



(FORMERLY ALLIANCE GRAIN TRADERS INCOME FUND)

QUARTER 1 2010

MANAGEMENT'S DISCUSSION
AND ANALYSIS

MARCH 31, 2010

**ALLIANCE GRAIN TRADERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2010**

The following management discussion and analysis ("MD&A") of financial condition and results of operation has been prepared by Management to help readers interpret AGTI's consolidated financial results for the three months ended March 31, 2010 and March 31, 2009 and should be read in conjunction with Alliance Grain Traders Inc's. ("AGTI") audited consolidated financial statements and related notes thereto for the year ended December 31, 2009 (the "Annual Financial Statements") and the unaudited consolidated financial statements for the quarter ended March 31, 2010 (the "Interim Financial Statements") and March 31, 2009, which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") and the most recent Annual Information Form ("AIF") on file with provincial regulatory authorities which are available, together with additional information relating to AGTI, on SEDAR at www.sedar.com and on AGTI's website at www.alliancegrain.com.

This MD&A has been prepared as of May 14, 2010. All dollar amounts are in Canadian dollars unless otherwise indicated. All references to AGTI, includes its subsidiaries and its predecessor, Alliance Grain Traders Income Fund, as applicable.

To support the discussion, this MD&A includes information with respect to the agriculture business industry, the markets in which the company operates and trends that may affect operating and financial performance in the future.

Forward-Looking Information

This MD&A of AGTI 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 AGTI'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 state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AGTI (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 AGTI's 2009 Annual Information Form, which is available on SEDAR at www.sedar.com and on AGTI's website at www.alliancegrain.com and which should be reviewed in conjunction with this document. Although AGTI 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 AGTI believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of 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 and southern Australian crop and Turkey production quality in 2010 and subsequent crop years; the volume and quality of held on-farm by producer customers in North America; demand for and supply of open market pulses; movement and sale of pulses meal in Australia and Turkey and, particularly in the Australian states of South Australia, Victoria and New South Wales; 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 and southern Australian agricultural producers; market share of pulses deliveries sales that will be achieved by AGTI; ability of the railways to ship pulses to port facilities for export without labour or other service disruptions; 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.

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

Non-GAAP Financial Measures

AGTI provided some non-GAAP measures as supplementary information that Management believes would be useful to investors to explain the AGTI's financial results. These non-GAAP measures include EBITDA* (Earnings Before Interest, Income Taxes, Depreciation and Amortization).

EBITDA* is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA* is used because AGTI's net income alone does not give an accurate picture of its' cash-generating potential. Management believes that EBITDA* is an important measure in evaluating performance and in determining whether to invest in AGTI. However, EBITDA* is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA* may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA* should not be construed as an

alternative to net income or loss determined in accordance with GAAP as an indicator of AGTI's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows. For a reconciliation of net income determined in accordance with GAAP to EBITDA*, see the table on page 17.

Quarterly Information Ending March 31st 2010

- **Net income** for the three months ended March 31, 2010 was \$16.8 million or \$0.98 per share (\$0.96 on a diluted basis) compared to \$15.2 million for the three months ended December 31, 2009 or \$0.89 per share (or unit equivalent)(\$0.87 on a diluted basis) and \$7.2 million for 3 months ended March 2009 or \$0.90 per unit (or unit equivalent) (\$.84 on a diluted basis).
- **Consolidated sales** for the three months ended March 31, 2010 were \$186.3 million, compared to sales of \$154.8 million for the three months ended December 31, 2009 and \$86.8 million for the three months ended March 31, 2009. The increase in sales was a result of acquisitions. In addition, Arbel Group sales were bolstered by a tender award of the Turkish Grain Board for 20,000 metric tonnes awarded in the three months ended March 31, 2010 and accounting for approximately \$14.5 million.
- **EBITDA*** for the quarter ended March 31, 2010 was \$21.9 million, compared to EBITDA* of \$22.4 million for the quarter ended December 31, 2009 and \$10.9 million for the quarter ended March 31, 2009. In absolute terms, EBITDA* was relatively flat, however when examining EBITDA* as a percentage of sales, March 31, 2010 showed a decline over December 31, 2009. The decrease in EBITDA* as a percentage of sales from the quarter ended December 31, 2009 was due in part to lower margin sales executed during the first quarter of 2010, including international tender awards by the Turkish Grain Board (see above) and United Nations Agencies.
- **Capital expenditures** to March 31, 2010 were \$4.2 million in Canada and included enhancements to building, equipment and vehicles at facilities in Canada, the United States, Turkey and Australia.
- **Dividend** of \$0.135 per share which was paid on April 6, 2010.
- **Parent Seeds and Finora Assets** acquisitions on December 31st, 2009 with integration of marketing operations now substantially complete and administrative integration is progressing well. The Finora asset acquisition only contributed processing revenue in Quarter 1 2010 as the assets were used to complete contracts that were sold by Finora prior to the acquisition date. Under the asset purchase agreement with Finora, AGTI was contractually bound to execute, for a toll fee, the contracts that needed to be completed by Finora in order to affect the corporation's wind down.

