Alliance GRAIN TRADERS Inc.

ANNUAL INFORMATION FORM

Year Ended December 31, 2011

March 27, 2012

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ITEM 1. EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

1.1 Explanatory Notes

In this Annual Information Form ("**AIF**"), references to "**AGT**" are to Alliance Grain Traders Inc. and include its subsidiaries, unless the context otherwise requires. Unless otherwise stated in this AIF, the information contained herein is stated as at December 31, 2011.

1.2 Forward-Looking Information

Included in this AIF are forward-looking statements (within the meaning of applicable securities laws) with respect to AGT. 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, requirements for additional capital and the expected benefits of certain transactions.

This AIF contains or refers to certain forward-looking statements relating to, but not limited to, our expectations, intentions, plans and beliefs, including information as to the future financial or operating performance of AGT. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "contemplates", "expects" or "does not expect", "is expected", "budget", "goal", "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. Such forward-looking statements or forward looking information reflect Management's beliefs, estimates and opinions regarding AGT's future growth, results of operations, performance, and business prospects and opportunities at the time such statements are made and AGT takes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change. Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond AGT's control. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by AGT, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AGT (including its operating subsidiaries) `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 titled "*Risk Factors*" in this AIF.

Although AGT 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. AGT expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

1.3 Non-IFRS Earnings Measures

AGT provides some non-IFRS measures as supplementary information that Management believes may be useful to investors to explain AGT's financial results. These non-IFRS measures include EBITDA* (earnings before interest, income taxes, depreciation and amortization, and any effects of non-recurring costs and non-cash foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-recurring costs and non-cash foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities). Management believes that these are important measures in evaluating performance and in determining whether to invest in AGT. However, EBITDA*, Adjusted Net Earnings*, Net Debt* and Net Working Capital* are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. In addition, AGT may calculate these measures differently than other companies; therefore, such measures may not be comparable. Investors are cautioned that EBITDA*, Adjusted Net Earnings*, Net Debt* and Net Working Capital* should not be construed as an alternative to net earnings (loss) or cash flows as determined in accordance with IFRS as an indicator of AGT's performance or liquidity. For a reconciliation of net earnings (loss) determined in accordance with IFRS to EBITDA* and Adjusted Net Earnings*, see the table on page 38 of the MD&A for the year ended December 31, 2011.

1.4 Industry and Market Data

This AIF includes market share and industry data and other statistical information that AGT has obtained from independent industry publications, government publications, market research reports and other published independent sources, including the Food and Agriculture Organization of the United Nations (“**FAO**”) and Forecasts by STAT Communication Ltd/STAT Publishing based on data from Statistics Canada and the Turkish Statistics Institute and Global Trade Atlas. Such publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable. Although AGT believes these publications and reports to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained or validated the underlying economic or other assumptions relied upon by these sources and cannot, and does not, provide any representation or assurance as to the accuracy or completeness of the information or data, or the appropriateness of the information or data for any particular analytic purpose and, accordingly, disclaims any liability in relation to such information and data. AGT has no intention and undertakes no obligation to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as required by law.

1.5 Currency and Exchange Rates

AGT’s financial statements are presented in Canadian dollars, but AGT’s operating subsidiaries earn revenues and incur expenses in several currencies, including U.S. dollars (“**US$**” or “**USD**”), Turkish lira (“**TL**”), Australian dollars (“**A$**” or “**AUD**”), Pounds Sterling (“**£ or** “**GBP**”), Euros (“**€**” or “**EUR**”) South African rand (“**R**” or “**ZAR**”) and the Renminbi of the People's Republic of China (“ **¥**” or “**RMB**”). All references to “**dollars**” and “**$**” herein are expressed in Canadian dollars unless specifically stated otherwise.

As at December 30, 2011, the closing buying rates for the currencies in which AGT operates, as reported by x-rates.com, were as set forth in the following table.

2011		2010
USD/CDN	1.02133	0.997006
AUD/CDN	1.03867	1.014160
TL/CDN	0.54089	0.643761
GBP/CDN	1.58206	1.547720
EUR/CDN	1.32150	1.332200
ZAR/CDN	0.12606	N/A
RMB/CDN	0.16197	N/A

ITEM 2. CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

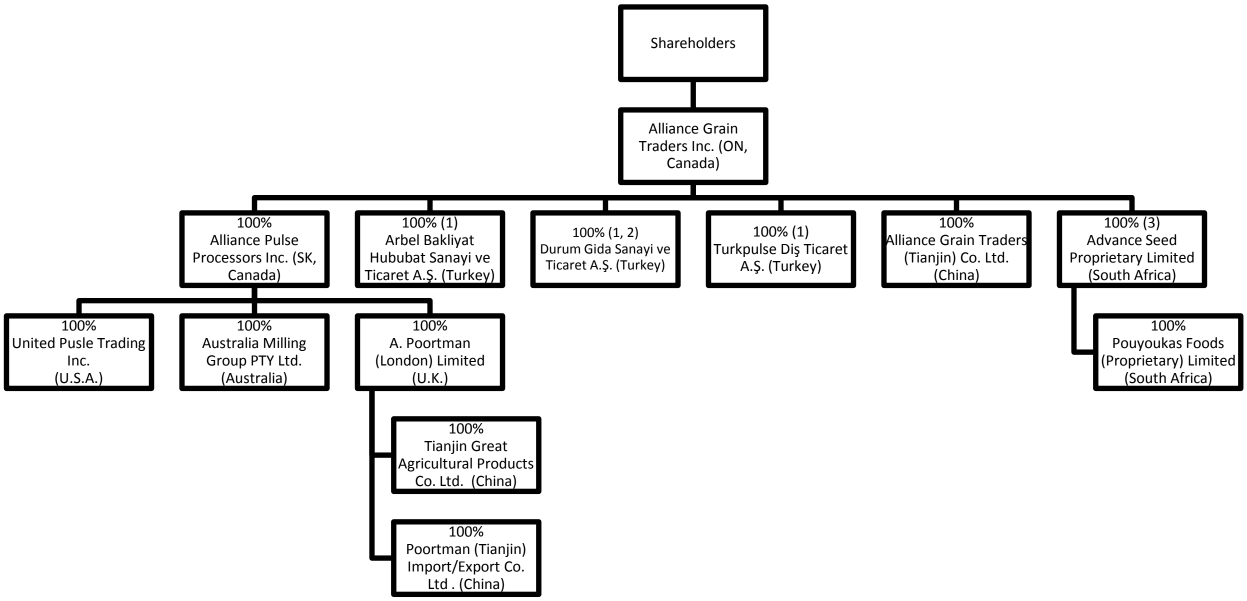
Alliance Grain Traders Inc. was incorporated under the laws of the Province of Ontario on July 2, 2009 as a wholly-owned subsidiary of Alliance Grain Traders Income Fund (the "**Fund**"). The Fund was originally established as "Agtech Income Fund", a limited purpose open-ended trust established under the laws of the Province of Ontario by a declaration of trust dated June 25, 2004, and changed its name to "Alliance Grain Traders Income Fund" on December 7, 2007. On September 15, 2009 the Fund was converted from an income trust to a corporation by means of a plan of arrangement under the *Business Corporations Act* (Ontario) ("**OBCA**"). The conversion is described under "*General Development of the Business – Three Year History*".

The registered office of AGT is located at 199 Bay Street, Suite 5300, Toronto, Ontario, M5L 1B9. The management of day-to-day operations of AGT is carried on in Canada from the head office of AGT's principal Canadian operating company, Alliance Pulse Processors Inc. ("**Alliance**") at P.O. Box 30029 No. 1 Highway East, South Tower Road, Regina, Saskatchewan S4N 7K9 and in Turkey from the head office of AGT's principal Turkish operating company, Arbel Bakliyat Hububat Sanayi ve Ticaret A.Ş. ("**Arbel**") at Yeni Mahalle, Cumhuriyet Bulvari, No:73/4, 33281 Kazanli, Mersin, Turkey.

2.2 Inter-corporate Relationships

The following chart indicates the structure of AGT and its material subsidiaries, the percentage of voting securities held, and the jurisdiction of incorporation of each entity:

Chart showing AGT and Material Subsidiary Structure



(1) Turkish law requires a Turkish corporation to have at least five shareholders, accordingly a nominal number of shares are held by four other subsidiaries of AGT.

(2) Combines direct and indirect ownership for simplicity of presentation. Arbel owns 30% of the outstanding shares of Durum.

(3) AGT holds an 82% controlling equity interest in Advance Seed, and also has an option to acquire the remaining 18% pursuant to a binding option agreement.

ITEM 3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three Year History

On July 21, 2009, the Fund completed a public offering of 6,118,840 subscription receipts (the "**Subscription Receipts**") at a price of $16.25 per Subscription Receipt for gross proceeds of $99,431,150 to finance the acquisition of the Arbel Group (described below under "Significant Acquisition - The Arbel Group"). On September 11, 2009, in accordance with the terms of the Subscription Receipts, each Subscription Receipt was deemed to be exercised, without the payment of any additional consideration and without any further action by the holder, for one Unit, and the net proceeds of the public offering were advanced to AGT by the Fund.

On September 15, 2009, all of the assets of the Fund were transferred to AGT as the Fund converted from an open-ended unit trust to a dividend-paying corporation (the "**Conversion**") by means of a plan of arrangement under the OBCA, pursuant to an arrangement agreement entered into among the Fund, Alliance and AGT, dated as of July 16, 2009. Following the Conversion, the Fund was terminated.

Effective December 31, 2009, AGT acquired all of the assets of Parent Seed Farms Ltd. ("**Parent Seed**") and Finora Inc. ("**Finora**"). The two acquisitions added six processing facilities for processing beans, lentils, peas, chickpeas and other specialty crops in four locations: St. Joseph, Manitoba; Wilkie, Saskatchewan; Assiniboia, Saskatchewan; and Gibbons, Alberta. The Finora acquisition provides significant logistical advantages, as all of the facilities have nearby rail access. AGT's entry into Alberta through its Gibbons facility also widens its avenues of supply. AGT intends to shift the focus at these plants to higher margin products, including lentils and proprietary varieties of chickpeas.

Effective January 1, 2010, Pulse Depot Rosetown Inc. ("**Pulse Depot**") and Saskcan Horizon Trading Inc. ("**Saskcan Horizon**"), two wholly-owned subsidiaries of AGT, were amalgamated into Alliance.

On April 26, 2010, AGT completed its offering of 2,500,000 common shares of AGT ("**Common Shares**") at a price of $32 per Common Share for aggregate gross proceeds of $80,000,000. The net proceeds of the offering are being used to finance AGT's growth strategy, working capital requirements and general corporate purposes.

On November 1, 2010, AGT announced that it had acquired A. Poortman (London) Limited ("**Poortmans**"), an international importer, distributor and stockist of pulses, with offices in London, U.K., the Netherlands, Spain and Tianjin, China. The business that was acquired includes a processing plant for dry edible beans and pulses, located in Tianjin, China, and trading and sales offices in Europe. The business was acquired from Andrew Jacobs, the Managing Director of Poortmans, and Trinidad Benham Corporation, a leading U.S. packaged food company. Mr. Jacobs remains with Poortmans in a management role. The purchase price for the acquisition was £8.3 million (Pounds Sterling), with AGT committing a further $2 million for expansion of the Chinese bean processing facility. Poortmans' balance sheet also included net working capital of approximately £5 million.

On November 15, 2010, AGT announced that it had completed the acquisition all of the assets of Northern Yorke Processors Limited ("**Northern Yorke**"), located at Kadina, South Australia and Balco Grain Services and certain real property from Balco Holdings ("**Balco**"), located at Bowmans, South Australia. The Northern Yorke facility is located in Kadina, approximately 160 km from Adelaide, Australia. The assets acquired included real property, vertical and horizontal storage for pulses and grains, processing plant assets and related handling equipment. The Northern Yorke transaction was funded as a part of the $10 million program in conjunction with the Balco acquisition. Expansions and installations are reported to be substantively complete and operational. The Balco facility is located at Bowmans, approximately 95 km from Adelaide. The assets acquired include real property, vertical and horizontal storage for pulses and grains and related handling equipment. The cash acquisition price and capital expansions and improvements underway in South Australia were valued at approximately $10 million. The Balco facility acquired by AGT is adjacent to the Bowmans Inland Container Terminal, South Australia's first inland container terminal operated by Patrick Portlink SA.

On July 29, 2011, AGT acquired all of the assets of Canz Commodities, 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, was $8 million.

On October 7, 2011, AGT announced its intention to invest up to $50 million towards the construction of a pasta and pulse processing and logistics complex at the Global Transportation Hub ("**GTH**"), a distribution centre located in Regina, Saskatchewan. The complex is planned as a milling site for wheat and pulses, where durum wheat is expected to be processed into semolina and used to produce the Arbella pasta brand in Canada. The complex is also expected to be used for pulse processing capacity for production of ingredient pulse flours, proteins, starches and fibres. Other GTH tenants include CP Rail, Canadian Logistics Services/Loblaws and the Yanke Group. AGT intends to capitalize on the availability of ocean containers, trucks and intermodal units at the GTH for domestic and export shipments of pasta and other retail packaged goods.

On October 11, 2011, AGT acquired South Africa-based Advance Seed from Euro-Africa Trading, a European-based holding company. The assets acquired include real property, storage and related handling equipment, and a processing plant for pulses, popcorn and grains and grass seeds, as well as three warehouses and small packaging plants, supplying the wholesale and retail markets with a range of pulses, grains and popcorn. Certain processing facilities, as well as the warehouse and small packaging plants, are currently operational. The total investment, including the cash acquisition price and a budget for improvements and working capital, is estimated at $7.0 million. The Johannesburg processing facility, as well as the warehouses and small packaging plants, are currently operational. Advance Seed will continue to be run with the existing management team and business in place.

On November 3, 2011, AGT announced that it had acquired certain real property, storage and related handling equipment located in Minot, North Dakota from C&F Foods, Inc., Real Partner Investments, LLC and MCL Ag Investments Partnership, LLP. AGT committed $12 million for the acquisition and build-out of the facility, which has an estimated August 2012 completion date. The planned build-out includes the installation of pulse processing equipment for beans, chickpeas, peas and lentils to augment AGT's U.S. processing capacity at the Williston, North Dakota production facility. The new facility also added additional capacity for value-added pulses and the production of food ingredient pulses flours, proteins, starches and fibres.

3.2 Significant Acquisition - The Arbel Group

On September 15, 2009, AGT acquired all of the outstanding shares of Arbel, Durum, and Turkpulse, other than the shares of Durum which were owned by Arbel (the "**Arbel Acquisition**"). As a result of the Arbel Acquisition, AGT owns, directly and indirectly, 100% of the outstanding shares of the Arbel Group.

Pursuant to the acquisition agreements entered into between AGT and the former shareholders of Arbel, Durum and Turkpulse, respectively, the aggregate purchase price for the Arbel Acquisition was $104,141,400, of which $60,097,988 was paid in cash and $44,043,412 was paid by the issuance of 2,850,448 Common Shares at a deemed price of $15.4514 per Common Share. 10% of the purchase price (including both cash and Common Shares) was held back in escrow as security for any claims for indemnity which AGT may make against the former principal shareholders of the Arbel Group. All of the remaining Common Shares issued pursuant to the Arbel Acquisition were placed in escrow for a period of two years, with 25% to be released every six months. The cash portion of the aggregate purchase price was provided by the public offering of 6,118,840 Subscription Receipts by the Fund, AGT's former parent entity, as described above.

