Alliance
GRAIN TRADERS Inc.

QUARTER 1 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2011

ALLIANCE GRAIN TRADERS INC.
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FOR THE THREE MONTHS ENDED MARCH 31, 2011

The following Management's discussion and analysis ("MD&A") of financial condition and results of operation has been prepared by Management to help readers interpret Alliance Grain Traders Inc's. ("AGT" or the "Company") consolidated financial results for the three months ended March 31, 2011 and March 31, 2010 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2010 (the "Annual Financial Statements") which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") as at December 31, 2010 and in accordance with International Financial Reporting Standards ("IFRS") as at March 31, 2011. In addition, see the most recent Annual Information Form ("AIF") on file with provincial regulatory authorities which are available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com.

This MD&A has been prepared as of May 30, 2011. All references to AGT, include its subsidiaries and its predecessor, Alliance Grain Traders Income (the "Fund"), as applicable. All funds are in CDN$ unless otherwise stated.

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

Forward Looking Statements

This MD&A contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, the growth of AGT's business, strategic initiatives, planned capital expenditures, plans and reference to future operations and results, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or 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 AGT (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents, or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled "Risk Factors" in AGT's most recent AIF, which is available on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com and which should be reviewed in conjunction with this document. Although AGT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Although AGT believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as 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, 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 pulse deliveries and sales that will be achieved by AGT; 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.

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

Non-IFRS Financial Measures

AGT provides some non-IFRS measures as supplementary information that Management believes may be useful to investors to explain AGT's financial results. These non-IFRS measures include EBITDA* (earnings before interest, income taxes, depreciation and amortization), 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 AGT. However, EBITDA*, Adjusted EBITDA* and Adjusted Net Income* are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. In addition, AGT may calculate these measures differently than other companies; therefore 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 IFRS as an indicator of AGT's performance or to cash flows. For a reconciliation of net income determined in accordance with IFRS to EBITDA*, Adjusted EBITDA* and Adjusted Net Income*, see the table on page 33.

Market Share, Industry Data and Other Statistical Information

This MD&A includes market share, industry data and other statistical information that AGT has obtained from independent industry publications, government publications, market research reports and other published independent sources. Such publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable. Although AGT believes these publications and reports to be reliable, it has not independently verified any of the data or other statistical information contained therein, nor has it ascertained or validated the underlying economic or other assumptions relied upon by these sources and cannot, and does not, provide any representation or assurance as to the accuracy or completeness of the information or data, or the appropriateness of the information or data for any particular analytic purpose and, accordingly, disclaims any liability in relation to such information and data. AGT has no intention and undertakes no obligation to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as required by law.

Highlights of Quarter Ending March 31, 2011

This quarter is the first interim reporting period under International Financial Reporting Standards ("IFRS"). AGT transitioned to IFRS effective January 1, 2010, and all comparative figures have been restated from Canadian Accepted Accounting Principles ("GAAP") to IFRS.

• **Adjusted Net Earnings*** for the three months ended March 31, 2011 was $6.6 million or $0.33 per share ($0.33 on a diluted basis).

• **Adjusted EBITDA*** for the quarter ended March 31, 2011 was $14.2 million.

• **Consolidated sales** for the quarter ended March 31, 2011 were $168.1 million.

• **Capital expenditures** were $7.4 million, which included enhancements to buildings and equipment at facilities in Canada, the United States, Turkey and Australia.

• **Dividend** of $0.54 per share per annum ($0.135 per quarter).

Business Overview

AGT is the successor to the Fund. The Fund was a limited purpose open-ended trust established on June 25, 2004. AGT was incorporated on July 2, 2009 under the *Business Corporations Act* (Ontario). On September 15, 2009, the Fund was converted 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 AGT 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 (the "Exchangeable Shares"), in exchange for common shares of AGT ("Common Shares"), such that AGT 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, AGT.

On September 15, 2009, AGT 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 AGT now owns 100% of the outstanding shares of the Arbel Group. The acquisition was a related party transaction by virtue of a director of AGT being a director and shareholder of the Arbel Group. As a result of the acquisition, AGT owns all of the issued and 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, AGT 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 Seed 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 (mt) of bulk product storage and certain land and equipment.

On November 1, 2010, AGT acquired the shares of A. Poortman (London) Limited ("Poortmans"), an international importer, distributor and stockist of pulses, with offices in London, UK, the Netherlands and Tianjin, China. The business acquired included a processing plant for dry edible beans and pulses, located in Tianjin, China, and trading and sales offices in Europe. The total purchase price, including transaction costs, was £8,942,689 (pounds sterling) or $14,609,491, with AGT committing a further $2,000,000 for expansion of the Chinese bean processing facility. At the time of acquisition, Poortman's balance sheet also included net working capital of approximately £4,427,893.

On November 15, 2010, AGT completed the acquisition of Balco Grain Services and certain real property from Balco Holdings (collectively, "Balco"), located in Bowmans, South Australia. The acquisition included real property, vertical and horizontal storage for pulses and grains, and related handling equipment. The purchase price for the asset acquisition was $2,332,889 which was paid in cash. Also on November 15, 2010, AGT completed the acquisition of Northern Yorke Processors Limited ("Northern Yorke"), located at Kadina, South Australia. The acquisition included real property, vertical and horizontal storage for pulses and grains, processing plant assets and related handling equipment. The purchase price for the asset acquisition was $3,194,042, which was paid in cash.

AGT, through its subsidiaries, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. AGT's subsidiaries and facilities in Canada, the U.S., Turkey, Australia and China handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. Its durum wheat milling operations in Turkey also produces semolina, pasta and bulgur wheat. AGT is also involved in milling medium grain rice and long grain rice in Turkey.

AGT owns twelve processing plants in Canada, one in the U.S., three in Australia, one in China and eight in Turkey. 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, Australia Milling Group Pty Ltd. ("Australia Milling Group") in Victoria, Australia and Poortmans in London, UK.

AGT is among the world's largest value-added processors/splitters of pulse crops. The Common Shares are currently listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "AGT".

Capability to Deliver Results: Core Competencies, Advantages and Strategies

The following factors are expected to assist AGT in its efforts to capitalize on future opportunities:

1) Depth of Distribution: AGT margins are driven by its ability to find the most attractive margin opportunity for each differentiated product it processes. With variable quality in many production regions (Canada and Australia), AGT has market reach to move products of all grades into its distribution channels. This is expected to allow it to drive the utilization of its global processing facilities, even with sub-standard raw material quality. Cross-selling and AGT's ability to sell multiple products to the same buyer ie: lentils, chickpeas, split peas and beans or same buyers of pasta, rice and bulgur wheat. Direct marketing channel access and broad regional sales offices in Canada, the U.S., Australia, Turkey, China, the UK, Spain, the

Netherlands and Egypt provide opportunities to continue to develop market share and diversification of revenue streams into each market as AGT grows its business in beans, chickpeas, value-added peas, rice and pasta. The distribution network that AGT has developed and purchased through the acquisitions of Saskcan Pulse Trading, Arbel and Poortmans over the past four years have given it six decades distribution relationships.

