Alliance GRAIN TRADERS Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

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The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operation has been prepared by Management to help readers interpret Alliance Grain Traders Inc.'s ("AGT" or the "Company") consolidated financial results for the years ended December 31, 2011 and 2010 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2011. The consolidated financial statements have been prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to AGT, including periodic quarterly and annual reports and the Annual Information Forms ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com.

This MD&A has been prepared as at March 22, 2012. All references to AGT or the Company include its subsidiaries. All amounts are in Canadian dollars and in thousands (except for share data) unless otherwise stated.

Caution about forward looking statements

This MD&A contains certain forward-looking statements. Forward-looking statements include, but are not limited to, those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, the growth of AGT's business, strategic initiatives, planned capital expenditures, plans and reference to future operations and results, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AGT (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled "Risk Factors" in AGT's most recent AIF, which is available on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com and which should be reviewed in conjunction with this document. 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.

Although AGT believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as at the date of this MD&A. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, Western Canadian, U.S. Northern Plains, Southern Australian crop and Turkish production quality in 2011 and subsequent crop years; the volume and quality of crops held on-farm by producer customers in North America; demand for and supply of open market pulses; movement and sale of pulses in Australia and Turkey, particularly in the Australian states of South Australia, New South Wales and Victoria; agricultural commodity prices; demand for lentils, peas, chickpeas and bean crop products and the market share of these products that will be achieved; general financial conditions for Western Canadian, U.S. Northern Plains, Turkish and Southern Australian agricultural producers; market share of pulse deliveries and sales that will be achieved by AGT; the ability of the railways to ship pulses to port facilities for export without labour or other service disruptions; the ability to maintain existing customer contracts and relationships; the impact of competition; the ability to obtain and maintain existing financing on acceptable terms; and currency, exchange and interest rates.

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

Non-IFRS Financial 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.

Market Share, Industry Data and Other Statistical Information

This MD&A includes market share, industry data and other statistical information that AGT has obtained from independent industry publications, government publications, market research reports and other published independent sources. 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 analytical 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.

Highlights of 2011

• **Adjusted Net Earnings*** were $22.5 million or $1.14 per common share ($1.13 on a diluted basis) for 2011, compared to $20.4 million or $1.08 per common share ($1.06 on a diluted basis) for 2010.

• **EBITDA*** was $47.6 million for 2011 compared to $37.3 million for 2010, an increase of 27.6%.

• **Consolidated revenues** were $760.0 million for 2011 compared to $642.1 million for 2010, an increase of 18.3%.

• **Capital expenditures** were $52.3 million which included $41.7 million in enhancements to buildings and equipment at facilities in Canada, the United States, Turkey and Australia as well as $10.6 million relating to the acquisitions of New South Wales in Australia, Advance Seed in South Africa and real property in Minot, North Dakota.

• **Dividend** of $0.15 per share for the quarter ($0.60 per share on an annualized basis).

Business Overview

AGT's subsidiaries and facilities in Canada, the U.S., Turkey, Europe, Australia, South Africa and China handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. Its durum wheat milling operations in Turkey also produce semolina, pasta (under the Arbella brand) and bulgur wheat. AGT is also involved in milling medium grain rice and long grain rice in Turkey.

AGT owns twelve processing plants in Canada, two in the U.S., four in Australia, one in China, nine in Turkey, and one in South Africa. Canadian locations include Saskcan Pulse Trading, Saskcan Rosetown, Saskcan Agtech, Saskcan Milestone, Saskcan Horizon, Saskcan Pulse Depot, Saskcan Parent, Saskcan Assiniboia, Saskcan Gibbons and Saskcan Wilkie. Wholly owned foreign subsidiaries include the Arbel Group in Turkey (“Arbel”); Advance Seed and its subsidiary Pouyoukas Foods (collectively “Advance Seed”) in South Africa; United Pulse Trading Inc. (“United Pulse”) in Williston and Minot, North Dakota, U.S.A.; Australia Milling Group Pty Ltd. (“Australia Milling Group”) in Victoria, South Australia and New South Wales, Australia; A. Poortman (London) Limited in London, U.K. (“Poortmans”) with merchandising offices in the Netherlands and Spain; and Alliance Grain Traders (Tianjin) Co. Ltd. (“AGT China”) in Tianjin, China.

AGT is among the world’s largest value-added processors/splitters of pulse crops and an international exporter of staple food products to over 100 countries. The Company’s common shares are currently listed for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “AGT”.

On December 30, 2011, AGT announced that through its wholly-owned Canadian subsidiary, Alliance Pulse Processors Inc. (“APP”), it entered into a $130.0 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 being used for general corporate purposes and retired AGT’s existing $60.0 million Bank of Nova Scotia facility. The facility had a revolving period that ends on April 30, 2012. On March 22, 2012, this revolving period was extended to April 29, 2013. The facility also carries a one year extension term-out period that extends to April 29, 2014 at the option of APP.

On November 3, 2011, AGT announced that it had acquired certain real property, storage and related handling equipment. The acquired assets are located in Minot, North Dakota. The facility will be operated by United Pulse. 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. It is expected that the new facility, once commissioned, will provide origination reach into central and eastern North Dakota, which is a region of substantial acreage of beans, peas and pulses. The site also provides transportation advantages for both export and domestic shipments with inbound containers being driven by inbound shipments of equipment for the oil and gas sector in North Dakota. The construction is estimated to be substantially complete by November 2012.

On October 11, 2011, AGT acquired South Africa-based Advance Seed. The assets acquired include real property, storage and related handling equipment, 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. 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 at the time of acquisition.

On October 7, 2011, AGT announced its intention to invest up to $50.0 million towards the construction of a pasta and pulse processing and logistics complex. The complex is planned as a milling site for wheat and pulses, where durum wheat will be processed into semolina and used to produce the Arbella pasta brand in Canada. The complex, expected to be located in Regina, Saskatchewan, is expected to be used for pulse processing capacity and for production of food ingredients. Canada is a major producer of durum wheat and AGT management has identified this location as favourable to construct its first pasta facility outside of Turkey.

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 kilometres from Sydney. The assets acquired include real property, storage and related handling equipment and a processing plant for pulses and grains, specializing in desi and kabuli chickpeas, faba beans, mung beans and albus lupins. The total investment, including the cash acquisition price and a budget for improvements, is $8.0 million. The Narrabri facility is currently operational and is owned and operated by AGT's wholly owned subsidiary, Australia Milling Group.

Market Outlook

Following a return to more normalized production conditions and an "on-time" North American harvest, the previous optimism for a strong finish to the 2011 fiscal year for AGT has been tempered by uncertain global economic conditions, highlighted by liquidity constraints of importers, political uncertainty in North Africa and the Middle East, European economic and debt crisis issues and currency volatility in virtually all major consumption and importing markets. These constraints, coupled with currency fluctuations and devaluations, are reported to have temporarily affected importers' ability to buy and move commodities of all types, pulses and staple foods included.

Demand for import of pulses, estimated by management as relatively inelastic, has been reported as having slowed through the end of 2011 based on lower lentil and pulse exports compared to previous years. These lower export volumes from production origins are viewed by AGT management as short-term issues caused by uncertainty of local production in pulses production/consumption markets such as India and Turkey, credit liquidity of local importers and a temporary change in the buying patterns of local importers as a result of the market conditions in the period. Management maintains its opinion that pulses are a basic protein and staple food, and therefore the demand profile is growing in traditional consumption markets that are experiencing population growth (ie. the Indian subcontinent and China). Pulses are also enjoying consumption growth in non-traditional markets such as North America and Europe as consumers look for healthy vegetable-based non-GMO protein sources.

With regard to supply, most origins, particularly Canada and Australia, have reported favourable harvests with regard to quality and quantity. These conditions should be viewed as a normalization of supply in these production regions. Reported decreases in production in many traditional production and consumption regions, such as Turkey and India, have not to date manifested as increases to import volumes to fill domestic and regional demand. Reports of higher carryover stocks from most origins are estimated to offset production decreases, a result of the rotational cropping nature of growing pulses in many origins. AGT management expects the trend of slower export levels seen through the late 2011 period to be alleviated throughout the second half of 2012 and into 2013 and result in increased shipments from AGT's origins around the globe. Increased buying to replenish low consumption market stocks, as well as demand for pulses and staple foods in consumption markets in the Indian subcontinent and Middle East, is expected by AGT management to continue to support this trend improvement.

In the early months of 2012, markets traditionally fill stocks. This is prior to the resetting of buying patterns in the Q2 period when the world lentil markets annually recalibrate price expectations and strategies for buying as a result of Canadian crop seeding data, harvest reports from India and Turkey, as well as looking forward to supplies needed for the start of Ramadan, which is estimated to begin on July 20, 2012. With reports of problems in the Indian crop and concerns over excess moisture in the Turkish crop, AGT management expects that this may be a potential catalyst for improved demand later in 2012.

Based on these market conditions, financial results for the three and twelve months ended December 31, 2011 as reported were lower than expected. AGT management expectations are toward resumption of normalized business operations in 2012 and future periods. This view is supported by ample stock availability as part of AGT's global origination strategy with facilities located in major pulse growing regions, reports of higher than normal carryover stocks to balance lower production estimates caused by rotational plans by farmers and reports of continued low or depleted local market stocks in consumption regions.

AGT management expects to continue to capture market share and margin opportunities by using its value-added asset base in Canada, the U.S., Turkey, Australia, China and South Africa to satisfy consumer demands internationally at prices those customers may find acceptable for 2011 North American crop and new crop from other origins throughout 2012. Market and production conditions in the various origins and key markets AGT is active in are as follows.

North America - Canada and U.S.

