166,976)	(161,131)	(4,328,107)	12,601,120	755,460	13,356,580
Other comprehensive income (loss)		(356,940)	-	(356,940)	(1,403,858)	-	(1,403,858)
Comprehensive income (loss)		\$ (4,523,916)	\$ (161,131)	\$ (4,685,047)	\$ 11,197,262	\$ 755,460	\$ 11,952,722

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

Explanation of material adjustments to the cash flow statement for 2010

As a result of IFRS adjustments to property, plant and equipment with respect to directly attributable costs and componentization of assets the following adjustments have been made to the statement of cash flows.

	June 30, 2010	
	<u>3 Months</u>	<u>6 Months</u>
IAS 16 - Property, plant and Equipment		
Increase to additions	\$99,116	\$95,165
(Increase) decrease to amortization	(\$ 215,768)	\$1,014,824

Under IFRS 3 (Business combinations) transaction costs previously capitalized under Canadian GAAP are now required to be expensed. As a result the following adjustment has been made to the statement of cash flows.

	<u>June 30, 2010</u>
Decrease to purchase price	NIL

There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations

- (a) AGT has elected, under IFRS 1, not to apply IFRS 3 retrospectively apply to business combinations that occurred prior to the transition date, January 1, 2010.

Business combinations after January 1, 2010, that required acquisition-related costs totalled to an amount of \$667,303 this amount is included in a Retained earnings adjustment, these same amounts were offset in those business combinations and lowered property, plant and equipment assets (\$433,422) and goodwill (\$233,881) are lowered by the corresponding amounts.

- (b) AGT has elected under IFRS 1, to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition. The impact arising from the change is a decrease in the translation reserve of \$933,831 as at December 31, 2010, and an increase to retained earnings of \$933,381 at that same date.
- (c) Under previous Canadian GAAP, AGT expensed borrowing costs as they were incurred. At the transition date, AGT elected to capitalize borrowing costs directly attributable to the acquisition, construction and production of qualifying assets for which the commencement date for capitalization was on or after the date of transition.
- (d) Under previous Canadian GAAP, AGT measured investment at amortized cost. Under IFRS AGT is required to measure the investment at fair value. As a result the impact of the change will be \$250,000 and is reflected in the Investment and Comprehensive Income sections of AGT's December 31, 2010 IFRS Statement of Financial Position and the opening IFRS Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

Explanation of material adjustments to the cash flow statement for 2010 - continued

- (e) Under IFRS, more specific guidance is given as to the types of costs that are considered directly attributable to bringing property, plant and equipment to its working condition for its intended use, and therefore requiring capitalization. Under previous Canadian GAAP, AGT expensed certain labour costs that would meet the criteria for capitalization as provided under IFRS. In addition, AGT capitalized certain legal costs under previous Canadian GAAP, which would not meet the criteria for capitalization under IFRS.

Prior to the transition date January 1, 2010, AGT expensed \$562,065 in labour costs which are capitalized under IFRS, and capitalized \$16,928 in legal costs which are expensed under IFRS, resulting in a net increase in property, plant and equipment of \$545,137, at the transition date, an increase of \$626,338 as of June 30, 2010 and an increase of \$974,462 as of December 31, 2010.

- (f) Under IFRS, the requirements to separately account for and provide amortization for components of property, plant and equipment are more broadly and rigorously applied. Under previous Canadian GAAP, these requirements were less specific, and AGT applied a minimal amount of componentization in accounting for its property, plant and equipment.

AGT has retrospectively applied the more rigorous IFRS requirements to establish a separate useful life, amortization rate and residual value for each component of its property, plant and equipment, resulting in a decrease in property, plant and equipment of, \$30,920 as of June 30, 2010 and \$1,203,180 as of December 31, 2010.

- (g) The impact arising from the change to IFRS is summarized as follows:

	3 months June 30, 2010	6 months June 30, 2010
Consolidated statement of comprehensive income		
Decrease in interest expense	\$ 13,159	\$ 13,964
Decrease (increase) in depreciation in cost of sales	(215,768)	1,014,824
Decrease in cost of sales	1,633,779	3,267,558
Decrease in depreciation	605,025	1,299,185
Decrease in interest and bank charges	1,119,788	2,049,071
Decrease in interest on long-term debt	149,758	298,118
Decrease in amortization of fair value of stock options	301,353	412,220
Decrease in general and administration expenses	2,456,428	5,215,110
Increase in marketing, sales and distribution expenses	(4,843,023)	(9,702,997)
Increase in transaction cost	-	-
Increase in finance expenses	(1,435,532)	(2,851,493)
Increase (decrease) in deferred income tax	53,901	(260,100)
Decrease in other comprehensive income	-	-
Adjustment to comprehensive income	\$ (161,131)	\$ 755,460

Notes to the Consolidated Financial Statements (unaudited)

For the three and six months ended June 30, 2011

(Stated in Canadian dollars)

Explanation of material adjustments to the cash flow statement for 2010 - continued

(h) The above changes decreased (increased) the future tax liability as follows:

	Note	June 30 2010	December 31, 2010
Borrowing costs	c	\$ (3,561)	\$ (10,650)
Intercompany profit		-	30,201
Labour and legal costs	e	(159,716)	(78,325)
Componentization	f	7,884	258,166
		<u>(155,393)</u>	<u>199,392</u>

The effect on the statement of comprehensive income for the three months ended June 30, 2011 was to increase the previously reported income tax expense for the period by \$53,901.

Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. The effect is to reclassify \$287,539 at December 31, 2010 from deferred tax asset (current) to deferred tax asset (non-current).

(i) The above changes increased (decreased) retained earnings (each net of related tax) as follows:

	Note	June 30 2010	December 31, 2010
Translation reserve	b	\$ 933,381	\$ 933,381
Goodwill and intangibles	a	-	(233,881)
Intercompany profit		-	30,201
Labour and legal costs	e	463,062	451,719
Componentization of PP&E	f	(23,035)	(944,669)
		<u>1,373,408</u>	<u>236,751</u>