2) **Geographic Diversification of Assets**: AGT's presence in Canada, the U.S., Turkey, Australia, and China is expected to assist in offsetting regional weather events such as the ones in Canada and Australia in 2010. As the pulses business grows in the U.S., Australia and China and the utilization of the pulses assets in Turkey drives higher, AGT is expected to become less reliant on the significant contributions of the Canadian pulses business for its earnings. While Canada continues to be a growth market for beans, chickpeas and peas, AGT expects to focus on building its asset bases in India, China, the U.S., Australia and Africa. Continued focus on building less seasonal business lines such as pasta, rice and beans is expected to assist Management in its efforts to smooth revenues and profitability in the future.

3) **Processing and Management Expertise**: AGT's facilities are modern and state-of-the-art, assisting in efforts to deal with the challenging crop conditions of 2010. AGT's Management team is well equipped to deal with the challenges and opportunities presented by the weather and quality aberrations that happen year-to-year. Successful agriculture processing companies have geographic diversification and the expertise and technologies to deal with raw material, even with lower quality goods. With the addition of country and regional Management complementing senior Management, AGT is well positioned to handle growth and expansion.

4) **Solidification of Destination:** Management is executing on a strategy allowing the Company to be able to pre-position products into owned distribution warehouse stores in liquid consumption markets and regions to minimize the business risk by shipping a consistent program into these markets. This is a strategy that is followed by other commodity sectors such as sugar and rice. Reliance on importer liquidity, mitigation of buyer's postponement of purchase decisions due to transit times of 40 days to 60 days and a smoothing of product flows into seasonal demands may be achieved by increasing the involvement of AGT right from production to market. AGT is expected to continue to use its distribution channels that are in place and grow these channels. Warehousing and distribution strategies are expected to allow AGT to gain market share and drive the utilization of its assets while feeding the demand for its core products. This strategy is expected to be employed in liquid consumption markets with a defined risk management strategy that limits the stock levels and exposure to any one market or commodity group. In order to drive utilization, Management feels it must have available product flowing into markets to allow facilities to run predictably and to ship volumes that allow for the high fixed cost component of its business to be covered off.

5) Increases in Capacity Utilization: With origination and processing capabilities in place, incremental increases to global processing capacity to take advantage of the shifting origins of new crop availability through the year is important to smoothing the seasonality of AGT's business. A focus on products that have less seasonal consumption patterns, such as beans and chickpeas in the pulses platform, but also pasta and rice, are important components of this strategy. Niche products such as the King Red lentil, Queen Green lentil and the B90 chickpea are also drivers of capacity utilization opening new captive markets.

6) Maintain Significant Barriers to Entry: A focus on markets, distribution and risk management, together with a strong management team, is expected to allow AGT to continue its leadership position in the processing and supply of pulses and staple foods in end use markets around the globe. Access to competitive financing for working capital, and long-term debt access for future acquisitions, is a competitive advantage for AGT.

Product quality requirements of the consumer are rising in every market of the world. Some of the poorest countries in the world have dramatically increased their quality tastes and preferences. The rising quality parameters at the consumer level, growing uses for pulses and staple foods as ingredients and the increasing focus by foreign governments on phytosanitary requirements/food safety, leave bulk grain shippers vulnerable to market access issues and limited market bases. Even with bulk freight advantages over container shipping, AGT's base of assets and position as a staple foods supplier to high quality markets of the world lever a significant barrier to new entrants.

Warehousing and distribution in key consumption markets and in-region sales forces through its new offices and production points globally are a key market intelligence advantage. AGT does not rely on dated and unreliable governmental statistics in many markets. Rather, AGT employees' gathers market intelligence, local stock positions, demand and consumption data and competitive intelligence on crop conditions and other suppliers. This international network of assets, management employees and distribution is expected to assist AGT in driving long-term value for its shareholders through a strategy of organic growth and new acquisitions.

Market Outlook

The 2010 year was a year of tumultuous events, with some analysts calling the Canadian and Australian weather "events not seen in decades." Most origins around the globe were impacted by prolonged weather events extending throughout the majority of the year. Impact was felt on crop production with reports of ample production volumes in most origins with a high degree of quality variance. Uncertainty caused by the weather, supply and prices hampered marketing and sales efforts through the entire 2010 growing, harvest and marketing year. While record production levels from virtually every origin were reported, markets were slow to replenish local market stocks due to uncertainty about the potential for price declines and fluctuations due to global conditions. Political instability, as a result in part from dramatic food inflation caused by depleted local market stocks, were also reported in many core consumption markets with these events playing out dramatically in many regions of North Africa and the Middle East. In the short-term, these political events cause liquidity tightness in local consumption markets in the credit markets but Management expects that these events will lead to long-term improvement in demand prospects as governments take measures to increase the flows of basic food items, such as pulses, to curb food inflation.

Many of these issues appear to have resolved themselves through the later part of 2010 and into 2011. Results for the early 2011 period and three months ended March 31, 2011, appear to support Managements views with regard to resumption of more normal business operations including shipments and demand for the staple food products AGT produces in the second half of 2011. Quality variability from the 2010 crop created challenges with respect to velocity and capacity utilization of AGT's asset base, but this same quality variance created market share and margin opportunities for AGT to capture margins using its value-added asset base to satisfy consumer demands internationally. Management remains optimistic that demand and supply equations will continue to recalibrate into relative balance in 2011-2012. Market and production conditions in the various origins and key markets AGT is active in are as follows:

North America - Canada and U.S.

North American crop production quality is expected to rebound in 2011 from the severe weather conditions in 2010 that resulted in low or highly variable quality product. The record wet conditions and record production levels in 2010 were followed with a wet and late start to 2011 seeding in Saskatchewan. Seeding in the April – May 2011 period was reported as behind the 5 year average by Saskatchewan Agriculture. However, in the May 26, 2011 Crop report, Saskatchewan Agriculture estimated 54% seeding completion in Saskatchewan with Management estimating this would translate to approximately 85% completion of lentil seeding in the province. This progress through mid-May put seeding substantially ahead of last year's delayed progress.

Manitoba bean production was more affected with reports of severe flooding in some areas; however these locales account for a small amount of bean production acres. Further concern on the total acreage of pulse crop seeding was raised from StatsCan with reports of seeding intentions for pulses decreasing by an average of 20% from 2010 levels. The affects of acreage decline may be substantially offset by improved yield potentials due to excellent subsoil moisture conditions throughout the growing areas and high levels of carry-in stocks from 2010 will augment available supplies in all of AGT's production origins.