Reports following the completion of the North American crop season state that harvested crop quality has returned to normal in 2011 from the low or highly variable quality product produced in 2010. Reported production of lentils in 2011 in Canada are at 1.53 million metric tonnes ("mt") and 214,642 mt in the U.S., a decrease of 21% and 55% respectively with average yields and a return to the 80/20 average with respect to quality (approximately 80% of crop in the top two grades with remaining 20% in the bottom grades). While seeded acreage declined from 2010 to 2011, 2010 levels were deemed by AGT management as excessive levels of production. An acreage reduction in Canada is seen as a positive trend for margin improvement for both the producers and AGT, as ample or excessive stocks constrain margins and farm-gate returns.

The return to normal quality conditions is an important development after 2010, where the overall quality and quantity of North American pulse products were lower than market expectations, creating pressure on purchase price and export volumes. Even with reported low or depleted local market stocks, importers took a "wait and see" attitude looking forward to other origins that would be producing and may be in line with their price and quality expectations. With credit liquidity pressure and reported local currency downgrades, importers attempted to maximize the value of the limited quantities of products purchased post-harvest which has not resulted in the traditional volumes expected in the final quarter of the year, which is traditionally a strong quarter for sales and shipments.

For 2012, Statistics Canada estimates production in Canada to be the following:

- Lentils at 2.00 million acres for resulting production of 1.174 million mt based on 1,294 lbs yield
- Peas at 3.210 million acres for resulting production of 2.786 million mt based on 1,913 lbs yield
- Edible beans 271,000 acres for resulting production of 213,000 mt based on 1,733 lbs yield
- Chickpeas at 150,000 acres for resulting production of 91,000 mt based on 1,337 lbs yield

Pulses are rotational crops used by farmers to naturally replenish soil nitrogen instead of summer fallow (leaving fields to black dirt to replenish soil nitrogen) which results in the reported types of acre and production fluctuations year on year. Current production levels in North America, combined with positive harvest reports in Australia and carryover stocks in these key production origins, result in AGT management's view of ample supply for AGT merchandising activities from North America for the 2012 year.

USDA estimates U.S. lentil production for 2011 at levels 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 that impacted their ability to seed their fields as intended, resulting in significantly lower production for the year that was of normalized quality. The majority of U.S. lentil production is typically done in Montana, the Pacific Northwest and western North Dakota, with a significant amount of production within the drawing area of AGT facilities in Williston and Minot, North Dakota. Other pulses in the U.S. are reported in 2011 as 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.).

All reported production numbers in the U.S. for 2011 represent a significant drop due to the wet conditions throughout the entire season in eastern North Dakota, Minnesota and the Red River Valley from Manitoba. AGT management expectations are that with a return to normal growing conditions and the agronomical benefits pulses provide, farmers in these key U.S. growing regions will follow U.S. producers in regions in Montana and the Pacific Northwest in growing pulses.

Estimates for 2012 for U.S. production are reported as returning to historical averages after the significant decrease in 2011. USDA estimates for production in the U.S. are as follows:

- Lentils at 528,000 acres for resulting production of 277,000 mt based on 1,157 lbs yield
- Peas 468,000 acres for resulting production of 650,000 mt based on 3,062 lbs yield
- Edible beans (including chickpeas) at 1.724 million acres for resulting production of 1.302 million mt

In Canada, due to the higher overall acres of pulses seeded by farmers, more fluctuations, year on year, may be seen as farmers continue on their rotational cropping plans. AGT management view is that this is the case for 2012, with a long-term view of stable to slightly rising acres in Western Canada. In the U.S., past year seeding intentions, while affected by weather resulting in lower seeding and therefore lower production levels for 2011, indicate to AGT management that the expected trend of the U.S. becoming a significant and growing origin for pulse crop production in the future may continue. This continues to reaffirm AGT management's opinion of the ongoing potential of its operations in the U.S. and its planned growth through expansion and acquisition of U.S. capacity in the Northern Plains states. As pulses are a rotational crop option with nitrogen-fixing properties for farmers, it is expected that a movement of acres from summer fallow to pulses will continue in the U.S. as it has in Canada over the past number of years.

International markets have been buying "hand-to-mouth" to keep estimated depleted local market stocks steady at the low levels that they have been at for some time. While AGT management expectations were for these buying levels to increase in the late 2011 period, credit liquidity of imports and an overall global economic tightening in part due to Eurozone concerns that contributed to volatility in the currency markets have resulted in local importers not increasing their buying activities in a meaningful way. AGT management is optimistic that these trends will return to more normalized buying activities in the second half of 2012 as credit and currency markets improve and potentially lower crop supplies in India and Turkey are confirmed.

Additionally, North American farmers, who have for the past few growing seasons reported high prices for their crops in pulses, cereal grains and canola, are under less pressure to sell crops at prevailing prices, choosing to instead hold on to stocks with the expectation of higher prices in the future due to the relative inelastic demand of pulses. With this disconnect in expectations from both farmers and importers, price volatility and high prices have been the norm, further exacerbating the lower buying levels seen in the market and contributing to margin tightening in processing operations.

Export statistics available from StatsCan for the October to December 2011 period show a decrease of 13% in lentil exports with an average of 121,295 mt exported monthly. The trend of hand-to-mouth buying is further confirmed by the January 2012 Canadian export data showing a 38% year over year January decline in exports comparing 2011 to 2010. The U.S. Department of Commerce statistics for U.S. exports show a continued decreasing trend on exports to an average of 8,967 mt per month in this period, a 23% increase over the previous period but dramatically down from 2010 exports in the same period due in large part to the significant production decreases, limited stocks and higher prices for U.S. lentils resulting from wet conditions.

The ability to ship product from North American facilities is a key driver for AGT's business with its significant operations in Western Canada and the Northern Plains states. Global economic conditions continue to be a source of uncertainty and have driven significant volatility in commodity prices and volumes, including agricultural commodities, with what AGT management views as short-term liquidity issues for importers around the world. While agricultural supply and demand fundamentals are relatively immune to short-term macroeconomic events, this uncertainty has contributed to significant volatility as non-commercial traders have significantly lowered their positions in commodity markets or have continued with programs of limited stock replenishments.

Because AGT's business operations in the pulses area have traditionally been very focused on North American production, steps to reduce this bias towards production in this region are being actively pursued. North American operations are being diversified and reliance on them decreased through expansions and a focus on other origins. A good quantity and quality crop in

Canada and the U.S. are important factors to AGT's success in executing on its sales strategy, with expected renewed buying activity from local importers. With well-positioned assets in Western Canada, added capacity and facilities and distribution channels in the U.S. are being evaluated by AGT management to capitalize on possible future increases to U.S. acres and domestic business opportunities for lentils, peas, chickpeas and beans as well as ingredients such as flours, proteins, starches and fibres. With the high-fixed cost nature of AGT's business, capacity utilization becomes a key driver in producing higher margin earnings. AGT's market reach and ability to leverage its international distribution channels is expected to assist in capitalizing on marketing opportunities for all grades and types of pulses and specialty crops. Additionally, other origins like Australia, Russia, Ukraine and Southern Africa are rapidly emerging as significant producers of pulses. With AGT's stated strategy surrounding diversification of origination, decreases in North American production may be offset in this manner over time, which is expected to lead to increased ability to smooth earnings volatility due to weather events or other market distributions for export business.

Ongoing uncertainty regarding the final state of the government legislation regarding the Canadian Wheat Board has no impact on AGT currently, as the company is not actively purchasing Canadian board grains, specifically durum wheat for pasta production; however AGT management is closely monitoring the process and information as it becomes available. Agriculture Canada, in its recent report on Grains and Oilseeds, has reported 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. Prices for durum wheat are expected to decrease slightly based on higher world and U.S. supply, and the expected stronger Canadian dollar. World durum production is forecast to increase to 37.5 million mt and the supply to 44.4 million mt including carryover stocks.

Planning for a new pasta and pulses ingredient facility in Regina for the production of Arbella pasta, both for Canadian domestic, U.S. and export markets, as well as pulses-based flours, proteins, starches and fibres for food ingredient and industrial uses is ongoing, with plans to commence construction in 2012 with an estimated completion in late 2013.

Turkey

Continued speculation about the potential size of Turkish pulses production is ongoing. Over the past few production seasons, production levels for red lentils and chickpeas have steadily decreased, with current levels for lentils in 2012 expected to again be lower at approximately 400,000 mt (U.S. Ag Attaché, USDA, StatPub, TMO, TurkStat, private trade sources). Continued high demand, both domestically and within the region, is also expected. AGT management estimates imports of pulses to Turkey to rise through 2012 to meet domestic and export requirements, although not at the robust levels seen in previous years. Factors such as volatile currency and importer liquidity are affecting this market.

The majority of available Turkish lentil and chickpea production is projected to go directly into the domestic and regional consumption markets, with opportunities for AGT to utilize available capacity in its Arbel facilities and free zone facilities for import/processing/re-export activities, as shipment and freight option advantages exist from Turkey to many core consumption markets in the Middle East and North Africa. Turkey is typically looked to as an origination point in the region for agri-product commodities. The lower supply levels locally in Turkey are viewed by AGT management as providing opportunities supported by the Company's global origination strategy. This entails shipping quantities of lentils and chickpeas from other origins such as Canada, the U.S. and Australia for processing and distribution into regional end-use markets.

However, this process has been affected both by the ability of Turkish importers and domestic customers as well as their importers and customers in the Middle East and North African region to obtain credit needed to purchase and replenish the low or depleted local market stocks. Continued ability to drive Turkish assets, both for supply to domestic markets as well as regional exports, will continue to be a key focus by AGT management. AGT management continues to be optimistic about its ability to increase capacity utilization at its pulses assets in Turkey in 2012 through this strategy.

