Alliance GRAIN TRADERS INC.

(FORMERLY ALLIANCE GRAIN TRADERS INCOME FUND)

QUARTER TWO 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

ALLIANCE GRAIN TRADERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 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 and six months ended June 30, 2010 and June 30, 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") 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 August 11, 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, North Dakota 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 in Australia and Turkey and, particularly in the Australian states of South Australia 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, North Dakota, Turkish 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 provides some non-GAAP measures as supplementary information that management believes may be useful to investors to explain AGTI's financial results. These non-GAAP measures include EBITDA* (earnings before interest, income taxes, depreciation and amortization), Adjusted EBITDA* (earnings before interest, income taxes, depreciation and amortization and any effects of non-cash foreign exchange adjustment) and Adjusted Net Income* (Income before any effects of non-cash foreign exchange adjustments). Management believes that these are important measures in evaluating performance and in determining whether to invest in AGTI. However, EBITDA*, Adjusted EBITDA* and Adjusted Net Income* are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. In addition, AGTI may calculate these measures differently than other companies, therefore they may not be comparable. Investors are cautioned that EBITDA*, Adjusted EBITDA* and Adjusted Net Income* should not be construed as an alternative to net income or loss or cash flows as determined in accordance with GAAP as an indicator of AGTI's performance or to cash flows. For a reconciliation of net income determined in accordance with GAAP to EBITDA*, Adjusted EBITDA* and Adjusted Net Income*, see the table on page 19.

Highlights of Quarterly Results

• **Adjusted Net income*** for the three months ended June 30, 2010 was $2.4 million or $0.13 per share ($0.13 on a diluted basis) compared to $15.3 million for the three months ended March 31, 2010 or $0.90 per share ($0.88 on a diluted basis) and $3.0 million for 3 months ended June 2009 or $0.38 per unit (or unit equivalent) ($0.37 on a diluted basis).

• **Consolidated sales** for the three months ended June 30, 2010 were $149.2 million, compared to sales of $186.4 million for the three months ended March 31, 2010 and $73 million for the three months ended June 30, 2009. The increase in sales over the same period 2009 was a result of acquisitions and the resulting increased volumes. The sales for the quarter ended June 30, 2010 were lower than the prior quarter however, and this was due to the supply of old crop diminishing as well as heavy rainfalls that resulted in producers being unable to deliver product into the facilities hampering AGTI from maximizing shipments in this quarter.

• **Adjusted EBITDA*** for the quarter ended June 30, 2010 was $4.7 million, compared to Adjusted EBITDA* of $20.5 million for the quarter ended March 31, 2010 and Adjusted EBITDA* of $5.1 million for the quarter ended June 30, 2009. The second quarter is typically a lower income and adjusted EBITDA* quarter for AGTI. The drop in Adjusted EBITDA* as a percentage of sales in the second quarter of 2010 is due to lower margin sales being executed as a result of a shift in products processed to keep the facilities operating. In addition, heavy rain falls and challenges in procuring product resulted higher prices being paid for the reduced supply of old crop commodities.

• **Capital expenditures** for the three months ended June 30, 2010 were $5.9 million ($9.3 million year to date) and included enhancements to building, equipment and vehicles at several facilities in Canada, the United States, Turkey and Australia.

• **Dividend** of $0.135 per share for the quarter was paid on July 13, 2010.

• **Parent Seeds and Finora Assets** acquisitions made on December 31st, 2009 - integration of marketing operations as well as administration virtually complete.

Outlook

North America - Canada and U.S.

With the North American crop season reaching the mid-way point, there have been record wet to extremely high precipitation levels in Western Canada as reported by Agriculture and Agri-Food Canada's National Agroclimate Information Service (NAIS). While this has meant some loss of acres and last minute changes to seeding intentions by farmers in pulse growing areas across Western Canada and the U.S. Northern Plains states, record seeding levels are still being estimated (StatsCan and USDA).

The damp conditions in many areas of Western Canada have affected all major crops, with many regions reporting significant lost acres to excessive rainfall (Canadian Wheat Board – June 2010 report). However, the loss of acres in Western Canada has affected traditional cereal and canola crops more than pulses, as many pulses were seeded earlier in May before the start of significant rainfall. As a high value commodity relative to other crops and with the positive recent historical return profile of pulses vis-à-vis other cropping options, pulse crops were again seeded in dry periods in June. This has lead to projections on acreage for 2010 being boosted over 2009 seeded acres (StatsCan – June Seeding 2010 report).