At the time of the acquisition, the Arbel Group was engaged in the business of sourcing and processing specialty crops, producing and selling semolina and pasta, and producing and selling bulgur. The Arbel Group and the Arslan family have a 50-year operating history as a leading processor of pulses and grains and exporter of pulses in Turkey. Although the Arbel Group processes a broad mix of pulses and grains, its business is weighted to lentils. The Arbel Group had also recently expanded its operations to include the production of pasta and had quickly become the third largest pasta producer in Turkey and the largest Turkish pasta exporter. The Arbel Group operates state-of-the-art processing and production facilities and exports to over 50 countries in Asia, Africa, Europe and the Americas.

The Arbel Group's facilities are located within 8 km of the main container seaport in Mersin, one of the Mediterranean's main agri-product seaports. The facilities include access to the Mersin Free Zone and customs bonded warehouses that allow AGT to import product into Turkey for processing and avoid import tax should the product be re-exported to international markets.

AGT previously filed a Business Acquisition Report on Form 51-102F4 in respect of the Arbel Acquisition, which is available under AGT's profile on SEDAR at www.sedar.com.

3.3 Recent and Future Developments

AGT continues to evaluate merger and acquisition opportunities. AGT sees opportunities to strengthen its presence in origination, processing and warehousing in markets in which it is actively doing business and in origins in which it is currently operating facilities. Details and discussion of these opportunities can be found in the "Outlook" section of the MD&A for the year ended December 31, 2011.

3.4 Credit Facilities

On December 30, 2011, AGT announced that Alliance had entered into a $130 million senior secured credit facility with The Bank of Nova Scotia and a syndicate of two other banks, HSBC Bank of Canada and Rabobank Nederland (Canadian Branch). The credit facility is used for general corporate purposes and retired AGT's existing $60.0 million Bank of Nova Scotia facility. The credit facility was guaranteed by AGT, and as additional security, a general security agreement over all present and after acquired property of AGT was entered into in favour of the Bank of Nova Scotia. On March 22, 2012, AGT announced that it had entered into an extension agreement for this senior secured credit facility with the extension term to run until April 29, 2013 and carry a further one year term-out provision that takes the commitment to April 2014. The terms and covenants of the credit agreement remain unchanged and AGT has confirmed that it is in compliance with all of its terms.

The Bank of Nova Scotia has also extended additional letter of credit facilities in the amount of $10 million to back AGT's license with the Canadian Grain Commission ("**CGC**").

In September of 2011, AGT finalized an agreement with Farm Credit Canada ("**FCC**") that provided for debt financing of up to $70 million in two facilities: one of $50 million structured as a revolving capital asset lending facility and a second facility of $20 million carrying a six year term for repayment. This facility replaced an earlier $50 million revolving loan facility between AGT and FCC signed in 2010.

The Arbel Group has credit facilities with numerous banks for up to $130 million, of which the majority was drawn down as at December 31, 2011. Since some facilities are denominated in local currency, the available amount in CDN dollar terms will vary.

Of these facilities, the USD $10 million long term commodity borrowing base credit facility with Royal Bank of Scotland ("**RBS**"), formerly ABN AMRO Bank N.V., is secured by a pledge of the Arbel Group's products, collection accounts and receivables up to a maximum amount of 85% of the amount advanced under the credit facility. RBS also has a lease over one of the Arbel Group's warehouses, in order to perfect its security interest in the Arbel Group's products under Turkish law. This facility was repaid in February 2012 and all security interests have been released over Arbel's assets. The other credit facilities are not secured due to their short term structure of less than 372 days maturity.

The Canadian credit facilities have floating interest rates and Management regularly monitors interest rates to make adjustments to its fixed versus floating interest rate management program. AGT also uses fixed rate banker's acceptances to mitigate a portion of its floating interest rate risk in its operating credit facilities. The low interest rates prevailing in Canada in recent years have induced Management to leave its Canadian credit facilities largely at floating interest rates; the Turkish credit facilities are also largely floating due to the competitive LIBOR rates prevailing in international financial markets. Turkish Lira denominated borrowings are based on the Turkish Central Bank rate and prevailing market premiums at the time of utilization.

AGT has implemented a global foreign exchange management program to effectively manage its net exposure to the U.S. dollar, while matching its local currency operations to minimize net exposure to any one foreign currency. AGT's operations in Canada, Australia and Turkey are managed such that net exposures to local currencies are mitigated through offsetting local transactions and hedging programs where appropriate.

ITEM 4. DESCRIPTION OF THE BUSINESS

4.1 General

AGT, through its subsidiaries, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. Alliance and its subsidiaries in the U.S. and Australia handle the full range of pulses and specialty crops. It is among the world's largest splitter of pulses. AGT's three subsidiaries in Turkey, Arbel, Durum and Turkpulse, are collectively referred to as the Arbel Group. Arbel is engaged in sourcing and processing pulses, specialty crops and grains and various pulse trading activities, Durum is engaged in pasta and semolina production and Turkpulse is engaged in bulgur processing. The following table provides a breakdown of the sales of AGT in 2010 and 2011 for each category of product.

2010 and 2011 Percentage Sales Breakdown by Product Category

Category	**2010**	**2011**
Pulse and Specialty Crops	74.7%	82.3%
Milled Grains: Pasta, Semolina and Bulgur	10.7%	9.3%
Rice	10.8%	3.3%
Other Commodities	3.8%	5.1%
Total	100.0%	100.0%

2010 and 2011 Total Sales Principal Markets

Area	**2010**	**2011**
Canada	$36,722,101	$43,153,351
Americas/Caribbean, excluding Canada	$103,399,241	$118,260,712
Asia/Pacific Rim	$143,739,001	$88,344,670
Europe/Middle East/North Africa	$358,279,173	$510,215,367
Total	$642,139,516	$759,974,100

AGT's operations currently focus on value added processing and splitting of lentils, chickpeas, beans, peas and other specialty crops; approximately 82% of its revenues are derived from its global operations in these commodities. Through its Turkish subsidiaries, AGT is also engaged in pasta and semolina production, bulgur wheat processing and medium grain rice processing. AGT owns twelve processing plants in Canada, two in the U.S. (owned through United Pulse Trading), sales and merchandising offices in the U.K., the Netherlands and Spain as well as one processing facility in China (owned through A. Poortman (London) Limited) and four processing and handling facilities in Victoria, South Australia and New South Wales, Australia (owned through Australia Milling Group). Canadian operating divisions include Saskcan Pulse Trading, Saskcan Rosetown, Saskcan Agtech, Saskcan Milestone, Saskcan Parent, Saskcan Wilkie, Saskcan Assiniboia, Saskcan Gibbons, Saskcan Horizon and Saskcan Pulse Depot (all owned through Alliance). South African operations include one processing plant and three warehouse and small packaging plant facilities in Johannesburg, Cape Town and Durban. In Turkey, the Arbel Group owns and operates a storage and processing complex near Mersin, Turkey. The complex contains approximately 70,000 tonnes of horizontal (warehouse) storage capacity, 50,000 tonnes of vertical (silo) storage, a semolina production facility, a pasta factory with five production lines (two for long-cut pasta and three for short-cut pasta, one of which was commissioned in 2011), three pulse and grain processing facilities (including cleaning, calibration, peeling, splitting and color sorting lines), a bulgur factory and a steam generation facility to generate the steam needed for pasta and pulses production. To keep pace with pasta capacity enhancements, expansions for semolina production are currently underway, with an approximate capacity increase of 50% targeted for completion in the second quarter of 2012. In 2011, AGT also completed the addition of a state-of-the-art rice processing mill near Edirne, Turkey, located 220 km from Istanbul in the heart of the Turkish rice production area.

Expansion plans for AGT's planned new bean processing plant in China through its Alliance Grain Traders (Tianjin) Co. Ltd. subsidiary located in Tianjin have been slower than anticipated as AGT management continues to evaluate options on location, scope and scale of the investment. However, plans for construction of a new facility in 2012 are ongoing.

The following table summarizes the current production capacity of AGT's facilities.

Facilities Capacity Breakdown (estimates based on 24 hour per day production and standard quality)

Category	**Processing Volumes (in tonnes)**
Lentils and Other Pulses	1,250,000
Sifted Pulses and Cereal	240,000
Pasta/Semolina Production	175,000
Bulgur	85,000
Total	1,750,000

4.2 Products and Suppliers

The principal products of AGT are classified as "pulses and specialty crops" by Agriculture and Agri-Food Canada ("**AAFC**") and include lentils, peas, chickpeas, beans and canary seeds. Alliance's revenues are derived from sales of pulses and specialty crops. The Arbel Group's principal products are (i) pulse and specialty crops including: red lentils, green lentils, chickpeas, white beans, barbunya beans, green peas, yellow peas, red beans, and canary seeds; (ii) grain and milling including durum wheat, wheat, pasta, and bulgur; and (iii) other commodities including rice, sugar, salt, edible oils, roasted chickpeas, sunflower seeds, millet and potatoes. All of the Arbel Group's revenues are derived from sales of such products.

Alliance purchases crops from local producers around its processing plants in Western Canada, Montana, North Dakota, Turkey, Australia, China and South Africa. A portion of the crop purchases are made through production contracts, which fix a price at which Alliance may purchase crops from a producer, and may include an option to buy additional crops at market price. This production contract system assists Alliance in mitigating price and supply risk on forward sales. Approximately 5% to 10% of Alliance's total supply is purchased through production contracts, with the remainder purchased in the spot market.

The Arbel Group procures raw materials from various countries including Turkey, Canada, the U.S., Australia, Egypt, Argentina, India, Morocco, Syria, Kyrgyzstan, Russia and Ukraine. Given its practice of sourcing products from diverse global origins, imports are important for the operations of the Arbel Group. The pursuit of this practice in the past several years resulted in an increase in the number of countries that the Arbel Group imports from. From 2009-2011, the Arbel Group imported significant volumes of product from Australia, Canada, the U.S., India and Argentina, as well as, more recently, from Russia and Ukraine. Since 2008, Turkish local production has been below the average production of the past ten years. Recent reports and statistics compiled from a range of sources including unofficial USDA data, FAO statistics and reports from the Turkish government indicate that Turkey will remain a significant importer of lentils in 2012. Average import levels have been over 200,000 mt in each of the past two years, with similar volumes estimated for 2012. As a result, importing continues to be a common method of procuring the raw materials needed for Arbel's sales program; however, the bulk of Arbel's imported pulses originate in one of Alliance's factories in Canada, the U.S. or Australia. In years of average or increased production, this reliance on imports diminishes in favour of local spot purchases from Turkish farmers.

The majority of AGT's purchases are done on a spot basis, thereby allowing AGT to mitigate commodity risk through back-to-back grower purchases and sales to international clients. AGT's roster of suppliers is diversified: it has hundreds of producer-suppliers and no one supplier accounts for more than 0.5% of purchases. Sales are further diversified through regional shipments of different products to mitigate exposure and reliance on a single region for export activities. In addition, AGT endeavours to mitigate the effects of high wholesale crop prices through the use of value-adding technologies (splitting and colour-sorting equipment) to produce a higher margin food product from the raw commodity. Margins may also be preserved through product and market diversification allowing AGT to pursue sales in products that have demonstrated more price stability and margin stability. The entire product and market diversification strategy of AGT is aimed at mitigating price risk to margin risk correlation. Margin erosion is combated by negotiating lower prices from growers, negotiating better freight rates, and charging higher end client prices. In cases of unusual weather events globally, which significantly alter the quality of crops or quantity of product available, AGT typically realizes material risks of margin erosion.

4.3 Pulse Crop Industry Trends

Pulse Crop Overview

Pulse crops include peas, beans, lentils, and chickpeas, which produce edible seeds, called pulses. Pulses are an important part of dietary requirements, particularly in developing countries, and represent a significant world protein source. According to the FAO, in terms of 2010 world production, beans topped the list at approximately 23.2 million metric tonnes ("**mt**"), followed by chickpeas (approximately 10.9 million mt) and peas (approximately 10.2 million mt). World lentil production is approximately 4.6 million mt.

Pulse Crop Production

The chart below sets out the top five producing countries per crop in 2010.

World Pulse Production (Thousands of mt) 2010

Dry Pea Production		Lentil Production		Dry Bean Production		Chickpea Production	
Canada	2,862	Canada	1,947	India	4,870	India	7,480
Russia	1,218	India	900	Brazil	3,202	Australia	602
France	1,098	Turkey	447	Myanmar	3,030	Pakistan	562
China	991	U.S.	393	China	1,540	Turkey	531
India	700	Nepal	152	U.S.	1,442	Myanmar	402
Total	6,869	Total	3,839	Total	14,084	Total	9,577

Source: Food and Agriculture Organization of the United Nations

In Canada, the pulse industry is centered in Saskatchewan. According to the Saskatchewan Pulse Growers, the province produces approximately 99%, 80% and 99% of the Canadian lentil, pea and chickpea crops, respectively. In 2011, Canada reported significant levels of production, as it has for many of the past recent growing seasons including the second-highest production levels for lentils at 1.532 million mt. Significant quantities of production for other pulses were reported as well with 2.116 million mt of dry peas, 145,000 mt of edible beans and 90,800 mt of chickpeas.

Production in Canada for the 2011 crop season is reported to have returned to normal with respect to quality from the low or highly variable quality product produced in 2010. For 2012, Statistics Canada estimates production in Canada to include 1.174 million mt of lentils, 2.786 million mt of peas, 213,000 mt of edible beans and 91,000 mt of chickpeas. This translates to an overall 7.5% increase in pulse production in Canada with gains coming from peas and beans. Lentils and chickpeas are estimated as decreasing slightly in 2012; however, due to the rotational nature of pulses, these types of year on year production fluctuations are expected. Pulses are rotational crops used by farmers as part of planned rotation with cereal grains and canola. Pulses are used in this rotation to, in part, naturally fix nitrogen in the soil as well as provide revenue opportunities for growers as pulses are typically high value crops. Year-on-year fluctuations in seeded area of pulses are influenced by seeding decisions by farmers as part of their medium to long term rotational seeding plans. Exports and carry-out stocks are forecast to rise marginally while domestic use is forecast to fall. Average prices are generally forecast to decrease; however, they are expected to remain at historical highs for most other crops. According to an Agriculture Canada and Stat Publishing reports, the main factors to watch in relation to materialization in seeding acreage are commodity prices, input costs, the Canada-U.S. dollar exchange rate and precipitation in Canada over the winter.

U.S. lentil production estimates by the United States Department of Agriculture ("**USDA**") for 2011 are reported to be lower than 2010, at 428,000 acres harvested, with associated production estimates at 214,642 mt or a 55% decrease. U.S. pulse growers in the Northern Plains states were significantly affected by the wet conditions during the early season seeding period in 2011, which impacted the ability of farmers in Montana, the Pacific Northwest and western North Dakota to seed their fields as intended. This resulted in significantly lower production for the year that was of normalized quality. Production levels of other pulses in the U.S. as reported in 2011 are approximately 97,206 mt for chickpeas or a 10.5% increase, 255,148 mt for field peas or a 60% decrease and 802,410 mt or a 44% decrease for all other beans excluding chickpeas (or garbanzo beans as they are referred to in the U.S.). For 2012, USDA estimates are for production levels in the U.S. to reach 277,000 mt of lentils, representing a 23% increase, 650,000 mt of peas and 1.302 million mt of edible beans including approximately 92,530 mt of chickpeas. These production level estimates are viewed as a return to normalized to slightly increased production levels after the growing issues caused by weather events in 2010 and the excessive moisture and flooding in 2011.

Pulse production volumes in Turkey have been reported with slightly differing volumes by various outlets including the FAO, the U.S. Agricultural Attaché and the Turkish Grain Board ("**TMO**"). Irrespective of the actual production numbers, Turkish pulse production has trended downwards over the past three growing seasons due to a variety of conditions including competition with other crops and drought. In 2008, due to severe drought conditions, lentil production was reported at extremely low levels before rebounding to normalized production. In 2011, lentil production decreased to the 400,000 mt level, where it is expected to remain. Chickpea production has also decreased to 448,000 mt, below the five year production average of 533,000 mt.