Outlook

The North American crop season (2009-2010) is ending. Export data shows that strong export performance by Canadian and US processors in 2009 and into 2010 has made up for a late start to the year with heavy shipping reported during this period. Supplies remaining on farm for 2010 are tight and there remains a significant price premium for current crop stocks in comparison to new crop 2010 contracting levels. As AGTI nears the end of this crop year and

transitions to 2010-2011 harvest in August 2010, this price disparity between old and new crop stocks is expected to converge. The convergence in price is facilitated by matching Canadian farmer selling to international client buying. This convergence has been slow and this is affecting demand forecasts in for the middle part of 2010, which is consistent with patterns of prior years.

International buyers are very sensitive to price in the time of transition between new crops in Canada (September harvest) to Australia (December harvest) to India (March harvest) to Turkey (June harvest). Management believes that in a time of declining commodity prices, demand is affected as importers are cautious in their purchases and only buy their bare minimum requirements and do not hold any excess stock levels for fear that international market prices will negatively impact inventory values. Management believes that this is a normal and temporary rationalization of demand that will catch up in subsequent time periods as importers delay buying decisions but eventually stocks must come into the markets to satisfy consumer demands for pulse products and protein.

With continued strong performance of lentil prices and record exports from Canada in 2009, the crops that AGTI processes continue as profitable crops for farmers to grow. Crop forecasts for lentils and peas for the 2010-2011 crop years in Canada show another significant growth in acres, especially in lentils in both Canada and the USA. In fact, acreage is projected to increase to over 2.85 million acres in Saskatchewan alone (Stats Can Seeding Intentions report 2010) and lentil seeding in North Dakota and Montana is also forecast to jump. The strong price performance of all lentil varieties vis-à-vis other crops is leading to record planting forecasts in Canada and USA in 2010 with acreage forecasts exceeding 3.385 million acres, up from approximately 1.8 million acres in 2008¹. Canadian production exceeded 1.4 million metric tonnes in 2009² with many industry sources pegging this figure over 1.5 million metric tonnes. U.S. production of lentils (up 144% from 2009 compared with 2008) and peas (up 42% from 2009 compared with 2008) also increased³. Management expects this production volume trend to continue upwards as the net cash crop return per acre of lentils is seen as a market leader when compared to oilseed and cereal grain options.

Australian harvest in December 2009 continued the trend of disappointment for Australian farmers. The crop looked to be the best in nearly a decade when a heat wave hit early in the season, dramatically affecting both yields and crop quality. In Victoria, near AGTI's processing facility in Horsham, the lentil and pulse crops were hit hard with temperatures that were 18-20 degrees Celsius above seasonal norms. However, crops in South Australia fared better with some yield losses and quality effects visible with the presence of green and shrivelled lentil kernels a norm. AGTI's splitting and colour sorting lines were commissioned in November 2009 allowing AGTI to address sub-standard quality and reduced yields by adding value and extracting margin from the limited crop supplies. AGTI continues to export limited stocks of lentils from Australia and is active in the export of broad beans, faba beans and chickpeas. Early 2010 rains in Australia have been positive to replenish moisture for the seeding of the 2010 crop slated for June 2010. Moisture conditions are adequate for the new season seeding leading to optimism among Australian farmers and processors.

¹ Source: Management expectation based on Statistics Canada and USDA production statistics.

² Source: Statistics Canada Agricultural production statistics 2009.

³ Source: U.S. Department of Agriculture production statistics November 2009.

Turkey's harvest is slated for June 2010 and timely rains in April 2010 have improved crop forecasts for the 2010 lentil crop. The 2010 harvest is forecast to return to average production levels exceeding 400,000 metric tonnes⁴. With improved domestic pulse and durum wheat production in 2010 in Turkey, Management believes that AGTI is well positioned to ramp up its capacity utilization and capitalize on the opportunities in the Turkish domestic and international markets. Management anticipates that increased production globally will allow the global pulses industry to have sufficient stocks to satisfy strong export demands and still replenish a healthy annual carryover stock to stabilize supply.

