# Alliance GRAIN TRADERS INC.

(FORMERLY ALLIANCE GRAIN TRADERS INCOME FUND)

# QUARTER THREE 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# SEPTEMBER 30, 2010

**ALLIANCE GRAIN TRADERS INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010**

The following Management's discussion and analysis ("MD&A") of financial condition and results of operation has been prepared by management to help readers interpret Alliance Grain Traders Inc's. ("AGTI") consolidated financial results for the three and nine months ended September 30, 2010 and September 30, 2009 and should be read in conjunction with AGTI's 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 November 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 AGTI operates and trends that may affect operating and financial performance in the future.

**Forward-Looking Information**

This MD&A contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, the growth of 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 AGTI. 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 most recent Annual Information Form ("AIF"), 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, U.S. Northern Plains and southern Australian crop and Turkey production quality in 2010 and subsequent crop years; the volume and quality of crops held on-farm by producer customers in North America; demand for and supply of open market pulses; movement and sale of pulses in Australia and Turkey 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, U.S. Northern Plains, Turkish and southern Australian agricultural producers; market share of pulses deliveries and 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 22.

**September 30, 2010 Highlights of Quarterly Results**

- Adjusted Net income* for the three months ended September 30, 2010 was $0.73 million or $0.04 per common share ($0.04 on a diluted basis) compared to $2.4 million for the three months ended June 30, 2010 or $0.13 per common share ($0.13 on a diluted basis) and $4.5 million for the three months ended September 2009 or $0.47 per common share/unit or unit equivalent ($0.46 on a diluted basis).

- Consolidated sales for the three months ended September 30, 2010 were $137.6 million, compared to sales of $149.2 million for the three months ended June 30, 2010 and $73.3 million for the three months ended September 30, 2009. The decrease in sales compared to the three month period ending June 30, 2010 was due to the supply of old crop continuing to diminish as well as the late harvest and resulting decrease in producer deliveries. These factors resulted in AGTI being unable to maximize shipments in this quarter.

- Gross margin as a percentage of sales increased from 7.3% for the quarter ending June 30, 2010 to 10.3% for the quarter ending September 30, 2010. This is a result of AGTI taking advantage of higher margin opportunities during the current period.

- Adjusted EBITDA* for the quarter ended September 30, 2010 was $5.2 million, compared to Adjusted EBITDA* of $4.7 million for the quarter ended June 30, 2010 and Adjusted EBITDA* of $8.3 million for the quarter ended September 30, 2009. Although the late harvest was a challenge, Adjusted EBITDA* increased by 10.5% when comparing the quarter ending September 30, 2010 to the quarter ending June 30, 2010.

- Capital expenditures were $14.8 million for the quarter ending September 30, 2010 and included enhancements to building, equipment and vehicles at several facilities in Canada, the United States, Turkey and Australia.

- A dividend of $0.135 per share which was paid on October 6, 2010.

**Outlook**

*North America - Canada and U.S.*

Following a spring and summer North American crop season with record wet conditions and extremely high precipitation levels in western Canada as reported by Agriculture and Agri-Food Canada's National Agroclimate Information Service (NAIS), the harvest period in September and October continued with concerns and delays caused by the weather. By the end of September, harvest progress was hampered by these wet conditions and frost. This resulted in harvest progress lagging behind 3 and 5 year averages throughout the period, with harvest completion being reported at 43% in late September, behind the 5 year average of 97.4% (Saskatchewan Agriculture and Food). Better weather conditions in late September and early October assisted in a rapid completion of the pulses harvest, with activities effectively completed by mid-October. Traditional cereal grains and canola harvest lagged behind average completion rates by similar or in some cases more extreme values (Saskatchewan Agriculture and Food).

Harvest progress in the U.S. is considered substantially complete during this same period and shipments from U.S. locations have been ongoing unaffected by the late September weather conditions.

While these conditions have meant some loss of acres and production by producers in pulse growing areas across Western Canada and the U.S. Northern Plains states, record production levels are still being estimated (StatsCan and USDA).