With these conditions in mind, seeding intention projections in Western Canada are approximately 3.36 million acres of lentils, up from 2.3 million in 2009. (StatsCan – June Seeding 2010 report) Acres for all pulse crops, with the exception of peas, are projected to be up for 2010 crop year to approximately 7.6 million acres from 6.8 million in 2009 (STATPUB, StatsCan and provincial agriculture department data). A slight decrease in pea acres to 3.3 million acres is expected to still translate to ample pea supply. Strong pricing to growers and rotational requirements are expected to provide the support to continue this trend, as estimated return over total and variable expenses per acre puts pulses as a market leader when compared to oilseeds and cereal grains (Saskatchewan Agriculture and Food and AGTI estimates). Management estimates that the final seeded acreage for lentils exceeded 3.0 million acres in Canada.

Warmer weather in June/July period did advance the maturation stage of pulse crops to levels near normal for the time of year. All late seeded crops are lagging development against the ten year averages, with pulses, which react well to hotter and dry weather for development, faring better than cereals in most parts of Saskatchewan (Saskatchewan Agriculture and Food).

By mid-July, a full 75% of Saskatchewan lentil crops were rated as good to excellent (Saskatchewan Agriculture and Food). Continued good conditions through late summer, would likely translate to similar yields to last year. The overall increases in estimated acres for most pulse and specialty crops is expected to translate into ample new crop North American supply of product for processing and export. Available capacity and recent capital projects at its facilities have well positioned AGTI to realize the benefits from this projected supply. Projects, including major capital upgrades to the Finora Wilkie location and United Pulse in the U.S, look to be on track for completion prior to start of harvest in Canada and the U.S. These factors – the combined average carryover stocks in Canada and the U.S., projected good result for North American harvest (StatsCan and USDA data) and other origins, such as Turkey, coming off a season returning to normalized production (Ag Canada Market Outlook report v2 No. 2), leads Management to the opinion that ample pulse crop stocks should be available through the shipping season.

AGTI Management feels returns to normal weather patterns through July and August will allow pulse crops to finish in a normal fashion. Overall expectations are for good crop quality and quantity in all pulses.

Upward trends reported in seeded acres of chickpeas and beans for both Canada and the U.S. (StatsCan and USDA data) are as expected by AGTI Management. The increase in seeding intentions reaffirms Management's positive opinion on opportunities for growth in those business lines, both domestically in North American and in western European markets. It is expected that these opportunities will also be realized in export markets where fragmented market supply allows for the emergence of a multi-origin processor similar to what AGTI has accomplished in other pulse lines.

U.S. seeding intentions also show estimated increases in pulse acres with virtually all pulse crops, including various types of beans. Lentil acres in the U.S. are projected up 59% at 655,000 acres while peas (green, yellow and field) are estimated to show very slight increase at over 1.7 million acres (USDA and U.S. Department of Commerce data). Based on discussions with growers in the region, AGTI Management estimates similar growing conditions as southeastern Saskatchewan.

Turkey

Turkish harvest was completed in June this year with a return to average supply levels (TMO, USDA, STATPub, private trade sources), after two consecutive years of drought conditions. With estimated production at approximately 550,000mt (Ag Canada Market Outlook report Vol 2 No.2, August 3, 2010), which is a dramatic increase over the previous season, there is still room to improve on production levels to reach 2006-2007 levels. On durum wheat, the raw material for the production of bulgur and for semolina used in pasta production, Turkey has seen good growing conditions for the 2010 crop year (Canadian Wheat Board). Additional paddy rice production forecasted for 2011, supplemented with continued imports to supply, are expected to meet increased domestic demand in Turkey (Turkish Rice Millers Association) and create opportunities for the AGTI rice business there. Management feels these generally good growing conditions and returns to historical supply levels are positive developments with the acquisition of the Arbel Group in terms of increasing capacity utilization. Normalized new crop supply and global carryover stocks will further stabilize supply of product for processing and assist in continuing to smooth the seasonality of AGTI business. With these factors in mind, AGTI Management estimates increased capacity utilization through the coming quarters at the Arbel Group pulse operations. Pasta facilities are running very near peak capacity, which looks to continue with strong demand for Arbella pasta in new markets in the near term. Robust demand for other milled wheat products is expected as well during this period.

