Alliance
GRAIN TRADERS
Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2012

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FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2012

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 three and twelve months ended December 31, 2012 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2012. 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 Form ("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 19, 2013. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights of 2012

• **EBITDA*** was $39.4 million for the year ended December 31, 2012 compared to $47.6 million for the year ended December 31, 2011 and was $12.5 million for the unaudited three months ended December 31, 2012 compared to $11.5 million for the unaudited three months ended September 30, 2012 and $9.2 million for the unaudited three months ended December 31, 2011.

• **Revenue** was $855.3 million for the year ended December 31, 2012 compared to $760.0 million for the year ended December 31, 2011.

• **Reduction of interest bearing debt** of $20.7 million or 6.5% at December 31, 2012 when comparing to December 31, 2011.

• **Improvement of $119.0 million in cash flow from operating activities ("CFFO")** when comparing CFFO of $44.8 million for the twelve months ended December 31, 2012 to CFFO of ($74.2) million for the twelve months ended December 31, 2011.

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

Business Overview

AGT operates with two reporting segments: (1) pulses and grains processing and (2) supply chain management and distribution. The pulses and grains processing includes subsidiaries and facilities in Canada, the U.S., Australia and a portion of the operations in Turkey. The supply chain management and distribution segment includes operations in Europe, South Africa, Russia, and a portion of the operations in Turkey and China. Through its two segments, AGT handles a full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed, flax and other specialty seeds. In North America, AGT produces pulses proteins, fibres, starches and flours for food ingredient and industrial uses. AGT's durum wheat milling operations in Turkey produce semolina, pasta (under the Arbella brand) and bulgur wheat. AGT is also involved in milling medium grain and long grain rice in Turkey. Other specialty products such as sunflower seeds, popcorn and grass seeds are produced in other origins as well.

AGT owns twelve processing plants in Canada, two in the U.S., four in Australia and nine in Turkey, as well as one distribution facility in China, and one in South Africa. Wholly owned foreign subsidiaries include the Arbel Group in Turkey ("Arbel"); 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; Advance Seed Pty Ltd. and its subsidiary Pouyoukas Foods ("Advance Seed") in South Africa; 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 also operates an origination office located in Rostov-on-Don, Russia ("AGT Rostov").

AGT is among the world's largest value-added processors and 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".

Market Outlook – Summary

While recovery in global markets and a return to more normalized business conditions was not fully realized in 2012, AGT management believes that positive signals that have been expected by pulse processors, exporters and importers for some time, and are forecast to continue in the market into 2013, which may signal recovery for pulse and staple foods markets in the near term.

Looking forward to 2013, AGT management expects conditions to continue to improve, supporting the view of gradual normalization of business operations and thereby incremental improvement of margins and with them targeted increases in capacity utilization. AGT's business plan is expected to assist in the development of new and improved sales opportunities in new and existing markets while realizing the targeted increases in capacity utilization for AGT's global asset base. AGT plans to commercialize its new pulses-based food ingredient platform to supply products to the food, feed and pet food markets through AGT's new Minot, North Dakota ingredient processing facility and seek to drive earnings and value. Finally, AGT management is committed to the continued implementation and monitoring of a management program focused on boosting asset utilization and managing working capital.

While consumption demand for pulses and staple foods is estimated by AGT management to remain strong in the traditional markets that AGT ships products to, import demand has been slowed, as has been widely reported throughout 2012. AGT management continued through the year to be optimistic regarding recovery of global pulse and staple food markets; however, by late 2012, export data from Canada, the U.S. and Australia demonstrated that only the beginning of the forecast recovery was visible. Overall, AGT did show improvement in shipment volumes in 2012, with quarter over quarter improvement in profits per metric tonne. AGT management expects this recovery to continue into the traditionally robust Q1 shipping period and extend the margin and earnings recovery trends reported in the final two quarters of 2012. New lines of business, such as potentially higher-margin food ingredient flour, protein, fibre and starch products and value-added pulses and staple foods, such as red split lentils, colour sorted and sized green lentils, chickpeas and split faba beans, are expected to assist in additional margin and earnings recovery through 2013 and into future periods.

Several factors must be considered in the forecasted continuation of recovery for global pulses and staple foods markets. First, local market stocks in most key consumption markets and regions have been estimated as low or depleted for some time. AGT management, with market intelligence obtained through AGT's network of distributors, wholesalers, customers and merchandisers in these markets, has been following and tracking unofficial estimates of local stocks to imports compared to implied supply and use. AGT management believes that importers in key markets and regions such as Indian subcontinent, Middle East/North Africa ("MENA") and Turkey have continued "hand to mouth" buying, purchasing only the required stocks to supplement local production to meet consumption demand in their markets, as evidenced by the lower export statistics reported in Canada, the U.S. and Australia throughout 2012. These regions, with India and Turkey also being significant production origins, have been faced with decreasing production of pulses for some period of time caused by a variety of reasons including drought, unstable weather patterns, excessive rain and moisture and increased urbanization. Stable or slightly increased consumption demand, coupled with lower than required domestic production and lower imports to make up the shortfall in supply, are believed to have resulted in the estimated low or depleted local market stocks.

The second factor is the expected recovery in global economic conditions. Emerging markets have been affected most by these conditions, with local currency volatility leading to credit liquidity constraints. In a Wall Street Journal article dated January 29, 2013, the Institute of International Finance, a global association of major banks, stated that "lending conditions are improving in emerging markets for the first time in almost two years" and that "trade finance also is improving", providing support to AGT management's views. The continuing strengthening and stabilizing of local currency and easing of credit liquidity constraints, AGT management believes, may give local importers confidence to begin more large scale replenishment activities, filling the estimated low or depleted local market stocks in the 2013 period, resulting in increased volumes processed and shipped by AGT. AGT management has continued to emphasize its view that lower export volumes from Canada, the U.S. and Australia have not been the result of supply constraints, but rather resulting from global economic issues caused in part by the Eurozone banking crisis resulting in local currency volatility and credit liquidity constraints.

Finally, with pulse production levels generally high in the past few seasons and imports generally lower, most production origins are reporting high carry-in stocks. With most statistical outlets reporting decreasing production levels in 2011 and 2012, the expected further rationalization of acres in 2013 in Canada, the U.S. and Australia and lower production levels in Turkey and India may bring global supply and import demand back into balance, as the reported high carry-in stocks are used to fill local consumption demand in these regions with an estimated resumption of normal trade activities. More important to global supply and demand is larger scale imports to fill consumption demand, with key consumption regions and countries drawing down the carry-in stocks. AGT management believes that supply in origins where AGT operates have been categorized as ample for some time.

Pulses crops in Canada, the U.S. and Australia, as they are in many growing regions of the world, are increasingly in competition with cereal grains and oilseeds, many of which are currently providing greater potential returns to growers due to over-supply conditions and generally lower prices. Additionally, pulses are a rotational crop, where growers are expected to plant pulses for their nitrogen fixing properties following cereal or oilseed crops. Because of this, acres in pulses typically fluctuate year over year to some degree based on the rotational plans of growers.

Based on acreage estimates by StatsCan, USDA and ABARES, it is generally expected that acres may decrease in 2013. AGT management believes that the full extent of rationalization of acres in Canada, the U.S. and Australia remains to be determined, as farmers in Western Canada and the Northern Plains states still have some time before final seeding decisions are made in the early May period. Irrespective of the final results of actual seeding versus intention, production contraction resulting from acre rationalization in 2013 is viewed by AGT management as a positive scenario with respect to margin recovery.

AGT management continues to hold the view that the current supply and import demand imbalance must be corrected at some point in the near term, as pulses and staple foods are a key consumption item providing non-GMO, gluten free, nutrient dense vegetable protein consumed by large numbers of the world's populations. Local market stocks must be replenished soon, which is expected to lead to normalization of pulse and staple foods markets resulting in normalized earnings and improved margins for AGT. Based on compiled estimates from StatsCan, USDA and ABARES, major pulse producing and exporting origins including Canada, the U.S. and Australia are generally expected to return to approximate 2008 production and supply levels in 2013.

For detailed discussion of crop conditions and production estimates for significant markets and geographies AGT operates in, please refer to the appendix at the end of the management's discussion and analysis.

Business Outlook

AGT management initiatives aimed at cost reductions and operational efficiencies, as well as developing new sales opportunities and markets, are expected to be ongoing through 2013 and into future periods. AGT management is optimistic these initiatives will assist AGT to grow its business, bringing together the significant global asset base and the merchandising opportunities that exist in global pulse, staple foods and ingredient markets around the globe.

With respect to cost reduction and operational efficiencies, AGT management continues to be focused on balance sheet initiatives including working capital management, cost cutting initiatives and increasing inventory and receivables turns, thereby shortening the cash cycle. With this, AGT management is optimistic that debt issued to finance working capital is reduced, as a percentage of revenues and operational efficiencies may be gained as AGT's business flows normalize along with global pulses and staple foods markets. As AGT's business grows, Management believes that strategies to ensure the correct level and type of debt will allow AGT to maintain a healthy balance sheet to fund its growth and expansions from free-cash flow, debt and equity as required.

AGT management is forecasting that in pulse and staple foods markets may normalize in 2013. This is driven by expectations of increased imports to key consumption markets where local stocks of pulses are estimated as being low or depleted. This has resulted from lower local production levels and a combination of credit liquidity constraints and volatile local currency. Management believes that depleted stocks may have the effect of assisting in incremental improvement in earnings as well as margins. AGT management's stated expectation of rationalization of acres and production in Canada, the U.S. and Australia may have the further effect of improving market sentiments for pulses in these markets where consumption demand is high and imports in past periods have been low, stimulating normalized buying activities and a return to more normalized margins available to AGT in consistent demand periods.