At current production levels, Turkey is expected to continue to be an importer of lentils to meet the high domestic consumption levels. Turkey is viewed as an export origin for lentils into the Middle East/North Africa region in the middle months of the year between the Turkish harvest in June and the North American harvest in September. Australia continues to emerge as a significant origin for the production of pulse crops with reports of the highest production levels of pulses on record for 2011. Overall pulses production, as estimated by the Australian Bureau of Agricultural and Resource Economics and Sciences, is reported to have increased 10% over record 2010 levels, with a 47% increase in lupin production and a 28% increase in chickpeas reported. Australian export of pulses, as reported by the Australian Bureau of Statistics, rose dramatically in the 2010-2011 season with an increase over 2009-2010 by 181% for faba beans, 95% for lentils and 61% for lupins; chickpea exports decreased by 6%.

Other, non-traditional pulse producing origins, such as Russia and the Ukraine, both of which are strong agricultural commodity production origins, are reporting gains in pulses production.

Pulse Crop Demand

Pulses are heavily consumed in emerging markets, where meat protein is consumed less. According to the most recent statistics from the FAO, India is by far the largest importer of pulses. There are several factors exerting upward pressure on the global demand for pulses. Firstly, world population growth is adding consumers, mostly in Asia, Africa and Latin America. As these countries are major consumers of vegetable proteins, they have strongly contributed to the overall demand for pulse crops. Secondly, the global demand for renewable fuels (i.e., ethanol) is playing a factor, as prices for corn have increased sharply over the last two years, forcing consumers who previously purchased corn-based products to substitute other crops, including pulses. Thirdly, the consumption in developed and non-traditional markets is rising with pulse-based food products and ingredients, such as hummus or flours from pulses, becoming regularly consumed or utilized items. The following table sets out the top five pulse importing countries.

World Imports (Thousands of mt) 2009

Dry Pea Imports		Lentil Imports		Dry Bean Imports		Chickpea Imports	
India	1,656	India	288	India	1,031	India	338
Bangladesh	488	Bangladesh	178	E.U. (27)	486	Bangladesh	157
China	394	E.U. (27)	167	Mexico	175	Pakistan	128
E.U. (27)	248	Turkey	142	U.S.	155	E.U. (27)	113
Belgium	111	U.A.E.	125	U.K.	137	U.A.E.	72
Total	2,897	Total	900	Total	1,984	Total	808

Source: Food and Agriculture Organization of the United Nations

The Lentil Market

Canada, led by Saskatchewan, has emerged as a major source of the world's lentil supplies. In StatsCan data for the 2009 and 2010 crop years, Canada produced over 1.5 million mt and 1.9 million mt of lentils, respectively. Production of 1.53 million mt of lentils is reported for 2011 and 1.17 million mt is estimated for 2012.

According to information from StatsCan, export volume of lentils from Canada was approximately 1.13 million mt for the 2011 crop year, or approximately 74% of the available production. In terms of global destinations, the majority of Canada's lentils are exported to countries in the Pacific Rim and Middle East/North Africa regions. With global population growing, especially in developing countries, Canada's lentil exports are a key component to ensuring stable supply in many major consumption markets. Preliminary estimates show 2012 carry-in stocks to be significantly higher than previous years, which are expected to assist in offsetting estimates of lower lentil acres in Canada for 2011 and 2012. Increased production in Alberta (not currently included in StatsCan production numbers) and the U.S. is expected to further assist in offsetting Canadian production decreases, resulting in estimated ample stocks for export from Canada. Production shortfalls in other origins may provide opportunities for increased Canadian export volumes to fill demand in these regions for lentils and other pulses; however, this is currently hindered by global credit liquidity concerns resulting in importers continuing minimal buying activities and keeping local market stocks at or near historical lows. According to AAFC, the average price per tonne is forecast to rise marginally in 2011/12 before decreasing slightly in 2012/13 resulting in flat prices to producers.

The following table sets out the Canadian lentil supply-demand estimates for the period 2008-2012.

Canadian Lentil Supply-Demand Estimates (acres, mt)

Year	2008	2009	2010	2011	2012E
Acreage	1,745,000	2,400,000	3,480,000	2,570,000	2,000,000
Yield (lbs)	1,318	1,387	1,223	1,314	1,294
Available Stocks					
Production	1,043,200	1,510,200	1,947,100	1,531,900	1,174,000
Carry-In	51,000	32,000	44,000	750,000	560,000
Imports	3,108	7,205	27,755	9,600	7,300
Stocks	**1,097,309**	**1,549,405**	**2,018,855**	**2,291,500**	**1,741,300**
Total Export	**973,273**	**1,386,792**	**1,105,711**	**1,130,100**	**1,207,700**
Other Usage					
Seed	79,200	103,000	87,600	69,000	92,600
Other Domestic	12,835	15,220	75,544	532,500	121,000
Total Usage	**1,065,309**	**1,505,405**	**1,268,854**	**1,731,500**	**1,421,300**
Ending Stock	**32,000**	**44,000**	**750,000**	**760,000**	**320,000**
Stock/Use	3.0%	2.9%	59.1%	32.3%	22.5%

Source: Forecasts by STAT Market Research based on data from Statistics Canada

Different outlets including the FAO, the USDA and the Turkish government have reported varying volumes for Turkish lentil production; however, the following table sets out the Turkish lentil supply-demand estimates for the period 2007-2012. Turkish lentil production has trended downwards over the past three growing seasons following severe drought conditions in 2008. In 2011, lentil production decreased to the 400,000 mt level after rebounding somewhat in 2010, where it is expected to remain in the near term.

Turkey – All Lentil Supply-Demand Estimates (hectares, mt)

Year	2007-08	2008-09	2009-10	2010-11	2011-12E
Area	369,470	196,068	210,287	390,000	400,000
Yield (lbs/acre)	1,374	669	1,403	1,147	1,030
Available Stocks					
Production	535,181	131,188	295,000	447,400	412,000
Carry-In	50,000	25,000	5,000	20,000	37,000
Imports	30,979	191,683	232,000	218,000	214,000
Stocks	**616,160**	**347,871**	**532,000**	**685,400**	**663,000**
Exports	**186,271**	**70,340**	**110,000**	**185,000**	**191,000**
Other Usage					
Seed	16,500	17,700	32,800	33,600	33,600
Feed & Waste	31,800	4,700	17,500	26,800	24,700
Split Losses	30,900	29,000	26,300	44,400	45,800
Other Domestic	325,689	221,131	325,400	358,600	331,500
Total Usage	**591,160**	**342,871**	**512,000**	**648,400**	**626,600**
Carryover	**25,000**	**5,000**	**20,000**	**37,000**	**36,400**
Stocks/Usage	4.2%	1.5%	3.9%	5.7%	5.8%

Source: Forecasts by STAT Market Research based on data from the TMO, USDA and private trade sources.

The Dry Pea Market

Canada is the leading producer and exporter of dry peas in the world. A cool season crop, production is heavily weighted in Saskatchewan, which, according to Saskatchewan Pulse Growers, produces approximately 65% of the Canadian pea crop. Over the past ten years, production has shifted in Canada to dry peas as a diversification out of traditional grains.

Approximately 80% of Canadian dry pea exports are sold to India, Bangladesh, and China for food use according to AAFC data. Other destinations for Canadian dry peas are Europe and South America as well as the U.S., Mexico and domestic use in Canada.

The following table sets out the Canadian field pea supply-demand estimates for the period 2008-2012.

Canadian Field Pea Supply-Demand Estimates (acres, mt)

Year	**2008**	**2009**	**2010**	**2011**	**2012E**
Acreage	3,995,000	3,760,000	3,625,000	2,328,000	3,210,000
Yield (lbs)	1,971	1,981	1,836	2,003	1,913
Available Stocks					
Production	3,571,300	3,379,400	3,018,200	2,115,600	2,786,000
Carry-In	255,000	445,000	900,000	535,000	200,000
Imports	18,448	46,112	42,814	17,100	17,300
Stocks	**3,844,749**	**3,870,512**	**3,961,014**	**2,667,700**	**3,003,300**
Export	**2,819,810**	**2,196,270**	**3,015,063**	**2,082,000**	**2,292,000**
Other Usage					
Seed	264,400	255,000	164,000	226,000	280,000
Feed & Waste	240,538	444,242	171,951	112,700	106,300
Domestic	75,000	75,000	75,000	47,000	75,000
Total Usage	**3,399,634**	**2,970,512**	**3,426,014**	**2,467,700**	**2,753,300**
Ending Stock	**445,000**	**900,000**	**535,000**	**200,000**	**250,000**
Stocks/Use	13.1%	30.3%	15.6%	8.1%	9.1%

Source: Forecasts by STAT Market Research based on data from Statistics Canada.

U.S. field pea production is reported to be down sharply from 2009 levels due to the severe flooding in North Dakota and Minnesota from the Red River Valley in Manitoba. Field pea acres dropped by 58% from the already lower 2010 levels. As production has decreased so significantly, export statistics have followed as well. The USDA estimates a rebound to historical production levels of 650,000 mt in 2012 in line with 2010 levels. Russian production of peas has risen sharply in the 2011 year to 1.1 million acres and the resulting production is reported at over 1.8 million mt. The FAO and the USDA estimate that this trend will continue in 2012, making Russia a significant production origin for peas. Turkey is not a significant producer of dry peas, according to the Turkish Statistical Institute and the FAO, producing less than 5,000 tonnes annually since 2000.

The Chickpea Market

Global chickpea production has increased despite production decreases in Turkey over the past few years, as other origins, such as Australia and the U.S., have increased production levels. In Canada, according to the Saskatchewan Pulse Growers, Canadian chickpea production peaked in the 2001/02 growing year at 450,000 metric tonnes. However, a combination of low prices, disease problems and poor weather discouraged producers from planting chickpeas, and production dropped to 50,000 mt in 2004. Chickpea production in Canada has remained low in recent years, a trend that has been seen in other growing origins as well. In 2011, approximately 90,800 mt of production has been reported, a decrease of 29% from 2010 and significantly lower than the 2007 peaks in production. For 2012, chickpea production is estimated to be flat in Canada at 91,000 mt.

The following table sets out the Canadian chickpea supply-demand estimates for the 2008-2012 period.

Canada – Chickpea Supply-Demand Estimates (acres, mt)

Year	**2008**	**2009**	**2010**	**2011**	**2012E**
Area	140,000	105,000	205,000	125,000	150,000
Yield (lbs/acre)	1,055	1,585	1,380	1,601	1,337
Available Stocks					
Production	67,000	75,500	128,300	90,800	91,000
Carry-In	92,000	62,000	20,000	22,000	22,000
Imports	4,100	5,000	8,900	6,000	7,000
Stocks	**163,100**	**142,500**	**157,200**	**118,800**	**120,000**
Exports	**54,303**	**67,738**	**87,221**	**66,200**	**66,100**
Other Usage					
Seed	7,700	15,000	9,11	11,000	9,000
Feed & Waste	20,030	19,262	89,000	5,000	10,400
Other Domestic	19,967	20,500	29,979	14,600	16,500
Total Usage	**101,100**	**122,500**	**135,200**	**96,800**	**102,000**
Ending Stock	**62,000**	**20,000**	**22,000**	**22,000**	**18,000**
Stock/Use	61.3%	16.3%	16.3%	22.7%	17.6%

Source: Forecasts by STAT Market Research based on data from Statistics Canada.

U.S. chickpea production, reported at 132,900 mt, is consumed in a relative balance domestically and internationally based on data from the U.S. Department of Commerce for the September-August 2010/2011 period. Turkey, however, is a significant producer of chickpeas. Turkey has reported over 500,000 mt of average annual production with a slight drop in production for 2011 at 448,000 mt. Current reports by TMO and other outlets expect that chickpea acreage in the 2012/13 crop year, harvested in August 2012, will remain at average levels. In Australia, which primarily grows desi chickpeas, kabuli chickpea production offers an important bridge until new crop product is available from India, Mexico and other origins. Production levels for chickpeas in Australia have grown to approximately 485,000 mt in 2011, one of the highest reported levels in recent years. Preliminary estimates are that these production levels will continue in 2012.

The Dry Bean Market

Dry edible bean production in North America trended significantly lower in 2011 at 1.64 million mt. This decrease was largely attributable to significant production decreases caused by excessive moisture and flooding in key bean growing areas of Canada and the U.S., particularly in the Red River Valley area of Manitoba, Minnesota and North Dakota, as well as drought conditions in Mexico. According to estimates by the USDA, StatsCan and STAT Publishing, returns to historical levels are expected in 2012 with very low carryover stocks. Other major growing and consumption origins, such as

Brazil and India, have experienced similar decreases in production, which may provide potential for higher future import levels to fill domestic demand.

While the U.S. is a significant producer of dry edible beans, it also has high levels of domestic consumption. While production has decreased in 2011, overall export quantities fell by only a small margin in the 2011 period according to U.S. Department of Commerce data. International market prices for dry edible beans showed firm prices which Management believes are due to concerns over reports of crop prospects in many of the world's major production and exporting origins. A return to historical production levels in the U.S. for the 2012 crop year is forecast by the USDA.

Similar increases in Canadian dry edible bean production in 2012 are expected, with 213,000 mt of production estimated after a significant decrease in production for 2011. Canada is a significant participant in the world bean industry, providing approximately 7% of the world's dry bean exports in 2009 according to FAO data. According to StatsCan, Canada produced 144,600 mt and 253,800 mt in the 2011 and 2010 crop years respectively.

Turkey is both a production and import distribution point for beans with a focus on white beans and barbunya red beans. According to the Turkish Union of Exporters data, Turkey has consistently produced approximately 190,000 mt of beans and is typically a net importer of dry edible beans, indicating a strong local bean consumption market. Turkey has been an active importer of beans from North America, Central Asia, Argentina and China.

Other origins, including South Africa and China, have reported fluctuating production levels with some bean varieties reporting slightly higher levels and others reporting decreases. Chinese kidney bean production, as reported by the U.S. Agricultural Attaché to China, has sharply decreased; however, gains in mung, adzuki and Chinese broad beans, locally grown varieties that are not widely available in other origins, are estimated to offset the decreases. South African crop estimates are showing decreases in bean production in 2011 as pulse production faces strong competition for acres with corn and other grains. Production estimates for 2012 are expected to return to slightly lower than average levels.

4.4 Grain and Pasta Industry Trends

Durum wheat is the main ingredient in the production of pasta. Semolina flour is the milled form of durum wheat, where the grain is cleaned and milled and flour is produced. Durum wheat is also the main ingredient in bulgur, a rice substitute consumed in much of the Middle East and North African regions.

In the January 2012 Grains and Oilseeds Outlook report, Agriculture and Agri-Food Canada reported world durum wheat production as having increased slightly to 35.9 million mt; however, due to production issues in some origins such as the U.S., world supply is reported as having decreased slightly. This has led to higher durum wheat prices in the short term. World durum wheat production is forecast to rise in 2012/2013, which is expected to result in decreasing prices and increases in global carry-out stocks. World durum production is forecast to increase to 37.5 million mt and supply to 44.4 million mt including carryover stocks.

Canada, Turkey and the U.S. are among the largest production origins for durum wheat, accounting for approximately 25% of global production, according to data from FAO and the International Grains Council. In 2012, AAFC has forecast the seeded area for durum wheat in Canada to increase by 16% from 2011 levels resulting in an estimated 8% increase in production to 4.5 million mt.