In Canada, record pulse production estimated by Statistics Canada (StatsCan, October Crop report) includes:

- Lentil acres reporting record numbers at 3.045 million acres
- Dry pea acres at 3.425 million acres, which is a slight decrease of 9% returning to near 2006-2007 acres
- Edible bean acres at 326,100, returning to 2008 levels
- Chickpeas up to 150,000 acres, the highest level since 2007

With average yields expected, production volumes will be consistent with 2009 production levels, supporting Management's optimism about lentil volumes in North America. This would provide potentially ample stocks for processing and exports to end use markets through the balance of the 2010 fiscal year and into early 2011.

Extremely wet weather and frost certainly affected the quality of the pulses harvest. Quality variance and downgrades are the result of damage to the seed coat, cotyledon and the overall colour appearance of pulses. With these quality parameters being some of the criteria used by the Canadian Grain Commission for grading of pulse quality, management expects quality variance in product delivered to AGTI facilities. However, this type of quality variance creates opportunities for AGTI through the processes and technologies used in AGTI facilities for blending, splitting and colour sorting to its advantage.

Quality variance and downgrading factors are more prevalent this season than in other recent years, resulting in international markets needing to readjust their expectations on buying criteria based on product available in Canada. Prices for premium quality whole pulses could potentially move higher amid speculation from markets that lower quantities of premium quality will be available as compared to historical levels. This may allow for some margin gains for shippers who are able to source or create quality pulses from available supplies in Canada. AGTI's market reach and ability to leverage its international distribution channels will assist it to capitalize on marketing opportunities for all grades of pulses and specialty crops. Currently, management expectations are that crop quality and quantity in North America is as per expectations resulting in a wide range of qualities that AGTI is delivering to its buyers.

Continuation of the wet conditions seen through the summer hindered producer ability to deliver what product was available from 2009 carry-over stocks to AGTI facilities for processing, hampering Canadian export activities. The wet fall conditions also hampered producers' ability to deliver harvested product to AGTI facilities; however, windows of dry conditions were used to maximize inflow of new crop products. The weather conditions have affected the September shipping period, traditionally a strong period for shipment of new crop

Canadian pulses, resulting in lower throughput in processing plants and lost sales opportunities due to the late harvest.

Production volumes, based on revisions to estimated lentil acres and reports on yield released in early October reinforced market opinions on available stocks in Canada for mid-September through harvest. With a lowering of the estimated production levels to 1.557 million metric tonnes (mt) (Statistics Canada), higher carryover stocks should result in similar to slightly increased product volumes for the 2010 crop year when comparing to 2009 production levels.

By mid-September U.S. harvest was effectively completed. Estimated results in the U.S. are reported at 655,000 acres of lentil production and estimated production of 396,852 mt (National Agricultural Statistics Service, Agricultural Board, USDA). These results would indicate record production levels for lentils in the U.S. All pulse crops showed production acre increases as compared to the 2009 crop year with lentils showing a 63% acre increase, chickpeas showing a 26% acre increase and beans showing a 16% acre increase. Pea acres decreased by 27%, to 1.422 million acres.

The increase in reported production acres and production volumes in North America reaffirms management's positive opinion on opportunities for growth in the core pulses business lines, both domestically in North America and in Western Europe. The quality variance of the 2010 crop is seen by management as a 2010 weather occurrence that does not affect the long-term prospects of AGTI's processing business. The focus on development of a year-round bean program from AGTI facilities in Manitoba, the enhancements on chickpea processing in Canadian facilities and the completion of expansions at AGTI facilities in the U.S. supports management's opinion that AGTI has the ability to positively utilize these assets.

*Turkey*

Turkish lentil harvest was completed in June with a return to average supply levels (TMO, USDA, STATPub, private trade sources), after two consecutive years of drought conditions. Production is estimated at 510,000 mt (U.S. Agricultural Attaché Grain and Feed Update Report), showing a dramatic increase over the previous season. Lentil imports are expected to continue through 2010 to meet robust domestic demand for lentils in Turkey. Global pulse markets have been looking to Turkey to fill demand and shipments in the gap period between Turkish harvest and Canadian harvest; especially in the current year where estimates of fully or near fully depleted local market stocks are the norm in most end use markets. With customers looking for prompt shipment periods to allow them to bridge their supply until Canadian harvest completion, AGTI's Turkish operations provide many shipment and freight option advantages with regard to sales opportunities.

