Alliance

GRAIN TRADERS

From Producer to the World

2011 ANNUAL BUSINESS REVIEW

Saskcan PULSE TRADING

arbel

ARBELLA

Poortman

Advance Seed

Alliance GRAIN TRADERS (TIANJIN) CO. LTD.

Australia MILLING GROUP

United PULSE TRADING

Alliance Grain Traders Inc. Head Office / Saskcan Pulse Trading Main Plant - Regina, SK

Alliance Grain Traders

Alliance Grain Traders Inc. (AGT) is a pulse processor and exporter engaged in the business of value-added processing (cleaning, splitting, sorting and bagging) of pulses and specialty crops for export and domestic markets. Through its offices and processing facilities located in some of the best pulse growing regions in Canada, the U.S., Turkey, Australia, China and South Africa and merchandising and sales offices in the U.K., the Netherlands and Spain, AGT handles a full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. Through its subsidiaries in Turkey, the Arbel Group, AGT also produces staple foods such as Arbella Pasta, rice, and milled wheat products including bulgur and semolina.

table of contents

financial highlights

(in thousands of Cdn. $ except as indicated)	Year Ended December 31, 2011	Year Ended December 31, 2010
Sales	759,974	642,140
Cost of sales	677,162	570,567
Gross profit	**82,812**	**71,573**
Deduct: General and administrative expenses	(24,632)	(22,901)
Deduct: Marketing, sales and distribution expenses	(25,871)	(19,440)
Add: Finance income	855	-
Add: Depreciation in cost of sales	6,726	3,977
Add: Depreciation in operating expense	5,506	3,377
Add: Non-recurring costs (1)	2,194	667
EBITDA (*)	**47,590**	**37,253**
Deduct: Interest	(10,977)	(5,932)
Deduct: Depreciation and amortization	(12,231)	(7,354)
Deduct: Provision for income taxes	(1,835)	(3,612)
Adjusted net earnings (*)	**22,547**	**20,355**
Adjusted basic net earnings per share	1.14	1.08
Adjusted diluted net earnings per share	1.13	1.06
Deduct: Non-recurring costs	(2,194)	(667)
Deduct: Non cash foreign exchange effect	(28,814)	(721)
Net earnings (loss) per financial statements	**(8,461)**	**18,967**
Basic net earnings per share	(0.43)	1.01
Diluted net earnings per share	(0.43)	0.99
Total assets	689,512	529,404
Bank indebtedness	197,868	80,336
Short term financing	42,371	24,925
Long-term debt including current portion	80,765	36,056
Shareholders' equity	270,965	303,090
Dividends declared per share	0.585	0.540
Basic shares outstanding	19,725,023	18,866,853
Fully diluted shares outstanding	19,971,190	19,170,895

Find complete financial reporting documents on our website at **www.alliancegrain.com** and on SEDAR at **www.sedar.com**.

(1) One time costs deemed to be non-recurring by Management, relating to acquisitions, financing and other.
(*) 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, and any effects of non-recurring costs and non-cash foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-recurring costs and non-cash foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities). Management believes that these are important measures in evaluating performance and in determining whether to invest in AGT. However, EBITDA*, Adjusted Net Earnings*, Net Debt* and Net Working Capital* are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. In addition, AGT may calculate these measures differently than other companies; therefore, such measures may not be comparable. Investors are cautioned that EBITDA*, Adjusted Net Earnings*, Net Debt* and Net Working Capital* should not be construed as an alternative to net earnings (loss) or cash flows as determined in accordance with IFRS as an indicator of AGT's performance or liquidity.

Arbel compound - Mersin, Turkey

business highlights

- Entered into a CDN $130 million senior secured credit facility with the Bank of Nova Scotia and a syndicate of two other banks, HSBC Bank of Canada and Rabobank Nederland (Canadian Branch), retiring AGT's existing CDN $60 million facility with the Bank of Nova Scotia. The term for this new facility was later extended until April 29, 2013 with a further one year term-out provision to April 2014.

- Completed acquisition of certain real property, storage and related handling equipment in Minot, North Dakota. The facility, which will be operated by United Pulse Trading, is expected to complete build-out in November 2012.