Exports are estimated to remain similar to 2011 levels at 3.5 million mt with low carry-out stocks. The USDA estimates for U.S. durum wheat production show a recovery from the extremely low levels in 2011 caused by flooding in many durum wheat growing areas; however, production is not rebounding to normal levels due to farmer concern regarding pricing levels and ample production estimated in Canada. Currently, durum wheat is directly contracted from Canada or the U.S.; however, with changes to the Canadian Wheat Board, the central marketing agency for Canadian grain enacted by the Government of Canada, direct contracting of durum wheat for export to Turkey or domestic processing in Canada or the U.S. may no longer be AGT's only option.

Turkish durum wheat production is forecast by the International Grains Council to be 3 million mt, a slight increase over the 2.7 million reported in 2010 by the U.S. Agricultural Attaché report. Turkey continues to see pressure in seeded acres due to competition from corn and cotton, creating pressure on pasta producers and millers. However, yield increases are expected to result in production estimated to be close to the short-term average in the near term. Pasta production in Turkey has been continually growing since 1999 according to the Association of Turkish Pasta Manufacturers. Total pasta production is reported by USDA FAS Reports at approximately 800,000 mt in 2011, an increase from the 740,000 mt levels reported in 2010. The majority of Turkish pasta is destined for export markets. In 2010, 440,000 mt of the 740,000 mt of pasta produced in Turkey was exported to over 137 countries including Japan, Iraq, Libya and African countries. Turkish pasta producers have benefited from good quality and abundant raw materials and competitively-priced, high-quality production due in large part to the trend for pasta producers to also produce and control their own semolina production.

Turkey is a major rice paddy production origin, with significant increases in rice production since 2007. In the 2011 the U.S. Agricultural Attaché "Grains and Feed in Turkey" report, Turkish production was estimated at 750,000 mt in line with similar reports of 750,000 to 900,000 mt production in past periods. The vast majority of this domestic production is for domestic consumption, with estimates of approximately 7 kg/person of consumption per year. The U.S. and Russia are major origins for paddy rice to Turkey, while Egypt supplies largely milled rice. In 2009 and 2010, Turkey imported approximately 458,000 mt and 424,000 mt of rice respectively.

4.5 Foreign Operations

The majority of AGT's products are exported, with over 80% of its sales destined to buyers outside of Canada and the U.S. AGT has assets located in Canada, the U.S., Turkey, Australia, China and South Africa.

AGT enters into sales denominated in U.S. 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 U.S. dollars.

AGT currently manages 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**"). Risk management programs are also in place to minimize these risks in the international marketplace. For a discussion of the risks relating to the repudiation of goods by foreign buyers, see "*Counterparty and Export Risk*" in the "*Risk Factors*" section.

Aside from sales, AGT's operations through Alliance do not rely on foreign operations to a material extent. With respect to AGT's Turkish operations, the majority of sales are made through wholesale distribution networks. Although the Arbel Group's sales have historically focused on export markets, the focus has increasingly shifted to domestic sales in the last two years due to lower domestic production in Turkey. Approximately 50% of the Arbel Group's 2011 sales were in the Turkish domestic market in its main product lines: pulses, Arbella pasta, bulgur and rice. In addition, the Arbel Group's pasta business can be dependent on imports of wheat and other raw materials.

4.6 Sales and Distribution

Substantially all of AGT's products are sold directly to importers, canners, packaging companies, wholesalers and distributors located around the world. AGT's customers are diversified and generally no one customer accounts for a significant level of purchases from AGT. Sales are made directly to customers and, where appropriate, pulse brokers (usually located in the country of destination) are used to assist in managing the execution of export sales contracts.

As a direct exporter, AGT purchases its product and undertakes to export such products to other countries. Thus, AGT bears the risks involved with the export of goods to foreign countries. AGT employs a risk management program and uses currency hedging and trade finance instruments for risk management.

AGT arranges substantially all export sales so that the buyer takes title to the goods only after AGT has received payment confirmation. This may be done by prepayment in full before shipment, by taking an advance payment of up to 50% with the balance paid against delivery of the title documents, or by a letter of credit drawn on a Canadian bank, in the case of Alliance, or an international bank, in the case of the Arbel Group. In the event that product is shipped but the buyer refuses to take delivery, AGT is generally free to keep any deposit and sell the product to another buyer. AGT's customer contacts and diversified markets allow it to have a "ready" market to deal with any resales, repudiations and similar problems. However, due to the presence of secure payment methods and advance payments, client repudiation is unusual. For domestic sales in Turkey, credit terms are granted to established clients and are backed by post-dated cheques to legally bind the company and as security for the collection of the account. Open account sales are undertaken to a selective group of international clients where, in most cases, 90% of the risk is covered by EDC credit insurance.

More than 90% of AGT's sales are made through "spot" contracts for shipment within three months of contracting. In select cases, sales are made through long-term commitments for shipment up to one year in the future. Long-term contracts are uncommon because the market price of pulses, durum wheat and specialty crops constantly fluctuates and parties are reluctant to lock in a price too far in advance.

Where AGT is required to arrange for shipping, it enjoys several advantages. All Alliance plants in Canada and the U.S. are located within 90 km of container yards and nine of its twelve plants are accessible to rail with Canadian Pacific Railways, Canadian National Railways and Burlington Northern Santa Fe Railways. Alliance also owns two container storage sites, one in each of Saskatoon and Regina, and operates its own container lifts, trucks and container chassis for distribution of ocean containers to its factories. In the U.S., in 2011, AGT acquired a new facility in Minot, North Dakota that is directly adjacent to the Port of North Dakota intermodal transportation hub, which transports westbound agricultural commodities on Burlington Northern Santa Fe's dedicated rail line. Plants are situated on the major highways and all-weather roads, which offers an advantage over smaller competitors that may be located off secondary or grid roads. Increasingly, AGT's method of shipping the finished product is by intermodal service, where containers are loaded at the plant and taken by trailer to the railway for shipping by rail cars. AGT also has agreements with transloading/logistics facilities in Montreal, Vancouver, Seattle, Tacoma, Mobile, Houston, Norfolk, Adelaide, Sydney and Melbourne to facilitate the final containerization or handling of loaded containers of its products for export.

The Arbel Group plants are located within eight kilometres of the main container seaport in Mersin, one of the eastern Mediterranean's main agri-product seaports. From this port, the Arbel Group enjoys a significant freight advantage, as the transit time from Mersin to other nearby markets is less than one week compared to, for example, approximately five weeks when shipping from Canada and six weeks when shipping from Australia. The Arbel Group plants also enjoy the benefit of access to major highways and all-weather roads around Mersin, which offers an advantage over smaller competitors which may be located off secondary roads. Rail is not a reliable or cost effective alternative in Turkey.

AGT runs its own in-house freight and logistics management team and has a team of specialists in export documentation and logistics in its trading offices in Canada, Australia, Turkey, South Africa and Europe. AGT also uses third party logistics providers for a portion of its transport needs.

AGT has direct steamship line relationships and Alliance and the Arbel Group are among the largest agri-products container shippers in Canada and Turkey respectively. Goods are generally shipped cost and freight destination ("**CFR**") with AGT taking all responsibility for delivering the products to the export destination. Steamship line agreements are for fixed rates for three to six month windows for export destinations to allow the costs of freight to be borne by the buyer of the cargo. AGT also uses cargo insurance for all sales made on the cost, insurance and freight incoterm (an incoterm is a standardized international trade term defined by the International Chamber of Commerce) and uses contingent cargo insurance to insure the cargo in case the buyer has not taken out the appropriate insurance as per AGT's export contract.

4.7 Competitive Conditions

There are many processing plants located throughout the pulse-growing regions of Canada, the U.S., Turkey, Australia, China and South Africa. AGT has competitors located throughout Canada, the U.S., Turkey, Australia, China and South Africa and elsewhere in the world, in each of their product segments. Most of AGT's competitors are smaller regional players who tend to handle a multitude of specialty crops with one or two products as their primary product. In lentils, in Canada there are a number of companies that are active, such as Legumex Walker, Simpson Seeds, Prairie Pulse and JK International. A number of small trading houses and large grain handling companies such as Viterra Inc. and James Richardson International are also in the market for bulk quantity shipments through terminal elevators. In pulses, in Turkey there are also number of family-owned companies such as Tiryaki Agro Foods Co., DMN Company, Goze Tarim Urunleri Pazarlama Sanayi ve Ticaret, A.Ş. and Memisler Group. In the pasta market, other established brand competitors include Ankara Makarna, Filiz and Selva and Barilla, the largest pasta company in the world.

In addition to smaller local competition throughout Canada, the U.S., Turkey, Australia, China and South Africa, there is also international competition. In Australia, JK Milling, Cargill, Glencore and Viterra Inc. are large bulk shippers of pulses predominantly focused on peas, desi chickpeas and faba beans. True global scale agri-businesses involved in value-added pulse and grain operations include Viterra Inc. (the largest bulk shipper of peas in North America), Cargill Incorporated (through AWB Limited) and Archer Daniels Midland (beans) in the U.S. There are also local splitting plants in Sri Lanka, India, Turkey, U.A.E. and Egypt that compete with AGT to a lesser extent. There is no fully integrated value-added processor in all the product segments in which AGT operates.

Competitiveness within the industry hinges on the ability to economically source, process and deliver product to the marketplace. This has been AGT's competitive strength with its multi-plant processing and multi-origin import strategy and large volume program. AGT has captured economies of scale in respect of its processing and freight operations that result in significant competitive advantages. AGT's global network, client base and product mix of split and value-added lentils, peas, chickpeas, beans, pasta and bulgur put AGT in a position of strength among its global competitors.

After successive years of unexpected drought conditions and other weather events in most production origins, the 2011 crop year is reported to reflect a normalization of global growing conditions and production. Decreases in production in Turkey and India have created an increased opportunity to export lentils. However, short-term demand deflation and lower export volumes due to global economic uncertainty and credit liquidity issues of local importers have resulted in a change in the buying patterns of local importers. Importers are buying only immediate requirements and export and import data is reflecting imports as down in almost all regions. This data supports Management's view that stock levels in consumption markets are being drawn down and will have to be replenished in coming periods.

Demand for lentils and other pulses and staple foods are relatively inelastic in key consumption markets. With the view that lower import volumes are a short-term phenomenon, Management believes Turkish and Indian subcontinent demand is essential to move a larger global crop. Decreases in domestic production in Turkey and India could provide opportunities to supply volumes needed for imports to Turkey and Indian subcontinent markets through the 2012 period. Positive demand fundamentals are expected to allow AGT to drive its efforts to better utilize its global capacity to execute its global sales plans. Extra demand and the absence of regional competition in the Indian subcontinent, with a continued governmental ban on Indian origin exports, is expected to allow AGT to benefit from an opportunity to ship more product to this region at anticipated positive margins. Turkey has historically been viewed as a supply origin for markets in the Middle East and North African regions to supply pulses and staple foods. The Arbel Group facilities, warehousing and distribution, as well as AGT's increased presence in Australia, are expected to significantly assist AGT's penetration of this regional market and continued supplies to the Indian subcontinent markets.

The 2011 crop year produced ample supply from Canada, the U.S. and Australia with a return to normal quality product. While reported export volumes from these origins are not as robust as traditionally seen in these shipment periods, Management remains optimistic that export volumes from the ample supply available based on import demand will come back into relative balance in the second half of 2012.

The Australian harvest in December 2011 continued the trend of good growing conditions and ample production. Australia is expected to continue being a strong production origin in the coming periods. Management is optimistic about the potential for its Australian business units in Victoria and its expanded South Australian facilities, as well as the new acquisition in New South Wales. With opportunities around storage, blending, colour sorting and sizing, AGT's Victoria business at Horsham is fully equipped with a splitting and value-added processing capacity, allowing it to process off-grade lentils and faba beans for the high quality demands in the Middle East and Indian subcontinent markets. The acquisitions and expansions at the grain handling facilities in Bowmans and Kadina in South Australia and the addition of a processing plant provide opportunities with regard to storage and containerized shipments to these markets as well. Owned and leased dedicated pulses storage with multiple segregations in Australia is in excess of 100,000 mt, giving AGT a significant competitive advantage over most of its global competitors. AGT's new acquisition in Narrabri, New South Wales is commissioned for processing and is expected by Management to provide opportunities for exports of desi and kabuli chickpeas, faba beans, mung beans and lupins principally to North Africa, the Middle East and Indian subcontinent markets in 2012 with ample good quality lentils and other pulse crop supplies. Container rail service to Adelaide and Sydney from AGT's facilities and container shipments from Victoria via Melbourne are expected to bolster export opportunities for these products to nearby consumption markets, further expanding AGT's global chickpea and bean platforms.

AGT is well positioned to capitalize on the opportunities that are expected to arise in the 2012 export year. The forecast for stocks from North America and Australia is high, which leads Management to be optimistic about the prospects for AGT's sales. Global economic uncertainty and issues surrounding importer credit liquidity continue to be closely monitored by Management. AGT facilities are equipped with the ability to upgrade and add value to products with a high degree of quality variance, thereby extracting additional margin and sales opportunities through colour sorting, blending and splitting. With the acquisitions in Turkey, the U.S., Australia, China and South Africa, AGT has significantly expanded its global reach, client base and product mix.

The continued inelastic demand for pulse crops from the Turkish domestic market and the markets in North Africa, the Indian subcontinent, the Middle East and Latin America supports Management's belief that AGT is well-positioned to return to or expand upon revenue and earnings levels through 2012. Increased usage of the capacity of existing Canadian and Turkish assets is expected to boost the tonnage of product shipped and allow AGT to capitalize on crop stocks. AGT offers a full range of split and value-added lentils, peas and chickpeas, which, coupled with its new products, including beans, pasta, bulgur wheat, semolina and rice, puts AGT in a position of strength among its competitors globally.

The Arbel Group operates from Turkey, a country well-situated within proximity to major pulse, pasta and rice consuming regions. Through the Arbel Group, Management is optimistic about its ability to continue to develop sales opportunities in its three core platforms for growth: pulses, durum wheat milling, and other products (e.g. rice, sunflower seeds). Management is pleased with the integration of Alliance and the Arbel Group. Recent political changes in Egypt, Libya and the continued changes in regional markets such as Iraq and Sudan create an opportunity for Turkey to solidify its position as a main foodstuffs and financial center for the regional distribution of staple foods. Governmental policies encouraging food imports to stabilize availability and calm food inflation will continue, in Management's estimates, to create supply opportunities for AGT's asset bases in Turkey, Canada and Australia into governmental tenders, international aid agency programs and private importers programs for food supply and distribution.

Economic slowdown and political unrest in many key pulse and staple food consuming markets in the world have the potential of positively affecting consumption of pulse crops, pasta and rice because consumption is rising in developing nations as consumers switch back to traditional lower cost vegetable proteins and starches. Additionally, Management believes that governments in the region are expected to buy food through tenders, ease tariffs and import regulations to facilitate the importation and stabilization of local foods supplies, thereby easing food inflation. These conditions are seen by many as a significant contributor to civil unrest in the region. It should be noted that this type of unrest is not projected to affect AGT business in the region. Demand for pulse crops, lentils, peas, chickpeas and beans, the staple protein consumed by hundreds of millions of consumers daily in all corners of the globe, remains high. While global economic uncertainty may positively affect consumption patterns, it may also cause credit liquidity constraints for importers resulting in temporary demand stagnation which is anticipated to ease and return to normalized demand conditions in the second half of 2012.

4.8 Seasonality

All of Alliance's supply of raw materials come from suppliers in Saskatchewan, Alberta, Manitoba, Montana, North Dakota, China, South Africa and Australia, where crops are harvested once a year. The Arbel Group's supply of raw materials comes primarily from Turkey with some supply from various other parts of the world. The crops are harvested once a year, with the Turkish harvest usually falling in June. The export of pulses from Turkey occurs year around, but the most intensive period is from August to December.