Australia

With seeding in Australia underway, generally good moisture indications are providing a positive start to the 2010 crop cycle. Estimates on seeding area for pulses are up dramatically to 4.6 million acres from 4 million in 2009 (Australian Bureau of Agriculture and Resource Economics and Pulse Australia). Generally neutral to average rainfall outlooks are being reported (Australian Bureau of Meteorology), however, moisture conditions are adequate for the new season seeding. These conditions are leading to optimism among Australian farmers and processors. AGTI facility enhancements for storage, splitting and colour sorting are fully operational, allowing AGTI to be ready to realize potential from a successful Australian harvest.

India

Further in the region, Kharif planting in India has been reported as increased over previous years; however accurate and reliable reporting on seeding intentions and rainfall estimates are difficult to verify. Based on customer communication and internal estimates, AGTI Management projects continued positive demand fundamentals with import levels remaining similar to previous years. Continuing 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 opportunities to ship more products to this region at continued good margins. Opportunities for expanded presence in the region continue to be investigated, including local processing, warehousing and distribution.

Market Conditions

AGTI's multi-origin production strategy was developed to capitalize on opportunities as they exist under current conditions. With the increased acreage in Canada and U.S., a normalization of crop supply in Turkey and potential for production from Australia, Indian Sub-continent demand is essential to moving a larger global crop. Positive demand fundamentals are expected to allow AGTI to drive its efforts to better utilize its global capacity and execute its global sales plans. The completion of acquisition of the Arbel Group and its facilities, warehousing and distribution are expected to assist AGTI's further penetration of the North Africa/Middle East regional market. Non-traditional pulse consumption in North America, coupled with new lines of North American business including a focus on chickpeas and beans, is expected to create further opportunities for the export business from Canadian and U.S. origins. Continued growth in pasta, and the addition of more capacity for production to meet increased new market demand for pasta products is expected to continue as well.

Management believes that AGTI is well positioned to capitalize on the opportunities from the 2010 and 2011 crop years. The forecast for 2010 supply in North America and other origins is high, which leads Management to be optimistic about future sales based on estimates of strong demand fundamentals for quality protein. Acquisitions in Turkey, USA and Australia, has allowed AGTI to successfully expanded its global reach, client base and product mix. Increased capacity utilization of existing Canadian and Turkish facilities is expected to boost the tonnage of product processed and 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-à-vis its competitors regionally as well as 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).

The steady demand for pulses and staple foods in virtually all end-use markets sees buyers filling pent up demand for supply of new crops in Canada (September harvest), as well as forward to Australia (December harvest), India (March harvest) and Turkey (June harvest). Management believes that robust demand will be there through traditional shipping periods with opportunities for the 2010-2011 crop years from all origins. Importers and international buyers must complete buying decisions as stocks are available to bring into the markets to satisfy consumer demands for pulse products, staple foods and protein. Management expects strong sales demand and continued replenishment of local market stocks in August and the remainder of 2010, compensating for lower than expected buying in Q2 2010. Local importers postponed buying decisions in May and June 2010 due to volatile pulse markets and a general perception that markets would fall with the advent of new crops in Turkey and a market expectation that Canadian new crop stocks would be higher than last year.

Management is pleased with the integration progress for all acquisitions completed in 2009. With regard to AGTI and the Arbel Group, management of these companies have worked together in the past and shared certain business processes. Integration of marketing operations is complete and administrative integration is substantially complete by the end of the second quarter of 2010 with some minor integration points remaining. Finora and Parent Seeds business integrations are also progressing as planned, creating opportunities for the upcoming harvest period. Opportunities for other expansions and acquisitions, both in areas of processing facilities and freight and logistics, continue to be investigated.