Chickpea production is estimated to drop below 450,000 mt, the lowest production levels since 2007. With decreases in North American production, a focus on AGT's licensed variety, the B-90 chickpea, for Saskatchewan, North Dakota and Montana as well as production from other origins, such as Australia and Russia, are expected to be key drivers to AGT's expanding chickpea business. Turkey and the surrounding region is a significant consumption market for chickpeas for hummus and other uses such as flour and snack foods. AGT management expects in the near term to grow its global chickpea business to the Europe, Middle East and North Africa regions in part by utilization of its Turkish assets through its existing global origination strategy as it has in other pulses. Reports of higher prices for chickpeas globally, particularly driven by Indian demand, are creating competition for available products. Turkish assets are also being used to process chickpeas originated and imported unprocessed from Russia and Ukraine, imported in containers, and sold throughout Turkey and neighboring markets. Turkish asset utilization for AGT's program in chickpeas, beans and peas is growing in significance with approximately 20% of product passing through plants originating unprocessed from former Soviet Union countries (Russia, Ukraine, Kyrgyzstan, Uzbekistan, Kazakhstan). Turkey is a becoming a key regional processing and distribution hub for raw materials in this region. Arbel assets in close proximity to port facilities provide an advantage for import and processing activities.

With respect to durum wheat, the raw material for the production of pasta, bulgur and semolina, Turkey is expected to see a modest decrease 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. Additionally, pasta producers and millers including AGT, who have contracted directly from farmers, are estimated to have secured raw materials needed for production. With local origination through its Arbel Group operations in Turkey, AGT management is confident that pasta production will continue uninterrupted and without raw material price pressure until new crop is available in Turkey.

With reported increases in durum wheat production in Canada and the U.S. and increases in global production overall in other origins, durum wheat prices are expected to decrease according to Agriculture Canada. The ability to supplement decreases in Turkish production from origins AGT is doing business in, such as Canada, the U.S. and Australia, will provide similar advantages to pulses imports to Turkey by AGT for reprocess/re-export activities. Stable supply from Turkey is a key driver for AGT's growing global pasta and milled wheat business. Sufficient local stocks of Turkish durum have ensured that AGT's pasta business is able to secure its supplies to back its sales commitments without significant risks to margin. This has traditionally supplied a possible advantage for Arbella pasta business, which is expected to continue with the origin and production diversification of AGT pasta production with the announced new facility to be constructed in Regina.

Pasta facilities are running at effective peak capacity, which is projected to continue with strong demand for Arbella pasta in new markets in the near term. To meet the continuing estimated demand for AGT pasta products, a fifth pasta line has been commissioned for production and has been partially operational through the last quarter of 2011. The line will add 36,000 mt of additional short cut pasta capacity in the second half of 2012. Expansions for semolina production are currently underway, with a 50% capacity increase in semolina production targeted for completion in early 2012 to keep pace with production capacity increases and demand for pasta and other milled wheat production in 2012. Overall, AGT management expects pasta facility expansions to continue to be a strong contributor to earnings in 2012. This is a positive development in AGT's cross-selling approach for pasta where customers in most markets buying long-cut pasta (spaghetti and other long noodle varieties) request supplemental short-cut shapes to complement the overall variety they are able to provide to their customers in local markets. With expected strong long-cut demand continuing, customer requests for additional short-cut varieties have grown and are expected to continue, providing growth opportunities for the pasta segment overall. Continued offerings to new and existing markets will be a focus through 2012 and future periods. Continued demand for other milled wheat products such as semolina, bulgur and durum in general in the domestic Turkish market is also expected during this period.

Rice paddy production is estimated to continue to rise as it has in the past recent periods. Estimates have been reported for rice production of between 750,000 and 900,000 mt (TMO). With estimated production levels for paddy production continuing in this range, imports of rice are forecasted to continue in upcoming periods from U.S. origins (U.S. Agricultural Attaché Grain and Feed Update Report, TMO, Turkish Rice Millers Association). This is expected to continue to create opportunities for AGT's rice business and provide ample raw material stocks for its rice processing assets located in Edirne, Turkey, which were commissioned for operations in mid-2011. This new facility is expected to bolster AGT's growth in this business platform with potential of additional production through enhanced irrigation systems for the area. Rice harvest is typically completed in the September/October period, which is projected to provide a positive outlook on this business segment in 2012. Contributions to earnings of this new asset are expected to begin in 2012, as 2011 ramp up and commissioning took approximately three months longer than expected. Management is pleased with the facility's efficiency and the quality of the finished products for sale.

Based on available reports, AGT management maintains its opinion of a favourable business environment for operations in Turkey with expected increases to capacity utilization and related earnings contribution. As it has done in the past, where local production shortfalls were experienced, AGT management expects to continue on the strategy to utilize available capacity in its Arbel facilities, coupled with free zone facilities for import/processing/re-export activities with products being shipped to Turkey from AGT facilities in Canada, Australia, China, South Africa and other origins. More normalized or slightly lower production of new crop supply and global carry-in stocks are expected to further stabilize supply of product for processing and assist in continuing to smooth the seasonality of AGT business in Turkey. This is estimated to be assisted by ample forecasted supplies in Canada and Australia, supplying Arbel with a more predictable and stable supply and price environment in pulses throughout the year as harvest is completed in other origins. This is expected to allow for a return to normalized processing and distribution margins in the pulses business segment from Turkey. Regular imports from Canada and Australia will assist Arbel in meeting its sales obligations without being subjected to local pulses price fluctuations and fluctuations in physical product deliveries arriving into the pulses market in Mersin, Turkey. As farmers physically deliver products into a spot market for purchase, supplies can be variable and short deliveries can cause price variances according to demand outpacing available supplies. Regular import supplies provide a degree of insulation from these upward price pressures and allow for more consistent margins.

AGT will also continue to develop its distribution platform using Arbel as the base for green lentils, chickpeas, white beans, speckled beans, faba beans, mung beans, popcorn and rice. Transit and trade business to neighbouring countries are important revenue generators for AGT. Utilization of newly-erected cold storage warehouses at Arbel will allow AGT branded bagged product to achieve further market penetration as AGT has positioned warehouse stocks in Turkey to capitalize on immediate delivery opportunities.

With these factors in mind, AGT management estimates the increased capacity utilization and business opportunities through the coming quarters at the Arbel Group operations to contribute in a positive manner and allow this operating division to be a strong contributor to future earnings.

Australia

Australia reported the period after harvest on a positive note, as it has throughout the 2011 crop season. Overall pulses production is estimated by Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) to be at record levels for 2011 at 2.331 million mt. Increases in production of lupins at 47% to 901,000 mt and chickpeas at 28% to 485,000 mt are being reported. Slight decreases of 6% each on lentils to 288,000 mt, off the 306,000 mt record production in 2010, and on faba beans to 268,000, off the 287,000 mt record in 2010 are also being reported. These production levels are viewed as positive from a global origination standpoint by AGT management.

Export levels for pulses have been reported by the Australian Bureau of Statistics as continuing to rise as has been seen through 2011. Lentil exports from Australia rose a reported 283% from the same period in 2010 from an average monthly volume of 7,300 mt in 2010 to 28,000 mt in 2011. Chickpeas and faba beans reported more modest gains at 18% year over year increase for chickpeas from an average monthly volume of 22,700 mt to 26,000 mt and 45% for faba beans from 40,000 mt in 2010 to 58,000 mt in 2011.

With Australia expected to continue being a strong production origin in the coming periods, AGT is well positioned with extensive assets in key growing regions throughout the country. AGT management is optimistic about the potential for its Australian business units in Victoria and its expanded South Australian facilities as well as the acquisition in New South Wales. With opportunities around storage, blending, colour sorting and sizing, AGT's Victoria business in 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 acquisition in Narrabri, New South Wales is commissioned for processing and is expected by AGT management to provide opportunities for exports of desi and kabuli chickpeas, faba beans, mung beans and lupins principally to North Africa, Middle East and Indian subcontinent markets in 2012 with ample good quality lentil and other pulse crop supply. Container rail service to Adelaide and Sydney from AGT 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 management expects its Australian expansion strategy to continue to grow and contribute positively to earnings with strong origination, well-equipped and positioned assets and a growing loyal producer following in its origination areas. AGT management believes it is building a sustainable, competitive advantage for AGT in the pulses and specialty crops space in Australia. The Australian business unit, along with Turkey and the U.S., is a key factor in AGT's efforts to diversify its earnings base and balance its concentration on Canadian operations.

AGT management expects that pulses acreage in Australia will continue to rise providing the basis on which to continue execution of its investment strategy in Victoria, South Australia and New South Wales with planned improvements of its existing asset bases in 2012-2013.

India and Subcontinent Markets

Ongoing reports from India regarding import and production levels have contributed to questions in global pulse markets with respect to the impact of India on global pulse exports. Lower kharif and rabi production had led to optimism of higher levels of imports to meet the significant domestic demand for pulses in India. While pulses production is reported as down 5% by STATPub based on Indian government reports, it should be noted that accurate and reliable reporting on production, consumption and import levels in India are difficult to verify. Statistical lag and regions that simply do not report production and consumption contribute to this. This has translated to a short-term reduction in imports to the region as local production is consumed in the market. Local importers are expected to look to import product available from North America and Australia in future periods. However, credit liquidity and currency volatility has affected the ability of importers to conduct their business in a manner consistent with historical buying habits. Governmental policy and messaging aimed at curbing food inflation and dealing with currency volatility also contribute to messaging that AGT management estimates may be “overly optimistic” in the Indian production systems.