Continued adverse crop conditions in India have created a shortage of pulse crops there. AGTI's multi-origin production strategy was developed to address such circumstances. With the increased acreage in Canada and USA and an improved crop in Turkey, Indian Sub-continent demand is essential to move a larger global crop. Positive demand fundamentals are expected to allow AGTI to drive its efforts to better utilize its global capacity to execute its global sales plans. Extra demand and the absence of regional competition in the Indian sub-continent with a continued governmental ban on Indian origin exports is expected to allow AGTI to benefit from an opportunity to ship more product to this region at continued good margins. The acquisition of the Arbel Group has been completed and its facilities, warehousing and distribution are expected to assist AGTI's further penetration of the North Africa/Middle East regional market.

AGTI is well positioned to capitalize on the opportunity of the 2010 crop year. The forecast for 2010 stocks in North America is high, which leads Management to be optimistic about future sales. With the acquisitions in Turkey, USA and Australia, AGTI has successfully expanded its global reach, client base and product mix. Increased capacity utilization of existing Canadian and Turkish assets is expected to boost the tonnage of product shipped. AGTI is offering a full range of split and value-added lentils, peas and chickpeas coupled with its new offerings of beans, pasta, bulgur wheat, semolina and rice. This puts AGTI's operating divisions in a position of strength vis-a-vis its competitors globally.

Management is optimistic about its ability to develop sales opportunities in its four core platforms for growth: pulses, durum wheat milling, rice and other products (e.g. popcorn, sunflower seeds). Management is pleased with the integration progress of AGTI and the Arbel Group, as management of these companies have worked together in the past and shared certain business methods. Integration of marketing operations is substantially complete and administrative integration is expected to be substantially complete by the end of the second quarter of 2010. Finora and Parent Seeds business integrations are also progressing as planned.

In April 2010, AGTI completed an equity issue for 2,500,000 common shares for gross proceeds of \$80,000,000 (\$76,675,000 net). These funds are expected to allow AGTI to continue to execute its growth and acquisition strategy in 2010 and 2011. Management remains confident in AGTI's business strategy and team. There are a number of key strategic drivers underlying this confidence:

- 1) **Tuck in acquisitions in core areas of strength is expected to bolster growth prospects:**
AGTI intends to continue to examine smaller quality acquisition opportunities in the

⁴ Source: Management expectation based on TurkStat and Mersin Commodity Exchange statistics.

areas of dry edible beans, chickpeas, pasta and rice with a focus on tuck in asset acquisitions that expand the reach of the Company in its core business platforms. This strategy has proven successful and earnings accretion for shareholders has been virtually immediate.

- 2) **Strong Global Growth Strategy and Management team with a track record:** AGTI has benefitted from access to the public equity market, strong financial performance and steady demand for its products. This, coupled with the ability to successfully integrate new acquisitions and bring them on-line as positive components to its business, continues the path to a solid global foundation.
- 3) **The addition of new products and product lines:** small-packed consumer line of pulses and milled durum wheat products offered by Arbel and the Arbella brand of pasta: Taking a managed approach to integrating these commercial brands into AGTI's core lines of business is expected to bring continued growth and additional value-added business and margin. Arbella has proven to be a very popular product with sales in 2009 to 46 countries. AGTI leased its first rice mill near Istanbul in Turkey to allow it to process paddy rice into a premium branded medium grain rice for the retail industry.
- 4) **Demand fundamentals are strong.** Global populations continue to consume protein and staple food products. These foods are customary and are relatively inelastic in their demand profiles. Non traditional markets, such as North America and Europe, are increasing consumption of certain pulses adding food and ingredient markets to AGTI's market development targets. With efficiencies in value-added processing, taking advantage of freight opportunities, diversified markets and origins and a well instituted risk-management program, AGTI seeks to capitalize on these opportunities at hand. Overall, the growth opportunities are substantial, and AGTI believes it has a significant advantage with strong assets, diversified product offerings, access to markets and logistics solutions.
- 5) **Diversification Strategy is focused:** AGTI will seek to grow its business as it executes its strategy. The equity cash proceeds on the balance sheet are expected to be coupled with some leverage to fund the growth strategy. From time to time, Management explores potential strategic acquisitions that would help it to grow and consolidate the global pulse industry, create new opportunities for itself in pasta and rice, and strengthen its competitive position in the key markets in which it is active. Management continues to seek to build international sales opportunities to bring its processing plants to capacity. AGTI continues to investigate opportunities for additional acquisitions, partnerships and alliances in the Americas, Turkey and globally. With its growth strategy defined as a staple food products strategy, the focus on beans, chickpeas, pasta and rice products will complement the current business strength in lentils and peas.