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 Gida 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 June 30, 2010	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
Sales	149,222	186,355	154,799	73,320	72,951	86,818	100,855	107,886
Cost of sales[2]	138,300	159,639	124,482	62,936	65,686	73,644	88,716	93,469
Gross margin	**10,922**	**26,716**	**30,317**	**10,384**	**7,265**	**13,174**	**12,139**	**14,417**
Add: Non cash foreign exchange effect	(6,604)	1,433	815	-	-	-	655	-
Less: Operating expenses[3]	7,728	7,521	9,725	2,581	2,515	2,697	2,485	3,709
Add: Amortization in cost of sales[2]	1,245	1,165	919	391	249	307	990	-
Add: Compensation option expense[4]	301	110	110	111	111	207	75	134
EBITDA[*]	**(1,864)**	**21,903**	**22,436**	**8,305**	**5,110**	**10,991**	11,374	**10,842**
Add: Non cash foreign exchange effect	6,604	(1,433)	(815)	-	-	-	(655)	-
Adjusted EBITDA [*]	**4,740**	**20,470**	**21,621**	**8,305**	**5,110**	**10,991**	10,719	**10,842**
Less: Interest	1,283	1,078	546	841	280	332	454	409
Less: Depreciation and amortization[2]	1,850	1,859	1,411	812	707	672	698	472
Less: Provision for income taxes	(1,131)	2,088	5,160	1,999	973	2,629	2,573	3,184
Extraordinary gain (loss)	-	(2)	-	-	-	-	562[5]	-
Less compensation option expense [4]	301	110	110	111	111	207	75	134
Adjusted net income (*)	**2,437**	**15,333**	**14,394**	**4,542**	**3,039**	**7,151**	**7,481**	**6,643**
Adjusted basic net earnings per share/unit and unit equivalent[6]	**0.13**	**0.90**	**0.81**	**0.47**	**0.38**	**0.90**	**0.86**	**0.92**
Adjusted diluted net earnings per share/ unit and unit equivalent[6]	**0.13**	**0.88**	**0.80**	**0.46**	**0.37**	**0.84**	**0.80**	**0.83**
Add: Non cash foreign exchange effect	(6,604)	1,433	815	-	-	-	655	-
Net income (loss) per financial statements	(4,167)	16,766	15,209	4,542	3,039	7,151	8,136	6,643
Basic net earnings (loss) per share/unit and unit equivalent[6]	(0.22)	0.98	0.89	0.47	0.38	0.90	0.95	0.92
Diluted net earnings (loss) per unit and unit equivalent[6]	(0.22)	0.96	0.87	0.46	0.37	0.84	0.89	0.83
Total assets	446,033	442,992	404,423	332,936	135,041	145,171	148,381	160,104
Bank indebtedness (short-term debt)	-	47,844	46,269	29,244	8,412	29,571	17,448	34,625
Long-term debt	23,508	36,255	36,624	25,987	16,094	16,556	14,903	8,872
Shareholders'/ Unitholders' equity	315,618	245,101	231,910	221,944	77,319	78,098	68,823	60,978
Dividends/distributions declared per share/unit	0.1350	0.1350	0.1350	0.1350	0.135996	0.137511	0.132[7]	0.125

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 June 30, 2010, 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. "Common 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 Common Shares each quarter subject to the discretion of the Board of Directors of AGTI. Basic and diluted earnings per unit and unit equivalent and basic and diluted earnings per share are calculated using net income before other comprehensive income and extraordinary gain. Adjusted basic and diluted earnings per unit and unit equivalent and basic and diluted earnings per share are calculated using net income before other comprehensive income, extraordinary gain and non-cash foreign exchange effect.

(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.

Discussion of Quarterly Results

AGTI's sales were $ 149.2 million for the three months ending June 30, 2010, compared to sales of $72.9 million for the three months ending June 30, 2009 and sales of $186.4 million for the three months ending March 31, 2010. The decrease in Adjusted EBITDA* from the quarter March 31, 2010 was due to lower grain gross margins due to decreasing supply of commodities and challenges in procuring remaining crops due to heavy rainfall. This resulted in a shift in products processed to keep facilities operating which in turn resulted in lower margin sales. Declining world pulses prices also affected demand as importers were postponing purchase decisions as they were afraid of losses on purchases. Management believes that local stocks in most key consumption markets are at historical lows. This led to margin erosion in key lentil sales and forced AGTI to rely on sales of commodities such as peas to maintain capacities utilization. Also contributing to the decrease was continued operating and maintenance costs as a result of AGTI's decision to deploy staff to assist in plant maintenance during slower volume periods, as opposed to reducing hours worked. Sales were also affected by available capacity being decommissioned for major upgrades. The Finora Wilkie assets were largely idle as was Saskcan Rosetown for scheduled capital upgrades that were scheduled during this off peak shipping period.