- Completed acquisition of South Africa-based Advance Seed. The acquisition included real property, storage and related handling equipment and a processing plant for pulses, popcorn, grains and grass seeds, as well as three warehouses and small packaging plants. The acquisition also included Advance Seed's Pouyoukas Foods line of branded products.

- Completed acquisition of real property, storage and related handling equipment and a processing plant for pulses and grains in Narrabri, New South Wales, Australia. The facility is now operated by Australia Milling Group.

- Completed a CDN $15 million expansion in Mersin, Turkey adding a fifth pasta production line, as well as a new state-of-the-art rice milling facility in Edirne, Turkey.

- AGT is named to a number of top companies lists, including a move up 3 places to 16 on the SaskBusiness Magazine Top 100 Saskatchewan Companies list and 17 on the Postmedia Top 100 Saskatchewan Companies list.

- AGT President and CEO Murad Al-Katib named BASF and Saskatchewan Pulse Growers pulse promoter of the year for 2011.

president's message

Much of the market news in 2011 centered on Eurozone economic trouble and the resulting credit liquidity issues of importers in emerging markets and dramatic fluctuations in local currency. These issues have had a rippling effect through commodity markets around the world, including staple foods and pulses markets.

Ultimately, these conditions have affected local importers' abilities to purchase and pay for staple foods and pulse products needed for local consumption. This has resulted in reduced export volumes from agri-production regions around the world, including the regions Alliance Grain Traders is most active in. The result has been a disappointing 2011. However, we are confident in the reality that people must eat and that staple foods and pulses are a key component of their diets and lifestyles.

These products provide basic sustenance, nutrition and the non-GMO, gluten-free vegetable protein needed by large numbers of the world's population. Local market stocks are reported as low or in some cases fully depleted. Importers are buying "hand-to-mouth" to fill the bare minimum of stocks needed for their local demand. Alliance Grain Traders is committed to the strategy of building a global food business to help supply key consumption markets with the products and foods that they want.

While the 2011 fiscal year was not an ideal environment for our business, we are optimistic about the 2012 year, where we expect to see a return to a more normalized business flow with respect to volumes and earnings. As governments and central banks intervene to act on the economic crisis and political change being seen throughout Europe, we are optimistic that conditions will strengthen, which we feel will signal a potential restart of normalized demand and product flow.

Even in these tough conditions, we are still positive that we have made great strides in strengthening our business processes and the investments we have made for now and for the future.

Our key investments over the years in processing infrastructure in some of the world's best agri-products production regions including Canada, the U.S., Turkey, Australia, South Africa and China are well-equipped and located where advantages exist, whether they are from freight or proximity to growers and the pulses and grains they produce.

We continue, as does the entire global pulse sector, to keep an eye on supply conditions. Early every year, growing conditions in India and Turkey and seeding intentions in North America are monitored to get a sense of what the year may hold for global markets. In early 2012, these markets seem to be signaling that production may be short in India and Turkey, which could result in higher levels of imports to fill local market demand and lead these regions and others to come into the market earlier than they typically would have. This could be a positive development, providing the catalyst needed to signal that local supply may be lower and hopefully kickstart the flow of staple foods and pulses into these key consumption regions later in 2012.

Pulses, as a staple consumption item, are not typically considered a discretionary item, where consumers may choose to purchase another item or substitute one for another. It is for this reason that demand for pulses is viewed as relatively inelastic. While consumption demand is viewed in this manner, import demand, defined as the quantities purchased and imported to a specific market to fill consumption requirements, may be variable due to the ability of importers to make the decision to buy from local market stocks instead of importing. These conditions may also have the impact of reducing imports, as the ability of importers to pay for products they have purchased may be affected by banking and credit liquidity. While agricultural supply and demand fundamentals are relatively immune to short-term macroeconomic events, the uncertainties in the current global economic climate have contributed to significant volatility, as non-commercial traders have significantly lowered their positions in commodity markets or have continued with programs of limited stock replenishments. At some point, though, stocks of "need-to-have" products must be replenished, as consumer demand and periods of stable demand will give importers comfort to buy again and regular goods flows will return to the international pulse markets.