Business Overview

AGTI is the successor to Alliance Grain Traders Income Fund (the "Fund"). The Fund was a limited purpose open-ended trust established on June 25, 2004. AGTI was incorporated on July 2, 2009 under the *Business Corporations Act* (Ontario). On September 15, 2009, the

Fund was converted (the “Conversion”) on a tax deferred basis from an open-ended unit trust to a corporation pursuant to a plan of arrangement under the *Business Corporations Act* (Ontario) whereby AGTI acquired all of the outstanding trust units of the Fund (“Units”), and certain shares of the Fund’s operating company Alliance Pulse Processors Inc. (“APP”) which were exchangeable for Shares of the Fund (the “Exchangeable Shares”), in exchange for common shares of AGTI (“Common Shares”), such that AGTI became the sole holder of the outstanding Units. On September 21, 2009, the Fund was terminated and all of its assets were transferred to its sole Shareholder, AGTI.

AGTI, through its subsidiaries, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. AGTI’s subsidiaries in Canada, U.S., Turkey and Australia handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. Its durum wheat milling operations in Turkey also produces semolina, pasta and bulgur wheat. AGTI is also involved in milling medium grain rice in Turkey. The Common Shares are currently listed for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “AGT”. The Units of AGTI’s predecessor, the Fund, were listed for trading on the TSX Venture Exchange.

AGTI owns twelve processing plants in Canada, one in the U.S. and one in Australia. Canadian locations include Saskcan Pulse Trading, Saskcan Rosetown, Saskcan Agtech, Saskcan Milestone, Saskcan Horizon, Saskcan Pulse Depot, Saskcan Parent, Saskcan Assiniboia, Saskcan Gibbons and Finora Wilkie. Wholly owned foreign subsidiaries include United Pulse Trading Inc. (“United Pulse”) in North Dakota, USA and Australia Milling Group Pty Ltd. (“Australia Milling Group”) in Victoria, Australia, each with one plant. AGTI is among the world’s largest value-added processors/splitters of pulse crops.

On September 15, 2009, AGTI acquired Arbel Bakliyat Hububat Sanayi ve Ticaret A.Ş. (“Arbel”), Durum Gıda Sanayi ve Ticaret A.Ş. (“Durum”), and Turkpulse Diş Ticaret A.Ş. (“Turkpulse”, and collectively, the “Arbel Group”), such that AGTI now owns 100% of the outstanding shares of the Arbel Group. Arbel, Durum and Turkpulse were three private Turkish companies engaged in the business of buying, processing and marketing lentils and grain (Arbel), producing and selling pasta and semolina (Durum), and producing and selling bulgur (Turkpulse). The Arbel Group has a 50-year operating history and has grown to become a leading processor of pulses and grains and a leading exporter of pulses and pasta in Turkey. The Arbel Group operates state-of-the-art processing and production facilities in Mersin, Turkey, and currently exports to over 50 countries in Asia, Africa, Europe and the Americas.

On December 31, 2009, AGTI acquired assets from Parent Seed Farms Ltd. (“Parent”) and Finora Inc. The two acquisitions added six processing facilities for processing beans, lentils, peas, chickpeas and other specialty crops in four locations: St. Joseph, Manitoba (operating as Saskcan Parent), Wilkie, Saskatchewan (operating as Finora Wilkie), Assiniboia, Saskatchewan (operating as Saskcan Assiniboia) and Gibbons, Alberta (operating as Saskcan Gibbons). The Parent assets acquired include two plants with approximately 51,000 sq ft of bagged storage and approximately 15,000 metric tonnes of bulk product storage and certain land and equipment. The Finora Inc. assets acquired include four plants, approximately 20,000 metric tonnes of bulk product storage and certain land and equipment.

Summary and Analysis of Consolidated Quarterly Results (unaudited)