Management's opinion on the estimated decline in acreage in 2011 is that it can be attributed to a number of factors. First, growers of pulses continue on their planned rotational cropping patterns and will move acres as planned into canola and cereal grains in 2011 before returning to pulses in their pre-determined rotational plans. Secondly, prices to growers for canola and other crops have risen to levels consistent with pulses, making other cropping options attractive in the short term for growers. Finally, growers may need, after a record seeding year in 2010, a temporary break from growing pulses as many growers need an opportunity to "correct" their rotations as many producers have seeded lentils on lentils in back-to-back years to capitalize on the high lentil returns in 2008-2010. This decline was predicted by Management as acreage figures from 2009 to 2010 had experienced exaggerated growth rates and acreage retreat is a normal event as production rises sharply. However, it should also be noted that many farmers are still evaluating their cropping options for the 2011 seeding period even into late May. This is expected to result in a return to the year on year growth level, in terms of acres and production volumes, seen from 2006 to 2009, with 2010 viewed as an aberration with regards to increases in acres seeded. For 2011, StatsCan estimates that lentil acreage will be approximately 2.7 million acres. After preliminary discussions with industry players and growers, Management estimates that seeded acreage of lentils in Canada may fall below this level.

Seeding intentions for other pulses, with the exception of beans, are estimated at similar to 2009 levels with peas at 2.74 million acres (down from 3.45 million in 2010), beans at 260,000 acres (down from 336,100 in 2010) and chickpeas at 165,000 acres (down from 205,000 in 2010, but up sharply from the 105,000 in 2009). Yields in Canada are expected at approximately average levels.

Estimates of U.S. lentil production gains show a potential for an 8% increase in acres to 710,000 from the record 658,000 acres in 2010 and static estimates for chickpeas. However, these increases are offset with reports of dramatic decreases in pea production with a 22% decrease to 1.17 million acres in 2011. Yields in the U.S. are expected to be lower than average. These trends show the U.S. as a significant and growing origin for pulse crop production and reaffirms Management's opinion of the ongoing potential of its operations in the U.S and its planned growth through expansion and acquisition of U.S. capacity in the Northern Plains states. Rain in mid-May has some plantings in North Dakota behind average levels but Management is optimistic that the crop will get planted as planned by producers.

AGT Management's opinion is that with North American production levels forecast in 2011 and the ample carryover stocks from 2010, albeit low or highly variable in quality, constitutes ample quantity of marketable product given AGT's significant value-added processing infrastructure throughout its facilities in Western Canada and North Dakota.

Decreases in processing facility velocity and capacity utilization, caused by the low or highly variable quality delivering in 2010 and early 2011 should be diminished with more normalized production in North American facilities. The processes used to potentially upgrade the low or highly variable quality product delivered to AGT facilities include technologies used for blending, sizing, splitting and colour sorting and have a potential effect of allowing for margin gains at the expense of plant efficiency. However, more normalized efficiency seen through normalized product quality and delivery is viewed by Management as a positive impact on processing and facility assets.

International markets that had readjusted their quality and delivery expectations in 2010 with the product available to them, have been readjusting their expectations back to their normal buying criteria for product produced in Canada, the U.S. and Australia. While some buyers have been paying premium prices for the best quality whole pulses available for all origins, they are expected to begin shifting their attention to new crop 2011 product that will be available in the fall period from Canada and the U.S. Management expects that demand conditions will improve in the second half of 2011 and 2012.

Export statistics available from StatsCan for the January to March 2011 period show decreases in the overall quantity of lentil exports to approximately 301,000 mt leaving significant carryover of 2010 stocks prior to spring seeding in Canada. The U.S. Department of Commerce statistics for U.S. exports show a more normalized export volume of lentils from the U.S. at approximately an average of 12,000 mt each month over this same period.

AGT's business operations in the pulses area have traditionally been very focused on North American production. The bias towards production in this region is being diversified and decreased somewhat through expansions and a focus on other origins. Good quantity and quality crop in Canada and the U.S. are important factors to AGT's success in executing on its sales strategy. AGT's market reach and ability to leverage its international distribution channels is expected to assist in capitalizing on marketing opportunities for all grades and types of pulses and specialty crops.

Opportunities for new pulses acres, specifically lentils and beans in Alberta and increases to pulse acres through a further movement to continuous cropping in the North Dakota/Montana (MonDak) area, are estimated to equalize overall production in both countries. The focus on development of a year-round bean program from AGT facilities in Manitoba and North Dakota, the enhancements on chickpea processing in Canadian facilities and the completion of expansions at AGT facilities in the U.S. supports Management's opinion that AGT has the ability to drive utilization of these assets.

Currently, Management reiterates its opinion that estimates regarding crop quality and quantity in North America are as per expectations and that large stock on farm will allow for carry-out stocks from 2010 to be processed through the periods until new crop harvest in fall of 2011. Production volumes, based on current estimates for lentil acres and reports on yield released in April reinforces Management's opinions on available stocks in Canada for shipments in 2011.

Turkey

With Turkish lentil harvest underway, 2011 estimates on Turkish lentil production are conflicting with some outlets (TMO, USDA, STATPub, private trade sources) estimating decreases to 388,000 mt and others showing static to slightly increased levels at 550,000 mt (U.S. Agricultural Attaché report). Either estimate would result in continued imports of lentils, particularly red lentils which are widely consumed in Turkey. The majority of available Turkish lentil production is projected to go directly into the domestic and regional consumption markets with opportunities for AGT to utilize available capacity in its Arbel facilities, coupled with free zone facilities for import/processing/re-export activities, as shipment and freight option advantages exist from Turkey to many core consumption markets in Middle East/North Africa. Turkey is typically looked to as an origination point in the region for agri-products commodities. Potential for governmental tenders for agri-products in 2011, to assist is decreasing food inflation in many destination markets through the North Africa and Middle East regions, exists. Based on these developments Management is optimistic about its ability to increase capacity utilization at its pulses assets in Turkey.

With respect to durum wheat, the raw material for the production of pasta, bulgur and semolina, Turkey has seen good growing conditions for the start of the wheat crop following a dry period after seeding (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 wheat prices estimated to remain high and rising with competition for acres and higher global wheat prices (U.S. Agricultural Attaché Grain, TMO, IGC Reports)

Rice paddy production is estimated at 750,000 mt for the new crop harvest, consistent with 2010 production (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-August period with completion in mid-November. Even with estimated increases in paddy production levels for 2011, imports of rice are forecasted to continue for 2011 at strong levels, particularly from U.S. origins (U.S. Agricultural Attaché Grain and Feed Update Report, TMO, Turkish Rice Millers Association). This is expected to create opportunities for AGT's rice business and ample raw material stocks for its new rice processing mill in Edirne, Turkey. Additionally, a continuation of export bans for Egyptian rice is expected with lower production from that origin, political unrest and high food inflation in the region, creating further opportunities for AGT's Turkish rice business. The construction of the new 65,000 mt per annum rice processing facility located in Edirne, Turkey, one of the major rice producing areas of Turkey, is near completion with an expected facility commissioning during Q2 2011, which will bolster AGT's growth in this business platform.