With respect to durum wheat, the raw material for the production of bulgur and semolina, used in pasta production, Turkey has seen good growing conditions for the 2010 durum crop year (Canadian Wheat Board, U.S. Agricultural attaché Grain and Feed Update Report). Yield and quality are estimated to be close to the short term average, with 2010 production at about 2.7 million mt (U.S. Agricultural Attaché Grain, TMO, IGC Reports).

Rice paddy production is estimated at 750,000 mt with production levels expected to return to long term average levels (U.S. Agricultural Attaché Grain and Feed Update Report, TMO). Rice paddy planting takes place in the early-May period with harvest commencing in the late-September period. With the estimated production levels, imports of rice are forecasted to continue for 2010 and 2011 to meet domestic demand in Turkey (Turkish Rice Millers Association) and create opportunities for AGTI's rice business. The recently announced project for the construction of a 65,000 mt per annum rice processing facility located in Edirne, Turkey, one of the major rice producing areas of Turkey, is expected to bolster AGTI's growth in this business platform.

Management's opinion based on reports of favourable weather conditions in key growing areas and returns to historical production and supply levels for Turkish commodities is that as a result of the acquisition of the Arbel Group, capacity utilization will be increased due to these positive developments. 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. Price volatility has been a concern with prices reacting to weather uncertainty in North American production areas. This short-term price volatility is expected to be less pronounced now that the Canadian harvest is complete.

Pasta facilities are running near peak capacity, which is projected to continue with strong demand for Arbella pasta in new markets in the near term. To meet the expected demand for AGTI pasta products, a fifth pasta line, adding 35,000 mt of additional short cut pasta capacity, has been announced. This is a positive development in AGTI's cross-selling approach for pasta. Customers in most markets buying long-cut pasta (spaghetti and other long noodle varieties) request supplemental short-cut shapes to complement the overall varieties they are able to provide to their customers in local markets. With expected strong long-cut demand continuing, customer requests for additional short-cut varieties has grown and is expected to continue providing growth opportunities for the pasta segment overall. Continued offerings to new and existing markets will be a focus through the balance of the 2010 year and onward into 2011. Continued demand for other milled wheat products, such as semolina and bulgur, in the domestic Turkish market is also expected during this period.

*Australia*

Conditions in Australia have continued through the 2010 crop season with positive news from the Australian Bureau of Agricultural and Resource Economics (ABARE) which is reporting the third largest crop forecast on record. Seeding for pulses was completed with generally good moisture indications providing a positive start to the 2010 crop cycle. Estimates on seeding area for pulses continue to forecast 4.7 million acres up from 4 million in 2009. Estimates for significant acre increases in chickpeas, faba beans and lentils are reported by ABARE. "Generally exceeding average" to "average" rainfall outlooks are being reported in South Australia and Victoria (Australian Bureau of Meteorology), with moisture conditions "ideal" to "adequate" for the new crop through maturation periods. 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. Additionally, potential for significant production in the South Australia region would support management's opinion of the benefits of the previously announced intended acquisition intentions of additional processing and shipping assets located in this rich pulse growing region to complement AGTI assets located in Victoria.

*India*

Estimated pulse production in India has been boosted by above average monsoon rainfalls raising forecasted yields (Indian Agricultural Department). While Kharif harvest potential has been reported as increased over previous years, accurate and reliable reporting on seeding intentions, production levels and rainfall estimates are difficult to verify. Based on customer communication, published Indian government statistics and internal estimates, AGTI management projects continued positive demand fundamentals with import levels remaining similar to previous years. This is illustrated as well by recent Indian state trading company tenders for whole yellow peas, desi chickpeas and red whole lentils. 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**

With the increased off-grade production in Canada, increased U.S. production, 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 and low in-country stocks are expected to allow AGTI to drive its efforts to better utilize its global capacity and execute its global sales plans. Arbel Group facilities, warehousing and distribution are expected to assist AGTI's further penetration of the North Africa/Middle East regional market. The previously announced intended acquisitions in Australia, of Balco Grain and Northern Yorke Processors, will also add significant new capacity and assets in the key South Australia growing region and provide Indian-subcontinent sales and shipment opportunities. 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 processing business from Canadian and U.S. origins. The recently announced acquisition of A. Poortman London including its Dutch sales office and Chinese bean processing assets will assist AGTI in its growth strategy in Europe and in beans. Continued growth in pasta and rice, and the addition of more capacity for production in these business lines in Turkey will assist AGTI in smoothing the seasonality of its business and reducing its revenue concentration on its Canadian asset base.