Overall, this is providing optimism to AGT management supporting their continued belief in the Company's ability to develop sales opportunities in its two core platforms for growth: (1) pulses and grains processing, including AGT's pasta and durum wheat milling and (2) supply chain management and distribution. Specifically, this includes an increased focus on AGT's core offerings such as split and value-added lentils, peas and chickpeas and continued expansions of sales programs in AGT's newer offerings of beans, pasta, bulgur wheat, semolina and rice, as well as growth of the planned pulses ingredient platform including proteins, fibres, starches and flours derived from pulses. AGT management's opinion is that AGT's diversified operating divisions in virtually every pulse and staple food producing origin, with value-added processing infrastructure and origination strength taking advantage of freight options, provide a position of strength with respect to AGT competitors both regionally and globally. This global footprint of assets and AGT's access to significant working capital financing will magnify a competitive advantage for AGT in the coming periods. A continuing focus on these products and maximizing sales opportunities for these offerings is a key component to generate consistent earnings and margin growth.

In late first quarter 2013, AGT is planning to begin plant commissioning on its first North American pulses ingredient facility located in Minot, North Dakota. This facility is expected to add new pulse ingredient processing infrastructure, focused on proteins, fibres, starches and flours for food and feed ingredient uses including pet foods. A key component of AGT management's view of the importance of this new business line is AGT's recently announced sole marketing agreement with Cargill Inc. The agreement is for a period of five years, with Cargill appointed as AGT's exclusive agent for the sales and marketing of pulse proteins in North America for the animal feed sector and AGT as the exclusive supplier of these ingredients to Cargill for this sector for the term of the agreement.

This agreement, in part, demonstrates the opportunities recognized by major ingredient and food companies for pulses ingredients, which can provide nutritional benefits, cost savings and product advantages to food companies. For AGT, these products may additionally provide added margin opportunities, as these business lines are less susceptible to some of the issues and volatility currently being experienced in emerging markets which are typically traditional whole pulse and staple food consumption markets. These potential opportunities are leading AGT management to focus resources and expertise for this area, including the investment in pulses ingredient production in Minot, North Dakota and AGT's Food Ingredient Research, Development and Innovation facility in Saskatoon, Saskatchewan.

The two investments are focused on the development of sales opportunities as well as new products and uses for pulses-based ingredients for supply to food companies, pet food manufacturers, aquaculture and industrial uses of fibres and starches around the globe. The laboratory facilities are also expected to assist AGT in strategic quality analysis of pulses and staple food products targeted at specific markets, which may assist AGT in capitalizing on the growing demand for non-GMO and gluten-free pulses and ingredients opportunities as well as engage in collaborative research and development programs with leading international companies. This initiative may have the potential, in future periods, to augment and improve AGT's current lines of business as a processor and shipper of agricultural commodities and agri-food products, such as whole and value-added pulses and staple foods, by adding the ability to supply pulse ingredients critical to food and feed companies producing branded products for retail and foodservice sale, as well as pet food and animal feed products to consumers around the globe.

Finally, on pulses ingredients, construction planning of the bean processing and pulses ingredient distribution center in Tianjin, China is also ongoing, with the plant construction completion forecast in late 2013, allowing AGT to have another distribution point for this new market initiative. China and India are estimated by management to be among the largest markets in the world for pulses ingredients. The China program is largely funded from previous allocations of capital.

In addition to pulse ingredient initiatives, AGT management remains focused on market development programs that are expected to continue to enhance facility utilization and market opportunities for pulses in both new and traditional markets for AGT, including opportunities to improve market share and distribution costs in South America, the Caribbean and South Asia. As part of this effort, AGT also intends to further develop its chickpea and bean market presence, with increased sales programs to key consumption markets such as South America and South Asia to further balance lentil processing and sales. These activities include the opening of AGT India PVT Ltd. in India, with a plan focused on a combination of processing local production that may come from tuck-in acquisitions or small-scale green-field commissioning with the import/re-processing/distribution of products from other AGT operated facilities in Canada, the U.S. and Australia when production from these origins is high and freight costs provide an advantage. India and the Indian subcontinent is a significant market in the global pulse sector, with large scale local production, high levels of consumption and large import requirements. Local production, as indicated earlier, has been depressed due to a number of factors, resulting in a net import position and a continued ban on pulse exports from India and messaging from the government of India aimed at curbing potential food inflation. Pulses consumed include traditional pulses such as red and green lentils and chickpeas, as well as pulses that are not produced or have lower production in origins that AGT currently locates its processing infrastructure. Growth opportunities include origination and export opportunities from Africa and Myanmar in pulses such as pigeon peas (toor dal), black matpe and mung beans.

Global operations in India, Southern Africa and China have been planned by AGT management to a follow similar process to AGT's Turkish operations with import/re-processing and distribution both to domestic and regional markets. This allows AGT to take advantage of freight opportunities to these markets when they exist as well as potentially increase capacity utilization at its Canadian, U.S. and Australian facilities where supply of pulses are potentially high as a result of carry-in stocks and production levels are remaining at significant levels. For Turkey, this strategy also includes origination from Russia and Ukraine through AGT Ltd., located in Rostov-on-Don, Russia, a Black Sea agri-port location with freight advantages through the Black Sea and Bosphorus Strait to Mersin, Turkey. This strategy has been successful to ensure supply of raw materials for regional distribution as well as domestic use while domestic Turkish production has been focused on domestic Turkish markets and consumption.

By using its global origination base and strength in marketing, AGT expects to continue to boost the utilization of its asset base and will continue to assess asset utilization alternatives for new products and opportunities, including selling into new markets. AGT is examining an expansion into soybeans, cereal grains and oilseeds and is expanding its focus on chickpeas, green peas, flax seeds and canary seeds to utilize global facilities and assets more effectively. As such, AGT management believes that AGT has significant operating leverage and capacity to profitably increase sales volumes, utilizing its existing global fixed asset base that has now been largely established.

Summary of Annual Results (in thousands of Cdn. $ except as indicated)		Year Ended Dec 31, 2012		Year Ended Dec 31, 2011		Year Ended Dec 31, 2010
Revenue	$	855,325	$	759,974	$	642,140
Less: cost of sales (1)		787,764		682,821		570,567
Gross profit		67,561		77,153		71,573
Add back: depreciation cost of sales		9,948		6,726		3,977
Add back: finance income		2,276		856		-
Adjusted gross profit		**79,785**		**84,735**		**75,550**
Deduct: General and administrative expenses		(29,772)		(24,632)		(22,901)
Deduct: Marketing, sales and distribution expenses		(16,352)		(20,213)		(19,440)
Add: Depreciation in operating expense		2,888		5,506		3,377
Add: Non-recurring costs (2)		2,842		2,194		667
EBITDA (*)		**39,391**		**47,590**		**37,253**
Deduct: Finance expense		(16,935)		(10,977)		(5,932)
Deduct: Depreciation and amortization		(12,836)		(12,231)		(7,354)
Deduct: Provision for income taxes		(4,032)		(1,835)		(3,612)
Adjusted net earnings (*)		**5,588**		**22,547**		**20,355**
Adjusted basic net earnings per share		0.28		1.14		1.08
Adjusted diluted net earnings per share		0.28		1.14		1.06
Deduct: Non-recurring costs (2)		(2,842)		(2,194)		(667)
Deduct: Non cash foreign exchange effect		4,065		(28,814)		(721)
Net earnings (loss) per financial statements		**6,811**		**(8,461)**		**18,967**
Basic net earnings per share		0.34		(0.43)		1.01
Diluted net earnings per share		0.34		(0.43)		0.99
Total assets		712,491		689,512		529,404
Bank indebtedness		205,549		197,868		80,336
Short term financing		12,402		42,371		24,925
Long-term debt including current portion		82,310		80,765		36,056
Shareholders' equity		269,848		270,965		303,090
Dividends declared per share	$	0.600	$	0.585	$	0.540
Basic shares outstanding		19,788,185		19,725,023		18,866,853
Fully diluted shares outstanding		19,973,515		19,725,023		19,170,895
Total tonnes invoiced		1,078,501		1,033,442		
Gross profit per metric tonne	$	62.64	$	74.66		
Adjusted gross profit per metric tonne		73.98		81.99		
EBITDA (*) per metric tonne		36.52		46.05		

Notes:

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

(2) Non-recurring costs deemed to be non-recurring by Management, relating to acquisitions, financing, severance costs and other.

Summary of Quarterly Results [1]

(in thousands of Cdn. $ except as indicated, unaudited)