With seeding intentions and carry-ins from North America and production results in other origins like Australia providing significant stocks, we have taken the view that the market slowdown we have been experiencing is not supply-related, but is a result of these global macroeconomic conditions. These conditions will correct themselves in due time. We believe that capital will flow to staple foods to reduce the impact of global liquidity constraints. Additionally, we believe that pulses have no logical substitute. Demand in actual physical tonnage terms is rising faster than production, with growing populations in emerging markets and rising consumption for pulses in new markets like China, North America and Europe.

As a company, we have undertaken many initiatives to assist in our goal of building long-term value and strength in our business. Some of these are intended to refine our established risk management program. Others are aimed at strengthening our balance sheet metrics in the difficult economic environment we are currently operating in. All, however, are aimed at assisting our company in the next growth steps to the goal of becoming a global food and ingredient supplier.

As a management team, we expect that some of these initiatives aimed at improvements with regard to our working capital and balance sheet will continue through 2012 and provide results as market liquidity eases for our customers around the globe and inventory flows return to more normalized volumes.

We are concentrating on a working capital management plan through a variety of mechanisms. Inventory turns are being monitored in all geographies of operations and customer credits have been reduced in duration and magnitude. A company-wide effort to reduce the cash cycle is also underway.

We have begun the work of extending our established risk management program to all origins, including credit insurance through Export Development Canada extended to all of our foreign operations to minimize, as much as possible, credit risk exposure we may have due to customer liquidity. This will be an important component in the coming periods to ensure that we are less affected by defaults, repudiations and insolvencies if and when they happen. From our early start-up stages, we have felt that these types of efforts to mitigate risk are necessary components for the business of exporting commodities around the globe.

We expect that our debt levels, made up largely of these insured receivables and inventory of many origins and types, will reduce over the coming period as our customer's credit availability and our overall global business returns to a more predictable flow.

We continue to be focused long term on value-added staple foods and pulse products, incorporating our industry-leading splitting, colour sorting and sizing technologies and processes. It is in these areas that we expect to see growth. However, in these current periods of market slowdown, we have turned our capacity to potentially lower margin products including whole peas, flax and canary seed which are aimed at maintaining utilization in North American facilities. As we operate facilities and assets, we must keep our people at work and our facilities producing. We have forecast that all assets will run cash flow positive and we believe that the demand disruption globally is temporary and will be substantially reduced in the near term.

Our available capacity can be turned towards higher margin and higher value-added products very rapidly should import demand from the Indian subcontinent and markets in Turkey, the Middle East and North Africa materialize sooner than we expect. Ensuring we have capacity during the periods when it is required has been a key component of our strategy. We will be ready when import demand returns.

Where possible, facility staffing and overheads have been scaled down; however, key staff have all been retained. It is important to be fiscally prudent, but we must still be ready when customer demand increases and normalized product flow begins again. We will manage our costs and reduce discretionary expenditures, SG&A and fixed costs, but we will not do it at the sacrifice of our long-term strategy. We operate in a tight labour market, especially in western Canada and North Dakota. We cannot easily reduce and rehire staff, especially with the specialized knowledge of pulses and processing that many of our staff have gained over the past decade with our company.

In 2011, we began to provide additional metrics for the evaluation of our business by investors and capital markets. As we have grown, so has our ability to provide more information about our business and the products we produce and ship. In these difficult economic environments, this additional information provides some insight into where our business has been affected and how this has impacted our earnings. With the reported consistent tonnage we have shipped through 2011 and in early 2012, it becomes increasingly clear that margin compression has resulted from the lower margin mix of products we have been processing. Product mixes have changed temporarily out of necessity. We continue to be forced into the commodity segment of our business to keep our assets running. The day will come, and as a company we feel soon, where we will return to a mix of sales of high quality split and colour sorted lentils, chickpeas, beans, and high quality value-added peas to all geographies.

As well as these cost reduction measures, capital projects restrictions have been implemented by management in order to further manage our financial position. This includes the planned pasta facility for Regina, which we have deferred to 2013. Planning and design will continue, so we will be ready for implementation when we feel the time is right to do so. Overall, we feel it is prudent to focus on our balance sheet at this time and improve our business metrics.

These initiatives are also expected to have the result of positively impacting our access to global working capital and credit facilities, which we view as a key advantage for our company. With the confidence of our banking partners around the globe, we will continue to strengthen our access to credit required to grow. As a management team, we have tried to be clear with shareholders and capital markets that AGT has no debt covenants tied to market capitalization, with all covenants at the subsidiary level being balance sheet metrics including current ratio, minimum tangible equity and total debt to tangible equity.