Management believes that AGTI is well positioned to capitalize on the opportunities from the 2010 and 2011 crop years. The forecast for 2010 production levels 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. The off-grade quality of the Canadian crop will create both challenges and opportunities for AGTI. Quality constraints may have the effect of reducing the fluidity and velocity of processing operations in Canada as plants deal with the challenges of variable crop quality on receipts of pulses from farmers. This may have the effect of temporarily hampering management efforts to boost capacity utilization of existing Canadian facilities. However, as AGTI offers a full range of split and value-added lentils, peas and chickpeas as well as its newer 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 both regionally and 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). Sales for all grades and qualities of pulses from Canada may be developed to allow AGTI to deliver on its business plan.

The demand profile for pulses and staple foods in virtually all end-use markets sees buyers filling pent up demand for supply of new crops in Canada (October harvest), as well as forward to Australia (December harvest), India (March harvest) and Turkey (June harvest). Management believes that 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 sales demand and continued replenishment of local market stocks in the remainder of 2010, compensating for lower than expected buying in Q2 2010 and the cautious buying that was further delayed into the Q3 2010 period by a late Canadian harvest. Local importers postponed portions of their buying decisions in the period May to September 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. With the weather effects of a Canadian crop affected by late seeding and harvest, markets were further confused and buying demand was further affected by the questions around the Canadian crop quality caused by the Canadian harvest uncertainty.

With harvest in Canada only being substantially complete in the second half of October 2010, there is potential for the remainder of 2010 to be affected by generally slow post-harvest deliveries caused by growers assessing the quality of their harvested crops and buyers in the world assessing pre-shipment samples that will form the basis for future receipts of Canadian new crop shipments. The marketing season of Canadian pulses may be slowed for a short period to allow the analysis of quality parameters by growers, buyers and sellers.

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 as at the end of the third quarter of 2010 with some minor integration points remaining. The Finora and Parent Seeds integrations are also progressing as planned. The planned capacity expansion and addition of new value-added processing equipment (colour sorters) at the Finora Wilkie and the Rosetown division facilities are complete and management expects AGTI to begin realizing the benefit of these projects as Canadian harvest is completed. Opportunities for other expansions and acquisitions, both in the areas of processing facilities and freight and logistics, continue to be investigated. Due diligence for the previously announced intended acquisitions of Balco Grain and Northern Yorke Processors in South Australia is ongoing and the acquisitions are slated for completion in Q4 2010. The recent Poortmans acquisition adds key Management strength, a distribution platform in Europe and a Chinese bean plant to further our global bean strategy.

It is management's view that the outlook for AGTI is only temporarily affected by the recent weather in Canada that has subjected AGTI to an inherent risk of the agricultural business: volume risk. The following factors are expected to assist AGTI in its efforts to capitalize on the opportunities in upcoming periods:

1) **Depth of Distribution**: AGTI margins are driven by its ability to find the most attractive margin opportunity for each differentiated pulse crop it processes. With off-grade quality in Canada, AGTI has market reach to move products of all grades into its distribution channels. This will allow it to drive the utilization of its Canadian facilities, even with sub-standard raw material quality. It is currently anticipated that lower utilizations may be partially offset by margin improvements in certain market segments.

2) **Geographic Diversification of Assets**: Our presence in Turkey, Australia and the U.S. will assist AGTI in offsetting the challenging environment in Canada with regards to the quality of the 2010 harvest. Continued focus on building less seasonal business lines such as pasta, rice and beans is expected to assist AGTI Management in its efforts to smooth revenues and profitability in the middle part of the year.

3) **Processing and Management Expertise**: AGTI's facilities are modern and state-of-the-art, assisting in AGTI's efforts to deal with the challenging crop conditions of 2010. Our management team is well equipped to deal with the challenges and opportunities presented by the Canadian harvest.

**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. ("Alliance") which were exchangeable for Units 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.