	3 Months Ended Dec 31, 2012	3 Months Ended Sept 30, 2012	3 Months Ended Jun 30, 2012	3 Months Ended Mar 31, 2012	3 Months Ended Dec 31, 2011	3 Months Ended Sept 30, 2011	3 Months Ended June 30, 2011	3 Months Ended March 31, 2011
Revenue	$ 247,195	$ 208,957	$ 201,768	$ 197,405	$ 231,450	$ 190,556	$ 169,915	$ 168,053
Less: cost of sales [2]	227,415	191,926	185,148	183,275	212,667	166,794	154,804	148,556
Gross profit	19,780	17,031	16,620	14,130	18,783	23,762	15,111	19,497
Add back: depreciation cost of sales	2,700	2,445	2,402	2,401	1,809	1,531	1,625	1,761
Add back: finance income	433	1,034	492	317	856	-	-	-
Adjusted gross profit	**22,913**	**20,510**	**19,514**	**16,848**	**21,448**	**25,293**	**16,736**	**21,258**
Deduct: General and administrative expenses	(9,008)	(7,051)	(6,975)	(6,738)	(8,226)	(6,394)	(5,400)	(4,612)
Deduct: Marketing, sales and distribution expenses	(4,204)	(3,113)	(4,266)	(4,769)	(9,023)	(4,024)	(4,199)	(2,967)
Add: Amortization in general and administrative expense	717	640	805	726	2,449	309	1,920	828
Add: Non-recurring and other costs [3]	2,073	505	184	80	2,566	(158)	121	(335)
EBITDA [*]	**12,491**	**11,491**	**9,262**	**6,147**	**9,214**	**15,026**	**9,178**	**14,172**
Deduct: Finance expense	(4,248)	(4,402)	(3,837)	(4,448)	(2,907)	(3,549)	(2,328)	(2,193)
Deduct: Depreciation and amortization	(3,417)	(3,085)	(3,207)	(3,127)	(4,255)	(1,842)	(3,545)	(2,589)
Add (Deduct): Provision for income taxes	(1,033)	(22)	(1,779)	(1,198)	(1,178)	905	1,252	(2,814)
Adjusted net earnings (loss) [*]	**3,793**	**3,982**	**439**	**(2,626)**	**874**	**10,540**	**4,557**	**6,576**
Adjusted basic net earnings (loss) per share	0.19	0.20	0.02	(0.13)	0.04	0.53	0.23	0.33
Adjusted diluted net earnings (loss) per share	0.19	0.20	0.02	(0.13)	0.04	0.53	0.23	0.33
Non-recurring and other costs [3]	(2,073)	(505)	(184)	(80)	(2,566)	158	(121)	335
Non-cash foreign exchange effect	72	(2,895)	1,415	5,473	1,001	(21,774)	(8,312)	271
Net earnings (loss) per financial statements	**1,792**	**582**	**1,670**	**2,767**	**(691)**	**(11,076)**	**(3,876)**	**7,182**
Basic net earnings (loss) per share	0.09	0.03	0.08	0.14	(0.03)	(0.56)	(0.20)	0.36
Diluted net earnings (loss) per share	0.09	0.03	0.08	0.14	(0.03)	(0.56)	(0.20)	0.36
Total assets	712,491	641,882	624,580	651,052	689,512	615,556	575,397	566,609
Bank indebtedness	205,549	170,649	171,227	185,782	197,868	129,493	116,397	99,150
Short term financing	12,402	17,936	21,073	40,436	42,371	37,093	28,958	9,703
Long-term debt including current portion	82,310	76,202	77,069	77,468	80,765	73,968	66,416	69,654
Shareholders' equity	269,848	268,960	274,598	273,742	270,965	276,011	290,862	302,604
Dividends declared per share	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.135
Total tonnes invoiced	268,382	259,091	275,905	275,123	272,196	282,847	227,132	251,267
Gross profit per metric tonne	$ 73.70	$ 65.73	$ 60.24	$ 51.36	$ 69.01	$ 84.01	$ 66.53	$ 77.59
Adjusted gross profit per metric tonne	85.37	79.16	70.73	61.24	78.80	89.42	73.68	84.60
EBITDA (*) per metric tonne	46.54	44.35	33.57	22.34	33.85	53.12	40.41	56.40

Notes:

(1) Calculated from the condensed consolidated unaudited interim financial statements for the quarters ended September 30, 2012 and 2011 and June 30, 2012 and 2011 and March 31, 2012 and 2011, and the audited IFRS annual financial statements for the year ended December 31, 2012 and 2011.

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

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

Discussion of Quarterly and Year to Date Results
(in thousands of Cdn. $ except as indicated, unaudited for the three month ended periods)

Revenue, Gross Profit and Adjusted Gross Profit

	3 Months Ended December 31			Year Ended December 31			3 Months Ended		
	2012	2011	Change	2012	2011	Change	December 2012	September 2012	Change
Revenue	247,195	231,450	15,745	855,325	759,974	95,351	247,195	208,957	38,238
Less: cost of sales	227,415	212,667	14,748	787,764	682,821	104,943	227,415	191,926	35,489
Gross profit	19,780	18,783	997	67,561	77,153	(9,592)	19,780	17,031	2,749
Add back: depreciation in cost of sales	2,700	1,809	891	9,948	6,726	3,222	2,700	2,445	255
Add back: finance income	433	856	(423)	2,276	856	1,420	433	1,034	(601)
Adjusted gross profit	22,913	21,448	1,465	79,785	84,735	(4,950)	22,913	20,510	2,403

Revenue was $247.2 million for the three months ended December 31, 2012 compared to $231.5 million for the three months ended December 31, 2011 and $209.0 million for the three months ended September 30, 2012. The increase is attributable to additional capacity in Australia and South Africa, as a result of business acquisitions in late 2011. The increase is partially offset by overall lower commodity prices when comparing the three months ended December 31, 2012 to the three months ended December 31, 2011. Revenue increased for the three months ended December 31, 2012 compared to the three months ended September 30, 2012 due to increased tonnes invoiced in the quarter ended December 31, 2012, compared to the quarter ended September 30, 2012.

Revenue was $855.3 million for the twelve months ended December 31, 2012 compared to $760.0 million for the twelve months ended December 31, 2011. The increase is due to increased sales volumes from new facilities in Australia and South Africa.

Gross Profit was $19.8 million or 8.0% for the three months ended December 31, 2012 compared to $18.8 million or 8.1% for the three months ended December 31, 2011 and $17.0 million or 8.2% for the three months ended September 30, 2012.

Gross Profit was $67.6 million or 7.9% for the twelve months ended December 31, 2012 compared to $77.2 million or 10.2% for the twelve months ended December 31, 2011.

Adjusted gross profit was $22.9 million or 9.3% for the three months ended December 31, 2012 compared to $21.5 million or 9.3% for the three months ended December 31, 2011 and $20.5 million or 9.8% for the three months ended September 30, 2012. Although there is a reduction in adjusted gross profit percentage when comparing the quarter ended December 31, 2012 to the quarter ended September 30, 2012 and the adjusted gross profit percentage is relatively consistent to the quarter ended December 31, 2011, there is an improvement in overall adjusted gross profit due to increased tonnes invoiced when comparing to the prior quarter.

Adjusted gross profit was $79.8 million or 9.3% for the twelve months ended December 31, 2012 compared to $84.7 million or 11.2% for the twelve months ended December 31, 2011. This is due to earnings impairment resulting from macro-economic issues, credit liquidity, currency volatility and the Eurozone crisis resulting in margin compression and therefore a strain on gross profit percentage.

EBITDA*

	3 Months Ended December 31			Year Ended December 31			3 Months Ended		
	2012	2011	Change	2012	2011	Change	December 2012	September 2012	Change
EBITDA*	12,491	9,214	3,277	39,390	47,590	(8,200)	12,491	11,491	1,000

EBITDA* was $12.5 million for the three months ended December 31, 2012 compared to $9.2 million for the three months ended December 31, 2011 and $11.5 million for the three months ended September 30, 2012. EBITDA* increased by $3.3 million when comparing the three months ended December 31, 2012 to the three months ended December 31, 2011 and increased by $1.0 million when comparing the three months ended December 31, 2012 to the three months ended September 30, 2012. This increase is a result of increased tonnes sold and movements toward the recovery of macro-economic conditions that resulted in margin compression in past quarters.

EBITDA* for the twelve months ended December 31, 2012 was $39.4 million compared to $47.6 million for the twelve months ended December 31, 2011. This is a result of strained sales margins throughout much of 2012, resulting from buyer liquidity issues, macro-economic issues, currency volatility and the Eurozone crisis.

Expenses

	3 Months Ended December 31			Year Ended December 31			3 Months Ended		
	2012	2011	Change	2012	2011	Change	December 2012	September 2012	Change
General and administrative expenses	9,008	8,226	782	29,772	24,632	5,140	9,008	7,051	1,957
Marketing, sales and distribution expenses	4,204	9,023	(4,819)	16,352	20,213	(3,861)	4,204	3,113	1,091

General and administrative expenses were $9.0 million for the three months ended December 31, 2012 compared to $8.2 million for the three months ended December 31, 2011 and $7.1 million for the three months ended September 30, 2012. The increase when comparing the three months ended December 31, 2012 to the three months ended September 30, 2012 is due to increased legal and accounting fees, including costs associated with financing packages, as well non-recurring costs associated with the fulfillment of sales commitments arising from the train derailment in New South Wales, Australia in November 2012. These costs were partially offset by continued efforts to curb all non-discretionary expenditures. The increase when comparing the three months ended December 31, 2012 to the three months ended December 31, 2011 is due to AGT's increased global footprint.

General and administrative expenses were $29.8 million for the twelve months ended December 31, 2012 compared to $24.6 million for the twelve months ended December 31, 2011. This is due to an increased global footprint, including new facilities in South Africa and

Australia added late in 2011, in addition to higher legal and accounting expenses in 2012 compared to 2011.

Marketing, sales and distribution expenses were $4.2 million for the three months ended December 31, 2012, compared to $9.0 million for the three months ended December 31, 2011 and $3.1 million for the three months ended September 30, 2012. The increase when comparing the three months ended December 31, 2012 to the three months ended September 30, 2012 is due to higher tonnes invoiced and certain marketing costs during the quarter ended December 31, 2012. The decrease when comparing the quarter ended December 31, 2012 to the quarter ended December 31, 2011 is a result of initiatives to reduce costs such as advertising, discretionary travel and other marketing sales and distribution expenses.

Marketing, sales and distribution expenses were $16.4 million for the twelve months ended December 31, 2012 compared to $20.2 million for the twelve months ended December 31, 2011. The decrease in expense is a direct result of cost savings initiatives taken to reduce costs such as advertising, discretionary travel and other marketing sales and distribution expenses.