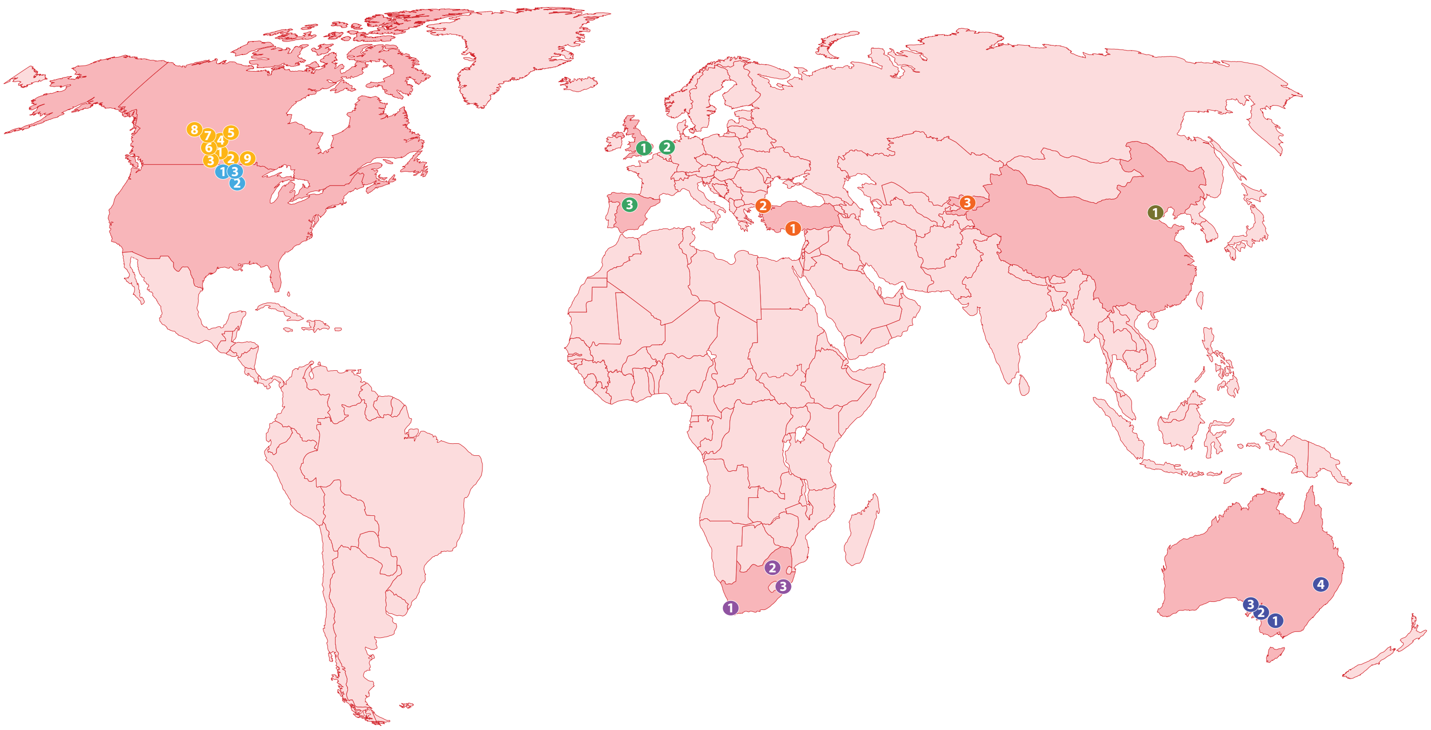
We will, however, continue to evaluate opportunities for expansion and acquisition in emerging production markets and geographies like India, Russia and South America, as entries into these markets will continue to be important long-term developments for our growth and the strengthening of our company. India and Russia are markets that we must grow into. As we have done in the past with other expansions into new geographies, we will take managed and small steps, but we are confident that these pursuits will create long-term value for our shareholder base and opportunities for our company.