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 Seed") and Finora Inc ("Finora"). The two acquisitions added six processing facilities for processing beans, lentils, peas, chickpeas and other specialty crops in four locations: St. Joseph, Manitoba (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 assets acquired include four plants, approximately 20,000 metric tonnes of bulk product storage and certain land and equipment.

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 and facilities in Canada, the 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.

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 the Arbel Group discussed above, 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.

The Common Shares of AGTI 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.

## Summary and Analysis of Consolidated Quarterly Results (unaudited)

| (in thousands of Cdn. $ except as indicated) | 3 Months Ended September 30, 2010 | 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) |
|---|---|---|---|---|---|---|---|---|
| Sales | 137,559 | 149,222 | 186,355 | 154,799 | 73,320 | 72,951 | 86,818 | 100,855 |
| Cost of sales(2) | 123,396 | 138,300 | 159,639 | 124,482 | 62,936 | 65,686 | 73,644 | 88,716 |
| Gross margin | 14,163 | 10,922 | 26,716 | 30,317 | 10,384 | 7,265 | 13,174 | 12,139 |
| Add: Non cash foreign exchange effect | 5,467 | (6,604) | 1,433 | 815 | - | - | - | 655 |
| Less: Operating expenses(3) | 10,385 | 7,728 | 7,521 | 9,725 | 2,581 | 2,515 | 2,697 | 2,485 |
| Add: Amortization in cost of sales(2) | 1,297 | 1,245 | 1,165 | 919 | 391 | 249 | 307 | 990 |
| Add: Compensation option expense(4) | 165 | 301 | 110 | 110 | 111 | 111 | 207 | 75 |
| **EBITDA(*)** | **10,707** | **(1,864)** | **21,903** | **22,436** | **8,305** | **5,110** | **10,991** | **11,374** |
| Add (deduct): Non cash foreign exchange effect | (5,467) | 6,604 | (1,433) | (815) | - | - | - | (655) |
| **Adjusted EBITDA (*)** | **5,240** | **4,740** | **20,470** | **21,621** | **8,305** | **5,110** | **10,991** | **10,719** |
| Less: Interest | 1,139 | 1,283 | 1,078 | 546 | 841 | 280 | 332 | 454 |
| Less: Depreciation and amortization(2) | 1,726 | 1,850 | 1,859 | 1,411 | 812 | 707 | 672 | 698 |
| Less: Provision for income taxes | 1,479 | (1,131) | 2,088 | 5,160 | 1,999 | 973 | 2,629 | 2,573 |
| Extraordinary gain (loss) | - | - | (2) | - | - | - | - | 562(5) |
| Less compensation option expense(4) | 165 | 301 | 110 | 110 | 111 | **111** | 207 | 75 |
| **Adjusted net income (*)** | 731 | **2,437** | **15,333** | **14,394** | **4,542** | **3,039** | 7,151 | **7,481** |
| Adjusted basic net earnings per share/unit and unit equivalent(6) | 0.04 | 0.13 | 0.90 | 0.81 | 0.47 | 0.38 | 0.90 | 0.86 |
| Adjusted diluted net earnings per share/ unit and unit equivalent(6) | 0.04 | 0.13 | 0.88 | 0.80 | 0.46 | 0.37 | 0.84 | 0.80 |
| Add: Non cash foreign exchange effect | 5,467 | (6,604) | 1,433 | 815 | - | - | - | 655 |
| **Net income (loss) per financial statements** | **6,198** | (4,167) | **16,766** | **15,209** | **4,542** | **3,039** | 7,151 | **8,136** |
| Basic net earnings (loss) per share/unit and unit equivalent(6) | 0.31 | (0.22) | 0.98 | 0.89 | 0.47 | 0.38 | 0.90 | 0.95 |
| Diluted net earnings (loss) per share/unit and unit equivalent(6) | 0.31 | (0.22) | 0.96 | 0.87 | 0.46 | 0.37 | 0.84 | 0.89 |
| Total assets | 454,083 | 446,033 | 442,992 | 404,423 | 332,936 | 135,041 | 145,171 | 148,381 |
| Bank indebtedness (short-term debt) | - | - | 47,844 | 46,269 | 29,244 | 8,412 | 29,571 | 17,448 |
| Long-term debt | 17,637 | 23,508 | 36,255 | 36,624 | 25,987 | 16,094 | 16,556 | 14,903 |
| Shareholders'/Unitholders' equity | 320,423 | 315,618 | 245,101 | 231,910 | 221,944 | 77,319 | 78,098 | 68,823 |
| Dividends/distributions declared per share/unit | 0.1350 | 0.1350 | 0.1350 | 0.1350 | 0.1350 | 0.135996 | 0.137511 | 0.132(7) |

**Notes:**

(1) Calculated from the audited annual financial statements of AGTI/the Fund for the years ending December 31, 2009 and December 31, 2008, and the unaudited financial statements of AGTI/the Fund for the periods ended September 30, 2008 and September 30, 2009.