	3 Months Ended December 31			Year Ended December 31			3 Months Ended		
	2012	2011	Change	2012	2011	Change	December 2012	September 2012	Change
Finance expense	4,248	2,907	1,340	16,935	10,977	5,958	4,248	4,402	(154)
Depreciation and amortization	3,417	4,255	(838)	12,836	12,231	605	3,417	3,085	332
Provision for (recovery of) income taxes	1,033	1,178	(145)	4,032	1,835	2,197	1,033	22	1,011
Non-cash foreign exchange effect (recovery)	(72)	(1,001)	929	(4,065)	28,814	(32,879)	(72)	2,895	(2,967)

Finance expenses for the three months ending December 31, 2012 were $4.2 million compared to $2.9 million for the three months ending December 31, 2011 and $4.4 million for the three months ending September 30, 2012. Finance expense increased when comparing the three months ended December 31, 2012 to the three months ended December 31, 2011 due mainly to increased interest rates charged on certain foreign subsidiary credit facility balances. Finance expense decreased when comparing the three months ended December 31, 2012 to the three months ended September 30, 2012 due to a decrease in higher interest bearing debt, offset partially by an increase in lower interest bearing debt during the last part of the year. Management was successful in negotiating a syndicated facility as well as a note issuance subsequent to year end (see "Liquidity and Capital Resources", page 21 for details).

Finance expenses for the twelve months ended December 31, 2012 were $16.9 million compared to $11.0 million for the twelve months ended December 31, 2011. This is due to increased interest rates charged on certain foreign subsidiary credit facility balances.

Depreciation expenses for the three months ended December 31, 2012 were $3.4 million compared to $4.3 million for the three months ended December 31, 2011 and $3.1 million for the three months ended September 30, 2012. Depreciation expense was higher for the three months ended December 31, 2012 compared to the three months ended September 30, 2012 due to capital assets being put into use. Depreciation expense was lower for the three months ended December 31, 2012 compared to the three months ended December 31, 2011 as certain adjustments were made in the three months ended December 31, 2011 which resulted in a higher expense for that quarter.

Depreciation expenses for the twelve months ended December 31, 2012 were $12.8 million compared to $12.2 million for the twelve months ended December 31, 2011. This is due to additional depreciable facilities and equipment being acquired and capitalized during 2012.

Provision for income tax shows an expense of $1.0 million for the three months ended December 31, 2012 compared to an expense of $1.2 million for the three months ended December 31, 2011 and an expense of $0.02 million for the three months ended September 30, 2012. The income tax expense is calculated for each subsidiary at the individual rate for that country, therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

Provision for income tax for the twelve months ended December 31, 2012 was $4.0 million compared to $1.8 million for the twelve months ended December 31, 2011. This is due to losses recorded in 2011 at some of the subsidiaries and resulting lower tax expense recorded.

AGT estimates an average tax rate in the range of 26% to 26.5%, depending on which jurisdiction has earnings or losses, however the quarter and year ended December 31, 2012 include tax adjustments related to the movement of intercompany advances and loans as well as items carried forward from the prior year. This has resulted in the current year tax expense appearing higher than the average tax rate.

Non-cash foreign exchange was a recovery of $0.07 million for the three months ended December 31, 2012 compared to a recovery of $1.0 million for the three months ended December 31, 2011 and an expense of $2.9 million for the three months ended September 30, 2012. The change in non-cash foreign exchange from the three months ended September 30, 2012 and December 31, 2011 to the three months ended December 31, 2012 is due to changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts.

Non-cash foreign exchange for the twelve months ended December 31, 2012 was a recovery of $4.1 million compared to an expense of $28.8 million for the twelve months ended December 31, 2011. This is due to fluctuations in foreign currencies during 2012, and resulting recoveries when re-valuing certain foreign denominated advances, receivables, payables and derivative contracts.

Reporting Segments

As of July 1, 2012, improvements were made to management information systems to allow the review of AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies. AGT currently has two segments: (1) pulses and grains processing and (2) supply chain management and distribution.

The pulses and grains processing includes the operations of AGT factories across its global platform. The activities in this segment are viewed by management as the traditional and regular business of AGT: to source pulses and grains from producers, process them through its factories and sell these products to its network of clients in over 100 countries in the world. The segment includes all pulses processed in AGT factories in Canada, the United States, Australia, and a portion of the operations in Turkey. The segment is consistent with AGT in the periods prior to 2010 when AGT management began a strategy to establish certain distribution activities in key regional markets around the globe.

Supply chain management and distribution relates to AGT's activities aimed at bringing its range of pulses and specialty crops direct to wholesale and retail markets. The segment currently captures AGT operations in Canada, UK, Netherlands, Spain, Russia, a portion of the operations in Turkey, the Ukraine and China. The segment also includes AGT operations in Southern Africa.

The segment was established to develop packaging, wholesale and retail clients for AGT products offering import, warehouse, logistics and quality management services to AGT clients and to expand market reach and penetration of certain client segments in Europe and Africa. The segment includes a trading group that sources products from South America, Africa, China, Russia and Ukraine for the food and feed client base. It also includes a birdseed ingredient distribution business in Europe with sales to leading packagers of bird food blends for retail clients globally.

AGT management anticipates that this segment will grow with product offerings growing in the areas of pet food ingredients, ground nuts, popcorn, chickpeas, dry beans and bakery product ingredients sourced from quality audited and reliable suppliers globally. The segment will assist AGT in increasing the utilization of its core asset base in the Pulses and Grains Processing segment.

AGT's chief operating decision maker evaluates segment performance on the basis of EBITDA* (earnings before finance expense, income taxes, depreciation and amortization, non-recurring costs and any effects of non-cash foreign exchange adjustment). AGT provides some non-IFRS measures in its management discussion and analysis and other public documents as supplementary information that AGT management believes may be useful to investors to explain AGT's financial results.

Revenues, expenses and EBITDA* by reporting segment

Year ended December 31, 2012	Pulses and Grain Processing	Supply Chain Management and Distribution	Corporate and Eliminations	Consolidated
Revenue	$ 642,375,744	$ 291,412,560	$ (78,463,627)	**$ 855,324,677**
Cost of sales	596,937,628	269,289,524	(78,463,627)	**787,763,525**
Gross profit	45,438,116	22,123,036	-	**67,561,152**
Add back: depreciation cost of sales	9,440,865	507,223	-	**9,948,088**
Add back: finance income	2,276,283	-	-	**2,276,283**
Adjusted gross profit	57,155,264	22,630,259	-	**79,785,523**
General administrative expenses and other	13,567,817	8,065,244	8,138,470	**29,771,531**
Marketing, sales and distribution expenses	8,042,568	6,482,812	1,827,084	**16,352,464**
Segment earnings from operations	**35,544,879**	**8,082,203**	**(9,965,554)**	**33,661,528**
Unrealized foreign exchange gain	-	-	(4,064,964)	**(4,064,964)**
Finance expense	-	-	16,934,620	**16,934,620**
Segment earnings before income taxes	**35,544,879**	**8,082,203**	**(22,835,210)**	**20,791,872**
Current income tax	-	-	1,794,813	**1,794,813**
Deferred income tax	-	-	2,237,386	**2,237,386**
Net segment earnings	**35,544,879**	**8,082,203**	**(26,867,409)**	**16,759,673**
Depreciation	1,311,955	169,249	1,406,733	**2,887,937**
Unrealized foreign exchange gain	-	-	(4,064,964)	**(4,064,964)**
Finance expense	-	-	16,934,620	**16,934,620**
Net tax expense	-	-	4,032,199	**4,032,199**
Non-recurring and other expenses	1,222,089	116,318	1,503,506	**2,841,913**
EBITDA*	**$ 38,078,923**	**$ 8,367,770**	**$ (7,055,315)**	**$ 39,391,378**
Total tonnes invoiced	918,109	251,013	(90,621)	1,078,501
Gross profit per metric tonne	$ 49.49	$ 88.14		$ 62.64
Adjusted gross profit per metric tonne	62.25	90.16		73.98
EBITDA* per metric tonne	41.48	33.34		36.52

Net Earnings by Reporting Segment	Pulses and Grain Processing			Supply Chain Management and Distribution		
	3 Months Ended Dec 31, 2012	3 Months Ended Sept 30, 2012	Change	3 Months Ended Dec 31, 2012	3 Months Ended Sept 30, 2012	Change
Quarterly comparisons						
Revenue	$182,454,559	$159,068,626	$ 23,385,933	$ 91,507,402	$ 61,909,102	$ 29,598,300
Cost of sales	167,502,189	148,457,512	19,044,677	86,678,472	55,490,255	31,188,217
Gross profit	14,952,370	10,611,114	4,341,256	4,828,930	6,418,847	(1,589,917)
Add back: depreciation in cost of sales	2,376,548	2,304,136	72,412	323,899	140,249	183,650
Add back: finance income	432,459	1,034,454	(601,995)	-	-	-
Adjusted gross profit	17,761,377	13,949,704	3,811,673	5,152,829	6,559,096	(1,406,267)
General administrative expenses and other	3,386,879	3,609,779	(222,900)	2,478,527	1,760,503	718,024
Marketing, sales and distribution expenses	1,099,018	1,934,659	(835,641)	2,630,672	874,023	1,756,649
Segment earnings from operations	**13,275,480**	**8,405,266**	**4,870,214**	**43,630**	**3,924,570**	**(3,880,940)**
Unrealized foreign exchange gain	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-
Segment earnings before income taxes	**13,275,480**	**8,405,266**	**4,870,214**	**43,630**	**3,924,570**	**(3,880,940)**
Current income tax	-	-	-	-	-	-
Deferred income tax	-	-	-	-	-	-
Net segment earnings	**13,275,480**	**8,405,266**	**4,870,214**	**43,630**	**3,924,570**	**(3,880,940)**
Depreciation	397,057	228,587	168,470	62,090	81,712	(19,622)
Unrealized foreign exchange gain	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-
Net tax expense	-	-	-	-	-	-
Non-recurring and other expenses	815,666	331,563	484,103	98,705	10,340	88,365
EBITDA*	**$ 14,488,203**	**$ 8,965,416**	**$ 5,522,787**	**$ 204,425**	**$ 4,016,622**	**$ (3,812,197)**
Total tonnes invoiced	231,206	221,107	10,099	76,087	55,733	20,354
Gross profit per metric tonnes	$ 64.67	$ 47.99	$ 16.68	$ 63.47	$ 115.17	$ (51.70)
Adjusted gross profit per metric tonne	76.82	63.09	13.73	67.72	117.69	(49.97)
EBITDA* per metric tonne	62.66	40.55	22.11	2.69	72.07	(69.38)