General and administrative expenses include costs such as marketing and advertising, payroll, insurance, property taxes, legal and administrative. For the quarter ending June 30, 2010 general and administrative expenses were $7.4 million, consistent with $7.4 million for the three months ending March 31, 2010 and compared to $2.5 million for the three months ending June 30, 2009.

With the recent transformational acquisition of the Arbel Group, and the subsequent acquisitions of Parent Seed and Finora, general and administrative costs have increased over the same period last year. For example, additional land taxes and insurance amount to $0.4 million, commissions $0.6 million, payroll costs from the acquisitions $0.85 million, advertising, promotional and trade show costs $1 million and transportation, export and harbour costs $1.5 million.

AGTI Management is pleased with the consistency in general and administrative costs in recent months and is continuing to look at all areas of operations for potential cost reductions.

Interest expense for the quarter ending June 30, 2010 was $1.3 million, compared to $1.1 million in the quarter ended March 31, 2010 and to $0.280 million for the three months ending June 30, 2009. While relatively consistent with the prior quarter, the interest for the quarter ended June 30, 2010 is substantially higher than the quarter ended June 30, 2009 due to higher average debt utilization due to capital additions as well as additional working capital requirements resulting from recent acquisitions.

Amortization expense for the quarter ending June 30, 2010 was $1.8 million, which was consistent with the amortization of $1.8 million recorded for the quarter ended March 31, 2010 but higher than the amortization of $0.707 million recorded for the quarter ended June 30, 2009. While amortization in the current quarter is consistent with the prior quarter, the increase from the same period last year is due to the additional amortization associated with new acquisitions.

Provision for income tax expense showed a gain of $1.1 million for the quarter ending June 30, 2010 compared to income tax expense of $2.1 million for the quarter ending March 31, 2010 and $0.973 million for the quarter ending June 30, 2009. The adjustment to the income tax expense is due to lower earnings in the current period as well the continued ability to carry forward tax credits resulting in a lower future corporate tax expense.

Dividends - AGTI paid a dividend on July 13, 2010 of $2,656,496 ($0.135 per share) in the aggregate to its shareholders of record as of July 8, 2010. It is currently anticipated that going forward, AGTI will continue to pay a quarterly dividend, the amount and payment of which will be determined by, and in the discretion of 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 June 30, 2010 foreign exchange rates as follows:

USD/CDN	1.050440
AUD/CDN	0.894951
TL/CDN	0.664432

For each subsidiary, any difference between June 30, 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 June 30, 2010, AGTI and its subsidiaries had total operating credit available of $176 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 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 June 30, 2010.

1. **Cash Flow Information**

   For the three months ended June 30, 2010, cash flow provided by operations was $40.6 million. The increase was due to lower levels of inventory and decreased accounts receivable compared to the quarter ending March 31, 2010, slightly offset by a decrease in accounts payable and is expected during periods of decreasing product supply.

2. **Financing Activities**

   On April 26, 2010, AGTI completed an offering of 2,500,000 common shares ("Common Shares") for gross proceeds of $80,000,000 ($76,393,488 net), including the Common Shares sold under and over-allotment option which were 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.

3. **Investing Activities**

   AGTI capital expenditure for the three months ended June 30, 2010 were $5.9 million of which approximately 77% were incurred in Canada, 11% were incurred in the US and 12% were incurred in Turkey. All capital expenditures resulted in improvements to existing facilities.

4. **Non-cash Working Capital**

   Inventory:

   Inventory at June 30, 2010 was $86.3 million compared to $130.4 million at March 31, 2010. The decrease is the result of lower product receipts during the quarter due to reduced supply.

   Accounts Receivable:

   Accounts receivables at June 30, 2010 were $94.9 million compared to $104.1 million at March 31, 2010. The decrease can be attributed to lower sales volumes in the quarter ending June 30, 2010 and collection of accounts receivable outstanding from the prior quarter.

Related party transactions

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

	3 Months Ended June 30, 2010	3 Months Ended June 30, 2009
Sales of grain to corporations whose shareholders are also AGTI shareholders	$ -	$ 6,117,269

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 period ended June 30, 2010 describe 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 are recorded at their estimated fair values at June 30, 2010 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 June 30, 2010.