(2) Cost of sales for the quarters ended September 30, 2010, 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.

(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 has 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 $137.6 million for the three months ending September 30, 2010, compared to sales of $73.3 million for the three months ending September 30, 2009 and sales of $149.2 million for the three months ending June 30, 2010. The third quarter typically includes larger sales volumes due to Canadian and US harvest period, however heavy rainfall during this period resulted in a delay of harvest activity, with wide-spread harvesting resuming in October. The delayed harvest resulted in a decrease in invoiced tonnes from Canadian operations when comparing the quarter ending September 30, 2010 to the quarter ending September 30, 2009. The volume of product invoiced in the third quarter of 2010 from Canadian, US and Australian operations decreased as compared to the first and second quarter of 2010.

General and administrative expenses include costs such as marketing and advertising, payroll, insurance, property taxes, legal and administrative. For the quarter ending September 30, 2010, general and administrative expenses were $10.4 million, compared to $7.7 million for the three months ending June 30, 2010 and $2.5 million for the three months ending September 30, 2009. The increase is attributable to increased volumes resulting from the Arbel Group acquisition and related costs such as transportation expense and commissions increasing.

General and administrative costs have increased over the same period last year due to acquisitions such as those of the Arbel Group, Parent Seed and Finora. For example, additional land taxes and insurance amount to $1 million, commissions $1.6 million, payroll costs relating to newly acquired companies $1.2 million, advertising, promotional, travel and trade show costs $1.5 million and transportation, export and harbour costs $2.3 million.

Certain of the expenses related to Turkish operations are included in general and administrative expenses. These costs are being reviewed and a methodology will be developed effective January 1, 2011 to ensure consistency in the treatment of general and administrative expenses versus expenses related to cost of sales across all subsidiaries. AGTI management is continuing to look at all areas of operations for potential cost reduction and synergy savings that may result from acquisitions, scale of operations and business combinations.

Interest expenses for the quarter ending September 30, 2010 are $1.1 million, compared to $1.3 million for the quarter ended June 30, 2010 and $.84 million for the quarter ending September 30, 2009. While relatively consistent with the prior quarter, the interest for the quarter ended September 30, 2010 is higher than the quarter ended September 30, 2009 due to higher average debt utilization from capital additions as well as additional working capital requirements resulting from recent acquisitions.

Amortization expenses for the quarter ending September 30, 2010 were $1.7 million, which was higher than the amortization of $.81 million recorded for the quarter ended September 30, 2009. The increase from the same period last year is due to the additional amortization associated with new acquisitions.

Provision for income tax expense was $1.5 million for the quarter ending September 30, 2010 compared to a reversal of $1.1 million for the quarter ending June 30, 2010 and $2 million for the quarter ending September 30, 2009. The adjustment to the income tax expense compared to the same period in 2009 is due to the continued ability to carry forward tax credits resulting in a lower future corporate tax expense.

AGTI paid a dividend on October 6, 2010 of $2,660,321 ($0.135 per share) in the aggregate to its shareholders of record as of September 30, 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 is 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 September 30, 2010 foreign exchange rates as follows:

| | |
|---|---|
| USD/CDN | 1.031140 |
| AUD/CDN | 1.000210 |
| TL/CDN | 0.710543 |

For each subsidiary, any difference between the September 30, 2010 exchange rate and the 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. 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 September 30, 2010, AGTI and its subsidiaries had total operating credit available of $186 million, a portion of which is secured by a general security agreement and available with six global financial institutions. AGTI also has one credit facility in Turkey in the amount of $10 million secured by inventory to one international bank. Funding rates for Canadian operating credits are Canadian prime. Average funding rates for Turkish operating credits are 7.82%. Average funding rates for USD operating credits are Libor + 3%.