(in thousands of Cdn. \$ except as indicated)	3 Months Ended March 31, 2010	3 Months Ended December 31, 2009 ⁽¹⁾	3 Months Ended September 30, 2009	3 Months Ended June 30, 2009	3 Months Ended March 31, 2009	3 Months Ended December 31, 2008 ⁽¹⁾	3 Months Ended September 30, 2008	3 Months Ended June 30, 2008
Sales	186,355	154,799	73,320	72,951	86,818	100,855	107,886	72,314
Cost of sales ⁽²⁾	159,639	124,482	62,936	65,686	73,644	88,716	93,469	62,067
Gross margin	26,716	30,317	10,384	7,265	13,174	12,139	14,417	10,247
Add: Non cash foreign exchange effect	1,433	815	-	-	-	655	-	-
Less: Operating expenses ⁽³⁾ ..	7,521	9,725	2,581	2,515	2,697	2,485	3,709	2,599
Add: Amortization in cost of sales ⁽⁹⁾	1,165	919	391	249	307	990	-	-
Add: Compensation option expense	110	110	111	111	207	75	134	118
EBITDA^(*)	21,903	22,436	8,305	5,110	10,991	11,374	10,842	7,766
Less: Interest	1,078	546	841 ⁽⁸⁾	280	332	454	409	333
Less: Depreciation and amortization ⁽²⁾	1,859	1,411	812	707	672	698	472	437
Less: Provision for income taxes	2,088	5,160	1,999	973	2,629	2,573	3,184	1,614
Extraordinary gain (loss) Less compensation option expense ⁽⁴⁾	(2)	-	-	-	-	562 ⁽⁵⁾	-	-
NET INCOME	16,766	15,209	4,542	3,039	7,151	8,136	6,643	5,264
Basic net earnings per share/unit and unit equivalent ⁽⁶⁾	0.98	0.89	0.47	0.38	0.90	0.95	0.92	0.83
Diluted net earnings per unit and unit equivalent ⁽⁶⁾	0.96	0.87	0.46	0.37	0.84	0.89	0.83	0.73
Total assets	442,992	404,423	332,936	135,041	145,171	148,381	160,104	99,857
Bank indebtedness (short-term debt)	47,844	46,269	29,244	8,412	29,571	17,448	34,625	20,483
Long-term debt	36,255	36,624	25,987	16,094	16,556	14,903	8,872	7,844
Shareholders' Shareholders' equity	245,101	231,910	221,944	77,319	78,098	68,823	60,978	39,990
Cash distributions declared per unit	0.1350	0.1350	0.1350	0.135996	0.137511	0.132 ⁽⁷⁾	0.125	0.13876

Notes:

- (1) Calculated from the audited annual financial statements of for the years ending December 31, 2009 and December 31, 2008, and the unaudited financial statements of the Fund for the periods ended September 30, 2008 and September 30, 2009.
- (2) Cost of sales for the quarters ended March 31, 2010, December 31, 2009, September 30, 2009, June 30, 2009, March 31, 2009 and December 31, 2008 include amortization on equipment used to process inventory. Total amortization is added back for the EBITDA*. Periods prior to the aforementioned quarters had all amortization reported in one line item without the reclassification of amortization-related to processing costs. Cost of sales has been restated for all quarters to include direct wages and manufacturing and processing costs.

- (3) Excluding interest and amortization, but including the performance bonus payable. Non-controlling interest is also included in this number, up to and including the period ended September 30, 2008 (related to the Saskcan Horizon minority interest mentioned above)
- (4) Due to the non-cash nature of the compensation option expense, this amount is included in the net income figure, but added back for the EBITDA* calculation.
- (5) The December 8, 2007 fire at the Williston North Dakota facility (owned through United Pulse) resulted in total loss and subsequent replacement of certain equipment. Proper insurance was in place to cover any repairs and replacement as well as business interruption. The additional value associated with the replaced equipment resulted in an extraordinary gain in the amount of \$561,426. This gain was recognized during the year when the final insurance settlement was completed. Regular plant operations commenced in February of 2008.
- (6) Before September 15, 2009, the entity whose results are reported in the table above was the Fund. "Units and unit equivalents" refers to the Units of the Fund and to the Exchangeable Shares. The Fund paid distributions on its outstanding Units each quarter. From and after September 15, 2009, the entity whose results are reported in the table above is AGTI. "Shares" refers to the common shares of AGTI (the only class of shares which are outstanding). AGTI's policy is to pay dividends on its outstanding shares each quarter. Basic and diluted earnings per unit and unit equivalent are calculated using net income before other comprehensive income and extraordinary gain.
- (7) The distributions paid by the Fund consisted of the quarterly interest payments made to the Fund under a consolidated promissory note issued by Alliance to the Fund (the "**Alliance Note**") and another promissory note issued by Alliance to the holders of the exchangeable shares of Alliance. The principal amount of the Alliance Note would be increased each time the Fund issued Units. The distribution per Unit for the third quarter of 2008 was below the Fund's target of \$0.135 per Unit because the Fund issued additional Units during the quarter and since the additional Units were issued after the beginning of the quarter the promissory notes issued by Alliance in respect of such additional Units (subsequently consolidated into the Alliance Note) did not earn a full quarter's interest income for the Fund.
- (8) Interest expense for the quarter ending September 30, 2009 includes one-time balloon interest payments on the retirement of Arbel Group credit facilities with Turkish banks that bore interest rates higher than existing Alliance credit facilities.