Net Earnings by Reporting Segment	Corporate and Eliminations			Consolidated		
	3 Months Ended Dec 31, 2012	3 Months Ended Sept 30, 2012	Change	3 Months Ended Dec 31, 2012	3 Months Ended Sept 30, 2012	Change
Quarterly comparisons						
Revenue	$ (26,766,801)	$ (12,021,381)	$ (14,745,420)	$247,195,160	$208,956,347	$ 38,238,813
Cost of sales	(26,766,801)	(12,021,381)	(14,745,420)	227,413,860	191,926,386	35,487,474
Gross profit	-	-	-	19,781,300	17,029,961	2,751,339
Add back: Depreciation in cost of sales	-	-	-	2,700,447	2,444,385	256,062
Add back: Finance income	-	-	-	432,459	1,034,454	(601,995)
Adjusted gross profit	-	-	-	22,914,206	20,508,800	2,405,406
General administrative expenses and other	3,142,361	1,680,021	1,462,340	9,007,767	7,050,303	1,957,464
Marketing, sales and distribution expenses	475,028	304,011	171,017	4,204,718	3,112,693	1,092,025
Segment earnings from operations	**(3,617,389)**	**(1,984,032)**	**(1,633,357)**	**9,701,721**	**10,345,804**	**(644,083)**
Unrealized foreign exchange gain	(72,400)	2,895,485	(2,967,885)	(72,400)	2,895,485	(2,967,885)
Finance expense	4,248,081	4,402,053	(153,972)	4,248,081	4,402,053	(153,972)
Segment earnings before income taxes	**(7,793,070)**	**(9,281,570)**	**1,488,500**	**5,526,040**	**3,048,266**	**2,477,774**
Current income tax	(426,983)	962,053	(1,389,036)	(426,983)	962,053	(1,389,036)
Deferred income tax	1,459,705	(939,870)	2,399,575	1,459,705	(939,870)	2,399,575
Net segment earnings	**(8,825,792)**	**(9,303,753)**	**477,961**	**4,493,318**	**3,026,083**	**1,467,235**
Depreciation	257,541	329,613	(72,072)	716,688	639,912	76,776
Unrealized foreign exchange gain	(72,400)	2,895,485	(2,967,885)	(72,400)	2,895,485	(2,967,885)
Finance expense	4,248,081	4,402,053	(153,972)	4,248,081	4,402,053	(153,972)
Net tax expense	1,032,722	22,183	1,010,539	1,032,722	22,183	1,010,539
Non-recurring and other expenses	1,159,402	162,672	996,730	2,073,773	504,575	1,569,198
EBITDA*	**$ (2,200,446)**	**$ (1,491,747)**	**$ (708,699)**	**$ 12,492,182**	**$ 11,490,291**	**$ 1,001,891**
Total tonnes invoiced	(38,911)	(17,749)	(21,162)	268,382	259,091	9,291
Gross profit per metric tonnes	$ -	$ -	$ -	$ 73.70	$ 65.73	$ 7.97
Adjusted gross profit per metric tonne	-	-	-	85.37	79.16	6.21
EBITDA* per metric tonne	56.55	84.05	(27.50)	46.54	44.35	2.19

AGT is reporting comparative segment information in order to monitor the quarterly and annual performance of its reporting segments. In future periods, management will report current quarter to past quarter and current period to same period prior year.

When reviewing the segmented results for the three months ended December 31, 2012, gross profit and adjusted gross profit increased from the three months ended September 30, 2012 in the Pulses and Grain Processing segment. Continued development of chickpea, bean, high-quality green lentil and split pulses opportunities contributed to gradual margin improvement when comparing the three months ended September 30, 2012 to the three months ended December 31, 2012. Utilization continues to lag seasonal norms however management observed late quarter four signals of demand recovery forecast to be realized in early 2013.

The Supply Chain Management and Distribution showed a decrease in gross profit and adjusted gross profit per metric tonne. This result was affected by a volume of durum wheat trade and sugar trade that was completed in the fourth quarter on a back to back basis. The margin profile of this business was lower than other activities contained within this segment (operations of Poortman's and Advance Seeds). AGT management continues to view the Supply Chain Management and Distribution segment as an important platform for new business development and development of opportunities to utilize capacity in AGT's Pulses and Grain Processing segment.

Other reporting segment information

As at December 31, 2012	Pulses and Grain Processing	Supply Chain Management and Distribution	Corporate and Eliminations	Consolidated
Assets	$ 771,786,628	$ 167,172,103	$ (226,467,775)	**$ 712,490,956**
Liabilities	589,525,691	98,399,679	(245,281,967)	**442,643,403**
Intangible assets	5,661,638	3,588,125	-	**9,249,763**
Goodwill	45,942,975	14,837,018	-	**60,779,993**

Net Debt and Working Capital

Net debt* is comprised of bank indebtedness, short term financing, long term debt and current portion of long term debt, less cash and totalled $267.2 million at December 31, 2012 compared to $232.1 million at September 30, 2012 and compared to $264.8 million at December 31, 2011 (see table on page 24). The increase in net debt of $2.4 million when comparing to December 31, 2011 and $35.1 million when comparing to September 30, 2012 is a result of increased bank indebtedness and long term debt when compared to September 30, 2012 and is a result of lower cash, partially offset by lower bank indebtedness when compared to December 31, 2011. The increase in interest bearing debt when comparing December 31, 2012 to September 30, 2012 was the result of an increase in property, plant and equipment. In addition, the net debt to finance working capital increase, which is expected by management during the harvest period, is a seasonal demand that is anticipated to convert to cash in the first quarter of 2013. This increase is partially offset by a continued focus on accounts receivable turns and sales of inventory and the subsequent repayment of operating facilities. Metrics continue to be calculated for each facility and performance targets are being tied to inventory and accounts receivable turns.

Current assets were $417.9 million at December 31, 2012 compared to $359.4 million at September 30, 2012 and compared to $419.2 million at December 31, 2011 (see table on page 24). The current asset base is largely accounts receivable and inventory. It is important to note that accounts receivables are largely insured by Export Development Canada, significantly reducing the risks associated with accounts receivable collection, since buyer risk is being replaced by Government of Canada risk through the export insurance. Higher inventory levels reflect the diversification efforts of the Company to carry a full range of products processed in AGT factories for its global distribution clients.

Accounts receivable increased to $183.2 million at December 31, 2012, compared to $171.5 million at December 31, 2011 and increased compared to $178.6 million at September 30, 2012 (see table on page 24). Accounts receivable increased globally by $4.6 million when comparing the quarter ended December 31, 2012 to the quarter ended September 30, 2012 and by $11.7 million when comparing December 31, 2012 to December 31, 2011. When comparing December 31, 2012 to December 31, 2011, Australian accounts receivable increased by $6.4 million, Turkish accounts receivable increased by $21.6 million, US accounts receivable increased by $2.6 million and UK accounts receivable increased by $2.4 million. This is due to overall higher invoiced tonnes later in the year. Canadian accounts receivable decreased by $21.3 million due to lower invoiced tonnes in the quarter ended December 31, 2012 compared to the quarter ended December 31, 2011. The remaining subsidiaries combined reported total accounts receivable consistent with December 31, 2011. When comparing December 31, 2012 to September 30, 2012, Canadian accounts receivable decreased by $24.4 million due to lower invoiced tonnes, Australian accounts receivable increase by $13.9 million, Turkish accounts receivable increased by $11.6 million and UK accounts receivable increased by $3.0 million due to increased invoiced tonnes later in the fourth quarter. Accounts receivable at other subsidiaries increased by $0.5 million.

Inventory levels increased to $188.9 million at December 31, 2012, compared to $183.3 million at December 31, 2011. The increase of $5.6 million is due to largely to an increase of $4.0 million in South Africa, $6.7 million in Canada, $4.2 million in the US and $12.6 million in Australia, partially offset by a decrease of $16.2 million in Turkey. Inventory at other locations decreased by $5.7 million. Inventory increased by $47.1 million when compared to $141.8 million at September 30, 2012 (see table on page 24). The increase in inventory levels from September 30, 2012 to December 31, 2012 is the result of increased grain receipts during the quarter ended December 31, 2012 at many AGT facilities. Inventory increased by $6.4 million in Canada and $27.9 million in Australia due to inventory storage and grain bank programs and resulting receipts. This is an expected inventory build-up due to later than expected ramp up of Canadian capacity utilization expected to generate positive sales trends for early 2013 and the Australian harvest. Inventory increased by $0.8 million in the United States due to an increase in bean deliveries during the quarter ended December 31, 2012. Inventory increased by $8.0 million in Turkey, $3.1 million in the United Kingdom and $1.5 million in South Africa due to sales program ramp up for the first quarter of 2013. Inventories decreased in other locations by $0.6 million. Management expects the temporary inventory build-up to convert to cash in the first two quarters of 2013.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. While the inventory value is $188.9 million at December 31, 2012, this value represents a number of different commodities globally. Much of this inventory is also earmarked for sales contracts and will remain as inventory until substantial risks transfer from seller to buyer under AGT's revenue recognition policy. AGT management continues the practice of examining stock levels at each of its foreign operations to achieve an optimization of inventory levels. In addition, inventory management practices include book to physical inventory reconciliations monthly to ensure accurate recording of inventory values.

The majority of AGT sales are insured through Export Development Canada ("EDC") providing coverage on receivables in the event of customer default on payment. In addition, ownership of the original documents for the cargo in transit remains with AGT in most cases, due to the terms of sale. If a customer defaults on the contract, AGT can choose to resell the cargo to another customer or divert the cargo to another market. With extensive market reach and facilities or warehouses in key consumption markets, AGT has numerous options available to minimize or mitigate risk and exposure in these areas. AGT also has the option to make a claim to EDC to cover up to 90% of the receivable in question. AGT has extended its EDC coverage to all foreign operations, excluding China, to ensure that additional financial risks are largely mitigated in the current macro-economic environment.