AGT management notes that India is a major driver of regional production and consumption. However, Bangladesh, Sri Lanka and Pakistan are also positive demand points for AGT. Demand for lentils, chickpeas and beans are expected to increase in 2012 in these neighbouring markets regardless of India’s internal market dynamics. Market intelligence gathered by AGT through agents, customers and distributors finds reports of low or depleted local market stocks that must be replenished even partially once Indian new crop is completely distributed through the domestic consumption markets.

AGT management is optimistic that the positive demand fundamentals for pulse imports to Indian subcontinent markets may materialize in the second half of 2012. At the recent Global Pulses Conclave Meetings in Mumbai in February 2012, panelists projected that lentil and pigeon pea stocks may be reduced by 20% to 40% as seeded acres and yields are expected to be down. In any production year, India and its regional markets are important contributors to demand to move global pulses supplies. The continued governmental ban on Indian origin exports is expected to allow AGT to benefit from opportunities to ship its products to this region and drive utilization of its North American, Australian and South African asset bases. Origination and export from Southern Africa (Mozambique, Tanzania, Kenya and Malawi) is also an opportunity that is expected to be developed with the Advance Seed acquisition in South Africa.

Opportunities for expanded presence in the region continue to be investigated, including local processing, warehousing and distribution. India is a key focus in AGT’s strategy to solidify its local presence with regard to distribution in key consumption markets. The gap in supply and demand in India is forecast to continue to rise in the coming years according to published reports by the Indian Government and other industry sources. Growth in consumption is estimated to continue its rise due to the growing population in India. Pulses are a staple food group that spreads across all income levels, from the richest to the poorest of consumers. This, coupled with stable-to-declining production in India due to weather volatility, leaves India as a key driver for future demand prospects for the pulses markets.

Russia and Ukraine

While not a traditional growing region for pulses, Russia and the Ukraine are emerging as potentially important production regions, especially considering the availability of shipping lanes through the Black Sea and Bosphorus to processing locations and markets in Turkey and decreases in local Turkish production. Reports from FAO and USDA have Russian pulses production up significantly in 2011 with a continuation of these gains expected in 2012. In 2011 a total of 1.5 million acres of pulses produced a reported 2.4 million mt. While much of this production is in peas, with 1.1 million acres resulting in 1.8 million mt of production, the reported 21,400 acres of chickpeas resulting in 43,000 mt and 12,700 acres of lentils resulting in 10,000 mt of production has potential to increase in upcoming years. Opportunities including broad beans, beans and lupins could also be realized.

AGT management, identifying the Russian and Ukrainian production regions as a significant new origin for origination of pulses and grains, has positioned local Turkish staff in Russia, Kyrgyzstan and Ukraine to assist in grain buying and origination in the region to facilitate the flow of peas, chickpeas and beans to Arbel's facilities in Turkey.

South Africa

With the acquisition of Advance Seed, AGT's long-time client and distributor in the Southern Africa region for pulses, grains and popcorn, entry into this key consumption region has begun. Processing facilities in Johannesburg and warehouse and packaging facilities in Cape Town and Durban provide AGT with existing markets for popcorn, pulses, pasta and seed grains in the Southern Africa region. It should be noted that AGT, with the Advance Seed acquisition, has acquired a fully functioning business with existing sales contracts and a branded retail product line both for retailers and private label, which is expected by AGT management to continue contribution to earnings in the 2012 period.

While pulses acres for beans, lupins and other products in South Africa are trending down with competition with corn and other higher priced cereals (South Africa Grain Information Service; SAGIS), AGT, with its global operations in other origins, is viewing similar import/reprocess/re-export opportunities to cross-sell with the locally produced popcorn and other products. Southern Africa provides another outlet for driving sales opportunities for AGT's asset base in China, Canada, the U.S., Turkey and Australia.

Additionally, AGT management has identified potential for increased pulses production in neighbouring regions for import substitution growing and supply programs for local retail markets capturing potential duty and tax advantages for locally produced products. With the amount of farmland available in the Southern African region, AGT management remains optimistic about future production growth in pulses and specialty crops in Africa.

China

Although limited official data on pulses production in China is available, the U.S. Agricultural Attaché to China continues to report 2011-2012 production levels as trending upward; however, production is still estimated as approximately 4.2 million mt of pulses production, largely consisting of broad beans, kidney beans, mung beans and adzuki beans. In previous reports, the U.S. Agricultural Attaché reported estimates of high levels of pea imports for domestic starch extraction for vermicelli noodle production, moon cakes and snack foods. AGT management has continued to proceed with implementation of a strategy to utilize the new Chinese assets to provide an entry point for Canadian, U.S. and Australian peas for starch, green peas for snack foods, green pea powder and sprouting green peas.

Flax imports to China for the industrial processing sector is also a growing segment for AGT's North American assets, providing another product to utilize excess capacity. China is also an origin for exports to major bean markets such as the U.S., Latin America, Europe, Southern Africa and India for light speckled kidney beans, black beans, navy beans, mung beans and white beans. Expansion plans for AGT's planned new bean processing plant have been slower than anticipated as AGT management continues to evaluate options on location, scope and scale of the investment. Plans for construction of a new facility in 2012 are ongoing.

Strategy Implementation on Track

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, offerings include split and value-added lentils, peas and chickpeas and its newer offerings of beans, pasta, bulgur wheat, semolina and rice that are in place, as well as a planned pulses ingredient business including flour, protein, starch and fibre. AGT management opinion is that the diversified operating divisions in virtually every pulse and staple food producing origin provides a position of strength vis-à-vis AGT 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 North America (August/September harvest), as well as forward to Australia/South Africa (December harvest), India (March harvest) and Turkey (June harvest). AGT management believes demand will continue through traditional shipping periods, with opportunities for the 2012 crop supply from all origins in the coming periods to replenish local market stocks. The uncertainty regarding actual Indian production and supply levels has the potential to translate to growing import levels of pulses to India in 2012, which is an important component to moving available product from producing origins in any production year. Similar import opportunities for Turkey are estimated to exist as well, with the decrease in production of lentils and chickpeas in that origin creating high estimated domestic and regional consumption.

Importers and international buyers must complete buying decisions as stocks become available, bringing them into the markets to satisfy consumer demands for pulse products, staple foods and protein. AGT management is optimistic that local importers who previously postponed portions of their buying due to volatile pulse markets and global economic conditions may begin to come back into the market for 2011 crop year and 2012 offerings from all origins shipping throughout 2012, especially as quality is reported to have returned to normalized levels. The calming of political tensions and political reforms in the North Africa and Middle East regions are expected to have a positive effect on food import prospects, as governments and aid agencies deal with political reforms, refugee crises and food availability as a basic building block of civil society. Libya, Egypt, Algeria, Syria, Iraq and Sudan present great opportunities for sales in 2012.

On December 30, 2011, AGT announced that through its wholly-owned Canadian subsidiary, APP, it has entered into a $130.0 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). With the established risk management program followed by AGT, which includes “back to back” selling to reduce risk of commodity exposure, hedging mechanisms for foreign exchange, selling based on trade terms where AGT retains ownership of the cargo until payment is received and receivable insurance by Export Development Canada (“**EDC**”), AGT’s sales program is working capital-intensive. Farmers are paid within 7 to 14 days and payment for cargo may not be realized in some cases for 60 days or more, as transit times from factory to destinations may take 65 days or more. Establishment of this global credit facility is expected to assist AGT in executing on its sales program and strategy. AGT continues to have high-quality inventory and a book of receivables that are largely credit insured by EDC to offset its levels of short-term financing. Long term debts compared with equity levels are considered by management to be at relatively low levels.

With regards to acquisitions, AGT management reports that the evaluation of acquisitions in key consumption markets and other origins is ongoing. With regard to integration of previous acquisitions, integration processes are continuing as planned. New additions to AGT’s corporate management continue on programs aimed at bolstering administrative, corporate reporting and information technology standardization between all corporate subsidiaries. Improvements completed in 2011 at a number of North American, Turkish and Australian facilities position those facilities for positive contribution to AGT business in future periods, as well as provide AGT management with better tools and information to manage AGT’s global operations.

The expansions of the Minot, North Dakota facilities are projected to be completed in late 2012. As the facility in Minot was never commissioned as a pulses processing facility, AGT operations staff are able to set up and configure the facility in a manner that makes most efficient use of processes and equipment for value-added processing of pulses and staple foods, as well as the processing of pulses ingredients including flours, proteins, starches and fibre.

In Australia, AGT management is optimistic with regard to the growth potential of the existing and new Australian business units. Expansions of storage in Victoria, Australia are completed. Integration of South Australian assets are ongoing and on track, with these facilities expected to continue to create opportunities to capture pulses into AGT's newly commissioned storage and processing systems. The newly acquired facility in Narrabri is well-positioned in a key growing area in New South Wales for desi and kabuli chickpeas, faba beans, mung beans and lupins. It is a fully operational facility, with three times weekly container rail service to port of Sydney and freight advantages to North Africa and the Indian subcontinent, which are the principal markets for these products. AGT management is pleased with the opportunities that may be provided by its Australian operations.

AGT management is optimistic about the benefits the new acquisition of Advance Seed in South Africa is expected to provide for AGT in the Southern African region. With a strong management team headed by Mr. Brian Lever and his decades-long experience in the agri-foods sector in the region, AGT management expects the existing facilities for processing and packaging in Johannesburg, as well as the packaging and distribution facilities in Cape Town and Durban, to begin to contribute positively to earnings in the short-term. Furthermore, the seed grains and agronomical consulting services that Advance Seed provides to growers of pulses, grains and popcorn in Southern Africa is expected to assist in the increase of acres of AGT's core products in the region. Finally, the branded products and private label business through the Pouyoukas Foods brand is seen as a platform for growth of the AGT retail platform for popcorn, packaged pulses, rice and Arbella pasta in the region.