## 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.

## Cash Flow Information

*Operating Activities*

For the three months ended September 30, 2010, cash flow used in operations was $2.7 million. The usage was attributable to increased inventory levels, partially offset by an increase in accounts payable.

*Investing Activities*

AGTI capital expenditure for the three months ended September 30, 2010 was $14.8 million of which approximately 9% was incurred in Canada, 9% was incurred in Australia, 13% was incurred in the US and 69% were incurred in Turkey. All capital expenditures resulted in improvements to existing facilities.

*Non-cash Working Capital*

***Inventory:***

Inventory at September 30, 2010 was $99.8 million compared to $86.3 million at June 30, 2010. The increase in inventory of 16% is comprised primarily as follows:

- Raw product increased from $18.3 million as at June 30, 2010 to $20.7 million as at September 30, 2009

- Processed and other product increased from $35.5 million as at June 30, 2010 to $56.3 million as at September 30, 2009.

- Split and packaged product inventories decreased as at September 30, 2010 compared to June 30, 2010.

The increase in inventory is a result of the harvest production beginning late. In addition, a large quantity of product received and processed during the quarter was shipped to Trans-Loading facilities in September. Revenue for this product will be recognized in Q4 of 2010.

In addition, new crop season in Turkey resulted in inventory stocks of finished goods being replenished for the Turkish and regional retail markets.

***Accounts Receivable:***

Accounts receivable at September 30, 2010 was $96.3 million compared to $94.9 million at June 30, 2010. The levels are relatively consistent due to lower invoiced tonnes during the period as well as collection of accounts receivable outstanding from the prior quarter. Payment terms for AGTI sales are typically letter of credit or cash against documents, depending on the markets that product is being shipped to. During the quarter, a larger percentage of sales were shipped on cash against documents basis, which results in a longer period of time between invoice and receipt of payment. The accounts receivable turns for the quarter partially offset the lower volume, resulting in a similar accounts receivable balance as at September 30, 2010, compared to the accounts receivable balance as at June 30, 2010. Management has examined all of the accounts receivable and any provisions for doubtful accounts were recognized during the quarter.

## Related party transactions

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

| | 9 Months Ended Sept 30, 2010 | 9 Months Ended Sept 30, 2009 |
|---|---|---|
| Sales of grain to corporations whose shareholders are also AGTI shareholders | $ - | $ 7,286,038 |

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 September 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 September 30, 2010 and amortized over their estimated useful life. Intangible assets and goodwill are subject to impairment tests under GAAP, at a 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 September 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 respect to fiscal years beginning on or after January 1, 2011 with retrospective application.

AGTI has committed the appropriate resources and training to ensure it is IFRS compliant by the transition date. The IFRS project was broken down into four key phases which 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 identified. 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
Amortization

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* – AGTI expects to elect not to apply IFRS 3, Business Combinations, retrospectively to business combinations that occur prior to the transition date;

*Capitalized interest* – The Company has elected not to capitalize interest on asset additions prior to December 31, 2009;

*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.

AGTI 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 85% complete with asset component useful lives and a systematic process for recalculating depreciation both established

-Capitalized labour from asset purchase to December 31, 2009 complete

-Capitalized labour on asset improvements for the period January 1 to September 30, 2010 is complete

-Capitalized interest on asset improvements for the period January 1 to September 30, 2010 is complete

-Preliminary discounted cash flow models for each cash generating unit resulted 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

-January 1, 2010 IFRS comparative balance sheet 50% complete

**Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Management has evaluated the design of AGTI disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of September 30, 2010.

Management has concluded that, as of September 30, 2010, AGTI DC&P and 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 Finora Assets/Parent Seed.

There have been no other changes in AGTI's ICFR 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 and ICFR to exclude controls, policies and procedures of 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 19,706,078 Common Shares issued and outstanding. There are also outstanding incentive options to acquire 427,168 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 certain directors, officers and key employees of AGTI and its subsidiaries. Options 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. Options 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 most recent Annual Information Form, which is 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 nine 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 February 28, 2011 and is renewed annually at an amount agreed upon by AGTI and the Canadian Grain Commission.