While sales and purchases are fairly evenly spread out during AGT's fiscal year, they do tend to be slightly higher in the last half of the fiscal year (July 1 to December 31), which is the period of peak demand. This seasonal effect is mitigated by AGT's increasing shift to branded products (whose longer shelf life makes them more resistant to seasonal pressures), a more diversified product mix, and, in Turkey, its strategy of diversifying its sources of product worldwide. Alliance regularly ships product to Turkey for processing to augment available crop supplies and allow Arbel to satisfy its market opportunities. With geographic diversity of markets (AGT exports to over 100 countries actively), seasonality is not a significant concern under normal crop conditions. In 2010, weather events in Canada affected the timing of the harvest, which led to an aberration in available supplies as Canadian supplies were depleted to historically low levels. These conditions hindered AGT's ability to deliver its business plan in 2010 and 2011 but Management does not believe they will have a lasting effect on future year's seasonality.

With the advancement of Ramadan by 10 days every year, purchasing demand in the Islamic world has shifted from the fall to the summer months, as purchasers arrange for shipments to be received before the fasting month begins. This shift in exports is expected to assist AGT in its efforts to achieve more consistent revenues and profits each quarter. This effect is further complemented by the opposite seasonal demand of the South American markets (whose peak winter demand is in February to July) and the Mediterranean/Indian subcontinent/Middle East (whose peak demand is in July to January). New product segments, such as beans, chickpeas, pasta and rice, do not follow the seasonal consumption patterns of traditional pulses. Diversification of AGT's product lines and markets in these new revenue segments will also smooth the seasonality of its business.

Management is optimistic about its ability to develop sales opportunities in its four core platforms for growth: pulses, pasta and durum wheat milling, rice and other products (e.g. popcorn, sunflower seeds). Specifically, these offerings include split and value-added lentils, peas and chickpeas and newer offerings of beans, pasta, bulgur wheat, semolina and rice, as well as a planned pulses ingredient business including flour, protein, starch and fibre. Management's view is that the diversified operating divisions in many pulse and staple food producing origin provides a position of strength vis-à-vis AGT's competitors both regionally and globally.

The steady demand for pulses and staple foods in virtually all end-use markets sees buyers following a cycle to fill the relatively inelastic demand for pulses and staple foods with supply of new crops in Canada (September harvest), as well as in Australia (December harvest), India (March harvest) and Turkey (June harvest). Management believes that demand through traditional shipping periods will provide AGT with opportunities to supply from all of its origins during the 2012 crop year. The estimates of lower Turkish and Indian production levels are expected to translate to higher import levels of pulses to these regions as credit liquidity concerns are alleviated.

Importers and international buyers must complete buying decisions as stocks are available, bringing them into the markets to satisfy consumer demands for pulse products, staple foods and protein. The replenishment of local consumption market stocks, depleted throughout the slower buying of 2010 and 2011 in many markets, is expected to commence in second half of 2012.

Non-traditional pulse consumption in North America, coupled with new lines of North American business including a focus on chickpeas and beans and pulses flours, proteins, starches and fibres, is expected to create further opportunities for the processing business from Canadian and U.S. origins. The completed acquisition of Poortmans, including its U.K., Dutch and Spanish sales offices and Chinese bean processing assets, is expected to assist AGT in its growth strategy in Europe for its global bean and chickpea platforms. Continued growth in pasta and rice and the addition of more capacity for production in these business lines in Turkey, along with an active sourcing program in Russia, Ukraine and Central Asia and processing infrastructure growth in Australia and the U.S., is expected to assist AGT in boosting its global capacity utilization, resulting in potential for smoothing the seasonality of its business and reducing its revenue concentration on its Canadian asset base.

Management reiterates that the key components to long-term value creation in AGT's business are intact and that it will continue down the path of building a truly global and profitable origination, processing and distribution business for staple foods and ingredients: lentils, chickpeas, peas, beans, faba beans, pasta, medium grain rice, bulgur and semolina.

4.9 Regulations

The CGC is the public monopoly marketing board for grains in Canada. Although the CGC does not market pulses, it does regulate some aspects of the pulse business. A Grain Dealer's Licence from the CGC is required to purchase pulse crops, including lentils, directly from producers. Licence holders are subject to rigorous bonding requirements of at least $150,000 and spot audits. Alliance is a fully licensed and bonded primary elevator, and is currently in good standing. As required by CGC rules, Alliance has posted a performance bond of $10 million with the CGC. The licence enables Alliance to negotiate purchase terms directly with producers and thus obtain, or offer, better terms. Alliance is also bonded with the North Dakota and Montana state governments as a requirement of its operations there. There are no licensing requirements in Turkey or Australia.

No export licence is required to export lentils from Canada, Turkey, the U.S. or Australia. There are no other material regulatory considerations specific to the export of pulses and specialty crops.

Rules governing tariffs and quotas apply to pasta in the E.U. and the U.S. These measures are largely aimed at the protection of domestic production industries. AGT is aware of these regulations and although it sells in compliance with such rules, as applicable, AGT concentrates sales in the rest of the world where these types of trade barriers do not exist.

4.10 Employees

As at December 31, 2011, AGT and its subsidiaries had approximately 720 full time permanent employees worldwide.

4.11 Intangible Property

AGT believes that its trademarks are important to its competitive position. Alliance owns a number of registered and unregistered trademarks in Canada, including: "Alliance", "Alliance Pulse

Processors", "United Pulse Trading", "Saskcan", "Agtech", "Saskcan Pulse Trading and design", and "Saskcan Disc design". Alliance has also registered "Alliance" as a trademark with the U.S. Patent and Trademark Office ("**USPTO**"). Registrations for these trademarks have been completed or are in process in a number of AGT's other key sales and operational markets.

Alliance has also been awarded the worldwide commercialization rights until 2018 for three new varieties of pulse developed at the University of Saskatchewan by the Saskatchewan Pulse Growers, an industry organization representing over 18,000 pulse crop growers in Saskatchewan. These include the King Red lentil variety (a bold red lentil grown in Western Canada), the Queen Green Lentil (a green cotyledon lentil) and large Food Type Faba Bean. Alliance has registered the trademarks "King Red" and "Queen Green" with the Canadian Intellectual Property Office ("**CIPO**") and the USPTO. Alliance also signed an agreement in March 2009 with Terramax Grains of Saskatchewan to develop two proprietary varieties of Navy Beans: the Skyline (a 92 days maturing Navy Bean for Saskatchewan) and the Octane (a variety for Manitoba and North Dakota), as well as the B-90 chickpea. All of these programs are under commercialization and 2011 production of the aforementioned varieties is underway.

In Turkey, the Arbel Group has registered a number of trademarks that it uses in its business, including "Arbel" and "Arbella". All such trademarks are owned through Arbel. In addition, the Arbel Group has registered the "Arbella" trademark with the World Intellectual Property Office, the Canadian Intellectual Property Office, the United States Patent and Trademark Office, the Japan Patent Office, the Korean Intellectual Property Office, and the Intellectual Property Office of Singapore. Arbel has also registered the "Arbella" and "Arbella Family" trademarks with the CIPO.

Durum has a licence from Warner Bros. Entertainment, Inc. to use the "Looney Tunes", "DC Justice League Comics" and "DC Justice League Animation" copyrights and trademarks in connection with its branded children's pasta products in Turkey and Northern Cyprus. The current licence will expire at the end of 2012.

AGT's intangible assets are an important part of its business. AGT has attached an intangible asset value to the Arbella Brand and client relationships that were acquired at Arbel and Poortmans. AGT benefits from the goodwill established for its brand names and protects it proprietary information, including its trademarks, through trademark laws, contractual provisions and confidentiality procedures.

4.12 Risk Factors

AGT is a buyer, processor and exporter of a range of pulses and special crops, and is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. Certain material risks specific to AGT's business and its industry are summarized below. Additional risks and uncertainties not currently known to AGT, or that are currently not considered material, may also impair AGT's operations. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of AGT could be materially adversely affected.

Operating Requirements

AGT's revenues are dependent on the continued operation of its processing facilities. The operation of its processing facilities involves certain risks, including the failure or substandard performance of equipment, natural disasters including earthquakes (the Arbel Group's facilities are located in Turkey, a region that has experienced earthquakes in the past), workplace accidents, 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, AGT is exposed to workplace health and safety and workers' compensation claims and the equivalents in the U.S., Australia, Turkey and other countries of operation. There can be no assurance as to the actual amount of these liabilities or the timing of them. The occurrence of material operational problems including, but not limited to, the above events may have a material adverse effect on the business, financial condition and results of operations of AGT.

The success of AGT's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of AGT to hire or retain staff at competitive wage levels, which could have an adverse effect on AGT's business, financial condition and results of operations.

No AGT facilities are currently unionized. However, there is no assurance that some or all of the employees of AGT will not unionize in the future. If successful, such an occurrence could substantially alter the employment terms of AGT's employees and increase labour costs and thereby have an adverse effect on AGT's business, financial condition and results of operations.

Volume Risk

Weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the harvest of the crops processed and sold by AGT. Significant increases or decreases in the total harvest will impact AGT's sales and the gross profits realized on sales of its product and, consequently, the results of its operations. A good harvest usually results in lower prices for product (due to high supply relative to demand), but higher volume of sales. A poor harvest usually results in higher prices for product (due to low supply relative to demand) but lower volume of sales. The use of splitting and colour sorting equipment assists AGT in its efforts to extract the maximum highest-priced product from the available crop in poor harvest years where the crop is amenable to the use of such equipment (e.g. lentils). AGT also achieves some risk mitigation by having its plants spread out geographically in North America and Turkey and by sourcing product for Australia from local production in Australia. High degrees of quality variance can also affect processing velocity and capacity utilization, as the processes required to potentially upgrade lower or more variable quality product can slow overall processing times. There can be no assurance that such factors would fully offset a significant decrease in volume and quality caused by a poor harvest, or the decrease in price caused by a glut in production. Such factors could therefore have a material adverse effect on the business, financial condition and results of operations of AGT.

Transportation and Transloading

AGT is dependent on third parties and container availability for the transportation of its products. In Canada, Australia and China, a large proportion of AGT's products are transported by rail and a portion of AGT's products are also transported by road. In Turkey, AGT's products are transported exclusively by road. As the majority of AGT's products are exported, AGT also relies on shipping companies and vessel space. All exported products also pass through third party transloading facilities to facilitate their final containerization for export. Strikes, work stoppages, labour disputes, failure or substandard performance of equipment, or other interruptions to the rail or road networks, haulage companies, transloading facilities or shipping companies used by AGT, and limited container availability, may have a material adverse effect on the business, financial condition and results of operations of AGT.

Logistics are expected to be a major consideration in 2012, as AGT anticipates it will be challenging to obtain container availability and vessel space to move the expected 2011-2012 crops from North America and Australia. As container availability is driven by global trade flows and imports, slowdowns in the economy in the U.S. and Europe and import imbalances in South Australia have left container supplies tight. Although AGT mitigates this risk by being a leader in containerized agri-shipments, maintaining direct relationships with international steamship lines and its key regional seaport presence with facilities located eight kilometres from the Port of Mersin, Turkey, there can be no assurance that AGT will be able to obtain sufficient container availability and vessel space to meet its needs, which may have a material adverse effect on the business, financial condition and results of operations of AGT.

Distribution and Supply Contracts

AGT typically does not enter into written long-term agreements with its clients, distributors or suppliers. As a result, such parties may, without notice or penalty, terminate their relationship with AGT at any time. In addition, even if such parties should decide to continue their relationship with AGT, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis. All spot contracts with growers or sales contracts with clients are backed by formal written legal contracts that AGT would seek to enforce through local courts, international or local trade and arbitration rules (Grain and Feed Trade Association, Canadian Special Crops Association, U.S. Peas and Lentil Trade Association). If one or more of AGT's key clients, distributors or suppliers terminates or otherwise alters the terms of its relationship with AGT and/or if a number of smaller clients, distributors or suppliers concurrently were to terminate or otherwise alter the terms of their relationship with AGT, that could have a material adverse effect on the business, financial condition and results of operations of AGT.

Customer Retention and Competitive Environment

AGT experiences competition in the markets in which it operates. Certain of AGT's competitors may have greater financial and capital resources than AGT. AGT could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus, or increase their existing focus, on AGT's primary markets and product lines. There is also a risk that a larger, more formidable competitor may be created through a combination of several smaller competitors. Competition within the pulse and special processing industry is based primarily on service and price. If AGT is unable to compete effectively in these areas, it may lose existing customers or fail to acquire new customers, which could have a material adverse effect on the business, financial condition and results of operations of AGT.

Foreign Operations

AGT's foreign operations may be subject to the risks normally associated with the conduct of business in certain foreign countries, including uncertain political and economic environments; strong governmental control and regulation; lack of an independent judiciary; war, terrorism and civil disturbances; crime; corruption; changes in laws, regulations or policies of a particular country, including those related to imports, exports, duties and currency; cancellation or renegotiation of contracts; tax increases or other claims by government entities, including retroactive claims; the risk of expropriation and nationalization; delays in obtaining or the inability to obtain or maintain necessary permits; currency fluctuations; high inflation; restrictions on the ability to hold U.S. dollars or other foreign currencies in offshore bank accounts; import and export regulations; limitations on the repatriation of earnings; and increased financing costs. The occurrence of one or more of these risks may have a material adverse effect on AGT's financial results, business prospects and financial condition.

Integration of Acquisitions

The continued integration of acquisitions may result in significant challenges, and Management may be unable to accomplish the continued integration smoothly or without spending significant amounts of money. There can be no assurance that Management will be able to integrate the operations of each of the acquired businesses successfully. Any inability of Management to successfully integrate the operations of AGT, including, but not limited to, information technology and financial reporting systems could have a material adverse effect on the business, financial condition and results of operations of AGT.

Realization of Benefits from Acquisitions

There is a risk that some or all of the expected benefits of acquisitions may fail to materialize or may not occur within the time periods anticipated by Management. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of AGT. The failure to realize some or all of the expected benefits of such acquisitions could have a material adverse effect on the business, financial condition and results of operations of AGT.

Acquisition and Expansion Risk

AGT's growth strategy will depend, in part, on it acquiring other pulse and grain processors, pasta producers, or related businesses, which it may be unable to do profitably or at all. The success of this acquisition strategy will depend, in part, on its ability to:

- identify suitable businesses to acquire;
- negotiate the purchase of those businesses on terms acceptable to it;
- complete the acquisitions within the expected time frame;
- improve the results of operations of the businesses that it acquires and successfully integrate their operations into its own; and
- avoid or overcome any concerns expressed by regulators, including anti-trust or competition law concerns.

AGT may fail to properly complete any or all of these steps. AGT may not be able to identify appropriate acquisition candidates, acquire those candidates that it identifies, obtain necessary permits or integrate acquired businesses effectively or profitably, and it may experience other impediments to its acquisition strategy. Moreover, increased competition may reduce the number of acquisition targets available to AGT and may lead to unfavourable terms as part of any acquisition, including high purchase prices. If acquisition candidates are unavailable or too costly, AGT may need to change its business strategy.

AGT's integration plan for acquisitions will depend on certain cost savings. Unforeseen factors may offset the estimated cost savings or other components of its integration plan in whole or in part and, as a result, it may not realize any cost savings or other benefits from future acquisitions. Furthermore, any difficulties AGT encounters in the integration process could interfere with its operations and reduce its operating margins. Even if AGT is able to make acquisitions on advantageous terms and is able to integrate them successfully into its operations and organization, some acquisitions may not be advantageous due to factors that AGT cannot control, such as market position or customer base. As a result, operating margins could be less than AGT originally anticipated when it made such acquisitions. AGT may change its strategy with respect to such businesses, or a particular market, and decide to sell the operations at a loss, or keep the operations and recognize an impairment of goodwill and/or intangible assets.