Pasta facilities are running at effective peak capacity, which is projected to continue with strong demand for Arbella pasta in new markets in the near term. To meet the expected demand for AGT pasta products, a sixth pasta line has been commissioned for production in Q2 2011, adding 30,000 mt of additional short cut pasta capacity. This is a positive development in AGT'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 variety they are able to provide to their customers in local markets. With expected strong long-cut demand continuing, customer requests for additional short-cut varieties 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 2011. Continued demand for other milled wheat products, such as semolina and durum, in the domestic Turkish market is also expected during this period.

Management reports that there has been no material business or environmental impact as a result of the fire at the Arbel compound in December 2010. Insurance investigations are complete and as expected policies are expected to adequately cover significantly all of the losses related to the fire. Rebuilding of facilities damaged in the fire is nearing completion, with a targeted completion date in Q2 2011.

Based on available reports, Management maintains its opinion of favourable conditions in key growing areas and returns to historical production and supply levels for Turkish commodities. As a result due to these positive indicators for 2011, the Arbel Group is expected to provide capacity utilization increases. Normalized production of new crop supply and global carryover stocks early in the year will further stabilize supply of product for processing and assist in continuing to smooth the seasonality of AGT business in turkey. This is estimated to be assisted by ample forecasted supplies in Canada and Australia, supplying Arbel with a more predictable and stable supply and price environment in pulses early in the year until harvest in these origins is complete in the fall. This is expected to allow for a return to normalized processing and distribution margins in the pulses business segment from Turkey, halting the margin erosions due to price volatility experienced in 2010. Regular imports from Canada and Australia will assist Arbel in meeting its sales obligations without being subjected to local pulses price fluctuations and fluctuations in physical product deliveries arriving into the pulses market in Mersin, Turkey. As farmers physically deliver products into a spot market for purchase, supplies can be variable and short deliveries cause price variances according to demand outpacing available supplies. Regular import supplies provide a degree of insulation from these upwards price pressures and allow for more consistent margins.

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

Australia

An overall positive year for agricultural production in Australia was marred somewhat with excessive rainfall late in the 2010 crop year. Due to these conditions, similar but not quite as extreme, quality downgrades as Canada were reported. However, high levels of rainfall late in the season are providing good conditions with regard to soil moisture and irrigation dam levels for the upcoming crop season.

After a 2010 year of significantly increased pulse production, further increases in lentil and faba bean acres are being reported by the Australian Bureau of Agricultural and resource Economics and Sciences (ABARES). The estimated 434,000 acres of lentils and 416,000 acres of faba beans represent a 10 and 16% increase respectively over 2010 levels. A decrease of 38% in chickpea acres is being estimated, but this can be somewhat attributed to the late season flooding in the Queensland area, a principle desi chickpea growing area that AGT does not operate assets in.

Similar opportunities around storage, blending, colour sorting and sizing do exist for AGT facilities in Australia, leading Management to be optimistic about the potential for its business in its new South Australian business unit. Its Victoria business at Horsham is also fully equipped with a splitting and value-added processing capacity allowing it to process off-grade lentils and faba beans for the high quality demands in the Middle East and Indian Sub-continent. The acquisitions and expansions at the grain handling facilities in Bowmans and Kadina provide opportunities with regard to storage and containerized shipments to these markets as well. Owned and leased dedicated pulses storage with multiple segregations in Australia exceed 100,000 mt, giving AGT a significant competitive advantage over most of its global competitors. Strong origination and a growing loyal producer following in its origination areas is a building competitive advantage for AGT. AGT is investigating acquisition and expansion opportunities in Australia in the chickpeas business segment.

India

Recent reports on estimated pulse and food supply in India from the Indian Government shows good stocks for the high levels of local consumption. This estimate is based on the recent rabi harvest production supplemented by estimates surrounding the upcoming kharif season and imports to the region. However, it should be noted that accurate and reliable reporting on production and import levels in India are difficult to verify. While in the short term reliance on imports to supplement local production has diminished, local importers are expected to continue to consider import volumes based on price and export origins. More information on estimates for the upcoming kharif season will be available through the summer adding to the potential for uncertainty in the market.

Management expects the positive demand fundamentals for pulse imports to India through 2011 to continue, especially later in the 2011 year with import levels remaining static to previous years. In any production year, India and its regional markets are important components to moving global pulses. The continuing absence of regional competition in the Indian sub-continent and a continued governmental ban on Indian origin exports is expected to allow AGT to benefit from opportunities to ship more products to this region at estimated good margins. Opportunities for expanded presence in the region continue to be investigated, including local processing, warehousing and distribution. India is a key focus in AGT's strategy to solidify its local presence in distribution in key consumption markets.

The demand supply gap in India is forecast to continue to rise in the coming years according to published reports by the Indian government and other industry sources. National and regional governmental buying agencies are expected to continue their imports and local tendering programs to ensure adequate supplies of pulses to its citizens. Growth in consumption is estimated to continue its rise due merely to the growing population in India. Local production is stable to declining due to urbanization and weather volatility and consumption of pulses is a staple food group that spreads across all income levels, from the richest to the poorest of consumers. This leaves India as a key driver for future demand prospects for the pulses markets.

China

Market entry into China is ongoing for AGT with the Poortman acquisition in 2010. A bean processing facility in China was a component of the acquisition and Management expects China to play a significant part of expansion of its global bean platform. While there is limited official data on pulses in China, a report from the U.S. Agricultural Attaché to China estimates approximately 5.2 million mt of pulses production (largely kidney beans and also other pulses products not produced in other AGT origins) and high levels of pea imports for domestic starch extraction for vermicelli noodle production. Management would expect to utilize the new Chinese assets for a strategy that encompasses an entry point for Canada, U.S. and Australian peas for starch, green peas for snack foods, green pea powder and sprouting green peas and as an export origin to major bean markets such as the U.S., Latin America, Europe, Southern Africa and India for light speckled kidney beans, black beans, navy beans, mung beans and white beans.

Expansion plans are underway and a new factory construction is planned for second half 2011 with commissioning in the first half of 2012.

Market Conditions

Management estimates adequate production levels of pulses in Canada, the U.S. and Australia, increased U.S. production, and a normalization of crop supply in Turkey with stabilization of pricing and a return to more normalized business in the global pulse industry after a volatile 2010 year. These normalized conditions are expected to allow AGT to drive its efforts to better utilize its global capacity and execute its global sales plans.

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 completed acquisition of A. Poortman (London) Limited, including its Dutch sales office, new Spanish sales office and Chinese bean processing assets, are expected to assist AGT in its growth strategy in Europe for its global bean and chickpea platforms. Continued growth in pasta and rice, and the addition of more capacity for production in these business lines in Turkey are expected to assist AGT in boosting its global capacity utilization and smoothing the seasonality of its business and reducing its revenue concentration on its Canadian asset base.

Management believes that AGT is well positioned to capitalize on the opportunities in the 2011 crop and export year. The forecast for 2011 supply in North America and other origins is viewed as significant, even with projected decreases in acres in Canada offset with higher U.S. and Australian production and normalized Turkish production. These factors lead Management to be optimistic about future sales based on estimates of strong demand fundamentals for quality protein.