AGT management continues to reiterate that the key components to long-term value creation in its 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: lentils, chickpeas, peas, beans, faba beans, pasta, medium grain rice, bulgur and semolina, with a continued focus on expansions and facility refurbishments providing capacity efficiency gains in the Canada, U.S., Turkey, Australia, China, India, Eastern Europe and Southern Africa.

Management reiterates the following core competencies and strengths of AGT's business:

- Strength of the management team
- Geographic diversification of AGT's assets
- Global reach for sales and distribution
- Risk management
- Adequate access to capital in a capital constrained global market

Selected Annual Information

The following table presents selected financial information for AGT taken from its financial statements.

(in thousands of Cdn. $ except as indicated)	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010
Sales	759,974	642,140
Cost of sales	677,162	570,567
Gross profit	**82,812**	**71,573**
Deduct: General and administrative expenses	(24,632)	(22,901)
Deduct: Marketing, sales and distribution expenses	(25,871)	(19,440)
Add: Finance income	855	-
Add: Depreciation in cost of sales	6,726	3,977
Add: Depreciation in operating expense	5,506	3,377
Add: Non-recurring costs (1)	2,194	667
EBITDA (*)	**47,590**	**37,253**
Deduct: Interest	(10,977)	(5,932)
Deduct: Depreciation and amortization	(12,231)	(7,354)
Deduct: Provision for income taxes	(1,835)	(3,612)
Adjusted net earnings (*)	**22,547**	**20,355**
Adjusted basic net earnings per share	1.14	1.08
Adjusted diluted net earnings per share	1.13	1.06
Deduct: Non-recurring costs	(2,194)	(667)
Deduct: Non cash foreign exchange effect	(28,814)	(721)
Net earnings (loss) per financial statements	**(8,461)**	**18,967**
Basic net earnings per share	(0.43)	1.01
Diluted net earnings per share	(0.43)	0.99
Total assets	689,512	529,404
Bank indebtedness	197,868	80,336
Short term financing	42,371	24,925
Long-term debt including current portion	80,765	36,056
Shareholders' equity	270,965	303,090
Dividends declared per share	0.585	0.540
Basic shares outstanding	19,725,023	18,866,853
Fully diluted shares outstanding	19,971,190	19,170,895

(1) One time costs deemed to be non-recurring by Management, relating to acquisitions, financing and other.

Discussion of Annual Results

AGT's sales were $760.0 million for the year ended December 31, 2011, compared to sales of $642.1 million for the year ended December 31, 2010. This increase of 18% from the previous year is due to AGT's reporting of a full year of results for Poortmans, which was acquired in November 2010, the 2011 acquisition of Advance Seed in South Africa, and a growing revenue base in Australia during 2011 as compared to 2010.

AGT's EBITDA* was $47.6 million for the year ended December 31, 2011, compared to $37.2 million for the year ended December 31, 2010, an increase of approximately 28%. The increase is attributable to new acquisitions contributing to positive earnings, as well as some return to normal capacity utilization following the high degree of quality variance during the year ended December 31, 2010. Capacity utilization suffered during the last two months of 2011 due to global financial liquidity issues and resulting lower margins partially offsetting the EBITDA* increase earlier in the year.

AGT has revised the selected annual reporting disclosure to more closely conform to the format of the IFRS financial statements and provide more detail on expenses as they relate to sales trends. Operating expenses are now being detailed into the categories of general and administrative expenses and marketing, sales and distribution expenses.

General and administrative expenses increased from $22.9 million for the year ended December 31, 2010 to $24.6 million for the year ended December 31, 2011. This increase of 7.4% reflects the larger scale of operations due to additional capacity and new operations that were brought on line with the acquisition of Canz Commodities in New South Wales, Australia and Advance Seed in South Africa as well as the reporting of a full year of results for Poortmans.

Marketing, sales and distribution expenses increased from $19.4 million for the year ending December 31, 2010 to $25.9 million for the year ending December 31, 2011 as a result of acquisitions late in 2010 and in 2011. The year-over-year comparison is skewed by the dramatic increase of the size of AGT. This includes the additional operating costs associated with the full year results of Poortmans and acquisitions in Australia, which were purchased in 2010, as well as the additional facilities in Australia and South Africa purchased in 2011. In addition, AGT incurred advertising costs in 2011 estimated by management as non-recurring costs attributable to a Turkish domestic marketing program to build brand awareness of Arbella. These advertising campaigns are targeted campaigns that are necessary approximately every 3 to 4 years. It is not anticipated that this level of expenditure will be required in 2012.

Gross profit for 2011 was $82.8 million, an improvement in absolute dollars from the $71.6 million in 2010. During 2011, gross margins improved as a result of better quality product being available when the 2011 harvest was received. This was partially offset by lower demand late in 2011, causing gross profit as a percentage of sales to decrease slightly from 11.1% in 2010 to 10.9% in 2011. Global liquidity issues experienced late in 2011 resulted in AGT management making the decision to sell product at lower margins as opposed to decreasing factory utilization.

Interest expense increased from $5.9 million in 2010 to $11.0 million in 2011 due to increases in working capital requirements and long term debt resulting from the acquisitions during 2010 and 2011. Increased interest costs related to higher costs of borrowing in Turkey and South Africa are also contributing factors. Management continues to look at options to utilize AGT's global balance sheet to reduce costs of borrowing of foreign subsidiaries.

Provision for income tax for the year ended December 31, 2011 was $1.8 million compared to $3.6 million for the year ended December 31, 2010. This is due to lower income in 2011 and the resulting decrease in tax expense in some tax jurisdictions. In addition, although foreign exchange losses are non-cash, these losses affect the net income and therefore the tax provision. Management is in the early stages of examining its international tax structure.

Depreciation for the year ended December 31, 2011 was $12.2 million compared to $7.4 million for the year ended December 31, 2010. The increase in depreciation is due primarily to additional depreciable assets resulting from acquisitions and capital additions and improvements. In addition, an assessment of depreciable assets and relevant useful lives resulted in an adjustment to depreciation expense in the fourth quarter.

Unrealized foreign exchange was a loss of $28.8 million for the year ended December 31, 2011 compared to a loss of $0.70 million for the year ended December 31, 2010. Foreign exchange fluctuations for the year ended December 31, 2011 as compared to the year ended December 31, 2010 were primarily the result of a devaluation of the Turkish lira and fluctuations in the U.S. dollar, partially offset by an increase in the value of the Australian dollar. It is important to note that this FX effect is unrealized and non-cash in nature and is added back when AGT reports EBITDA and adjusted earnings per share.

Current assets increased to $419.2 million in 2011 from $279.8 million in 2010 while current liabilities increased to $331.8 million from $190.4 million. The increases in inventory levels to $183.3 million in 2011 from $110.8 million in 2010 reflect higher stock levels of branded pasta and the broadened footprint of Australian operations with the late 2010 acquisition of additional storage assets in South Africa and the mid-2011 purchase of New South Wales assets. As well, 2011 inventory includes the acquisition in South Africa. In addition, cash increased from $23.6 million at December 31, 2010 to $56.2 million at December 31, 2011. The cash increase is largely due to deferred producer payments that were expected to be cleared through AGT accounts in the first few days of January 2012.

Net positive working capital position of $89.3 million in 2010 decreased to $87.4 million in 2011 largely as a result of foreign denominated loans and receivables being marked to market. The mark to market entry is a non-cash amount. Long term debt including current portion increased from $36.1 million in 2010 to $80.8 million in 2011 as a result of additional proceeds received from Farm Credit Canada, for funding of acquisitions, as well as long term debt associated with the Advance Seed purchase. This is partially offset by long term debt paid down by certain of the subsidiaries.

Net debt* (bank indebtedness, short term financing and long term debt less cash) increased from $117.7 million at December 31, 2010 to $264.8 million at December 31, 2011. This is a result of additional financing taken to augment working capital requirements as well as acquisitions. During 2011, AGT ramped up its distribution strategy to have inventory available at port facilities. The strategy allows shorter transit periods for the buyers and AGT will be in a position to charge premiums on the product. The inventory levels at December 31, 2011 are reflective of the warehoused product and benefits of this strategy are expected to be seen early in 2012.

Equity decreased from $303.1 in 2010 to $271.0 in 2011. The decrease is largely a result of accumulated other comprehensive loss increasing to $25.0 million in 2011 compared to $12.5 million in 2010. This is an adjustment to equity and other comprehensive loss that has no cash impact. This other comprehensive loss is largely related to the cumulative translation adjustment for 2010 resulting from the devaluation of the Turkish lira, which decreased from $0.64 at December 31, 2010 to $0.54 at December 31, 2011 as compared to $1.00 Canadian dollar. The "snap-shot" end of period adjustment to net assets and earnings translated to Canadian dollars from the local currencies show the currency effects of the devaluations on AGT's overall equity base. Since this is a non-cash item, this amount is expected to change year to year as the local currencies of foreign operations change over time. In addition, the net loss recorded for 2011 resulted in a decrease in retained earnings.