Working capital and short-term debt, is typically used by AGT to finance its export program and customer orders due to the long transit times. In addition, costs associated with the goods, such as processing costs, payments to the farmer from whom raw materials were purchased and freight costs, must be paid prior to receiving payment for sale. Customer purchases are typically backed by irrevocable letters of credit (LC) or cash against document (CAD) terms and therefore payment risk is mitigated. The EDC policy remains in place to ensure that a catastrophic loss in any particular region will not hinder payment. Management has implemented steps to monitor accounts receivable aging and inventory turns at each facility. Metrics are calculated for each facility and correlate to facility compensation.

In addition, much of the bank financing availability is determined based on a borrowing base calculation and therefore this financing is backed by the inventory and accounts receivable. AGT has current assets of $417.9 million as compared to total interest bearing debt and accounts payable of $415.8 million.

Dividends - AGT paid a dividend in January 2013 of $2.97 million ($0.15 per share) in the aggregate to its shareholders of record.

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 and its predecessors have declared and paid the quarterly dividend each quarter since its inception in 2005. Management does not anticipate a reduction of the current dividend in the coming periods.

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, 2012 and December 31, 2011 foreign exchange rates as follows:

	Dec 31, 2012	**Dec 31, 2011**
USD/CDN	0.99490	1.02133
AUD/CDN	1.03390	1.03867
TL/CDN	0.55740	0.54089
GBP/CDN	1.61780	1.58206
EUR/CDN	1.31180	1.32150
ZAR/CDN	0.11720	0.12606
RMB/CDN	0.15970	0.16197

For each subsidiary, any difference between the December 31, 2012 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

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

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

LIQUIDITY RISK

December 31, 2012	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 205,548,758	$ 205,548,758	$ 205,548,758	$ -	$ -	$ -
Short term financing	12,401,810	12,401,810	12,401,810	-	-	-
Accounts payable and accrued liablities *	115,230,570	115,230,570	115,230,570	-	-	-
Long-term debt and finance leases	82,310,290	91,911,730	9,079,134	9,398,389	72,315,389	1,118,818
Dividend payable	2,971,328	2,971,328	2,971,328	-	-	-
Foreign exchange derivatives *	347,685	347,685	347,685	-	-	-
	$ 418,810,441	$ 428,411,881	$ 345,579,285	$ 9,398,389	$ 72,315,389	$ 1,118,818

December 31, 2011	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 197,868,017	$ 197,868,017	$ 197,868,017	$ -	$ -	$ -
Short term financing	42,370,877	42,370,877	42,370,877	-	-	-
Accounts payable and accrued liablities *	75,845,030	75,845,030	75,845,030	-	-	-
Long-term debt and finance leases	80,765,136	112,339,468	9,568,766	8,642,044	71,421,897	22,706,761
Dividend payable	2,961,461	2,961,461	2,961,461	-	-	-
Foreign exchange derivatives *	1,656,049	1,656,049	1,656,049	-	-	-
	$ 401,466,570	$ 433,040,902	$ 330,270,200	$ 8,642,044	$ 71,421,897	$ 22,706,761

* Foreign exchange derivatives are included in the accounts payable amounts on the statement of financial position

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 and development activities, and pay its declared dividends. AGT's ability to generate sufficient cash resources from its operations will depend, among other things, on future harvests of and demand for pulses and special crops. Please see "Discussion of Dividends" above, "Outlook" and "Appendix A" discussing geographic crop conditions 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, 2012, AGT had total operating lines and other facilities available of $289.8 million (September 30, 2012 - $279.0 million and December 31, 2011 - $280.2 million), a portion of which is secured by a general security agreement. Interest rates on CDN and USD operating credits range from 3% to 16% 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 based on Turkish Central Bank rate and prevailing market premiums at the time of utilization. At December 31, 2012, 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.

On January 24, 2013, AGT finalized a new credit facility as well as a senior notes offering. These include an amended and restated credit agreement that provides for three facilities in an aggregate principal amount of $270 million ($300 million in the event that the $30 million accordion option is exercised in full) through AGT's wholly owned Alliance Pulse Processors Inc. ("APP") subsidiary through the Bank of Nova Scotia and a syndicate of six other lenders containing customary negative covenants and maintenance of certain ratios at the APP and AGT level.

On February 6, 2013 AGT submitted the first draw against a Master Receivables Purchase Agreement that was signed with The Bank of Nova Scotia on December 21, 2012.

This agreement allows the sale of specific Turkish trade accounts receivable that are insured through EDC, to The Bank of Nova Scotia.

AGT continues to be involved in the collection of the accounts receivables and submission of those collections to The Bank of Nova Scotia with any uncollected amounts resulting in EDC making a payment to the third party.

On February 14, 2013, an offering of $125 million aggregate principal amount of senior secured second lien notes due February 14, 2018 was completed with proceeds used to repay certain indebtedness of some of AGT's global subsidiaries and for general corporate purposes.

The combination of these credit arrangements is expected by AGT management to provide additional balance sheet certainty with regard to both duration and interest rates and additionally provide the capital required to execute AGT's business plan to expand global asset base utilization, commercialize AGT's new pulses based food ingredient platform and provide working capital requirements for additional operations in India, China and Russia which Management believes may assist in the incremental improvement in earnings and margins.

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. The calculation of shareholders' equity, Net Debt* and capital is set out in the following table:

	Dec 31, 2012	Sept 30, 2012 (unaudited)	Dec 31, 2011
Long term debt and finance leases	$ 76,558,126	$ 70,163,874	$ 74,561,817
Bank indebtedness, short term financing and current portion of long term debt and finance leases	223,702,732	194,623,862	246,442,213
Cash and cash equivalents	(33,109,951)	(32,710,646)	(56,220,307)
Net debt*	**$ 267,150,907**	**$ 232,077,090**	**$ 264,783,723**
Shareholders' equity	269,847,553	268,959,838	270,965,391
Capital	**$ 536,998,460**	**$ 501,036,928**	**$ 535,749,114**

Selected asset and liability information

	Dec 31, 2012	Sept 30, 2012 (unaudited)	Dec 31, 2011
Cash and cash equivalents	$ 33,109,951	$ 32,710,646	$ 56,220,307
Accounts receivable	183,156,181	178,584,904	171,522,366
Inventory	188,881,727	141,783,677	183,309,771
Bank indebtedness, short term financing and current portion of long term debt and finance leases	223,702,732	194,623,862	246,442,213
Accounts payable, accrued liabilities and deferred revenue	122,605,047	89,482,812	82,312,029
Long-term debt and finance leases	76,558,126	70,163,874	74,561,817
Total current assets	417,935,344	359,420,972	419,193,075
Total current liabilities	351,353,836	289,191,999	331,820,115
Net working capital*	66,581,508	70,228,973	87,372,960

Cash Flow Summary

		Year ended Dec 31, 2012	Year ended Dec 31, 2011		Difference
Cash flow from operating activities	$	44,775,524	($74,160,143)	$	118,935,667
Cash flow from financing activities		(33,694,177)	161,119,857		(194,814,034)
Cash flow from investing activities		(34,570,490)	(51,312,098)		16,741,608
Effect of exchange rate changes on		378,787	(3,055,781)		3,434,568
Change in cash		($23,110,356)	$32,591,835		($55,702,191)

Cash flow from operating activities for the twelve months ended December 31, 2012 was an increase of $44.8 million compared to a decrease of $74.2 million for the twelve months ended December 31, 2011. This change is due largely to an increase in non-cash working capital for the year ended December 31, 2012 in the amount of $22.9 million compared to a decrease for the year ended December 31, 2011 in the amount of $105.5 million. The change is largely due to increased focus on accounts receivable and inventory turns as well as favorable vendor payment terms.

Cash flow from financing activities for the twelve months ended December 31, 2012 was a reduction of $33.7 million compared to an increase of $161.1 million for the twelve months ended December 31, 2011. This change is a result of AGT paying down interest bearing debt, partially offset by an increase in dividends paid.

Cash flow from investing activities for the twelve months ended December 31, 2012 was a reduction of $34.6 million compared to a reduction of $51.3 million for the twelve months ended December 31, 2011. This is due to decreased purchases of property, plant and equipment during the year ended December 31, 2012 compared to the year ended December 31, 2011.

The change in cash generated from operating activities when comparing the twelve months ended December 31, 2011 to the twelve months ended December 31, 2012 was $118.9 million.

The change in cash generated from operating activities of $44.8 million in 2012 was used to pay dividends, pay down interest bearing debt and finance the purchase of purchase of property, plant and equipment.

Cash Flow Information – Non-Cash Working Capital:

Non-cash working capital for the twelve months ended December 31, 2012 increased by $22.9 million compared to a decrease of $105.5 million for the twelve months ended December 31, 2011. This difference of $128.3 million is due primarily to a decreased change in inventory levels during 2012 as compared to 2011, a decreased change in accounts receivable levels during 2012 as compared to 2011 and increased accounts payable levels. The funds generated were used primarily to pay down interest bearing debt, which went from an increase of $169.7

million for the twelve months ended December 31, 2011 to a decrease of $21.8 million for the twelve months ended December 31, 2012, a change of $191.5 million. In addition, AGT continues to negotiate with vendors to achieve favorable payment terms and this is an area of continued focus.

Accounts Payable and deferred revenue:

Accounts payable and deferred revenue increased by $40.3 million, from $82.3 million at December 31, 2011 to $122.6 million at December 31, 2012. This is largely due to deferred producer payments as well as continued initiatives to achieve more favorable credit terms.