Arbel Group facilities, warehousing and distribution are expected to assist AGT's further penetration of the North Africa/Middle East regional market. With its proximity to the region, its stable political environment, agricultural production and its ideal location as an import and distribution hub for AGT production from Canada, the U.S., Australia and China, Turkey is a natural origin for supply and export of staple food items to the Middle East and North Africa. Management is optimistic about opportunities present in 2011 for its Turkish Arbel Group operations.

By continuing on the stated strategy to offer 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 are in place, Management opinion is that the diversified operating divisions in virtually every pulse and staple food producing origin, provides a position of strength vis-à-vis AGT competitors both regionally and globally. Management is optimistic about its ability to develop sales opportunities in its four core platforms for growth: pulses, pasta and durum wheat milling, rice and other products (e.g. popcorn and sunflower seeds).

The steady demand for pulses and staple foods in virtually all end-use markets sees buyers following a cycle to fill the relatively inelastic demand for pulses and staple foods with supply of new crops in North America (August/September harvest), as well as forward to Australia (December harvest), India (March harvest) and Turkey (June harvest). Management believes demand will continue through traditional shipping periods with opportunities for the 2011 crop supply from all origins. The uncertainty regarding actual Indian production and supply levels have the potential to translate to strong import levels of pulses to India, which is an important component to moving available product from producing origins in any production year.

Importers and international buyers must complete buying decisions as stocks are available, bringing them 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 for 2011, compensating for cautious buying in all of 2010 caused by weather events, high prices and a late Canadian harvest resulting in uncertain supply. Local importers who postponed portions of their 2010 buying due to volatile pulse markets are expected to come back into the market for new crop 2011 offerings from all origins, especially if quality returns to normalized levels. The calming of political tensions and political reforms in the North Africa and Middle East regions are expected to have a positive effect on food import prospects as governments and aid agencies deal with political reforms, refugee crisis and food availability as a basic building block of civil society.

With regard to acquisition and integration, Management reports that integration processes are continuing as planned. Integration of marketing and administrative operations of the Arbel Group is complete with some minor alterations in process remaining. The Finora and Parent Seeds integrations are also progressing as planned. Expansions in Canada at the Wilkie facility (acquired from Finora Inc.) and the Rosetown division facilities are complete and Management reports that these assets are being utilized to deal with the issues surrounding current Canadian crop quality. Improvements of over $1.5 million at Saskcan's Assiniboia division and the expansion of storage systems at United Pulse also position those facilities well for the 2011-2012 seasons.

Expansions at Horsham are completed and the integration of the Balco and Northern Yorke acquisitions are ongoing and on track. These new facilities are expected to continue to create opportunities to capture pulses into AGT's newly constructed storage and processing systems. Storage systems are built and the new processing plant for South Australia is scheduled for completion in November 2011.

The recent Poortman acquisition adds key management strength, a distribution platform in Europe and a Chinese bean plant to further AGT's global bean strategy. Integration of merchandising activities with Poortman have begun and evaluation around the next expansion steps in China are ongoing.

Management continues to reiterate that the key components to long-term value creation in its business are intact and that it will continue down the path of building a truly global and profitable origination, processing and distribution business for staple foods: lentils, chickpeas, peas, beans, faba beans, pasta, medium grain rice, bulgur and semolina.

Summary of Quarterly Results

Summary of Quarterly Results (in thousands of Cdn. $ except as indicated unaudited)	3 Months Ended March 31, 2011[1]	3 Months Ended December 31, 2010[1] *	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 **
Sales	168,053	169,003	137,559	149,222	186,356	154,799	73,320	72,951
Cost of sales[2]	146,763	154,767	122,142	136,882	156,774	124,455	62,936	65,686
Gross margin	21,290	14,236	15,417	12,340	29,582	30,344	10,384	7,265
Add: Non cash foreign exchange effect	606	(1,017)	5,467	(6,604)	1,433	815	-	-
Less: Operating expenses[3]	8,879	8,466	12,019	9,362	9,222	9,753	2,581	2,515
Add: Depreciation in cost of sales [2]	1,761	846	1,677	1,461	-	919	391	249
EBITDA (*)	14,778	5,599	10,542	(2,165)	21,793	22,325	8,194	4,999
Add (deduct): Non cash foreign exchange effect	(606)	1,017	(5,467)	6,604	(1,433)	(815)	-	-
Adjusted EBITDA (*)	14,172	6,616	5,075	4,439	20,360	21,510	8,194	4,999
Less: Interest	2,193	2,398	1,139	1,283	1,078	546	841	280
Less: Depreciation and amortization[2]	2,588	2,495	2,106	2,066	628	1,411	812	707
Less: Provision for income taxes	2,814	1,013	1,382	(1,186)	2,403	5,160	1,999	973
Extraordinary gain (loss)	-	-	-	-	(2)	-	-	-
Adjusted net earnings (*)	6,577	710	448	2,276	16,253	14,393	4,542	3,039
Adjusted basic net earnings per share/unit and unit equivalent[4]	0.33	0.05	0.02	0.12	0.95	0.81	0.47	0.38
Adjusted diluted net earnings per unit and unit equivalent[4]	0.33	0.05	0.02	0.12	0.93	0.80	0.46	0.37
Add (deduct): Non cash foreign exchange effect	606	1,017	5,467	(6,604)	1,433	815	-	-
Net earnings per financial statements	7,183	(307)	5,915	(4,328)	17,686	15,208	4,542	3,039
Basic net earnings (loss) per share/unit and unit equivalent[4]	0.36	(0.02)	0.30	(0.22)	1.03	0.89	0.47	0.38
Diluted net earnings (loss) per unit and unit equivalent[4]	0.36	(0.02)	0.30	(0.22)	1.01	0.87	0.46	0.37
Total assets	566,609	527,268	453,703	445,817	459,439	424,445	332,936	135,041
Bank indebtedness (short-term debt)	99,150	80,336	-	-	64,755	30,105	29,244	8,412
Short term financing	9,703	24,925	25,005	26,261	50,975	26,385	-	-
Long term debt	56,993	25,381	17,637	23,508	36,255	36,624	25,987	16,094
Shareholders'/Unitholders' equity	302,604	303,878	320,765	315,457	244,755	231,910	221,944	77,319
Dividends/distributions declared per share/unit	0.1350	0.1350	0.1350	0.1350	0.1350	0.1350	0.1350	0.1360

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

** Amounts have not been restated to IFRS and are presented in accordance with Canadian GAAP.

Notes:

(1) Calculated from the unaudited interim financial statements for the quarter ending March 31, 2011 and the audited annual financial statements for the years ending December 31, 2010 (unaudited in IFRS format) and December 31, 2009, and the unaudited financial statements for the periods ended September 30, 2010 and September 30, 2009.

(2) Cost of sales includes depreciation on equipment used to process inventory. Total depreciation is added back for EBITDA*. Periods prior to the aforementioned quarters had all amortization reported in one line item without the reclassification of amortization related to processing costs.