Summary of Quarterly Results (1)
(in thousands of Cdn. $ except as indicated unaudited)

	3 Months Ended Dec 31, 2011	3 Months Ended Sept 30, 2011	3 Months Ended June 30, 2011	3 Months Ended March 31, 2011	3 Months Ended Dec 31, 2010	3 Months Ended Sept 30, 2010	3 Months Ended June 30, 2010	3 Months Ended, March 31, 2010
Sales	231,450	190,556	169,915	168,053	169,003	137,559	149,222	186,356
Cost of sales (2)	212,387	165,001	153,011	146,763	154,769	122,142	136,882	156,774
Gross profit	**19,063**	**25,555**	**16,904**	**21,290**	**14,234**	**15,417**	**12,340**	**29,582**
Deduct: General and administrative expenses	(7,911)	(6,709)	(5,400)	(4,612)	(7,053)	(6,228)	(4,971)	(4,649)
Deduct: Marketing, sales and distribution expenses	(9,322)	(5,817)	(5,990)	(4,742)	(3,550)	(6,187)	(4,843)	(4,860)
Add (Deduct): Other expenses	16	4	(2)	(18)	2	-	-	(2)
Add (Deduct): Finance expense	1,327	(258)	121	(335)	524	(33)	(153)	(338)
Add: Amortization in cost of sales	1,809	1,531	1,625	1,761	905	1,893	1,179	-
Add: Amortization in operating expense	2,447	311	1,920	828	1,649	213	887	628
Add: Non-recurring costs (3)	1,785	409	-	-	667	-	-	-
EBITDA (*)	**9,214**	**15,026**	**9,178**	**14,172**	**7,378**	**5,075**	**4,439**	**20,361**
Deduct: Interest	(2,907)	(3,549)	(2,328)	(2,193)	(2,432)	(1,139)	(1,283)	(1,078)
Deduct: Depreciation and amortization	(4,255)	(1,842)	(3,545)	(2,589)	(2,554)	(2,106)	(2,066)	(628)
Add (Deduct): Provision for income taxes	(1,178)	905	1,252	(2,814)	(1,013)	(1,382)	1,186	(2,403)
Adjusted net earnings (*)	**874**	**10,540**	**4,557**	**6,576**	**1,379**	**448**	**2,276**	**16,252**
Adjusted basic net earnings per share	0.04	0.53	0.23	0.33	0.05	0.02	0.02	0.95
Adjusted diluted net earnings per share	0.04	0.53	0.23	0.33	0.05	0.02	0.02	0.93
Deduct: Non-recurring costs (3)	(1,785)	(409)	-	-	(667)	-	-	-
Deduct: Non cash foreign exchange effect	218	(21,205)	(8,433)	606	(1,017)	5,467	(6,604)	1,433
Net earnings (loss) per financial statements	**(693)**	**(11,074)**	**(3,876)**	**7,182**	**(305)**	**5,915**	**(4,328)**	**17,685**
Basic net earnings (loss) per share	(0.04)	(0.56)	(0.20)	0.36	(0.02)	0.30	(0.23)	1.03
Diluted net earnings (loss) per share	(0.04)	(0.56)	(0.20)	0.36	(0.02)	0.30	(0.23)	1.01
Total assets	689,512	615,556	575,397	566,609	529,404	453,274	445,398	459,439
Bank indebtedness	197,868	129,493	116,397	99,150	80,336	-	-	64,755
Short term financing	42,371	37,093	28,958	9,703	24,925	25,005	26,261	50,975
Long-term debt including current portion	80,765	73,968	66,416	69,654	36,056	21,792	25,162	37,932
Shareholders' equity	270,965	276,011	290,862	302,604	303,090	319,633	314,779	244,755
Dividends declared per share	0.150	0.150	0.150	0.135	0.135	0.135	0.135	0.135
Total tonnes invoiced	272,196	282,847	227,132	251,267				
Gross profit per metric tonne	70.03	90.35	74.42	84.73				
EBITDA (*) per metric tonne	33.85	53.12	40.41	56.40				

Certain Management estimates were employed to facilitate the reclassification of comparative cost of sales and operating expenses related to the allocation of wages and benefits for IFRS comparatives.

Notes:

(1) Calculated from the unaudited interim financial statements for the quarters ending September 30, 2011 and 2010, June 30, 2011 and 2010 and March 31, 2011 and 2010, and the audited IFRS annual financial statements for the year ending December 31, 2011 and 2010.

(2) Cost of sales includes depreciation on equipment used to process inventory. Total depreciation is added back for EBITDA*.

(3) One-time costs deemed to be non-recurring by Management, relating to acquisitions, financing and other.

Discussion of Fourth Quarter Results

Revenues were $231.5 million for the three months ended December 31, 2011 compared to $190.6 million for the three months ended September 30, 2011 and $169.0 million for the three months ended December 31, 2010. This is due to higher sales prices of Australian commodities, as well as increased sales prices for commodities such as beans, chickpeas, pasta and other value-added commodities during the quarter ending December 31, 2011 compared to the quarter ending September 30, 2011 and additional volume handled for the quarter ending December 31, 2011 compared to the quarter ending December 31, 2010.

Gross Profit was $19.1 million or 8.2% for the three months ended December 31, 2011 compared to $25.6 million or 13.4% for the three months ended September 30, 2011 and $14.2 million or 8.4% for the three months ended December 31, 2010. Although gross profit percentage for the three months ended December 31, 2011 is consistent with the gross profit for the three months ended December 31, 2010, there is a decrease when comparing to the quarter ended September 30, 2011. This is due to better quality product being handled, and resultant lower processing costs during the quarter ended September 30, 2011. The decrease in trading margins during the quarter ended December 31, 2011 is largely due to global liquidity issues, sluggish demand causing temporary margin compression causing Management to make the decision to sell product at lower margins as opposed to decreasing factory utilization. Product mix also contributed with lower lentil sales and more commodity pea and flax seed sales compared to the expected value-added pulses opportunities expected during the quarter shipping period.

EBITDA* was $9.2 million for the three months ended December 31, 2011 compared to $15.0 million for the three months ended September 30, 2011 and $7.4 million for the three months ended December 31, 2010. The quality of 2011 crop was better than crop received in 2010, resulting in more efficient processing and an EBITDA* increase when comparing the three months ending December 31, 2011 to the three months ending December 31, 2010. However, the decrease in EBITDA* from the quarter ended September 30, 2011 to the quarter ended December 31, 2011 was due to a strain on margins resulting from temporary reduction in global demand for core product offerings associated with normalized margins.

AGT has revised the selected quarterly reporting disclosure to more closely conform to the format of the IFRS financial statements and provide more detail on expenses as they relate to sales trends. Operating expenses are now being detailed into the categories of general and administrative expenses and marketing, sales and distribution expenses.

General and administrative expenses increased from $6.7 million for the three months ended September 30, 2011 to $7.9 million for the three months ended December 31, 2011 and compared to $7.1 million for the three months ended December 31, 2010. This increase of 17.9% when comparing the three months ending December 31, 2011 to the three months ending September 30, 2011 and 11.3% when comparing the three months ending December 31, 2011 to the three months ending December 31, 2010 reflects the larger scale of operations due to additional capacity and new operations that were brought on line with the acquisition of New South Wales in Australia and Advance Seed in South Africa. AGT management is undertaking an administrative cost review and it is anticipated that the Company will initiate a reduction in decentralized functions at acquired subsidiaries globally and operating divisions in North America in favor of centralized functions at AGT's corporate offices to reduce costs going forward.

Marketing, sales and distribution expenses increased from $5.8 million for the three months ended September 30, 2011 and from $3.6 million for the three months ended December 31, 2010 to $9.3 million for the three months ended December 31, 2011 as a result of acquisitions late in 2010 and in 2011 as well as non-recurring advertising costs incurred late in the year. In addition, the higher sales volume during the quarter ending December 31, 2011 compared to the quarter ending December 31, 2010 resulted in increased distribution costs. This expense category is expected to normalize back to levels estimated at approximately $7.0 million for periods ongoing.

Interest expenses for the quarter ending December 31, 2011 were $2.9 million compared to $3.5 million for the quarter ending September 30, 2011 and compared to $2.4 million for the quarter ending December 31, 2010. Interest expense decreased when comparing the quarter ended December 31, 2011 to the quarter ending September 30, 2011 due to capital projects being put into use and interest costs being capitalized. Interest expenses during the quarter ending December 31, 2011 were higher than interest expenses for the quarter ending December 31, 2010 due to increased credit utilization, partially offset by capitalization of interest for construction projects.

Provision for income tax shows an expense of $1.2 million for the quarter ended December 31, 2011 as compared to a recovery of $0.9 million for the quarter ended September 30, 2011 and an expense of $1.0 million for the quarter ended December 31, 2010. The recovery amount for the quarter ended September 30, 2011 is a result of net losses for these quarters attributable to unrealized foreign exchange loss. The net loss improved from $11.1 million for the quarter ended September 30, 2011 to $0.70 million for the quarter ended December 31, 2011, and certain of the subsidiaries had income for tax purposes, resulting in a shift from income tax recovery to an income tax expense when comparing the quarter ended September 30, 2011 to the quarter ended December 31, 2011 and December 31, 2010.

Depreciation expenses for the quarter ended December 31, 2011 were $4.3 million compared to $1.8 million for the quarter ended September 30, 2011 and compared to $2.6 million for the quarter ended December 31, 2010. The higher depreciation amount for the quarter ended December 31, 2011 is attributable to the adjustment of management estimates of useful life and finalization of componentization. Certain classes of assets were re-evaluated resulting in the adjustments and the adjustments were all recorded in the reporting period.

Unrealized foreign exchange was a recovery for the quarter ended December 31, 2011 of $0.2 million compared to a loss of $21.2 million for the quarter ended September 30, 2011 and compared to a loss of $1.0 million for the quarter ended December 31, 2010. The change in unrealized foreign exchange from the quarter ended September 30, 2011 to the quarter ended December 31, 2011 is primarily due to gains on certain foreign denominated loans, receivables and derivative contracts, partially offset by devaluations of the Turkish lira against the Canadian and U.S. dollar, resulting in a small change during the quarter ended December 31, 2011. The unrealized foreign exchange difference when comparing to the quarter ending December 31, 2010 is a result of fluctuations in foreign exchange rates of subsidiaries.