Discussion of Quarterly Results

AGTI's sales were \$ 186.4 million for the three months ending March 31, 2010, compared to sales of \$86.8 million for the three months ending March 31, 2009 and sales of \$154.8 million for the three months ending December 31, 2009. The decrease in EBITDA* from the quarter ended December 31, 2009 was due in part to the toll processing performed during the first quarter of 2010 that was in accordance with the Finora acquisition, in addition to lower margin sales executed in order to gain market share in new markets.

Operating expenses for the quarter ending March 31, 2010 are \$7.5 million compared to \$2.7 million for the three month ending March 31, 2009 and \$9.7 million for the three months ending December 31, 2009. In the quarter ending December 31, 2009 the annual compensation incentive payment was included in operating costs. This annual expense was not a recurring expense for the quarter ending March 31, 2010, accounting for a significant portion of the decrease. In addition, a decrease in selling related costs such as courier and communication as well computer maintenance services contributed to the decrease for the quarter ending March 31, 2010.

Interest expenses for the quarter ending March 31, 2010 are \$1.1 million compared to \$0.332 million for the three month ending March 31, 2009 and \$0.546 million for the three months ending December 31, 2009. This is due to higher utilization of operating lines during the first quarter.

Amortization expenses for the quarter ending March 31, 2010 were \$1.8 million compared to \$0.672 million for the three month ending March 31, 2009 and \$1.4 million for the three months ending December 31, 2009. Expenses for the quarter ending March 31, 2010 are higher than the expenses recorded for the quarter ending December 31, 2009 due to the additional amortization associated with new acquisitions.

Provision for income tax expense of \$2.1 million for the quarter ending March 31, 2010 is lower than the expense recorded for the three months ending March 31 2009 of \$2.6 million and \$5.2 million for the three months ending December 31, 2009 due to the lower tax rate on earnings and the ability to carry forward tax credits in the Arbel Group resulting in a lower corporate tax expense.

Dividends - AGTI paid a dividend in April 2010 of \$2,308,938 (\$0.135 per share) in the aggregate to its shareholders of record as of March 31, 2010. It is currently anticipated that going forward, AGTI will continue to pay a quarterly dividend, the amount of which will be determined by the Board of Directors. AGTI's dividend policy will be subject to the discretion of the Board of Directors and may vary depending on, among other things, AGTI'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.

Balance sheet accounts of subsidiaries are valued at March 31, 2010 foreign exchange rates as follows:

USD/CDN	1.01950
AUD/CDN	0.94503
TL/CDN	0.66727

For each subsidiary, any difference between March 31, 2010 exchange rate and average exchange rate used to record sales is recorded as Other Comprehensive Income (Loss) on AGTI's Consolidated Statements of Retained Earnings and Accumulated Other Comprehensive Income.

Liquidity and Capital Resources

AGTI has not had difficulty in generating sufficient cash from its operations to maintain its operations, fund development, and, to pay its declared dividends and distributions. AGTI's ability to generate sufficient cash in the future to pay dividends will depend, among other things, on future harvests of and demand for pulses and special crops. Please see "Discussion of Quarterly Results - Dividends" above and "Outlook" for a discussion of these factors.

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

At March 31, 2010, AGTI and its subsidiaries had total operating credit available of \$176.40 million secured by a general security agreement and are available with six global financial institutions. AGTI also has one secured credit facility in Turkey in the amount of \$10.00 million secured by inventory security to one international bank. Average funding rates for floating loans range from Canadian prime plus 0.15 and Canadian prime plus 0.50. One year fixed USD loans bear interest averaging between LIBOR plus 1.65 and LIBOR plus 2.0.

Capital Management

AGTI manages its capital to ensure that financial flexibility is present to increase shareholder value through a combination of acquisitions and organic growth. This allows AGTI to respond to changes in economic and/or marketplace conditions. AGTI also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, AGTI 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 AGTI's approach to capital management during the year.

APP, the operating subsidiary of AGTI, has externally imposed capital requirements through its lenders. APP was in compliance with all bank covenants as at March 31, 2010.

1. Cash Flow Information

For the three months ended March 31st 2010, cash flow provided by operations was \$3.2 million. Improved cash flow in 2010 results reflects strong EBITDA*, offset primarily by increases in inventory during the quarter.

2. Investing Activities

AGTI capital expenditure for the three month ended March 31st 2010 were \$4.2 million of which approximately 65% were incurred in Canada, 17% were incurred in the US, 13% were incurred in Turkey, and 5% were incurred in Australia. All capital expenditures resulted in improvements to existing facilities.

3. Non-cash Working Capital

Inventory:

Levels at March 31st 2010 were \$130.4 million compared with \$94.2 million at December 31, 2009. The increase is the result of higher commodity levels acquired during the quarter in addition to the transfer of inventory from Canada and Australia to Turkey.