## Subsequent Events

On November 5, 2010 AGTI announced that it acquired all of the assets of Balco Grain and certain real property from Balco Holdings, located at Bowmans, South Australia. The assets acquired include real property, vertical and horizontal storage for pulses and grains and related handling equipment. Bowmans is located approximately 95 km from Adelaide. The cash acquisition price and planned capital expansions and improvements in South Australia are valued at approximately $10 million CDN. The new company is owned and operated by AGTI's wholly owned subsidiary, Australia Milling Group PTY.

On November 1, 2010, AGTI announced that it has acquired A. Poortman (London) Ltd. Group ("Poortmans"), an international importer, distributor and stockist of pulses, with offices in London, UK, the Netherlands and Tianjin, China. The business that was acquired includes a processing plant for dry edible beans and pulses, located in Tianjin, China, and trading and sales offices in Europe. The purchase price for the acquisition was £8.3 million or $CDN 13.6 million, with AGTI committing a further CDN $2 million dollars for expansion of the Chinese bean processing facility. Poortmans' balance sheet also includes net working capital of approximately £5 million or $CDN 8.2 million.

On September 7, 2010 AGTI announced that it has entered into a letter of intent ("LOI") to acquire all of the assets of Northern Yorke Processors ("NYP"), located at Kadina, South Australia. The assets to be acquired include real property, vertical and horizontal storage for pulses and grains, processing plant assets and related handling equipment. Kadina is located approximately 160 km from Adelaide, Australia. The new company will be owned and operated by AGTI's wholly owned subsidiary, Australia Milling Group Pty Ltd. The acquisition is expected to close on November 15, 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:

| June 30, 2010 | Carrying amount | Contractual cash flows | 1 year | 2 years | 3 – 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Bank indebtedness | $ - | $ - | $ - | $ - | $ - | $ - |
| Accounts payable | $ 96,148,716 | $ 96,148,716 | $ 96,148,716 | $ - | $ - | $ - |
| Long-term debt | $ 21,792,173 | $ 24,942,766 | $ 4,745,214 | $ 9,386,047 | $ 4,923,646 | $ 5,887,859 |
| Dividends payable | $ 2,660,321 | $ 2,660,321 | $ 2,660,321 | $ - | $ - | $ - |
| Total | $ 120,601,210 | $ 123,751,803 | $ 103,554,251 | $ 9,386,047 | $ 4,923,646 | $ 5,887,859 |

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

| | For the Three Months Ended Sept 30, 2010 | For the Three Months Ended Sept 30, 2009 | For the Nine Months Ended Sept 30, 2010 | For the Nine Months Ended Sept 30, 2009 |
|---|---|---|---|---|
| Net Income (loss) | 6,198 | 4,542 | 18,799 | 14,732 |
| Add: | | | | |
| Income taxes | 1,479 | 1,999 | 2,436 | 5,601 |
| Amortization | 1,726 | 812 | 5,435 | 2,191 |
| Interest | 1,139 | 841 | 3,500 | 1,453 |
| Compensation option expense | 165 | 111 | 576 | 429 |
| EBITDA* | 10,707 | 8,305 | 30,746 | 24,406 |
| Non-cash foreign exchange effect | (5,467) | - | (296) | - |
| Adjusted EBITDA* | 5,240 | 8,305 | 30,450 | 24,406 |
| Less: | | | | |
| Interest | 1,139 | 841 | 3,500 | 1,453 |
| Amortization | 1,726 | 812 | 5,435 | 2,191 |
| Income taxes | 1,479 | 1,999 | 2,436 | 5,601 |
| Compensation option expense | 165 | 111 | 576 | 429 |
| ADJUSTED NET INCOME* | 731 | 4,542 | 18,503 | 14,732 |
| Basic adjusted net income* per share/unit and unit equivalent | 0.04 | 0.47 | 1.00 | 1.73 |
| Diluted adjusted net income* per share/unit and unit equivalent | 0.04 | 0.46 | 0.98 | 1.68 |
| Basic weighted average number of shares/units outstanding | 19,695,209 | 9,617,919 | 18,584,038 | 8,536,836 |
| Diluted weighted average number of shares/units outstanding | 19,995,131 | 9,908,769 | 18,890,368 | 8,745,275 |

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* 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.