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:

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

		Dec 31, 2012		Dec 31, 2011
Short term benefits (wage, bonus, vacation paid out, directors fees)	$	2,425,750	$	2,425,596
Post employment benefits (RRSP)		84,800		84,800
Other long term benefits including stock based compensation (long term incentive plan)		898,766		915,000
Total	$	3,409,316	$	3,425,396

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. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

Transactions with key management and corporations significantly influenced or controlled by AGT directors or key management

	Dec 31, 2012	Dec 31, 2011
Purchases	$ 8,444,941	$ 4,264,414

	Dec 31, 2012	Dec 31, 2011
Accounts receivable	$ 801,143	$ 543,433
Accounts payable	1,640,551	368,221

The Arslan family own approximately 27.5% of the outstanding shares of AGT. AGT also contracted labour and construction support for ongoing construction projects. The amounts in the above table are largely attributable to these transactions.

Critical Accounting Estimates:

The preparation of the consolidated financial statements in conformity with IFRS requires AGT 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.

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

The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the consolidated financial statements are as follows:

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. Significant judgment is required related to the classification of transactions and assessment of probable outcomes. Significant estimates are required in determining income tax provisions and the recoverability of deferred income tax assets. In calculating income taxes, consideration is given to items such as tax rates in each jurisdiction, deductibility of expenses, 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 substantively enacted tax laws and rates. 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 estimates. If these estimates prove to be inaccurate, future earnings may be materially impacted.

Impairment of Long-Lived and Intangible Assets

AGT assesses the carrying values of property, plant and equipment, intangibles assets, and goodwill annually. Recoverability is determined through assumptions and estimates regarding future cash flows, sustaining capital requirements, discount rates, and asset lives. A material change in assumptions may impact the potential recoverability of these assets, resulting in amounts charged against current earnings

In assessing the recoverability of long-lived and intangible assets, judgment is required in the determination of the appropriate grouping of assets that generate cash inflows or cash generating units (CGU's). The determination of CGU's is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure, geographic proximity and similarity of risk exposures. AGT also uses significant judgment in evaluating if a triggering event occurs which would warrant an evaluation of impairment of long-lived and intangible assets based on the identified CGU's.

Functional Currency

The identification of functional currency for each of the legal entities involves significant judgment. AGT has utilized this judgment and summarized the results in note 3c of the financial statements.

Financial Instruments:

AGT, as part of its operations, carries a number of financial instruments that include cash, bank indebtedness, short term financing, accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, and long-term debt and finance leases. The fair value of cash, 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.

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 AGT 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. AGT's CEO and the CFO evaluated the design and operating effectiveness of AGT's Disclosure Controls as at December 31, 2012 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, 2012, 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 AGT's ICFR was effective as at December 31, 2012.

There have been no 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 consolidated 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	This provides a single model to be applied in the analysis of control of all investees.	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 joint ventures or joint operations.	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, structured 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 fair value measurement guidance contained in individual IFRS's - no direct replacement	January 1, 2013
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	IFRS 7- January 1, 2013 IAS 32- January 1, 2014
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

Management is assessing the potential impact of standards and amendments effective in future years for impacts on both quantitative and qualitative disclosure. AGT does not expect any significant impact.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 19,808,852 common shares of AGT.

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. Potential risks and uncertainties include operating requirements, volume, transportation and transloading, distribution and supply contracts, customer retention and competitive environment, foreign operations, integration of acquisitions, realization of benefits from acquisitions, acquisition and expansion, reliance on key personnel, localized decision making, potential undisclosed liabilities, uninsured and underinsured losses, global financial crisis and general economic conditions, wholesale price volatility, capital markets, leverage and capital requirements, financing and credit liquidity, reduced dividend payment, international agricultural trade, foreign exchange, counterparty and export, geographic and political, environmental protection, energy price fluctuation, information technology, regulatory oversight, financial reporting, control of AGT and dilution of shareholders. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the year ended December 31, 2012.

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 $12 million. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. A $2 million portion of the letter of credit expires February 28, 2013 and the remaining $10 million expires December 31, 2013.

AGT has several signed contracts relating to the construction of the food processing plant in Minot. These contracts have approximately $3 million outstanding at December 31, 2012. In addition to this, AGT signed an agreement in February 2013 for a construction contract relating to the plant in China that is worth approximately $4.5 million.

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. There does not appear to be significant litigation risk for AGT at December 31, 2012.

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 protection against decreases in market price and retention of 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.

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 2012 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 finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-recurring and other costs, restructuring costs and 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 35.

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.

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

	For the Year Ended Dec 31, 2012	For the Year Ended Dec 31, 2011
Net earnings (loss)	$ 6,811	($8,461)
Add (deduct):		
Income tax expense	4,032	1,835
Depreciation and amortization expense	12,836	12,232
Finance expense	16,935	10,976
Non-cash foreign exchange	(4,065)	28,814
Non-recurring and other expenses (1)	2,842	2,194
EBITDA*	39,391	47,590
Less:		
Finance expense	16,935	10,976
Depreciation and amortization expense	12,836	12,232
Income tax expense	4,032	1,835
Adjusted net earnings*	$ 5,588	$ 22,547
Basic adjusted net earnings* per share	0.28	1.14
Diluted adjusted net earnings* per share	0.28	1.14
Basic weighted average number of shares outstanding	19,788,185	19,725,023
Diluted weighted average number of shares outstanding	19,973,515	19,725,023

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

Reconciliation of Net Working Capital* and Net Debt*
(In thousands of CDN $)

	For the Year Ended Dec 31, 2012	For the Year Ended Dec 31, 2011
Current assets	$ 417,935,344	$ 419,193,075
Current liabilities	351,353,836	331,820,115
Net working capital*	$ 66,581,508	$ 87,372,960
Long term debt and finance leases	$ 76,558,126	$ 74,561,817
Bank indebtedness and current portion of long term debt and finance leases	211,300,922	204,071,336
Short term financing	12,401,810	42,370,877
Cash and cash equivalents	(33,109,951)	(56,220,307)
Net debt*	$ 267,150,907	$ 264,783,723

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 finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-recurring and other costs, restructuring costs and 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.

APPENDIX 1 – REGIONAL AND PRODUCTION SUMMARY

North America – Canada and the U.S.

Early estimates by Statistics Canada for the 2013 crop year report lower pulses production for 2013. These lower production estimates for Canada continue the trend of production returning to 2008 levels for many pulses, most significantly lentils, as a result of rationalization of Canadian pulse acres, generally lower prices to farmers because of high carry-in stocks and increased competition against cereal grains and oilseeds.

Production estimates by Statistics Canada ("StatsCan") are as follows:

	Canadian Pulse Production 2013 (1)			Variance
	Area (acres)	**Production (mt)**	**Yields (lbs)**	**2012 Production**
Lentils	2,000,000	1,190,000	1,312	-24.02%
Dry Peas	3,423,000	3,033,000	1,953	7.18%
Edible Beans	273,000	226,000	1,825	-17.61%
Chickpeas	164,000	115,000	1,546	-26.67%
Faba Beans(2)	20,000	20,800	2,300	n/a

(1) Effective December 5, 2012 from data and estimates available from StatsCan and STAT Publishing.
(2) Estimates compiled by AGT based on 5 year historical data and internal estimates of production.

While these 2013 production estimates represent a decrease in production levels for lentils year over year, carry-in stocks from 2012, as a result of lower volumes of export programs for Canadian pulses, are expected by AGT management to offset these production decreases, resulting in ample supply. Production levels for other pulses have decreased as well, with the exception of an estimated slight rise in pea production. Decreases in lentil production are estimated by Agriculture and Agri-food Canada ("AAFC") in its February 2013 Outlook Report to impact green lentils more than red lentils. However, AGT management believes that estimates of seeding intentions are volatile early in any season, as farmers are still evaluating seeding options. Decisions on which crops are to be seeded are typically completed closer to May and are based on rotational plans, current prices and estimates surrounding marketing potential. Based on these levels, AGT management would not expect supply constraints for Canadian origin pulses in the 2013 marketing period.

In the U.S. Northern tier states (the MonDak region including North Dakota and Montana), increases in all pulse types have been estimated. Significant increases in dry peas, edible beans and chickpeas are expected, with small gains estimated for lentils. However, it should again be noted that estimates of seeding intentions can change as farmers approach April to May seeding periods. These increased production levels appear to signal a recovery in pulse growing in the U.S. from near-drought or drought conditions in 2012 and extremely wet conditions in 2011. High carry-in stocks are estimated by USDA as well in the U.S., with significant production levels resulting in some of the highest U.S. pulse supply levels in recent periods, consistent with similar results being reported in Canada by StatsCan.

Production estimates by the United States Department of Agriculture ("USDA") are as follows:

	U.S. Pulse Production 2012 [1]		Variance
	Area (acres)	**Production (mt)**	**2011 Production**
Lentils	463,000	240,497	12.05%
Dry Peas	649,000	493,151	93.28%
Edible Beans	1,534,900	1,297,469	61.71%
Chickpeas	207,900	150,640	50.82%

[1] Effective January 11, 2013 from data and estimates available from USDA and STAT Publishing.

Export results from Canada for the October to December period, as reported by StatsCan, report lentil exports down as compared to the same period in 2011, decreasing to 270,068 mt, a 25.8% decrease in total exports for the three month period. Month-over-month results were reported as decreased by 22.5% from October to November 2012 and 16.5% from November to December 2012. A similar decrease in export volumes was also reported in this period in 2011 and in prior years, and this period is traditionally considered a low export volume period due to lower import demand from the Middle East/North Africa (MENA) region, where Turkish production is available to fill regional demand in the period. Overall pulses exports from Canada (including lentils, peas, chickpeas and edible beans) were reported by StatsCan as decreased by 12.9% in the 2012 three-month period over 2011.

U.S. pulses export data signalled a continued growth in exports, with lentil exports from October to December increasing by 125.4% over the same three-month period in 2011. U.S. production of lentils had decreased in 2012 due to drought or near-drought conditions in much of the U.S. agricultural production regions. Exports of peas, which largely consisted of shipments of yellow peas, were up sharply at 133.3% in the 2012 three-month period as compared to 2011 levels.