Net debt* is comprised of bank indebtedness, short term financing and long term debt, less cash and cash equivalents, totalled $264.8 million at December 31, 2011 compared to $223.3 million at September 30, 2011. The increase in net debt of $41.5 million is a result of lower inventory turns and the resulting increased inventory from $176.0 million at September 30, 2011 to $183.3 million at December 31, 2011 and increased accounts receivable from $156.9 million at September 30, 2011 to $171.5 million at December 31, 2011. This net debt figure is expected to decrease in 2012 as global liquidity improves. Also, additional term financing was put in place to fund acquisitions of South Africa and Minot, North Dakota.

Current assets were $419.2 million at December 31, 2011 compared to $361.0 million at September 30, 2011 (see table on page 30). The current asset base is largely accounts receivable and inventory, reflecting the continued growth in sales and distribution that AGT has experienced in recent months. It is important to note that the receivables are largely insured by Export Development Canada, significantly reducing the risks associated with this current asset class as buyer risk is being replaced by Government of Canada risk through the export insurance. Inventory levels, while appearing higher than prior periods, reflect the diversification efforts of the company to carry a full range of products processed in AGT factories for its global distribution clients.

In its efforts to manage working capital, Management has initiated tighter credit terms for international buyers and expects that the improvements will be realized in the second half of 2012. Inventory level increases are also attributable to a shift to distribution activities in consumption markets, illustrated by the continued flow of pulses from Canada and Australia to Turkey, the flow of pulses and grains from Russia and Ukraine to Turkey and through the distribution and sales activities of Poortmans in Europe and Advance Seed in South Africa. It is estimated that there are over 50 different products and grades contained within AGT's inventory.

Dividends - AGT paid a dividend in January 2012 of $2.96 million ($0.15 per share) in the aggregate to its shareholders of record as at December 30, 2011.

It is currently anticipated that, going forward, AGT will continue to pay a quarterly dividend, the amount of which will be determined by the Board of Directors. AGT's dividend policy will be subject to the discretion of the Board of Directors and may vary depending on, among other things, AGT's earnings, financial requirements, the satisfaction of solvency tests imposed by the *Business Corporations Act* (Ontario) for the declaration of dividends and other relevant factors.

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**").

Balance sheet accounts of subsidiaries are valued at December 31, 2011 foreign exchange rates as follows:

	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

For each subsidiary, any difference between the December 31, 2011 exchange rate and the average exchange rate used to record revenues and expenses is recorded as other comprehensive income (loss) on AGT's Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity.

Liquidity and Capital Resources

AGT has been able to generate sufficient cash from its operations and through access to equity, operating lines and other facilities to maintain its operations, fund development, and to pay its declared dividends. AGT's ability to generate sufficient cash in the future to pay dividends will depend, among other things, on future harvests of and demand for pulses and special crops. Please see "Discussion of Fourth Quarter Results - Dividends" above and "Outlook" for a discussion of these factors. Further information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com.

AGT's working capital requirements fluctuate from quarter to quarter as the supply of pulses and special crops fluctuates, since payments to suppliers form the largest item of the working capital requirements. AGT's working capital requirements are met from its earnings, with its credit facility providing bridge financing until payments for sales are received.

At December 31, 2011, AGT had total operating lines and other facilities available of $280.2 million (December 31, 2010 - $255.7 million), a portion of which is secured by a general security agreement. Interest rates on CDN and USD operating credits range from 3% to 8% with varying maturity dates. Since some facilities are denominated in local currency, the available amount in CDN dollar terms will vary.

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 from time to time to mitigate a portion of its floating interest rate risk in its operating credit facilities. As a result of the low interest rates prevailing in Canada in recent years, Management has decided to leave its Canadian credit facilities largely at floating interest rates. Turkish Lira denominated borrowings are basis Turkish Central Bank rate and prevailing market premiums at the time of utilization. At December 31, 2011, AGT is in compliance with its financial covenants under all credit agreements.

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 currency receipts with local currency requirements and borrowings, and hedging programs where appropriate.

Capital Management

AGT manages its capital to ensure financial flexibility and to increase shareholder value through a combination of acquisitions and organic growth. This allows AGT to respond to changes in economic and/or marketplace conditions. AGT also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, AGT includes bank indebtedness, long term debt and shareholders' equity. It may be difficult to accurately predict market requirements for attracting capital. There were no changes in AGT's approach to capital management during the year.

AGT includes Net Debt* and shareholders' equity as components of its capital structure. AGT also monitors EBIDTA*. The calculation of shareholders' equity, Net Debt* and capital is set out in the following table:

	Dec 31, 2011	Sept 30, 2011 (unaudited)	Dec 31, 2010
Long term debt and finance leases	$ 74,561,817	$ 66,203,205	$ 22,892,916
Bank indebtedness and current portion of long term debt and finance leases	204,071,336	137,258,052	93,499,008
Short term financing	42,370,877	37,092,680	24,925,150
Cash and cash equivalents	(56,220,307)	(17,288,295)	(23,628,472)
Net debt*	**264,783,723**	**223,265,642**	**117,688,602**
Shareholders' equity	270,965,391	276,011,686	303,089,972
Capital	**535,749,114**	**499,277,328**	**420,778,574**

Selected asset and liability information

	Dec 31, 2011	Sept 30, 2011 (unaudited)	Dec 31, 2010
Cash and cash equivalents	$56,220,307	$17,288,295	$ 23,628,472
Accounts receivable	171,522,366	156,938,050	134,886,424
Inventory	183,309,771	175,968,043	110,782,630
Bank indebtedness and current portion of long term debt and finance leases	204,071,336	137,258,052	93,499,008
Accounts payable, accrued liabilities and short term financing	124,682,906	121,673,706	95,218,815
Long-term debt and finance leases	74,561,817	66,203,205	22,892,916
Total current assets	419,193,075	361,027,210	279,747,491
Total current liabilities	331,820,115	262,250,114	190,408,730
Net working capital*	87,372,960	98,777,096	89,338,761

Cash Flow Information – Non Cash Working Capital:

The change in non-cash working capital for the year ended December 31, 2011 was a reduction of $95.4 million compared to a reduction of $59.8 million for the year ended December 31, 2010. This is due primarily to increased inventory and accounts receivable levels. Further discussion is included below.

Inventory:

Inventory at December 31, 2011 was $183.3 million compared to $110.8 million at December 31, 2010. Australian inventory increased by $17.7 million due to additional storage capacity acquired during 2011. Arbel's inventory increased by $31.0 million as at December 31, 2011 compared to December 2010. This is due to larger stock positions in durum wheat reflecting additional production capacity added when the fifth pasta line was installed, as well as additional inventory of branded capacity ready for shipping at December 31, 2011. Poortmans inventory increased by $11.3 million as at December 31, 2011 compared to December 2010 due to stock positions taken in Chinese beans for increased sales commitments to U.K. and European canners from the September 2011 Chinese harvest. Canadian inventory increased by $8.3 million due to lower inventory turns later in the year. In addition, South African inventory was valued at $4.2 million at December 31, 2011.

Accounts Receivable:

Accounts receivable at December 31, 2011 was $171.5 million compared to $134.9 million at December 31, 2010. Canadian accounts receivable increased $19.4 million from December 2010 due to the large volume of sales that were executed late in 2011 and are still outstanding at December 31, 2011. U.S. accounts receivable decreased $2.6 million from December 2010. Australian accounts receivable increased $16.2 million from December 2010. This is due to much larger sales volume. Arbel's accounts receivable dropped by $4.1 million as at December 31, 2011 compared to December 2010. This is due to reductions in commodity prices in durum wheat, lentils and other pulses business, which given similar tonnages shipped resulted in lower accounts receivable figures for collections. In addition, South African accounts receivable were $7.7 million at December 31, 2011.

Accounts Payable:

AGT benefits from favorable payment terms due to its large business volumes with some vendors. In addition, AGT saw its deferred producer settlements at December 31, 2011 increase as compared to December 31, 2010. This has resulted in an increase in accounts payable from $70.3 million at December 31, 2010 to $82.3 million at December 31, 2011.

Operating Leases:

AGT classifies leases as either finance or operating. Leases that transfer substantially all of the benefits and risk of ownership to AGT are accounted for as finance leases. Assets under finance leases are depreciated on a straight-line basis over the term of the lease unless the terms contain a bargain purchase option in which case the asset is amortized over the asset’s estimated economic life on a straight-line basis. Rental payments under operating leases are expensed as incurred.

Transactions with other related parties

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. As noted below, one of these entities transacted with AGT in the reporting period. The terms and conditions of the transactions were on an arm’s length basis. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

Transactions with corporations whose directors are also AGT directors

	Dec 31, 2011	Dec 31, 2010
Revenues	$ 59,487	$ 197,606
Purchases	1,031,903	1,404,096
Accounts receivable	772,645	32,059
Accounts payable	420,875	-

The Arslan family, who own approximately 27.5% of the outstanding shares of AGT, also own a chain of gas stations and convenience stores. Arbella pasta and pulses are sold at some of these locations. AGT also contracted labour and construction support for ongoing construction projects and the reconstruction related to the December 2010 fire at Arbel's complex in Mersin, Turkey. The amounts in the above table are largely attributable to these transactions.