(3) Excluding interest and amortization.

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

Discussion of Quarterly Results

AGT's **Sales** were $168.1 million for the three months ending March 31, 2011, compared to sales of $186.4 million for the three months ending March 31, 2010 and sales of $169.0 million for the three months ending December 31, 2010. Sales were relatively consistent with the most recent quarter but within AGT, there were substantial shifts in the location of the sales with Australia and Poortman showing sales volume increases from Q4 to Q1 2011 while the Arbel sales were down marginally, largely attributable to a slowdown in January after the fire in late December. Canadian revenues were down when comparing Q1 2011 to Q1 2010, as capacity utilization has decreased to the variability in the raw material processed through the North American processing assets.

Gross Margin for Q1 2011 rebounded from the three months ending December 31, 2010. With similar sales revenues in Q1 2011 and Q4 2010, gross margin percentage improved to 13.0%, up from 8.4% as compared to Q1 2010 at 15.8%. The decrease in gross margin percentage when comparing Q1 2010 to Q1 2011 is largely attributable to a reduction in the revenue per hour at processing plants in Canada due to the variability in product quality. The margin improvement Q1 2011 when comparing Q4 2010 is a function of Management's ability to derive margin from lower quality crop stocks in Canada and Australia.

When comparing the first quarter ending March 31, 2011 results to the same period in 2010, adjusted EBITDA* fell from $20.4 million to $14.2 million, but was higher than quarter four 2010 Adjusted EBITDA* of $6.6 million. The decline in earnings year-over-year was due to the lower quality, and later harvest in 2010, and resulting volume decreases as compared to the quarter ended March 31, 2010. Grain margins were strained in quarter four of 2010 due to the late harvest and crop quality problem, therefore an improvement in the quarter ended March 31, 2011 has been recognized, as compared to the quarter ended December 31, 2010.

Operating expenses for the quarter ending March 31, 2011 are $8.9 million compared to $9.2 million for the three month ending March 31, 2010 and $8.5 million for the three months ending December 31, 2010. Operating expenses are higher than the quarter ending December 31, 2010 as the prior quarter included certain year end adjustments to items such as compensation options expense that lowered the operating expenses. Operating expenses for the quarter ending March 31, 2011 are higher than the quarter ending March 31, 2010 due to the acquisitions and ramp up of capacity in Australia in November of 2010. Management is pleased with the consistency of expenses, notwithstanding the additional expenses associated with the acquisitions. Management employed certain cost allocation estimates to reclassify cost of sales and operating expenses in comparative periods in 2010 for IFRS purposes as wages and benefits for certain processing facility management, quality assurance management, grain procurement and other costs were removed from cost of sales and added to operating expenses.

Interest expenses for the quarter ending March 31, 2011 are $2.2 million compared to $1.1 million for the three month ending March 31, 2010 and $2.4 million for the three months ending December 31, 2010. Interest expense increased when comparing the quarter ended March 31, 2011 to the quarter ending March 31, 2010 due to increases in working capital requirements for Australia, China, Europe and Turkey. Although debt increased at March 31, 2011 as compared to December 31, 2010, interest expense is relatively consistent due to higher interest operating credited being paid down and replaced with bank instruments bearing lower interest rates.

Debt, a combination of bank indebtedness, short term financing and long term debt, totalled $165.9 million in Q1 2011 compared to $152.0 million in Q1 2010 and $130.6 million in Q4 2010. This ramp up in long-term debt is the utilization of AGT's facility with Farm Credit Canada that allows for draw-down and repayment in a revolving capital asset line that may be utilized for either capital assets or working capital. Debt increases have funded capital asset additions and the build-up of inventory in the ramp up after new crop Canada and Australia. As current assets are converted to cash, these debt amounts are expected to reduce down to levels seen in 2010. The credit cycle is showing the seasonal trends of past years.

Depreciation expenses for the quarter ending March 31, 2011 were $2.6 million compared to $0.6 million for the three months ending March 31, 2010 and $2.5 million for the three months ending December 31, 2010. The quarter ended March 31, 2010 included transitions adjustments for IFRS therefore the IFRS adjusted depreciation is unusually low. Depreciation expense on an IFRS basis for the quarter ending March 31, 2011 is consistent with the prior quarter.

Provision for income tax expense of $2.8 million for the quarter ending March 31, 2011 is higher than the expense recorded for the three months ending March 31 2010 of $2.4 million and higher than $1.2 million for the three months ending December 31, 2010. The increase from the quarter ended March 31, 2011 as compared to the quarter ended December 31, 2010 is due to higher earnings. The quarter ended March 31, 2010 included adjustments for prior periods, resulting in lower income tax expense as compared to the quarter ended March 31, 2011.

Dividends - AGT paid a dividend in April 2011 of $2.7 million ($0.135 per share) in the aggregate to its shareholders of record as of April 8, 2011.

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

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

USD/CDN	0.970300
AUD/CDN	1.00357
TL/CDN	0.628105
GBP/CDN	1.55992
EUR/CDN	1.37850

For each subsidiary, any difference between the March 31, 2011 exchange rate and the average exchange rate used to record sales is recorded as other comprehensive income (loss) on AGT's Consolidated Statements of Retained Earnings and Accumulated Other Comprehensive Income.

Liquidity and Capital Resources

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

AGT'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. AGT's working capital requirements are met from its earnings, with its credit facility providing bridge financing until payment for sales are received.

At March 31, 2011 AGT had total operating lines and other facilities available of $254.1 million (March 31, 2010 - $176.0 million), a portion of which is secured by a general security agreement. Interest rates on Canadian lines are at the Canadian prime bank rate. USD lines bear interest between LIBOR plus 2.71% and LIBOR plus 4.71%. Turkish lines bear interest between Turkey Interbank Offered Rate plus 1% and Turkey Interbank Offered Rate plus 2%.

The Canadian credit facilities have floating interest rates and Management regularly monitors interest rates to make adjustments to its fixed versus floating interest rate management program. AGT also uses fixed rate banker's acceptances to mitigate a portion of its floating interest rate risk in its operating credit facilities. The low interest rates prevailing in Canada in recent years have induced Management to leave its Canadian credit facilities largely at floating interest rates; the Turkish credit facilities are also largely floating due to the competitive LIBOR rates prevailing in international financial markets. Turkish Lira denominated borrowings are basis Turkish Central Bank rate and prevailing market premiums at time of utilization.

AGT has implemented a global foreign exchange management program to effectively manage its net exposure to the U.S. dollar, while matching its local currency operations to minimize net exposure to any one foreign currency. AGT's operations in Canada, Australia and

Turkey are managed such that net exposures to local currencies are mitigated through offsetting local transactions and hedging programs where appropriate.