As a result of decreased overall exports and high levels of carry-in stock, pulses are expected to see lower prices in 2013, as reported by AAFC, as competition with oilseeds and higher-priced cereals, as well as the rotational nature of pulse crops, are expected to result in a rationalization of pulse acres in Canada. With Canadian lentil acres projected to decrease to 2 million acres or less in 2013, their lowest levels since 2008, high carry-in stocks are expected to assist in overall Canadian supply in future periods. As replenishment activities in end-use markets begin to use up this stock, supply and demand will be brought back into balance, with the expected result of correcting prices for producers and consumers. Supply constriction in Canada is seen by AGT management as a positive factor in its efforts to recover processing margins.

Regarding durum wheat for 2013-14, AAFC reports in its February 2013 Outlook for Principal Field Crops that seeded area is estimated to increase by 3% from 2012-13 as a result of good prices, low carry-in stocks and a rotational shift out of lentils. Production is expected to rise by 2% to 4.7 million mt, as the increase in area is partly offset by lower yields. U.S. durum production for 2012-13 is expected to decrease from the 2.23 million mt produced in 2012. World durum production is forecast to increase by 1.2 million mt to 36.5 million mt.

Turkey

The 2013 pulse growing season is now underway, with seeding activities typically commencing in the January/February period and May/June as the typical harvest period. While specific estimates on production are not available, AGT management, based on internal estimates and market information, would estimate production in line with previous years' production in the 375,000 to 400,000 mt range. AGT management believes that production at these levels would result in Turkey's continued import of lentils, both red and green, to fill domestic demand and continue to supply to regional MENA region markets. Supply of raw materials for import/re-process/re-export activities would continue to be drawn from other pulse producing origins such as Canada, the U.S., and Australia and to an increasing degree Russia, Ukraine and other former Soviet Union republics such as Kyrgyzstan.

With 2012 production of durum wheat estimated by USDA Global Agricultural Information Service ("GAIN") to have decreased to 1.7 million mt as a result of poor conditions at harvest from traditional averages of between 2.5 and 3 million mt, AGT management estimates that Turkish production for 2013 may again be slightly lower than average levels. With production volumes at these lower levels, AGT management believes that Turkey must import durum wheat to meet domestic production requirements for semolina, bulgur and pasta. High global carry-in and supply in Canada, the U.S., Australia and other origins may be imported to provide raw materials. Global durum wheat production is forecast by AAFC to decrease by 1.4 million mt for 2013 and may result in flat prices for durum wheat. AGT is currently involved in importing durum wheat vessels to Turkey to augment local Turkish supplies with alternate origin supplies to meet its pasta and semolina sales programs.

Estimates for 2013 paddy rice production are not yet available; however, rice was forecast for 2012 by the Turkish Grain Board (TMO) at 770,000 mt, which would result in approximately 530,000 mt of rice for 2012. AGT management would expect paddy production to be at these levels again in 2013. With domestic consumption estimated at 600,000 mt, Turkey will continue to be an importer of paddy rice to meet high domestic consumption and regional exports in the near term as it has been for the recent past periods.

Australia

Pulse production in Australia continued at strong levels, with 2012 flat to 2011 overall, with estimates by the Australian Bureau of Agricultural and Resource Economics and Science ("ABARES") at a small 2% increase in production. Significant gains over 2011 for chickpeas, particularly for desi chickpeas, which are an important consumption item in Indian subcontinent markets, and faba beans, an important consumption item in the MENA region, have been reported. Lentil production was reported as decreased; however, volumes produced are still at levels that can be categorized as significant. Official estimates for 2013 are not available; however, AGT management would expect Australian pulse production to continue at similar levels in 2013.

Pulse production in Australia as reported by ABARES is as follows:

Australia Pulse Production 2012 [1]			Variance	
	Area (acres)	**Production (mt)**	**2012 from 2011 Production**	**2012 from 5 Year Average Production**
Broad Beans	59,305	47,300	12.6%	29.31%
Chickpea All	1,392,686	746,000	53.7%	40.58%
Desi	*1,215,264*	*667,700*	*65.7%*	*41.78%*
Kabuli	*177,422*	*78,300*	*-4.9%*	*31.08%*
Faba Beans	442,072	321,900	20.1%	35.22%
Field Pea All	698,567	336,680	10.8%	0.71%
Lentils	406,241	188,500	-34.5%	-2.54%
Lupin All	1,113,704	464,300	-48.4%	-24.51%
Albus	77,097	35,600	-40.8%	-35.35%
Mung Beans	98,842	39,300	24.0%	-2.99%
Navy Beans	4,942	1,900	11.8%	-18.10%

[1] Effective February 5, 2013 from data and estimates available from ABARES and STAT Publishing.

Of the four major pulses (lentils, peas, chickpeas and faba beans) produced in Australia that are processed at AGT facilities, a 50% increase in export volumes for the Q4 2012 period over 2011 was reported based on ABARES data. This includes a 185% increase in chickpea exports; however, specific data on the separation of desi versus kabuli type is not available. Australian pulse production provides export opportunities to Indian subcontinent markets, especially in periods such as 2012/2013 where local Indian production of pulses is decreased.

Indian Subcontinent Markets

Pulse production in India remains at levels slightly lower than 2012 at 17 million mt. In a February 15, 2013 report, USDA GAIN reported that kharif season (fall harvest) pulses have been affected by delayed or erratic monsoon rains and subsequent dry conditions, lowering production by an estimated 1 million mt. However, official planting data for rabi season (spring harvest) for chickpeas, lentils and peas are estimated as higher at 14.8 million hectares (36.5 million acres), with generally favorable conditions.

With the optimistic outlook for 2013 rabi harvest and poor production levels from kharif harvest, Indian Government data estimates that approximately 3.3 million mt of pulses were imported to India, lower than the 4 million estimated by USDA GAIN to maintain supply for significant domestic consumption. These imports were largely chickpeas (desi variety), red lentils and yellow peas.

USDA GAIN further reports that Indian government policy to maintain import level support and a ban on pulse exports, with the exception of kabuli chickpeas, is expected to continue for at least an additional year.

Pulse exports to the Indian subcontinent have been aided by relative stability of the Indian rupee throughout much of the later part of Q4 2012 period as queried on XE Trade. Less volatility in local currency may typically have the result of assisting importers by improving credit liquidity needed for purchase and importation of goods. From Canada this has resulted in StatsCan reporting a 37% increase in Canadian lentil exports to the Indian subcontinent region when comparing Q4 2012 to the same period in 2011. These factors together are viewed by AGT management as positive and continuing to assist in normalization of subcontinent markets in advance of the shipping through 2013, with more robust growth in exports to the region as a result of consumption demand and lower domestic production.

Russia and Ukraine

Production estimates for pulse production in the Russian Federation in 2013 are estimated by the Russian State Statistical Service (Rosstat) in data published in 2012 at 2.17 million mt for legumes; however, specific details on these quantities in terms of product-specific breakdowns are not provided. Production at these levels would represent flat production from the 2.5 million mt previously indicated in 2012 by a variety of sources (Stat Publishing, Leftfield Commodities), which are consistent with the last USDA GAIN report where production estimates were provided and assumed to be accurate. Based on these figures, AGT management would estimate that Russian production could include as much as 50,000 mt to 75,000 mt of lentils, 1 to 1.5 million mt of peas and 175,000 to 250,000 mt of chickpeas in future periods.

Pulse production in Russia and Ukraine has been increasing in past years, becoming an important raw material drawing area for Turkey, as local production there has begun to decrease. With year-round ports available through the Black Sea and the Bosphorus to processing destinations in Turkey, there are shipping advantages available from these countries for Turkish processors. AGT, with the opening of its origination offices in Rostov-on-Don to assist with grain origination to facilitate the flow of peas, chickpeas and beans from Russia, Ukraine and Kyrgyzstan to AGT's Arbel facilities in Turkey from the Black Sea region, continues to view the region as a source of raw material for grain origination rather than finished product shipments to end use markets such as India.

South Africa

Agricultural production in 2013 in South Africa is estimated by South Africa Grain Information Service ("SAGIS") as generally increased. Production of beans is projected to increase 24% over 2012 levels. Canola and soybeans are also projected to see increases as farmers in Southern Africa try to take advantage of higher prices in the region for these products. The Southern African region, with its availability of significant farmland, is viewed as a future production growth region in pulses and specialty crops for import substitution, growing and supply programs for local retail markets, capturing potential duty and tax advantages for locally produced products. In the near term, however, the region is a consumer of pulses. AGT's global operations and local distribution infrastructure provide the view of this region as a source of import/re-process/re-export opportunities to cross-sell with locally produced popcorn and other products.

China

China continues to emerge as a significant potential origin for pulses, particularly in the area of beans. Although limited official data on pulses production in China is available, information from the United Nations Food and Agriculture Organization ("FAO") reports 4.6 million mt of pulse production in 2011, slightly higher than the 5 year average of 4.4 million mt. The 2011 production estimates include 1.5 million mt of beans, including broad beans, kidney beans, mung beans and adzuki beans, and 150,000 mt of lentils.

With a continuation of production in China of pulses production at levels similar to the 5 year average, China can be viewed as a significant potential export origin 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.

Additionally, China presents business opportunities, with previously reported estimates of high levels of pea imports for domestic starch extraction for vermicelli noodle production, moon cakes and snack foods, supporting the view by AGT management that planning surrounding new Chinese assets may be a key development for AGT's business in the region. This could provide an entry point for Canadian, U.S. and Australian whole green peas, pea starch, green pea powder and sprouting green peas. 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 in 2013 of a new facility located in Tianjin, 35 km from Beijing, are ongoing.

Flax exports to China for the industrial processing sector are also a growing segment for AGT's North American asset utilizations, providing another product to utilize available capacity.