Accounts Receivable:

Accounts receivables at March 31, 2010 were \$104.1 million compared with \$89.0 million at December 31, 2009. The increase can be attributed to higher sales volumes in quarter one of 2010, compared to quarter four of 2009.

Related party transactions

Prior to the acquisition of Arbel, Durum and Turkpulse, AGTI engaged in normal course business with related parties:

	3 Months Ended March 31, 2010	3 Months Ended March 31, 2009
Sales of grain to corporations whose shareholders are also AGTI shareholders	\$ -	\$ 3,253,981

These transactions were in the normal course of business and were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Estimates

Note 2 to AGTI's consolidated financial statements for the year ended December 31, 2009, describes AGTI's significant accounting policies.

The preparation of AGTI's consolidated financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The following is a list of the accounting estimates that AGTI believes are critical, due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

Income Taxes

AGTI utilizes the assets and liability method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying value amount and the tax basis of assets and liabilities. Management uses judgment and estimates in determining the appropriate rates and amounts in recording future taxes, giving consideration to timing and probability. Actual taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to AGTI's tax assets and tax liabilities.

Future income tax assets are recognized to the extent that realization is considered more likely than not. AGTI considers past results, current trends and outlooks for future years in assessing realization of income tax assets.

Property and Equipment

Property and equipment is recorded at cost. Property under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to cost.

Property and equipment are depreciated to estimated residual values based on a straight-line basis over their estimated service lives. Property and equipment under capital leases are depreciated to estimated residual values over the life of the lease.

Property and equipment located in Turkey is subject to fair value assessment on an annual basis. Adjustments to conform to Canadian GAAP are made on consolidation.

Intangible Assets and Goodwill

The intangible assets of AGTI were recorded at their estimated fair values at December 31, 2009 and amortized over their estimated useful life. Intangible assets and goodwill are subject to impairment tests under GAAP, at minimum, annually or more frequently if events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the fair values, the assets are written down to fair value. The treatment of intangible assets such as trademarks, brands and licenses are subject to separate impairment testing from the values contained in goodwill. No write down was required as at December 31, 2009.

International Financial Reporting Standards (IFRS)

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

AGTI has committed the appropriate resources and training to ensure the Company is compliant by the transition date. The project has been broken down into four key phases are Initial Assessment, Detailed Assessment, Design and Implementation.

AGTI has completed both the Initial Assessment and Detailed Assessment phases of its project plan. Key segments of these phases included determining accounting policy and disclosure changes that will be required upon transition to IFRS as well as the exemptions relating to IFRS 1, First-time Adoption of International Financial Reporting Standards.

Set out below is the significant difference between GAAP and IFRS that AGTI has currently identified. AGTI continues to monitor standards development as issued by the International Accounting Standards Board and, as standards change or are issued, there may be additional impacts on AGTI assessment. In addition, AGTI may identify additional differences or experience changes in its business that may have an impact on the assessment.

All other identified differences are considered unlikely to have a significant impact on AGTI Consolidated Financial Statements. These differences include:

- Presentation and Disclosure

- Business Combinations
- Impairment
- Provisions
- Share-based Payments
- Leases
- Foreign Currency Translation
- Income Taxes

In addition to the above noted differences, AGTI has performed an assessment regarding IFRS 1 - First-time Adoption of International Financial Reporting Standards. IFRS 1 requires that first time adopters of IFRS retrospectively apply all effective IFRS standards and interpretations to determine the opening balance sheet as at the transition date. IFRS 1 provides for certain optional exemptions and mandatory exceptions to this general rule. At this stage, AGTI is expecting to elect the following material optional exemptions under IFRS 1 that will apply as at the transition date of January 1, 2011:

- Business combinations – The Company expects to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occur prior to the transition date;
- Fair value or revaluation as deemed cost – An entity may elect to measure an item of property, plant and equipment at the transition date at its fair value and use that fair value as its deemed cost at that date. AGTI expects to elect to use a previous revaluation and an event driven fair value measurement that occurred prior to the transition date as deemed cost at the date of the revaluations;
- Currency translation differences – Retrospective application of IFRS would require AGTI to determine the translation differences in accordance with IFRS from the date a subsidiary or associate was formed or acquired. AGTI expects to elect to reset all cumulative translation gains and losses to zero at the transition date.