Global commodity businesses and the agri-food business specifically are currently challenging sectors to be in. So many variables—economic, weather and growing conditions to name a few—are outside of our realm of control. It then comes down to a sound strategy, measures to minimize risk as much as possible and good management to navigate through the difficult periods. Our company and our management team have always been focused on the long-term for our business. We are significant shareholders ourselves and, as we have said in the past, we stand shoulder-to-shoulder with all of our shareholders. We are optimistic about the potential for correction in the market and a return to normalized business in the near term, which, we feel, will demonstrate that our strategy is sound and our goal of building a strong, global food company is becoming a reality.

Murad Al-Katib
President and CEO, Alliance Grain Traders

Arbel compound - Mersin, Turkey

operations



Saskcan Pulse Trading
1 Regina, SK (Main, Agtech)
2 Milestone, SK
3 Assiniboia, SK
4 Saskatoon, SK
5 Aberdeen, SK (Horizon)
6 Rosetown, SK (Rosetown, Pulse Depot)
7 Wilkie, SK
8 Gibbons, AB
9 St. Joseph, MB (Parent)

United Pulse Trading
1 Williston, ND
2 Bismarck, ND
3 Minot, ND

Poortman Group
1 London, UK
2 Waalwijk, Netherlands
3 Madrid, Spain

Arbel Group
1 Mersin, Turkey (Arbel Group, Arbella Pasta/Durum Foods)
2 Edirne, Turkey (Arbel Rice)
3 Kyrgyzstan

Advance Seed
1 Cape Town, South Africa
2 Johannesburg, South Africa
3 Durban, South Africa

Australia Milling Group
1 Horsham, Victoria, Australia
2 Bowmans, SA, Australia
3 Kadina, SA, Australia
4 Narrabri, NSW, Australia

Alliance Grain Traders (Tianjin) Co. Ltd.
1 Tianjin, China

Alliance Grain Traders
Regina, SK, Canada

Saskcan Pulse Trading Main Plant
Regina, SK, Canada

Arbel Group Compound
Mersin, Turkey

Arbella Pasta
Mersin, Turkey

Arbel Rice
Edirne, Trakya, Turkey

United Pulse Trading Plant
Williston, ND, USA

Australia Milling Group Plant
Horsham, Victoria, Australia

Australia Milling Group Plant
Bowmans, South Australia, Australia

Australia Milling Group Plant
Kadina, South Australia, Australia

Saskcan Horizon Plant
Aberdeen, SK, Canada

Saskcan Milestone Plant
Milestone, SK, Canada

Saskcan Agtech Plant
Regina, SK, Canada

Saskcan Parent Plant
St. Joseph, MB, Canada

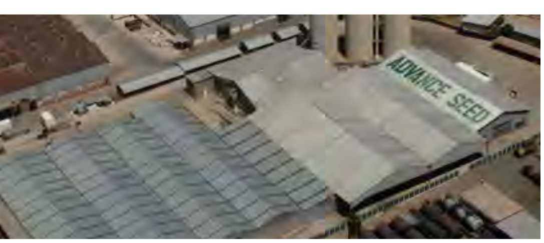
Saskcan Wilkie Plant
Wilkie, SK, Canada

Saskcan Assiniboia Plant
Assiniboia, SK, Canada

Saskcan Gibbons Plant
Gibbons, AB, Canada

Saskcan Rosetown Plant
Rosetown, SK, Canada

Saskcan Pulse Depot Plant
Rosetown, SK, Canada



Advance Seed Plant
Johannesburg, Gauteng, South Africa

Alliance Grain Traders (Tianjin) Co. Ltd.
Tianjin, China (Under Construction)

A. Poortman (London) Ltd.
UK, the Netherlands, Spain

forward-looking statements

Included in this document are forward-looking statements (within the meaning of applicable securities laws) with respect to AGT. 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, requirements for additional capital and the expected benefits of certain transactions.

This document contains or refers to certain forward-looking statements relating to, but not limited to, our expectations, intentions, plans and beliefs, including information as to the future financial or operating performance of AGT. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "contemplates", "expects" or "does not expect", "is expected", "budget", "goal", "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. Such forward-looking statements or forward looking information reflect Management's beliefs, estimates and opinions regarding AGT's future growth, results of operations, performance, and business prospects and opportunities at the time such statements are made and AGT takes no obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change. Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond AGT's control. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by AGT, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Forward-looking statements are not guarantees of future performance. By their nature, 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). 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 titled "Risk Factors" in the Annual Information Form of AGT dated March 27, 2012 which is available on SEDAR at www.sedar.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. AGT expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

Alliance GRAIN TRADERS Inc.