Capital Management

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

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

		Mar-11		Dec-10
Long term debt and capital leases	$	56,993,613	$	22,892,916
Bank indebtedness and current portion long term debt		111,810,289		93,499,008
Short term financing		9,702,960		24,925,150
Cash and cash equivalents		(7,283,942)		(23,628,472)
Net debt		**171,222,920**		**117,688,602**
Shareholders' equity		302,604,263		303,089,972
Capital		**473,827,183**		**420,778,574**
Adjusted EBITDA*	$	**14,172,424**	$	**37,157,253**

Cash Flow Information - *Non-cash Working Capital*

Inventory:

Inventory at March 31, 2011 was $165.9 million compared to $110.8 million at December 31, 2010. The increase in inventory is attributable to the build-up of inventory in new facilities in South Australia and the normal seasonal requirement for inventory build-up and transfer from Canada to Turkey and packaged inventory for pasta and rice sales programs in second half 2011.

Accounts Receivable:

Accounts receivable at March 31, 2011 was $125.8 million compared to $134.9 million at December 31, 2010. The levels are relatively consistent with the decrease in revenue for the period. Payment terms for AGT sales are typically letter of credit or cash against documents, depending on the markets that product is being shipped to. During the quarter, a large percentage of sales were shipped on cash against documents basis, which results in a longer period of time between invoice and receipt of payment. Management has examined all of the accounts receivable and any provisions for doubtful accounts were recorded during the quarter.

Operating Leases:

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

Commitments and Contingencies

At March 31, 2011, AGT had a letter of credit in favor of the CGC in the amount of $10 million, expiring on December 31, 2011.

Critical Accounting Estimates

Note 4 to AGT's consolidated financial statements for the Quarter ending March 31, 2011, describes AGT's significant accounting policies.

The preparation of AGT's consolidated financial statements in accordance with IFRS 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 AGT 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.

Collectability of Accounts Receivable:

Accounts receivable are measured at cost and due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on an evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. AGT determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Fund's previous loss history and the customer's current ability to pay its obligation to AGT. AGT records a bad debt provision for accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the bad debt expense.

Valuation of Inventory:

Inventories consist of raw materials, labour and overhead costs incurred less costs charged to cost of sales. Inventory on hand is valued at the lower of cost or market value which is determined as sales less estimated cost of completion and cost to sell. Cost of sales is based upon incurred costs. The cost of inventory purchased from third parties is valued at the lower of cost or market value which approximates replacement cost. The estimate relates to the net realizable value of the inventory based upon product quality and market factors.

Income Taxes:

AGT 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 AGT's tax assets and tax liabilities.

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

Estimate of Useful Life and Impairment Property, Plant 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.

Valuation of Intangible Assets and Goodwill:

The intangible assets of AGT were recorded at their estimated fair values at acquisition date and amortized over their estimated useful life. Indefinite life intangible assets and goodwill are subject to impairment tests under IFRS, 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 March 31, 2011.

Financial Instruments:

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

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

To mitigate risk associated with foreign currency, AGT enters into sales denominated in U.S. currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. AGT has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in U.S. dollars, Euros and Turkish Lira. For the Arbel Group, transactions in foreign currency expose AGT to foreign currency risk, arising mainly from fluctuation of foreign currency used in conversion of foreign assets and liabilities into Turkish Lira. Foreign currency risk arises as a result of trading transactions in the future and the difference between the assets and liabilities recognized. Management reviews the foreign currency open position and takes risk management measures if required.

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

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of inputs used to measure the fair value of assets and liabilities:

Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following items, shown in the consolidated statement of financial position as at March 31, 2011 and December 31, 2010, are measured at fair value on a recurring basis using level 1, level 2 or level 3 inputs:

Mar-11	Level 1	Level 2	Total
Asset (liability)			
Cash and cash equivalents	$ 7,283,942	$ -	$ 7,283,942
Investment	-	1,250,000	1,250,000
Foreign exchange derivatives	-	3,709,060	3,709,060
	$ 7,283,942	$ 4,959,060	$ 12,243,002
Dec-10	Level 1	Level 2	Total
Asset (liability)			
Cash and cash equivalents	$ 23,628,472	$ -	$ 23,628,472
Investment	-	1,250,000	1,250,000
Foreign exchange derivatives	-	3,213,562	3,213,562
	$ 23,628,472	$ 4,463,562	$ 28,092,034

Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

As at January 1, 2011, International Financial Reporting Standards has replaced Canadian Generally Accepted Accounting Principles for publicly accountable enterprises. The new Standards are effective for annual and interim financial statements with fiscal years beginning January 1, 2011 with retrospective application.

AGT completed all phases of its project plan and transitioned to IFRS effective January 1, 2011, with comparative information disclosed for 2010. AGT retrospectively applied all effective IFRS standards and interpretations to determine the opening balance sheet as January 1, 2010. This quarter is the first interim reporting period under IFRS. The adoption of IFRS has not changed the business strategy of AGT nor has it impacted the primary business activities.

Explanation of transition to IFRS

The information below is provided to allow investors and others to obtain an understanding of the effects on AGT's consolidated financial statements.

1. IAS 16 - Property Plant and Equipment

- Componentization of Equipment

Canadian GAAP – Maintenance and repair costs for owned manufacturing and processing equipment, including major overhauls, were charged to expense at the time the repair was performed.

IFRS – For owned equipment, each maintenance/repair item with a significant cost for which different depreciation methods or rates are appropriate, should be separated into parts (components) and depreciated separately.

- Capitalized labour and Interest

Canadian GAAP – AGT expensed certain labour and borrowing costs that would meet the criteria for capitalization as provided under IFRS.

IFRS – Under IFRS, more specific guidance is given as to the types of costs that are considered directly attributable to bringing property, plant and equipment to its working condition for its intended use, and therefore requiring capitalization.

- Depreciation

Canadian GAAP - Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

IFRS – As a result of componentization described above, the useful lives of several equipment items were altered to better reflect the consumption of future economic benefits of the asset.

The impact of the change will result in increased depreciation expense, as certain components will have a shorter useful life than under Canadian GAAP. However, this increase will be offset by a decrease in maintenance expense, as the cost to perform major repairs will now be capitalized rather than expensed.

2. IAS 39 - Financial Instruments: Recognition and Measurement

- Available for sale financial assets

Canadian GAAP – all equity securities that are not actively traded on an active market are measured at cost.

IFRS – available for sale assets are measured at fair value with changes therein recognized directly in other comprehensive income.

3. IAS 1 – Presentation of Financial Statements

IAS 1 sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The impact of adopting this IFRS standard will result in the following changes.

- Financial statement titles

Canadian GAAP	IFRS
Consolidated Statements of Retained Earnings	Consolidated Statements of Changes in Equity
Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income (Loss)	Consolidated Statements of Comprehensive Income
Consolidated Balance Sheet	Consolidated Statement of Financial Position
Consolidated Statement of Cash Flows	same
Notes to the Consolidated Financial Statements	same

- Nature vs. Function method of reporting expenses

Under IFRS, expenses are classified by nature or by function based on which method provides information that is reliable and more relevant.

To classify by 'nature', expenses are aggregated in the income statement according to their nature (for example: depreciation; purchases of materials; transport costs; employee benefits; and advertising costs), and are not reallocated among functions within the entity.