AGT also cannot be certain that it will have enough capital or be able to raise enough capital by issuing equity or debt securities or through other financing methods on reasonable terms, if at all, to complete the purchases of the businesses that it wants to acquire. Acquisitions may increase its capital requirements. AGT's acquisitions will also involve the potential risk that it will fail to assess accurately all of the pre-existing liabilities of the operations acquired, including environmental liabilities.

If AGT is unsuccessful in implementing its acquisition strategy for the reasons discussed above or otherwise, its business, financial condition and results of operations could be materially adversely affected.

Reliance on Key Personnel

AGT's operations are dependent on the abilities, experience and efforts of its senior management. Should any of these persons be unable or unwilling to continue providing services to AGT, the business prospects of AGT could be materially adversely affected as operating results could suffer. The future success of AGT will depend on, among other things, its ability to keep the services of its executives and to hire other highly qualified employees at all levels. AGT will compete with other potential employers for employees and may not be successful in hiring and keeping the services of executives and other employees that it needs. The loss of the services of, or AGT's inability to hire, executives or key employees could have a material adverse effect on AGT's growth, business, financial condition and results of operations.

Localized Decision Making

Following the completion of the Arbel Acquisition, the Arbel Group continued its current business under its management and business practices, subject to the same overview by AGT's board of directors (the "**Board**") to which management of Alliance is subject. The same approach was taken following the acquisition of Poortmans and Advance Seed. This approach allows a significant amount of management and decision-making to be made on a localized basis. AGT's localized decision-making structure could allow local managers to make decisions that adversely affect its business, financial condition and operating results. Local managers have the authority to make many decisions concerning their operations without obtaining prior approval from centralized senior management, subject to compliance with general corporation-wide policies. Poor decisions by local managers could result in a loss of customers or increases in costs, in either case having a materially adverse effect on the business, financial condition and results of operations of AGT.

Potential Undisclosed Liabilities

In connection with AGT's acquisitions, there may be liabilities that AGT failed to discover or was unable to quantify in the due diligence which it conducted prior to the closing of such acquisitions. The discovery or quantification of any material liabilities could have a material adverse effect on the business, financial condition or future prospects of AGT.

Uninsured and Underinsured Losses

AGT maintains property, equipment, business interruption and liabilities insurance coverage and uses the services of AON International and local insurance brokers in Canada, the U.S., Turkey, Australia, China and South Africa to continuously review the adequacy of its coverage and the pricing of insurance. AGT uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim, which could have a material adverse effect on the business, financial condition and results of operations of AGT.

Global Financial Crisis and General Economic Conditions

Market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009 through 2011, causing a further loss of confidence in the broader U.S. and global credit and financial markets. The collapse of, and government intervention in, major banks, financial institutions and insurers and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Such conditions may continue in 2012.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over supply and demand due to the current state of economies globally, the actions of the Organization of Petroleum Exporting Countries and the ongoing global credit and liquidity concerns.

Worsening economic conditions could have a direct material adverse effect on the business, financial condition and results of operations of AGT, and may have an adverse effect on AGT’s business indirectly, through pressure on the liquidity of AGT’s business partners and the intermediaries necessary to bring product to market.

Wholesale Price Volatility

The pulse, grain 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 crops caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and global demand), taxes, government programs and policies for the farming and transportation industries (including price controls), and other market conditions, all of which are factors beyond AGT’s control. The world market for pulses and special crops is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

In the event of a sudden and sharp increase in the wholesale price of pulses, grains and special crops, in order to stay competitive, AGT may not be able to pass this price increase through to its customers, which could have a material adverse effect on the business, financial condition and results of operations of AGT.

A portion of AGT's crop purchases are made through production contracts, which fix a price at which AGT may purchase lentils from a producer over the course of the selling season. In addition, a portion of AGT's crop purchases are made directly from local farmers, and crops are delivered at the time of purchase to be held in inventory. Should events occur after the price is fixed or after the date of purchase that increase the cost of production or the ability of AGT to sell the processed products at expected levels, the margins realized by AGT on such products could be lower than expected. If, after AGT purchases crops, their sale price falls below the price at which AGT purchased them, AGT could realize a lower than expected margin on sales, or even have unprofitable sales.

Capital Markets

As a result of the weakened global economic situation, AGT may have restricted access to capital and increased borrowing costs as the lending capacity of all financial institutions has diminished. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, AGT is dependent on, among other factors, the overall state of the capital markets and investor demand for investments in the commodities industry and in particular in AGT's securities. If AGT has difficulty obtaining, or is unable to obtain, access to the capital markets it could have a material adverse effect on its business, financial condition and results of operations.

Leverage and Capital Requirements

The degree to which AGT is leveraged could impact AGT's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future. Moreover, a significant portion of AGT's cash flow from operations may be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing funds available for future operations. Additionally, certain of AGT's borrowings are subject to variable rates of interest, which will expose AGT to the risk of increased interest rates. As a result, AGT may be more vulnerable to economic downturns and may be limited in its ability to withstand competitor pressures, which could have a material adverse effect on its business, financial condition and results of operations.

The ability of AGT to remain competitive, sustain its growth and expand its operations will require large amounts of cash. AGT expects to obtain this cash from its operating cash flow, public offerings and borrowings under available credit facilities. However, AGT may require additional equity or debt financing to fund its growth and debt repayment obligations. If AGT undertakes acquisitions or expands its operations, its capital expenditures may increase. The increase in expenditures may reduce AGT's working capital and require it to finance working capital deficits. AGT's cash needs will increase if its capital expenditures increase above its current reserves taken for these costs. These factors, together with those discussed above, could substantially increase AGT's operating costs and therefore impair its ability to invest in existing or new facilities, which could have a material adverse effect on the business, financial condition and results of operations of AGT.

Financing Risks and Credit Facilities

AGT may in the future need to refinance its credit facilities or other debt and there can be no assurance that AGT will be able to do so or be able to do so on terms as favourable as those presently in place. If AGT is unable to refinance credit facilities or other debt, or is only able to refinance on less favourable and/or more restrictive terms, this may have a material adverse effect on AGT's financial position. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt.

While Management currently expects that the cash flow from AGT's operations and funds available to it under its credit facilities will be adequate to finance AGT's operations and business strategy and maintain an adequate level of liquidity, expected revenue and the costs of planned capital expenditures are only estimates. Actual cash flows from operations are dependent on regulatory, market and other conditions that are beyond the control of AGT. As such, no assurance can be given that Management's expectations as to future performance will be realized.

Payments under AGT's credit facilities with the Bank of Nova Scotia, FCC and RBS and the security granted in respect of the same have priority over all other payments payable and security granted by AGT. AGT has banking relationships in a number of global markets in which current credit facilities are maintained. There can be no assurance that credit will continue to be available from capital providers in the future.

In addition, as a large proportion of AGT's credit facilities have floating interest rates, if there is a significant increase in interest rates, it will have a material adverse effect on AGT's business, financial condition and results of operations.

Liquidity Risk

Liquidity risk results from the requirement of AGT to make cash payments against certain indebtedness over the course of upcoming years. AGT currently has in place certain outstanding credit facilities and loans, with a range of maturity dates and interest rates. While Management expects that future operational cash flows and assets will be sufficient to fund these obligations, deteriorating market conditions, volatility in commodity prices and other financial and operational risks referred to in this "*Risk Factors*" section could adversely impact AGT's ability to do so, including causing AGT to default on certain of its obligations. AGT's failure to service its obligations would have a material adverse effect on the business, financial condition and results of operations of AGT.

Reduced Dividend Payment

The payment of any future dividends is at the discretion of the Board after taking into account many factors, including AGT's operating results, financial condition and current and anticipated cash needs. Deteriorating economic and market conditions, as well as other financial and operational risks referred to in this "*Risk Factors*" section, could adversely impact AGT to such an extent that the Board determines to reduce the payment of future dividends in order for AGT to retain earnings and other cash resources for the operation and development of its business.

International Agricultural Trade Risks

International agricultural trade is affected by high levels of domestic production and global export subsidies, especially by the U.S. and the E.U. Such subsidies interfere with normal market demand and supply forces and generally put downward pressure on commodity prices. Tariffs and subsidies restricting access to foreign markets may prevent the expansion of the agri-food processing industry. While not the most significant sector overall for World Trade Organization members, the Agricultural sector is likely the most politicized. The political influence of the farm sector in both the E.U. and the U.S. is very significant and agricultural negotiations are driven as much by political needs as they are by economics. Developing nations typically have small manufacturing bases and their agricultural sectors are critical to their economies. Political interference or tariffs imposed by certain foreign governments on AGT or it products could have a material adverse effect on the business, financial condition and results of operations of AGT.

Foreign Exchange Exposure

While most of Alliance's costs are incurred in the local currency of operation of the country, most of its revenues are earned in U.S. dollars ("**USD**"). As a result, Alliance is exposed to currency exchange rate risks. A change in the currency exchange rate may effectively reduce the local currency amounts received by Alliance. 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 USD. Net sales proceeds, net of matched USD costs, are hedged from USD into local currency at the time of sale to mitigate currency risks. Nonetheless, there can be no assurance that currency fluctuations will not have a material adverse effect on AGT. Local currency positions in Turkish lira, Canadian dollar, Chinese RMB, South African rand, Euro or Pounds Sterling may be partially managed through local currency denominated borrowings. Significant portions of the Arbel Group's net borrowings are denominated in U.S. dollars, effectively creating a net short position to the U.S. dollar. On a Turkish lira reporting basis, this exposure could result in a material adverse effect on the Arbel Group's financial results should the U.S. dollar appreciate against the Turkish lira.

For the purposes of financial reporting by AGT, any change in the value of the Canadian dollar, Australian dollar, South African rand, euro, British pound, Chinese RMB or the Turkish lira against the U.S. dollar during a given financial reporting period would result in a foreign exchange loss or gain on the translation of any U.S. cash and cash equivalents. AGT's exposure to foreign exchange losses could have a material adverse effect on its business, financial condition and results of operations.

Counterparty and Export Risk

AGT is exposed to credit risk through its counterparties in the event of non-performance. AGT monitors the credit ratings of its counterparties on an ongoing basis. Trade receivables comprise a significant amount of AGT's outstanding accounts receivable. As a result, the business is exposed to the credit risk associated with certain of its customers. AGT manages its exposure to potential credit risk in respect of trade receivable contracts through analysis of outstanding positions, payment and loss history and ongoing credit reviews of all significant contracts. The absence of significant financial concentration of such receivables limits AGT's exposure to credit risk. However, negative credit experience with AGT's counterparties or customers could have a material adverse effect on AGT's financial results, business prospects and financial condition.

AGT seeks to mitigate its exposure to counterparty credit risks from emerging markets through EDC's credit insurance program. AGT currently manages 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 EDC. Nonetheless, there is a risk that goods may be lost in transit before a foreign buyer can take delivery and before they are paid for in full (for which reason AGT maintains a contingent cargo insurance policy), or that a foreign buyer may refuse delivery of the product after it has been shipped but before it has been paid for in full (for which reason AGT maintains an insurance policy with EDC, which covers 90% of the losses attributed to repudiation risks), which could lead to residual costs to AGT affecting its profitability. AGT's exposure to counterparty credit risk could have a material adverse effect on its business, financial condition and results of operations.

Geographic and Political Exposure

AGT's end customers are primarily located in the Middle East, Northern Africa, Europe, Russia and Central Asia. Many of AGT's customers are located in jurisdictions which may not adopt business and legal practices that are customary in Canada. Exposure to diverse political entities may increase the risk of doing business, including having a material adverse effect on the business, financial condition and results of operations of AGT.

Additionally, AGT has processing and production facilities in Turkey, China and South Africa, countries which carry certain risks associated with a different political, business, social and economic environment than that of Canada. The ability to carry on business in these countries could be affected by political or economic instability in those countries. Changes or shifts in political attitude in Turkey, China or South Africa may impact the ability of private business, such as AGT, to carry on business, which could have a material adverse effect on the financial condition and results of operations of AGT.

The Arbel Group is subject to Turkish law both operationally and with respect to tax. Turkey implemented a flat 20% tax rate for corporations in 2007; however, there can be no assurance that existing tax law will remain unchanged or that any changes would be favourable. Unfavourable tax treatment could have a material adverse effect on the business, financial condition and results of operations of the Arbel Group. This risk is applicable to all countries of operation of AGT.

Recently, the Arbel Group has been dependent on its ability to import raw materials into Turkey to its processing and production facilities and is also dependent on exporting goods to its customers throughout the world. The Arbel Group is exposed to regulations with respect to import permits that are controlled by local governments that are beyond the control of the Arbel Group. Permits can be based on the availability of local supply and protectionist government policies could have a material adverse effect on its business, financial condition and results of operations.

Environmental Protection

The current and future operations of AGT, including the operation of the coal-fired steam generation plant at the Arbel Group's complex near Mersin, and the disposal of wastes generated by operations, are subject to laws and regulations governing airborne emissions, pollution, occupational health, waste disposal, protection and remediation of the environment, toxic substances and other similar matters. If AGT were to fail to comply with such laws or regulations and suffered a material fine, if AGT was required to spend significant amounts to remediate environmental damage or if AGT's environmental compliance costs were to materially increase, this could have a material adverse effect on AGT's business, financial condition and results of operations.

Energy Price Fluctuation

AGT's operating costs, shipping costs and the selling prices of certain finished products are sensitive to changes in energy prices. AGT's processing plants are powered principally by electricity and natural gas. AGT's transportation operations are dependent upon diesel fuel and other petroleum-based products. Significant increases in the cost of these items, including any consequences of regulation or taxation of greenhouse gases, could adversely affect AGT's production costs and operating results.

Information Technology Risk

AGT places significant reliance on information technology for information and processing that support financial, regulatory, administrative, and commercial operations. In addition, AGT relies upon telecommunication services to interface its global operations, customers and business partners. The failure of any such systems for a significant time period could have a material adverse effect on AGT's business, financial condition and results of operations.

Regulatory Oversight

Government regulators, such as competition law or anti-trust regulators in Canada, the U.S., Australia, Turkey, South Africa or elsewhere, may examine AGT's acquisitions more closely in the future due to AGT's increased size. Such regulators may object to or place conditions upon certain of AGT's proposed future acquisitions, which could limit AGT's ability to make such future acquisitions or could limit their benefit to AGT. Such regulatory oversight could have a material adverse effect on the business, financial condition and results of operations of AGT.

Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to a company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of reporting, including financial reporting and financial statement preparation. Management continues to review, evaluate and enhance its disclosure controls and procedures and internal control over financial reporting for AGT's expanding international operations.

Control of AGT

Mr. Hüseyin Arslan and other members of his family collectively own approximately 27.5% of the outstanding Common Shares. As a result, Mr. Arslan and the other members of his family could collectively exercise their voting rights in the Common Shares to make significant changes to AGT and its business. Such changes could include, among other things, the composition of the Board or Management, approving or disapproving of certain future transactions and other material decisions, each of which may conflict with, or have an adverse effect upon, the interests of the other Shareholders.

Dilution of Shareholders

AGT is authorized to issue an unlimited number of Common Shares, for such consideration and on such terms and conditions as may be determined by the Board, without the approval of the Shareholders, subject to the rules of the TSX. AGT may make future acquisitions or enter into financings or other transactions involving the issuance of securities of AGT which may be dilutive to current Shareholders as Shareholders will have no pre-emptive rights in connection with such further issuances.