Consolidated Financial Statements

December 31, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Alliance Grain Traders Inc.

We have audited the accompanying consolidated financial statements of Alliance Grain Traders Inc., which comprise the consolidated statement of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flow for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alliance Grain Traders Inc. as at as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards

KPMG LLP

Chartered Accountants
March 22, 2012
Regina, Canada

MANAGEMENT'S RESPONSIBILITY

Consolidated Financial Statements

The audited consolidated financial statements are the responsibility of management and are approved by the Board of Directors of AGT. The consolidated financial statements have been prepared by management and are presented fairly in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information.

Management has established systems of internal controls, including disclosure controls and procedures, which are designed to provide reasonable assurance that financial and non-financial information that is disclosed is timely, complete, relevant and accurate. These systems of internal control also serve to safeguard AGT's assets. The systems of internal control are monitored by management.

The Audit Committee of the Board, whose members are independent of management, meets at least four times per year with management. The Audit Committee reviews the independence of the external auditor, approves audit and permitted non-audit services and reviews the consolidated financial statements and other financial disclosure documents before they are presented to the Board for approval.

These consolidated financial statements have been examined by the independent auditor, KPMG LLP, and their report is presented separately.

Murad Al-Katib
Chief Executive Officer
March 27, 2012

Lori Ireland
Chief Financial Officer
March 27, 2012

Alliance GRAIN TRADERS Inc.

Consolidated Statement of Financial Position
as at

(Stated in Canadian Dollars)

	Note	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Assets				
Current				
Cash and equivalents		$ 56,220,307	$ 23,628,472	$ 10,115,784
Restricted cash		-	-	6,009,799
Accounts receivable		171,522,366	134,886,424	89,012,506
Inventory	5	183,309,771	110,782,630	105,521,079
Prepaid expenses and deposits		4,427,192	7,239,024	2,271,432
Income tax receivable		3,713,439	3,210,941	-
Total current assets		**419,193,075**	**279,747,491**	**212,930,600**
Property, plant and equipment	6	197,321,213	168,685,433	134,810,322
Intangible assets	7	8,405,945	8,845,168	3,910,954
Goodwill	7	59,552,016	67,372,070	66,662,803
Long term receivable		801,943	-	-
Investment		1,250,000	1,250,000	1,000,000
Deferred income taxes	17	2,988,292	3,503,983	3,896,403
Total non-current assets		**270,319,409**	**249,656,654**	**210,280,482**
Total assets		**$ 689,512,484**	**$ 529,404,145**	**$ 423,211,082**
Liabilities				
Current				
Bank indebtedness	8	$ 197,868,017	$ 80,335,924	$ 30,105,128
Short term financing	9	42,370,877	24,925,150	26,280,000
Accounts payable and accrued liabilities		82,312,029	70,293,665	80,451,578
Income taxes payable		104,412	1,690,907	1,383,911
Current portion of long-term debt and finance leases	10	6,203,319	13,163,084	999,618
Dividends payable		2,961,461	-	2,308,938
Total current liabilities		**331,820,115**	**190,408,730**	**141,529,173**
Long-term debt and finance leases	10	74,561,817	22,892,916	36,624,321
Deferred income taxes	17	12,165,161	13,012,527	18,005,225
Total liabilities		**418,547,093**	**226,314,173**	**196,158,719**
Shareholders' equity				
Share capital	11	267,965,885	267,499,165	187,151,311
Contributed surplus		300,505	383,357	866,662
Accumulated other comprehensive loss		(25,012,972)	(12,507,259)	-
Retained earnings		27,711,973	47,714,709	39,034,390
Total shareholders' equity		**270,965,391**	**303,089,972**	**227,052,363**
Total liabilities and shareholders' equity		**$ 689,512,484**	**$ 529,404,145**	**$ 423,211,082**

Commitments and contingencies (Note 20)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

(signed) Murad Al-Katib
Director

(signed) Denis Arsenault
Director

Alliance GRAIN TRADERS Inc.