Contractual obligations and commitments:

At December 31, 2011 AGT's contractual obligations, which do not include commitments for goods and services required in the ordinary course of business, are indicated in the following table:

December 31, 2011	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Long-term debt and finance leases	$ 80,765,136	$ 112,339,468	$ 9,568,766	$ 8,642,044	$ 71,421,897	$ 22,706,761

December 31, 2010	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Long-term debt and finance leases	$ 36,056,000	$ 41,677,914	$ 12,292,050	$ 6,051,700	$ 21,031,276	$ 2,302,888

Critical Accounting Estimates:

Note 3 to AGT's consolidated financial statements for the year ending December 31, 2011, describes AGT's significant accounting policies.

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

Valuation of Inventory:

Inventories consist of direct costs related to the purchase such as cost of grain, direct materials, direct labour, operational overhead expenses, depreciation and freight costs. Inventory on hand is valued at the lower of cost and net realizable value which is generally considered to be the selling price of the finished product in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. Cost of sales is based upon incurred costs. The estimate relates to the net realizable value of the inventory based upon product quality and market factors.

Income Taxes:

AGT operates in a number of tax jurisdictions and is required to estimate its income taxes in each of these jurisdictions in preparing its financial statements. In calculating income taxes, consideration is given to items such as tax rates in each jurisdiction, deductibility of expenses, valuation allowances, changing tax laws and management's expectations about future results. AGT estimates deferred income taxes based on temporary differences income and losses for financial reporting purposes and income and losses determined under the applicable tax laws. The tax effect of these temporary differences is recorded as a deferred tax assets or liabilities in the financial statements. The calculation of income taxes requires the use of judgement and estimates. If these judgements and estimates prove to be inaccurate, future earnings may be materially impacted.

Estimate of Useful Life and Impairment Property, Plant and Equipment:

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, interest and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Valuation of Intangible Assets and Goodwill:

The intangible assets of AGT are recorded at their estimated fair values at their acquisition date and amortized over their estimated useful life. Indefinite life intangible assets and goodwill are subject to impairment tests under IFRS, at a minimum, annually or more frequently if events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the greater of value in use or fair value, the assets are written down to fair value. The treatment of intangible assets such as trademarks, brands and licenses is subject to separate impairment testing from the values contained in goodwill. No impairment was required as at December 31, 2011.

Financial Instruments:

AGT, as part of its operations, carries a number of financial instruments that include cash and cash equivalents, bank indebtedness, short term financing, accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, and long-term debt and finance leases. The fair value of cash and cash equivalents, bank indebtedness, short term financing, accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate their carrying value given their short-term maturities. The fair value of long-term debt and finance leases are not materially different than their carrying value. Available for sale assets are measured at fair value with changes therein recognized directly in other comprehensive income (loss).

To mitigate risks associated with certain financial assets, AGT utilizes sales terms such as letters of credit, cash against documents, prepayments and accounts receivable insurance. Sales are made to customers that Management feel are creditworthy.

To mitigate risk associated with foreign currency, 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 and Euros. For Arbel, transactions in foreign currencies expose AGT to foreign currency risk, arising mainly from the fluctuation of foreign currency used in the conversion of foreign denominated assets and liabilities into Turkish lira. Foreign currency risk arises as a result of trading transactions in the future and the difference between the assets and liabilities recognized. Management reviews the foreign currency open position and takes risk management measures if required.

To mitigate risk associated with fluctuations in the market price of the commodities AGT buys and sells, Management monitors inventory turns and overall grain position and enters into purchase contracts with suppliers and sales contracts with buyers.

Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

As at January 1, 2010, IFRS has replaced Canadian GAAP for publicly accountable enterprises. The new Standards are effective for annual and interim financial statements with respect to fiscal years on or after January 1, 2010 with retrospective application.

AGT completed all phases of its project plan and transitioned to IFRS effective January 1, 2010, with comparative information disclosed for 2010. AGT retrospectively applied all effective IFRS standards and interpretations to determine the opening balance sheet as at January 1, 2010. The adoption of IFRS has not changed the business strategy of AGT nor has it impacted its primary business activities.

Disclosure Controls and Procedures

Disclosure Controls and Procedures (“Disclosure Controls”) are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to Management, including the Chief Executive

Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, do not expect that AGT's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA"), requires CEOs and CFOs to certify that they are responsible for establishing and maintaining Disclosure Controls for the issuer, that Disclosure Controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's Disclosure Controls, and that their conclusions about the effectiveness of those Disclosure Controls at the end of the period covered by the relevant annual filings have been disclosed by the issuer. The Company's CEO and the CFO evaluated the design and operating effectiveness of AGT's Disclosure Controls as at December 31, 2011 and concluded that AGT's Disclosure Controls were effective.

Internal Controls over Financial Reporting

National Instrument 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined by the CSA, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, and that AGT has disclosed any changes in its ICFR during its most recent interim period that have materially affected, or are reasonably likely to materially affect, its financial reporting.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, have been detected. Therefore, no matter how well-designed, ICFR have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As at December 31, 2011, Management, including the CEO and CFO, evaluated the design and operating effectiveness of AGT's ICFR. Based on the evaluation, the CEO and the CFO concluded that the Company's ICFR was effective as at December 31, 2011.

During the year, AGT successfully integrated its South Australian assets and Poortmans into the Company's existing control structure.

There have been no other changes in AGT's ICFR that occurred during the period that have materially affected or are reasonably likely to materially affect the Company's ICFR.

New Standards and Interpretations

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

Proposed standards	Description	Previous Standard	Effective Date
IFRS 10 - Consolidated Financial Statements	Builds on the existing principles of control and elaborates on the definition of control when determining whether an entity should be consolidated or not.	SIC-12 -Consolidation - Special Purpose Entities IAS 27 -Consolidated and Separate Financial Statements	January 1, 2013
IFRS 11 - Joint Arrangements	Focuses on the rights and obligations of an arrangement rather than its legal form and requires a single method to account for interests in jointly controlled entities.	IAS 31 - Interests in Joint Ventures SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers	January 1, 2013
IFRS 12 - Disclosure of Interest in Other Entities	A new standard detailing disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-statement of financial position vehicles.	Various - no direct replacement	January 1, 2013
IFRS 13 - Fair Value Measurement	Sets out a single framework for measuring fair value and disclosure requirements surrounding the inputs and assumptions used in determining fair value.	Various - no direct replacement	January 1, 2013
IFRS 9 - Financial Instruments	Initially issued in November 2009 to address the classification and measurement of financial assets. Additional guidance issued in October 2010 on the classification and measurement of financial liabilities.	IAS 39 - Financial Instruments: Recognition and Measurement	January 1, 2015
IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	Issued in December 2011. Clarifies the presentation and disclosure requirements related to the offsetting of financial assets and liabilities.	IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	January 1, 2014

Management continues to assess the potential impact of standards and amendments effective in future years on both quantitative and qualitative disclosure.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 19,743,077 Common Shares.

Risks and Uncertainties

Information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com. To Management's knowledge, no significant changes to these risks and uncertainties have occurred in the year ending December 31, 2011.

Commitments and Contingencies

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

AGT has in place a letter of credit in favour of the Canadian Grain Commission in the amount of $10 million. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires December 31, 2012.

In the normal course of operations AGT may become involved in various legal matters, both claims by and against AGT. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Based on the information provided by legal counsel, there does not appear to be significant litigation risk for AGT at December 31, 2011.

Interest Rate Risk

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

Commodity Price Risk

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

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

Reconciliation of Net Earnings, Adjusted Net Earnings* and EBITDA*
(In thousands of CDN $ except as indicated)

	For the Year Ended Dec 31, 2011	For the Year Ended Dec 31, 2010
Net earnings (loss)	(8,461)	18,967
Add:		
Income tax expense	1,835	3,612
Depreciation and amortization	12,231	7,354
Interest	10,977	5,932
Unrealized foreign exchange loss	28,814	721
Non-recurring expenses (1)	2,194	667
EBITDA*	47,590	37,253
Less:		
Interest	10,977	5,932
Depreciation and amortization	12,231	7,354
Income tax expense	1,835	3,612
Adjusted net earnings*	22,547	20,355
Basic adjusted net earnings* per share	1.14	1.08
Diluted adjusted net earnings* per share	1.13	1.06
Basic weighted average number of shares outstanding	19,725,023	18,866,853
Diluted weighted average number of shares outstanding	19,971,190	19,170,895

(1) One time costs deemed to be non-recurring by Management, relating to acquisitions, financing and other.

Reconciliation of Net Working Capital* and Net Debt*
(In CDN $ except as indicated)

	For the Year Ended Dec 31, 2011	For the Year Ended Dec 31, 2010
Current assets	$ 419,193,075	$ 279,747,491
Current liabilities	331,820,115	190,408,730
Net working capital*	$ 87,372,960	$ 89,338,761
Long term debt and finance leases	$ 74,561,817	$ 22,892,916
Bank indebtedness and current portion of long term debt and finance leases	204,071,336	93,499,008
Short term financing	42,370,877	24,925,150
Cash and cash equivalents	(56,220,307)	(23,628,472)
Net debt*	$ 264,783,723	$ 117,688,602

[*] 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) are financial measures used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. Management believes that EBITDA*, 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) are important measures in evaluating the performance of AGT and in determining whether to invest in AGT. However EBITDA * and Adjusted Net Earnings*, Net Debt* and Net Working Capital* are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are not intended to represent cash flow or results of operations in accordance with IFRS. Therefore, EBITDA*, Adjusted Net Earnings*, Net Debt* and Net Working Capital* may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA* and Adjusted Net Earnings* should not be construed as alternatives to net earnings or loss determined in accordance with IFRS as an indicator of AGT's performance or cash flows.