As AGTI continues to monitor IFRS standards changed or issued there may be changes to AGTI's expectations regarding these IFRS 1 optional exemptions. In addition, AGTI may identify circumstances or experience changes in its business that may have an impact on these expectations. AGTI is currently working on the Design phase of its conversion project. Work has focused on areas assessed in the Detailed Assessment phase to have the greatest impact on results, disclosures and systems. Key segments of this phase include the design of implementation plans for all work streams affected by IFRS and drafting financial statements and notes to comply with IFRS. Based on work completed to date no significant changes required to the Company's information technology and data systems have been identified.

The design work includes assessing the impact of changes on the design and effectiveness of internal controls and the development of controls over the transition. The Company will continue to assess the impact of the transition on information technology and data systems as well as on internal controls. The Company continues to provide training on IFRS throughout the organization on both current IFRS and potential changes in the standards to ensure the impacts are understood across the organization and any new differences are

identified. Throughout the project there continues to be ongoing communication of identified differences, the implementation decisions made and the impact of those decisions on each area of the business.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management has evaluated the design of AGTI disclosure controls and procedures and internal controls over financial reporting (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of March 31, 2010.

Management has concluded that, as of March 31, 2010, AGTI disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”) are designed effectively to provide reasonable assurance that material information relating to AGTI and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this report was being prepared, except as noted below in the scope limitation that exists as a result of the purchase of the Arbel Group, Finora Assets and Parent Seed.

There have been no other changes in AGTI’s internal control over financial reporting that occurred during the period, except as noted in the scope limitation below, that have materially affected or are reasonably likely to materially affect AGTI’s internal controls over financial reporting.

Limitation on scope of design:

In accordance with National Instrument 52-109 3.3(1)(b), AGTI has limited its design of DC&P or ICFR to exclude controls, policies and procedures of the Arbel Group and the operations of Parent Seed and Finora, each of which were acquired within 365 days before the end of the recent financial period.

Recent Events

On April 26, 2010, completed an offering of 2,500,000 common shares for gross proceeds of \$80,000,000 (\$76,675,000 net proceeds), including the common shares sold under and over-allotment option which was exercised on the same day.

The net proceeds of the offering will be used to finance AGTI’s growth strategy, working capital requirements and for general corporate purposes.

Outstanding Share Data

As of the date hereof, there are issued and outstanding 19,603,246 Common Shares. There are also outstanding incentive options to acquire 520,000 Common Shares, each exercisable for one Common Share at a price of \$9.00 per Common Share until April 21, 2013,

which were granted to the directors and officers of AGTI and key employees of AGTI and its subsidiaries, and vest in equal annual increments over a three year period, beginning April 21, 2011 (April 21, 2009 for independent directors).

Risks and Uncertainties

Information relating to the risks and uncertainties of AGTI and its subsidiaries is summarized in AGTI's 2009 Annual Information Form, which are available, together with additional information relating to AGTI, on SEDAR at www.sedar.com and on AGTI's website at www.alliancegrain.com. To Management's knowledge, no significant changes to these risks and uncertainties have occurred in the first three months of 2010.

Commitments and Contingencies

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

AGTI has in place a letter of credit in favour of the Canadian Grain Commission in the amount of \$35.0 million. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires October 31, 2010.

Liquidity Risk

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

March 31, 2010	Carrying amount	Contractual cash flows	1 year	2 years	3 – 5 years	More than 5 years
Bank indebtedness	\$ 47,844,352	\$ 47,844,352	\$ 47,844,352	-	-	-
Accounts payable	\$ 97,087,607	\$ 97,087,607	\$ 97,087,607	-	-	-
Long-term debt	\$ 37,932,000	\$ 44,451,659	\$ 2,307,044	\$ 14,392,108	\$ 8,182,098	\$ 19,570,409
Dividends payable	\$ 2,308,938	\$ 2,308,938	\$ 2,308,938	-	-	-
Total	\$ 185,172,897	\$ 191,692,556	\$ 149,547,941	\$ 14,392,108	\$ 8,182,098	\$ 19,570,409

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

Reconciliation of Net Income to EBITDA*
(in thousands of Cdn. \$ except as indicated)

	For the Three Months Ended March 31, 2010	For the Three Months Ended March 31, 2009
Net Income	16,766	7,151
Add:		
Income taxes	2,088	2,629
Amortization	1,859	672
Interest	1,078	332
Loss on disposal of fixed assets	2	-
Compensation option expense	110	207
EBITDA*	21,903	10,991

* EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA* is used because AGTI's net income alone does not give an accurate picture of its' cash-generating potential. Management believes that EBITDA* is an important measure in evaluating performance and in determining whether to invest in AGTI. However, EBITDA* is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA* may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA* should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of AGTI's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows. For a reconciliation of net income determined in accordance with GAAP to EBITDA*, see the table above on this page 17.