Consolidated Statement of Comprehensive Income
For the year ended December 31

(Stated in Canadian Dollars)

	Note		2011		2010
Revenues		$	759,974,100	$	642,139,516
Cost of sales	13		677,162,332		570,566,786
Gross profit			82,811,768		71,572,730
General administrative expenses	13		24,631,936		22,900,845
Marketing, sales and distribution expenses	13		25,871,327		19,439,896
Earnings from operations			**32,308,505**		**29,231,989**
Unrealized foreign exchange loss	14		28,813,933		720,984
Finance income			(855,819)		-
Finance expense	12		10,976,438		5,932,436
Earnings (loss) before income tax			**(6,626,047)**		**22,578,569**
Current income tax	17		2,204,474		6,596,527
Deferred income tax recovery	17		(369,939)		(2,984,352)
Net earnings (loss)			**(8,460,582)**		**18,966,394**
Other comprehensive loss			(12,505,713)		(12,507,259)
Total comprehensive income (loss)		**$**	**(20,966,295)**	**$**	**6,459,135**
Basic net earnings (loss) per share	11	$	(0.43)	$	1.01
Diluted net earnings (loss) per share	11	$	(0.43)	$	0.99

The accompanying notes are an integral part of these consolidated financial statements.

Alliance GRAIN TRADERS Inc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended

(Stated in Canadian Dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
Balance at January 1, 2010	**$ 187,151,311**	**$ 866,662**	**$ -**	**$ 39,034,390**	**$ 227,052,363**
Net earnings	-	-	-	18,966,394	**18,966,394**
Other comprehensive loss due to changes in foreign exchange	-	-	(12,757,259)	-	**(12,757,259)**
Gain on available for sale financial instrument	-	-	250,000	-	**250,000**
Issuance of common shares	80,000,000	-	-	-	**80,000,000**
Share issuance costs, net of tax	(577,634)	-	-	-	**(577,634)**
Issuance of shares pursuant to stock option plan	925,488	-	-	-	**925,488**
Dividends to shareholders	-	-	-	(10,286,075)	**(10,286,075)**
Other	-	(483,305)	-	-	**(483,305)**
Balance at December 31, 2010	**$ 267,499,165**	**$ 383,357**	**$ (12,507,259)**	**$ 47,714,709**	**$ 303,089,972**
Net loss	-	-	-	(8,460,582)	**(8,460,582)**
Other comprehensive loss due to changes in foreign exchange	-	-	(12,505,713)	-	**(12,505,713)**
Issuance of shares pursuant to stock option plan	466,720	-	-	-	**466,720**
Dividends to shareholders	-	-	-	(11,542,154)	**(11,542,154)**
Other	-	(82,852)	-	-	**(82,852)**
Balance at December 31, 2011	**$ 267,965,885**	**$ 300,505**	**$ (25,012,972)**	**$ 27,711,973**	**$ 270,965,391**

The accompanying notes are an integral part of these consolidated financial statements.

Alliance GRAIN TRADERS Inc.

Consolidated Statement of Cash Flow
For the year ended December 31

(Stated in Canadian Dollars)

	Note	2011	2010
Cash from (used for) the following:			
Operating activities			
Net earnings (loss)		$ (8,460,582)	$ 18,966,394
Items not involving cash:			
- Depreciation		5,506,355	3,377,087
- Depreciation in costs of sales		6,725,631	3,976,945
- Unrealized foreign exchange loss		28,813,933	720,984
- Deferred income taxes	17	(369,939)	(2,984,352)
- Loss on disposal of property, plant and equipment		63,187	505,171
- Income tax expense		2,204,474	6,596,527
Interest paid		(7,648,666)	(5,919,940)
Income taxes paid		(5,562,726)	(9,159,065)
Non-cash working capital	16	(95,431,810)	(59,776,748)
		(74,160,143)	(43,696,997)
Financing activities			
Increase in bank indebtedness		114,572,309	46,855,451
Increase (decrease) in short term financing		8,750,168	(1,354,850)
Net proceeds from the issuance of shares		-	77,204,690
Proceeds from long term debt	10	54,873,993	36,141,183
Repayment of long term debt	10	(8,495,920)	(37,447,489)
Dividends paid		(8,580,693)	(12,595,013)
		161,119,857	108,803,972
Investing activities			
Increase in long term receivables		(801,943)	-
Restricted cash		-	6,009,799
Purchase of property, plant and equipment and intangible assets	6, 7	(41,711,069)	(38,324,834)
Proceeds from the sale of property, plant and equipment	6	101,229	305,420
Acquisitions, net of cash acquired	4	(8,900,315)	(18,678,351)
		(51,312,098)	(50,687,966)
Effect of exchange rate changes on cash		(3,055,781)	(906,321)
Increase in cash position		$ 32,591,835	$ 13,512,688
Cash position, beginning of the year		**$ 23,628,472**	**$ 10,115,784**
Cash position, end of the year		**$ 56,220,307**	**$ 23,628,472**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