ITEM 5. DISTRIBUTIONS

AGT's policy is to pay a quarterly dividend to Shareholders, as determined by the Board from time to time. AGT's dividend policy is subject to the discretion of the Board and may vary depending on, among other things, AGT's earnings, financial requirements, the satisfaction of certain customary covenants contained in credit facility documents restricting the ability to pay dividends in certain circumstances, the satisfaction of solvency tests imposed by the OBCA for the declaration of dividends and other relevant factors.

The following table sets out the dividends per Common Share paid by AGT to Shareholders between September 15, 2009 and December 31, 2011.

Distribution for Quarter Ending	Dividend per Common Share
December 31, 2011	$0.15
September 30, 2011	$0.15
June 30, 2011	$0.15
March 31, 2011	$0.135
December 31, 2010	$0.135
September 30, 2010	$0.135
June 30, 2010	$0.135
March 31, 2010	$0.135
December 31, 2009	$0.135
September 30, 2009	$0.135

ITEM 6. DESCRIPTION OF THE CAPITAL STRUCTURE

AGT is authorized to issue an unlimited number of Common Shares and an unlimited number of Class A shares, issuable in series (the "**Class A Shares"**). The rights, privileges and restrictions attaching to the Common Shares and the Class A Shares are as set out below. As at March 27, 2012, there were 19,743,077 Common Shares and no Class A Shares issued and outstanding.

Common Shares

The Common Shares entitle the holder thereof to one vote for each Common Share held at all meetings of Shareholders, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The Shareholders are entitled to receive any dividend declared by AGT in respect of the Common Shares and to receive the remaining property of AGT upon its dissolution, in each case, subject to the rights of the Class A Shares. There are no restrictions on the issue, transfer or ownership of the Common Shares.

Class A Shares

The Class A Shares may at any time, and from time to time, be issued in one or more series, in accordance with and subject to the provisions of applicable laws. The number of shares in, and the designation, rights, privileges, restrictions and conditions attaching to the Class A Shares of, any series of Class A Shares must be fixed by the Board before the issue of any Class A Shares of any series. The determinations of the Board are subject to applicable laws, AGT's articles and any conditions attaching to any outstanding series of Class A Shares.

The Class A Shares of each series ranks, both with regard to dividends and return of capital, in priority to the Common Shares and over any other shares ranking junior to the Class A Shares. The Class A Shares of each series may also be given such other preferences over the Common Shares and any other shares ranking junior to the Class A Shares as the Board determines for the respective series authorized to be issued. Any priority, in the case of cumulative dividends, is with respect to all prior completed periods in respect of which such dividends were payable plus such further amounts, if any, as may be specified in the provisions attaching to a particular series. In the case of non-cumulative dividends, any priority is with respect to all dividends declared and unpaid. The Class A Shares of each series ranks on a parity with the Class A Shares of every other series with respect to priority in payment of dividends and return of capital in the event of liquidation, dissolution or winding up of AGT.

Other Securities

On April 21, 2008, options ("**Options**") were issued to the trustees and officers of the Fund and key employees of Alliance and its subsidiaries at the time of the grant. Each such Option is exercisable for one Common Share at a price of $9.00 per Common Share until April 21, 2013. As at March 22, 2012, Options to acquire an aggregate of 390,169 Common Shares were issued and outstanding.

ITEM 7. MARKET FOR SECURITIES

The Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") under the symbol "AGT". The following table sets forth the price ranges and volume of trading of the Common Shares on the TSX for each month during the year ended December 31, 2011:

Month of 2011	High	Low	Volume
December	$20.87	$18.58	890,670
November	$22.25	$19.10	1,228,269
October	$23.25	$19.86	733,316
September	$23.50	$19.83	850,171
August	$25.49	$21.19	1,023,401
July	$25.99	$24.53	447,586
June	$25.98	$23.36	1,967,888
May	$25.00	$21.75	1,606,489
April	$25.50	$21.80	2,461,527
March	$30.88	$24.11	3,698,438
February	$31.57	$29.03	1,753,606
January	$30.66	$26.53	2,219,205

ITEM 8. ESCROWED SECURITIES

Designation of Class	Number of Common Shares Held in Escrow	Percentage of Class
Common Shares[(1)]	22,822 Common Shares	0.12%

(1) These Common Shares are held in escrow by Gerrand Rath Johnson pursuant to the terms of the asset purchase agreement between Parent Seed and Alliance dated December 31, 2009, one half of which will be released from escrow on June 30, 2012 and the other half of which will be released from escrow on December 31, 2012.

ITEM 9. DIRECTORS AND OFFICERS OF AGT

9.1 Name, Occupation and Security Holding

The following table sets forth, for each of the directors and executive officers of AGT, the individual's name, province and country of residence, as applicable, principal occupation and the date on which the individual was appointed as a trustee or officer of the Fund. Each of the individuals listed below, except for John Gardner, has been a director or officer of AGT, as applicable, since its incorporation. The directors and executive officers of AGT, as a group, own, control, or direct, directly or indirectly, 2,710,022 Common Shares, representing 13.7% of the Common Shares.

Name and Province and Country of Residence	Position with AGT	Trustee/Officer of the Fund Since	Number of Common Shares Beneficially Owned or Controlled or Directed (as at March 22, 2012)	Principal Occupation
Murad Al-Katib Regina, Saskatchewan, Canada	President and Chief Executive Officer Director (“**CEO**”)	August 1, 2007	296,326[(3)]	President and Chief Executive Officer of AGT; President and CEO, Alliance Pulse Processors Inc.
Hüseyin Arslan Mersin, Turkey	Executive Chairman Director	January 31, 2008	2,334,796	Executive Chairman of AGT and President, Arbel Group
Howard N. Rosen[(1)(2)] Ontario, Canada	Vice-Chairman Director	November 30, 2004	13,200[(4)]	Senior Managing Director, FTI Consulting
John Gardner[(1)(2)] Ontario, Canada	Director	June 28, 2011	1,000	Consultant
Denis C. Arsenault[(1)(2)] Ontario, Canada	Director	November 30, 2004	13,000	CFO, Sulliden Gold Corporation, Ltd.

Name and Province and Country of Residence	Position with AGT	Trustee/Officer of the Fund Since	Number of Common Shares Beneficially Owned or Controlled or Directed (as at March 22, 2012)	Principal Occupation
Lori Ireland Saskatchewan, Canada	Chief Financial Officer	August 1, 2007	17,000	Chief Financial Officer of AGT
Gaetan Bourassa Saskatchewan, Canada	Chief Operating Officer	August 1, 2007	34,700	Chief Operating Officer of AGT; Vice-President of Alliance

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) 125,956 Common Shares are held by Mr. Al-Katib directly, and 170,370 Common Shares are held by Al-Katib Consulting Inc., a corporation controlled by Mr. Al-Katib.
(4) 8,200 Common Shares are held by Mr. Rosen directly and 5,000 are held by Randy Rosen, Mr. Rosen's wife.

Mr. Al-Katib and Mr. Arslan are also the sole directors of Alliance. Mr. Al-Katib is also the sole director and officer of each of the subsidiaries of Alliance, and Mr. Arslan is also a director of Arbel, Durum and Turkpulse.

The term of office of each director expires at the next annual meeting of the Shareholders. Each of the directors and executive officers listed above has been engaged for more than five years in his or her present principal occupation, except as same relates to AGT (although, with the exception of Mr. Arslan's appointment as Executive Chairman, each such individual held a similar position with the Fund as it now holds with AGT) and as set forth below.

Murad Al-Katib. Mr. Al-Katib founded Saskcan in 2001 with Hüseyin Arslan, and led its expansion as a processor and seller of pulses and specialty crops over the next six years as the company's President and CEO. After the amalgamation of Saskcan and the Fund's then operating company, Agtech, in August 2007, Mr. Al-Katib joined the board of trustees of the Fund, and assumed the role of President and CEO of the Fund's new amalgamated operating company, Alliance. In January 2008 he was appointed Chairman of the board of trustees of the Fund and on the Conversion, he was appointed President and CEO and a director of AGT. Mr. Al-Katib graduated from the University of Saskatchewan with a Bachelor of Commerce with Distinction in Finance and finished his Master of International Management with Distinction from the American Graduate School of International Management (Thunderbird) in Arizona. In 2005, he was elected to board of directors of the Canadian Special Crops Association ("**CSCA**") and Pulse Canada, the national association for the pulses and specialty crops industry. In 2006, he was elected President of the CSCA and Vice Chair of Pulse Canada. Also in 2006, Murad was appointed to the Advisory Board for Small and Medium Enterprise for the Canadian Minister of International Trade. In October 2004 Mr. Al-Katib was selected as the Prairie Regional Winner of the Ernst and Young Emerging Entrepreneur of the year for 2004. In May 2005, he was named one of Canada's Top 40 under 40 years old in Canada by the Caldwell Partners and the Globe and Mail. In 2006, Mr. Al-Katib was awarded a Saskatchewan Centennial Medal as an outstanding business leader by Saskatchewan's Lieutenant-Governor.

Hüseyin Arslan. Mr. Arslan was one of the founding shareholders of Saskcan, which was acquired by the Fund and merged with Agtech in August 2007. For the last 15 years, Mr. Arslan has been the General Manager of Arbel. He also serves as a director of Durum and Turkpulse and of certain companies owned by his family, including European Tobacco SA. He is a director of Alliance, was appointed a trustee of the Fund on January 31, 2008, and on the Conversion was appointed Executive Chairman and a director of AGT. Mr. Arslan holds a Bachelor of Science in Electronics Engineering from Middle East Technical University in Turkey and has over two decades of experience in the trading of agricultural and food products globally. He is also an elected member of the executive committee of the International Pulse Processors and Exporters Federation.

Denis C. Arsenault. Mr. Arsenault has served as the Chief Financial Officer of Sulliden Gold Corporation Ltd. since November 2010. He has held a variety of senior financial positions in a range of sectors, including mining and resources, communications, truck trailer manufacturing, life sciences and is currently a director of several public and private companies. Mr. Arsenault has chaired and served on audit committees, compensation committees, governance committees and other special committees of various public and private companies. Mr. Arsenault currently serves as a member of the board of directors of the following companies in addition to AGT: Thompson Creek Metals Company Inc. (since 2005), MBAC Fertilizer Corp. (since 2009), Rockcliff Resources Inc. (since 2006) and Stonegate Agricom Ltd. (since 2008). From 2006 until 2009, Mr. Arsenault served as the Chief Financial Officer of Central Sun Mining Inc. (formerly Glencairn Gold Corporation). Prior thereto, from 2001 to 2006, he served as Vice President, Finance and Chief Financial Officer of Orbus Pharma Inc. Mr. Arsenault began his career with KPMG in 1981, later joining Maclean Hunter Ltd.'s Key Radio Limited. In 1985, he founded Wasserman Arsenault, Chartered Accountants, and in 1995, he became Vice President, Finance and Chief Financial Officer for Mond Industries (Trailmobile Canada Ltd.). Mr. Arsenault holds a Bachelor of Commerce from the University of Toronto. Mr. Arsenault is a Chartered Accountant with more than 27 years of experience.

John Gardner. Mr. Gardner is an experienced financial and business manager with a career including experience in public accounting, the food retail and food service industries. Mr. Gardner currently serves on the board and as chairman of the audit committee for the Econo-Rack Group Inc., Canada's largest manufacturer of industrial racking systems. Other company experience includes serving as a director with Genesis Worldwide Inc., a developer of structural building technology for residential and commercial applications, listed on the TSX and the Alternative Investment Market (AIM) of the London Stock Exchange. In 2006, Mr. Gardner, serving as Executive Chairman of the board of directors, led the Genesis IPO on both exchanges and was instrumental in providing strategic leadership as well as building the board and management for the company. Mr. Gardner also has experience as a past President and CEO of Sysco Food Services of Toronto and past President of Lumsden Brothers Limited, a member of Sobeys Inc. A graduate of the Chartered Director program from McMaster University and the Conference Board of Canada, Mr. Gardner has a career highlighted by 20 years of executive management and board experience with a number of large public corporations, in Canada and internationally. In 1978, he was admitted to the Newfoundland Institute of Chartered Accountants and was awarded a Fellowship of Chartered Accountants in 1988. Mr. Gardner earned a Master of Business Administration degree in 1984 from Memorial University of Newfoundland where he also completed a Bachelor of Commerce degree in 1975.

Howard Rosen. Mr. Rosen is the senior managing director of FTI Consulting, a business and regulatory consulting firm. From April 2004 to March 2009, he was the managing director of LECG Canada, Ltd., also a business and regulatory consulting firm. Before that he was a principal of LRTS from May 1998 to April 2004, and a partner with Arthur Andersen from June 1992 to May 1998. He is currently a director and chair of the audit committee of The Medipattern Corporation and was also a director of Betacom Corp. from October 2002 to November 2003. Mr. Rosen holds a Bachelor of

Business Administration degree from the York University Business School, and is a Chartered Accountant, Chartered Business Valuator, Accredited Senior Appraiser, and Certified Fraud Examiner.

Lori Ireland. Ms. Ireland was the CFO of Saskcan prior to its acquisition by the Fund. After the amalgamation of Saskcan and the Fund's then operating company, Agtech, in August 2007, Ms. Ireland assumed the role of CFO of the Fund. On the Conversion, she became CFO of AGT.

Gaetan Bourassa. Mr. Bourassa was the Vice-President of Saskcan prior to its acquisition by the Fund. After the amalgamation of Saskcan and the Fund's then operating company, Agtech, in August 2007, Mr. Bourassa assumed the role of Vice-president of Alliance. In 2009, Mr. Bourassa was named Chief Operating Officer of AGT and Alliance.

9.2 Cease Trade Orders, Bankruptcies, Penalties and Sanctions

No director or executive officer of AGT is as at the date hereof, or within the ten years prior to the date hereof has been, a director, CEO or CFO of any company that was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued while such director or executive officer was acting in the capacity as director, CEO or CFO of such company, or that was issued after the director or executive officer ceased to be a director, CEO or CFO of such company and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO of such company.

No director or executive officer of AGT, or other person holding a sufficient number of voting securities of AGT to affect materially the control of AGT, (i) is, as at the date hereof or within ten years prior to the date hereof, has been a director or executive officer of any company that, while the person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

9.3 Conflicts of Interest

Other than any actual or potential conflict of interest resulting from Mr. Hüseyin Arslan's ownership of a significant number of Common Shares and his membership on the Board as described under "*Risk Factors – Control of AGT*", there are no existing or potential material conflicts of interest between AGT and any director or officer of AGT.

ITEM 10. AUDIT COMMITTEE

The full text of the Audit Committee's charter is attached hereto as Schedule A.

10.1 Composition of the Audit Committee

The Audit Committee of AGT is comprised of Howard N. Rosen, John Gardner and Denis C. Arsenault. Mr. Arsenault is the Chairman of the Audit Committee. Each of the members of the Audit Committee is financially literate.

Each of the current members of the Audit Committee is considered to be independent. This determination was made by the Board upon inquiring into each member's activities and relationships with AGT.

10.2 Relevant Education and Experience

The qualifications and experience of the members of the Audit Committee are set out above under "*Directors and Officers of AGT – Name, Occupation and Security Holding*".