Alternatively, classification by 'function' aggregates expenses according to the function they relate to (for example: cost of sales and cost of distribution).

AGT has chosen to report its expenses by 'function' and as such has allocated all expenses, including staff costs, depreciation and amortization, to the appropriate major function (Cost of Sales, Marketing, sales and distribution, General administrative).

- IFRS changes

AGT has elected, under IFRS 1, not to apply IFRS 3 retrospectively apply to business combinations that occurred prior to the transition date, January 1, 2010.

Business combinations after January 1, 2010, that required acquisition-related costs totalled to an amount of $667,303 this amount is included in a Retained earnings adjustment, these same amounts were offset in those business combinations and lowered property, plant and equipment assets ($433,422) and goodwill ($233,881) are lowered by the corresponding amounts.

AGT has elected under IFRS 1, to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition. The impact arising from the change is a decrease in the translation reserve of $933,831 at January 1, 2010, March 31, 2010 and December 31, 2010, and an increase to retained earnings of $933,381 at those same dates.

Under previous Canadian GAAP, AGT expensed borrowing costs as they were incurred. At the transition date, AGT elected to capitalize borrowing costs directly attributable to the acquisition, construction and production of qualifying assets for which the commencement date for capitalization was on or after the date of transition.

Under previous Canadian GAAP, AGT measured investment at amortized cost. Under IFRS AGT is required to measure the investment at fair value. As a result the impact of the change will be $250,000 and is reflected in the Investment and Comprehensive Income sections of AGT's December 31, 2010 IFRS Statement of Financial Position and the opening IFRS Statement of Comprehensive Income.

Under IFRS, more specific guidance is given as to the types of costs that are considered directly attributable to bringing property, plant and equipment to its working condition for its intended use, and therefore requiring capitalization. Under previous Canadian GAAP, AGT expensed certain labour costs that would meet the criteria for capitalization as provided under IFRS. In addition, AGT capitalized certain legal costs under previous Canadian GAAP, which would not meet the criteria for capitalization under IFRS.

Prior to the transition date January 1, 2010, AGT expensed $562,065 in labour costs which are capitalized under IFRS, and capitalized $16,928 in legal costs which are expensed under IFRS, resulting in a net increase in property, plant and equipment of $545,137, at the transition date, an increase of $548,642 as of March 31, 2010 and an increase of $974,462 as of December 31, 2010.

Under IFRS, the requirements to separately account for and provide amortization for components of property, plant and equipment are more broadly and rigorously applied. Under previous Canadian GAAP, these requirements were less specific, and AGT applied a minimal amount of componentization in accounting for its property, plant and equipment.

AGT has retrospectively applied the more rigorous IFRS requirements to establish a separate useful life, amortization rate and residual value for each component of its property, plant and equipment, resulting in a decrease in property, plant and equipment of $2,239,368 as of January 1, 2010, $1,012,281 as of March 31, 2010 and $1,636,602 as of December 31, 2010.

Disclosure Controls and Procedures

Disclosure Controls and Procedures ("Disclosure Controls") are procedures designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to Management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, do not expect that AGT's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

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

Internal Controls over Financial Reporting

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

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

As at March 31, 2011, Management, including the CEO and CFO, evaluated the existence and design of AGT's ICFR and confirmed there were no changes to the ICFR that had occurred during the three months ended March 31, 2011 which materially affected, or are reasonably likely to materially affect, AGT's ICFR except as noted below in the scope limitation that exists as a result of the purchase of Balco Holdings, Northern Yorke Processors and A Poortman.

As at March 31, 2011, Management, including the CEO and CFO, evaluated the operating effectiveness of AGT's ICFR and concluded that there are no material weaknesses in the operating effectiveness of internal controls over financial reporting, and that the design and operating effectiveness of ICFR are effective except as noted in the scope limitation below.

AGT continues to review and improve the documentation of its ICFR, and has undertaken to make changes aimed at enhancing their timeliness and effectiveness and to ensure that systems continue to evolve with the growth of AGT's expanding international business operations. Management continues to engage financial reporting consultants in Canada and Turkey to assist with its continued maintenance, review, evaluation, testing and enhancement of its ICFR to provide reasonable assurance regarding the reliability of financial reporting and the timely preparation of financial statements in accordance with IFRS.

Limitation on scope of design:

In accordance with National Instrument 52-109 3.3(1)(b), AGT has limited its design of DC&P and ICFR to exclude controls, policies and procedures of the operations of Balco Holdings, Northern Yorke Processors and A Poortman, 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 19,706,078 Common Shares. 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 the directors and officers of AGT and key employees of AGT and its subsidiaries. Options vested 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. Options vested 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 AGT and its subsidiaries is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com. To Management's knowledge, no significant changes to these risks and uncertainties have occurred in the 3 months ending March 31, 2011.

Commitments and Contingencies

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

AGT has in place a letter of credit in favour of the CGC in the amount of $10 million. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires December 31, 2011.

Liquidity Risk

Liquidity risk results from the requirement of AGT 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:

31-Mar-11	Carrying amount	Contractual cash flows	1 year	2 years	3 – 5 years	More than 5 years
Bank indebtedness	$ 99,150,146	$ 99,150,146	$ 99,150,146	$ -	$ -	$ -
Short term financing	$ 9,702,960	$ 9,702,960	$ 9,702,960			
Accounts payable	$ 66,173,925	$ 70,445,089	$ 70,445,089	$ -	$ -	$ -
Long term debt	$ 69,653,756	$ 81,411,349	$ 15,733,177	$ 4,883,724	$ 58,686,588	$ 2,107,860
Dividends Payable	$ 2,660,321	$ 2,660,321	$ 2,660,321			
	$ 247,341,108	$ 263,369,865	$ 197,691,693	$ 4,883,724	$ 58,686,588	$ 2,107,860

Sufficient assets are on hand which, together with future operational cash flows, are sufficient to fund these obligations. In addition, AGT practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. AGT'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 AGT's operations allow for substantial mitigation of liquidity risk.

Interest Rate Risk

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

Commodity Price Risk

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

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

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

	For the Three Months Ended 31-Mar-11	For the Three Months Ended 31-Mar-10
Net Income (loss)	$ 7,183	$ 17,686
Add:		
Income taxes	2,814	2,403
Amortization	2,588	628
Interest	2,193	1,078
Loss on disposal of fixed assets	0	(2)
EBITDA*	14,778	21,793
Foreign exchange (gain) loss	(606)	(1,433)
Adjusted EBITDA*	14,172	20,360
Less:		
Interest	2,193	1,078
Amortization	2,588	628
Income taxes	2,814	2,403
Loss on disposal of fixed assets	-	2
Adjusted net income*	6,576	16,249
Basic adjusted net income* per share	0.33	1.03
Diluted adjusted net income* per share	0.33	1.01
Basic weighted average number of shares outstanding	19,706,078	17,103,246
Diluted weighted average number of shares outstanding	19,999,109	17,484,222

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