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.

The potential differences identified 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.

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.

Status of IFRS Conversion:

-Componentization of fixed assets is approximately 60% complete with asset component useful lives and a systematic process for recalculating depreciation both established

-Capitalized labour on asset improvements for the period January 1 to June 30, 2010 is expected to be minimal

-Capitalized interest on asset improvements for the period January 1 to June 30, 2010 is expected to be less than $50,000

-Preliminary discounted cash flow models for each cash generating unit result in no anticipated impairment of goodwill

-Basic financial statement presentation formats have been selected and preliminary notes to the financial statements have been prepared

-A process has been established to calculate labour and interest on projects as they are put to use

-A process has been established to properly record asset components for new additions

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 June 30, 2010.

Management has concluded that, as of June 30, 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.

Outstanding Share Data

As of the date hereof, there are issued and outstanding 19,694,412 Common Shares. There are also outstanding incentive options to acquire 438,834 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 for officers and other employees as to one-third on June 17, 2010, one third on April 21, 2011 and one third on April 21, 2012 and vest for independent directors in equal annual increments over a three year period, beginning April 21, 2009.

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 and is renewed annually at an amount agreed upon by AGTI and the Canadian Grain Commission.

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:

June 30, 2010	Carrying amount	Contractual cash flows	1 year	2 years	3 – 5 years	More than 5 years
Bank indebtedness	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	$ 91,019,548	$ 91,019,548	$ 91,019,548	$ -	$ -	$ -
Long-term debt	$ 25,162,313	$ 28,780,221	$ 3,022,262	$ 12,223,071	$ 7,099,962	$ 6,434,926
Dividends payable	$ 2,656,496	$ 2,656,496	$ 2,656,496	$ -	$ -	$ -
Total	$ 118,838,357	$ 122,456,265	$ 96,698,306	$ 12,223,071	$ 7,099,962	$ 6,434,926

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* and Adjusted EBITDA * and Adjusted Net Income*
(in thousands of Cdn. $ except as indicated)

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009
Net Income (loss)	(4, 167)	3,039	12,599	10,190
Add:				
Income taxes	(1,131)	973	957	3,602
Amortization	1,850	707	3,709	1,379
Interest	1,283	280	2,361	612
Compensation option expense	301	111	411	318
EBITDA*	(1,864)	5,110	20,037	16,101
Non-cash foreign exchange effect	6,604	-	5,171	-
Adjusted EBITDA*	4,740	5,110	25,208	16,101
Less:				
Interest	1,283	280	2,361	612
Amortization	1850	707	3709	1379
Income taxes	(1,131)	973	957	3,602
Extraordinary gain (loss)	-	-	(2)	-
Compensation option expense	301	111	411	318
ADJUSTED NET INCOME*	2,437	3,039	17,772	10,190
Basic adjusted net income* per share/unit and unit equivalent	0.13	0.38	0.99	1.28
Diluted adjusted net income* per share/unit and unit equivalent	0.13	0.37	0.97	1.25
Basic weighted average number of shares/units outstanding	18,925,175	7,989,323	18,019,243	7,987,336
Diluted weighted average number of shares/units outstanding	19,250,851	8,206,085	18,349,056	8,130,755

* AGTI provides some non-GAAP measures as supplementary information that management believes may be useful to investors to explain AGTI's financial results. These non-GAAP measures include EBITDA* (earnings before interest, income taxes, depreciation and amortization), Adjusted EBITDA* (earnings before interest, income taxes, depreciation and amortization and any effects of non-cash foreign exchange adjustment) and Adjusted Net Income* (Income before any effects of non-cash foreign exchange adjustments). Management believes that these are important measures in evaluating performance and in determining whether to invest in AGTI. However, EBITDA*, Adjusted EBITDA* and Adjusted Net Income* are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. In addition, AGTI may calculate these measures differently than other companies, therefore they may not be comparable. Investors are cautioned that EBITDA*, Adjusted EBITDA* and Adjusted Net Income* should not be construed as an alternative to net income or loss or cash flows as determined in accordance with GAAP as an indicator of AGTI's performance or to cash flows. For a reconciliation of net income determined in accordance with GAAP to EBITDA*, Adjusted EBITDA* and Adjusted Net Income*, see the table above.