10.3 Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

10.4 External Auditor Services Fees

The following table sets out the aggregate fees billed by the external auditor to the Fund and/or AGT, as applicable, for the years 2011 and 2010:

Category of Fees	Year Ended December 31, 2011	Year Ended December 31, 2010
Audit Fees(1)	$570,142	$53,550
Audit-Related Fees(2)	$30,060	Nil
Tax Fees(3)	$23,356	$10,500
All Other Fees(4)	$52,242	$334,695

(1) "**Audit Fees**" refer to fees billed for audit services. Amounts included in 2011 relate to fees billed for 2011 and 2010 services.
(2) "**Audit-Related Fees**" refer to aggregate fees billed for assurance and related services that reasonably relate to the performance of the audit or review of the AGT's financial statements and are not reported under "Audit Fees".
(3) "**Tax Fees**" refer to fees billed for advice related to tax compliance, tax advice and tax planning.
(4) "**All Other Fees**" refer to fees billed for services not included in the categories of Audit Fees, Audit-Related Fees and Tax Fees. The fees for 2010 relate to services provided in connection with IFRS conversion and international tax planning and the fees for 2011 relate to IFRS conversion.

ITEM 11. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Directors are not aware of any material legal proceedings or regulatory actions outstanding, threatened or pending as of the date hereof by or against AGT or relating to any of its businesses.

ITEM 12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Prior to the Arbel Acquisition, Mr. Hüseyin Arslan, who was a trustee of the Fund and a Unitholder, owned more than 20% of the issued and outstanding shares of Arbel and Durum. The rest of the shares of Arbel, Durum and Turkpulse were owned by Mr. Arslan's close relatives. Mr. Arslan and certain of his relatives held, as a group, 477,800 Units and 2,033,334 special voting rights of the Fund, representing approximately 31.2% of the outstanding voting securities of the Fund on a non-diluted basis; accordingly, the Arbel Acquisition was a "related party transaction" under the policies of the TSX Venture Exchange and Multilateral Instrument 61-101 – *Take-Over Bids and Special Transactions*.

Except as set out above, no director or executive officer of AGT or other person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding voting securities of AGT, or any associate or affiliate of any such person, has had any material interest in any transaction of AGT since its incorporation, or in any transaction of the Fund within the three most recently completed financial years, which has materially affected or is reasonably expected to materially affect AGT.

ITEM 13. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for AGT is Equity Financial Trust Corporation at its principal office in Toronto, Ontario.

ITEM 14. MATERIAL CONTRACTS

There are no material contracts which were either entered into since December 31, 2010 or are still in effect as of the date of this AIF, other than those which were entered into in the ordinary course of business of AGT.

ITEM 15. INTERESTS OF EXPERTS

KPMG LLP, Chartered Accountants in Regina, Saskatchewan, is the auditor of AGT and has advised that it is independent with respect to AGT in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Saskatchewan.

ITEM 16. ADDITIONAL INFORMATION

Additional information relating to AGT, including directors' and officer's remuneration and indebtedness, principal holders of AGT's securities and securities authorized for issuance under equity compensation plans, are contained in AGT's management information circular prepared in connection with AGT's most recent annual meeting of Shareholders that involved the election of directors, which is available under AGT's profile on SEDAR at www.sedar.com.

Financial information is provided in AGT's financial statements and MD&A for the financial year ended December 31, 2011, which is posted on AGT's website, www.alliancegrain.com, and under AGT's profile on SEDAR. Shareholders may request, and receive free of charge, copies of such financial statements and MD&A by sending a request to AGT's transfer agent, Equity Financial Trust Corporation, at 200 University Ave, Suite 400, Toronto, Ontario M5H 4H1, Fax: (416) 361-0470.

GLOSSARY OF CERTAIN TERMS

The following is a glossary of certain terms used in this AIF:

"**AAFC**" means Agriculture and Agri-Food Canada;

"**Advance Seed**" means Advance Seed Proprietary Limited, and its subsidiary Pouyoukas Foods, collectively;

"**AGT**" means Alliance Grain Traders Inc.;

"**AIF**" means this Annual Information Form;

"**Alliance**" means Alliance Pulse Processors Inc.;

"**Arbel**" means Arbel Bakliyat Hububat Sanayi ve Ticaret A.Ş.;

"**Arbel Acquisition**" means AGT's acquisition of the Arbel Group from the former shareholders of Arbel, Durum and Turkpulse;

"**Arbel Group**" means, collectively, Arbel, Durum and Turkpulse;

"**Australia Milling Group**" means Australia Milling Group Pty. Ltd.;

"**Balco**" means Balco Grain Services and certain real property from Balco Holdings;

"**Board**" means the board of directors of AGT;

"**CEO**" means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

"**CFR**" means cost and freight destination;

"**CGC**" means Canadian Grain Commission;

"**CIPO**" means Canadian Intellectual Property Office;

"**Class A Shares**" means Class A shares, issuable in series, in the capital of AGT;

"**Common Shares**" means common shares in the capital of AGT;

"**Conversion**" means the conversion of the Fund converted from an open-ended unit trust to a dividend-paying corporation by means of a plan of arrangement under the OBCA;

"**CSCA**" means Canadian Special Crops Association;

"**Durum**" means Durum Gida Sanayi ve Ticaret A.Ş.;

"**EDC**" means Export Development Canada;

"**E.U.**" means European Union;

"**FAO**" means the Food and Agriculture Organization of the United Nations;

"**FCC**" means Farm Credit Canada;

"**Finora**" means Finora Inc.;

"**Fund**" means Alliance Grain Traders Income Fund;

"**GTH**" means Global Transportation Hub, a distribution centre located in Regina;

"**IFRS**" means International Financial Reporting Standards;

"**Management**" means management of AGT;

"**MD&A**" means Management's discussion and analysis;

"**mt**" means metric tonnes;

"**Northern Yorke**" means Northern Yorke Processors Limited;

"**OBCA**" means *Business Corporations Act* (Ontario);

"**Options**" means options to purchase Common Shares;

"**Parent Seed**" means Parent Seed Farms Ltd.;

"**Poortmans**" means A. Poortman (London) Limited; "**Pulse Depot**" means Pulse Depot Rosetown Inc.;

"**RBS**" means Royal Bank of Scotland;

"**Saskcan**" means Saskcan Pulse Trading Inc.;

"**Saskcan Horizon**" means Saskcan Horizon Trading Inc.;

"**Shareholders**" means holders of Common Shares;

"**Subscription Receipts**" means the subscription receipts issued by the Fund on July 21, 2009 at a price of $16.25 per subscription receipt, for gross proceeds of $99,431,150, to finance the acquisition of the Arbel Group;

"**TMO**" means the Turkish Grain Board;

"**TSX**" means the Toronto Stock Exchange;

"**Turkpulse**" means Turkpulse Diş Ticaret A.Ş.;

"**Units**" means units of means the Fund;

"**USDA**" means the United States Department of Agriculture;

"**U.S.**" means the United States of America; and

"**USPTO**" means the U.S. Patent and Trademark Office.

SCHEDULE A

**CHARTER OF THE AUDIT COMMITTEE
OF
ALLIANCE GRAIN TRADERS INC.
(the "Corporation")**

The Role of the Audit Committee

The Audit Committee has been established to assist the board of directors of the Corporation (the "**Board**") in fulfilling its oversight responsibilities with respect to the following principal areas:

(a) the Corporation's external audit function; including the qualifications, independence, appointment and oversight of the work of the external auditor;

(b) the Corporation's accounting and financial reporting requirements;

(c) the Corporation's reporting of financial information to the public;

(d) the Corporation's compliance with law and regulatory requirements;

(e) the Corporation's risks and risk management policies;

(f) the Corporation's system of internal controls and management information systems; and

(g) such other functions as are delegated to it by the Board.

Responsibilities

The Corporation's management is responsible for preparing the Corporation's financial statements and the external auditors are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of those activities by the management of the Corporation and all corporations or subordinate entities owned or controlled by the Corporation ("**Management**") and external auditor, and overseeing the activities of the internal auditors.

The specific responsibilities of the Audit Committee shall include those listed below. The enumerated responsibilities are not meant to restrict the Audit Committee from examining any matters related to its purpose.

1. Financial Reporting Process and Financial Statements

The Audit Committee shall:

(a) in consultation with the external auditors and the internal auditors, review the integrity of the Corporation's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit steps adopted in light of material control deficiencies;

(b) review all material transactions and material contracts entered into between (i) the Corporation or any subsidiary or affiliate of the Corporation, and (ii) any subsidiary, affiliate, trustee, director, officer, insider or related party of the Corporation or a subsidiary or affiliate thereof, other than transactions in the ordinary course of business;

(c) review and discuss with Management and the external auditor: (i) the preparation of Corporation's annual audited consolidated financial statements and its interim unaudited consolidated financial statements (and if such statements cannot be presented on a consolidated basis, the preparation of the annual audited and interim unaudited financial statements of the subsidiaries or and affiliates of the Corporation); (ii) whether the financial statements present fairly (in accordance with Canadian generally accepted accounting principles) in all material respects the financial condition, results of operations and cash flows of the Corporation or any subsidiary or affiliate of the Corporation as of and for the periods presented; (iii) any matters required to be discussed with the external auditors according to Canadian generally accepted auditing standards; (iv) an audit findings report by the external auditors describing: (A) all critical accounting policies and practices used by the Corporation; or any subsidiary or affiliate of the Corporation (B) all material alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with Management, including the ramifications of the use such alternative treatments and disclosures and the treatment preferred by the external auditors; and (C) other material written communications between the external auditors and Management;

(d) following completion of the annual audit, review with each of: (i) Management; (ii) the external auditors; and (iii) the internal auditors, any significant issues, concerns or difficulties encountered during the course of the audit;

(e) resolve disagreements between Management and the external auditors regarding financial reporting;

(f) review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information; and

(g) review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Corporation extracted or derived from the Corporation's financial statements, other than the disclosure referred to in (f), and periodically assess the adequacy of those procedures.

2. External Auditors

The Audit Committee shall:

(a) require the external auditors to report directly to the Audit Committee;

(b) be directly responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the Corporation's external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, and in such regard recommend to the Board the external auditors to be nominated for approval by the Shareholders;

(c) approve all audit engagements and must pre-approve the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Audit Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Audit Committee will retain the external auditors. The Audit Committee may delegate to one or more of its members the authority to pre-approve non-audit services, provided that any such delegated pre-approval shall be exercised in accordance with the types of particular non-audit services authorized by the Audit Committee to be provided by the external auditors and the exercise of such delegated pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting following such pre-approval;

(d) review and approve the Corporation’s policies for the hiring of partners and employees and former partners and employees of the external auditors;

(e) consider, assess and report to the Board with regard to the independence and performance of the external auditors; and

(f) request and review the audit plan of the external auditors as well as a report by the external auditors to be submitted at least annually regarding: (i) the external auditing firm’s internal quality-control procedures; (ii) any material issues raised by the external auditor’s own most recent internal quality-control review or peer review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues.

3. Accounting Systems and Internal Controls

The Audit Committee shall:

(a) oversee Management’s design and implementation of and reporting on internal controls. The Audit Committee shall also receive and review reports from Management, the internal auditors and the external auditors on an annual basis with regard to the reliability and effective operation of the Corporation’s accounting system and internal controls; and

(b) review annually the activities, organization and qualifications of the internal auditors and discuss with the external auditors the responsibilities, budget and staffing of the internal audit function.

4. Legal and Regulatory Requirements

The Audit Committee shall:

(a) receive and review timely analysis by Management of significant issues relating to public disclosure and reporting;

(b) review, prior to finalization, periodic public disclosure documents containing financial information, including the Management's Discussion and Analysis and Annual Information Form;

(c) prepare the report of the Audit Committee required to be included in the Corporation's periodic filings;

(d) review with the Corporation's legal counsel legal compliance matters, significant litigation and other legal matters that could have a significant impact on the Corporation's financial statements; and

(e) assist the Board in the oversight of compliance with legal and regulatory requirements and review with legal counsel the adequacy and effectiveness of the Corporation's procedures to ensure compliance with legal and regulatory responsibilities.

5. Additional Responsibilities

The Audit Committee shall:

(a) discuss policies with the external auditor, internal auditor and Management with respect to risk assessment and risk Management;

(b) establish procedures and policies for the following:

(i) the receipt, retention, treatment and resolution of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

(ii) the confidential, anonymous submission by trustees or employees of the Corporation of concerns regarding questionable accounting or auditing matters or any potential violations of legal or regulatory provisions;

(c) prepare and review with the Board an annual performance evaluation of the Audit Committee;

(d) report regularly to the Board, including with regard to matters such as the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements, the performance of the internal audit function, and the performance and independence of the external auditors; and

(e) review and reassess the adequacy of the Audit Committee's Charter on an annual basis.

Resources and Authority

The Audit Committee shall have the resources and the authority to discharge its responsibilities, including the authority, in its sole discretion, to engage, at the expense of the Corporation, outside consultants, independent legal counsel and other advisors and experts as it determines necessary to carry out its duties, without seeking approval of the Board or Management.

Audit Committee – Proposed Corporation Meeting Schedule

The Audit Committee meetings should be scheduled to cover the following:

Regular Quarterly Meetings (to be held prior to quarterly Board Meeting)

The Audit Committee will be presented with more detailed quarterly financial information than that given to the other directors. Members will have the opportunity to ask questions with respect thereto.

Pre-Year End Audit/Miscellaneous Meeting

The purpose of the meeting will be to help ensure the annual audit is conducted in an efficient, cost-effective and objective manner.

The Audit Committee will review with the auditor the scope of the current year's audit, including the areas where the auditor has identified a risk of potential error in the financial condition and/or results of operations and will review the materiality on which the audit is based.

The Audit Committee will review the control weaknesses detected in the prior year's audit, and determine whether all practical steps have been taken to overcome them.

The Audit Committee will approve the auditor's engagement letter, including the audit fee and expenses.

Risk management could be reviewed at this meeting.

Post-Year End Audit Meeting

It is proposed that this meeting will take the following format:

(a) Auditors to review proposed report on the financial statements;

(b) Management to review financial statements/disclosure;

(c) The Audit Committee is to question;

 (i) the selection of, and changes in accounting policies, particularly those in areas that are controversial or for which there is no authoritative guidance;

 (ii) the methods used to account for unusual or particularly significant transactions;

 (iii) the issues on which Management has made estimates or judgements that had a significant effect on the financial statements; and

 (iv) transactions with related parties;

(d) Audit Committee to recommend to the Board the approval of the financial statements including the selection of appropriate accounting policies;

(e) Audit Committee to inquire about changes in professional standards or regulatory requirements and recent accounting pronouncements;

(f) Audit Committee to inquire into the major financial risks faced by the Corporation, and the appropriateness of related controls to minimize their potential impact;

(g) Review of the auditor's "management letter" documenting weaknesses in internal control systems and commenting on other matters;

(h) Audit Committee to meet privately with the auditor (without any member of Management being present) to ascertain whether there are concerns that should be brought to the Audit Committee's attention, such as: lack of cooperation of, or disagreements with, Management; adequacy of staffing in the financial areas; attempts to restrict the scope of the auditor's examination; or significant, or potentially significant, misstatements, and any irregularities that the auditor has discovered;

(i) The Audit Committee is to meet privately with Management (without the auditor being present) to ensure that Management has no concerns about the conduct of the audit and to inquire as to the experience and capabilities of the individuals being proposed to conduct the audit, their objectivity and independence;

(j) Auditor to present invoice/following year quote; and

(k) Audit Committee to recommend to the Trustees the appointment of the auditor for the following year.

Special Telephone Meetings may be scheduled to:

(a) Review all prospectuses containing audited and unaudited financial information before release;

(b) Review Management's Discussion and Analysis for consistency with the financial statements; and

(c) Cover other items on an as needed basis.

Limitation on the Oversight Role of the Audit Committee

Nothing in this Charter is intended, or may be construed, to impose on any member of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Audit Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives financial and other information, and the accuracy of the information provided to the Corporation by such persons or organizations.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles in Canada and applicable rules and regulations. These are the responsibility of Management and the external auditor.