1. Reporting entity

Alliance Grain Traders Inc. ("AGT") is located in Canada. The address of AGT's registered office is 199 Bay Street, Suite 5300, Toronto, Ontario, M5L 1B9. The management of day-to-day operations is carried out at P.O. Box 30029 No. 1 Highway East, South Tower Road, Regina, Saskatchewan S4N 7K9. The consolidated financial statements of AGT are comprised of AGT and its subsidiaries. AGT through its subsidiaries in Canada, USA, China, Europe, Australia, South Africa and Turkey are engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) a full range of specialty crops, including lentils, peas, chickpeas, beans and canary seed, primarily for export markets along with wheat, bulgar, rice and pasta.

2. Basis of presentation

(a) Statement of compliance

The consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB). These are AGT's first consolidated financial statements prepared under IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), has been applied. All financial statements are expressed in Canadian dollars, AGT's functional and presentation currency, unless otherwise stated.

For all periods up to and including the year ended December 31, 2010, AGT prepared its financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP). These consolidated financial statements for the year ended December 31, 2011 are the first annual statements AGT has prepared in accordance with IFRS for periods beginning on or after January 1, 2011 as described in the accounting policies. In preparing these financial statements, AGT's opening statement of financial position was prepared as at January 1, 2010, AGT's date of transition to IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of AGT is provided in note 22.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 22, 2012.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value (note 14).

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

2. Basis of presentation – continued

(c) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Estimates and judgement are used when accounting for items such as collectability of receivables, depreciation and amortization, net realizable value of inventory, estimated useful lives and impairment of long-lived assets, valuation of goodwill, valuation of intangible assets, allocation of acquisition purchase prices, stock-based compensation, accounting for income taxes, fair value of financial assets and liabilities and amounts and likelihood of contingencies.

Estimates and judgements that have the most significant impact on the amounts recognized in the consolidated financial statements are as follows:

- **Impairment of Long-Lived and Intangible Assets**
  AGT assesses the carrying values of property, plant and equipment, intangibles assets, and goodwill annually, or more frequently if warranted by circumstances. Recoverability is determined through assumptions and judgements regarding future cash flows, sustaining capital requirements, discount rates, and asset lives. A material change in assumptions may impact the potential recoverability of these assets, resulting in amounts charged against current earnings

- **Accounting for Income Taxes**
  AGT operates in a number of tax jurisdictions and is required to estimate its income taxes in each of these jurisdictions in preparing its financial statements. Significant judgement is required in determining income tax provisions and the recoverability of deferred income tax assets. In calculating income taxes consideration is given to items such as tax rates in each jurisdiction, deductibility of expenses, valuation allowances, changing tax laws and management's expectations about future results. AGT estimates deferred income taxes based on temporary differences income and losses for financial reporting purposes and income and losses determined under the substantively enacted tax laws and rates. The tax effect of these temporary differences is recorded as a deferred tax assets or liabilities in the financial statements. The calculation of income taxes requires the use of judgement and estimates. If these judgements and estimates prove to be inaccurate, future earnings may be materially impacted.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated. The accounting policies have been applied consistently by AGT's entities.

(a) Revenue recognition

AGT recognizes revenue primarily from the sale of goods. Revenue on North American sales is recognized when the product is delivered to the customer and/or when the risks and rewards of ownership are otherwise transferred to the customer and when the price is fixed and determinable. Revenue on North American export sales is recognized upon transfer of title to the customer and when the other revenue recognition criteria have been met, which generally occurs when product is transferred to port facilities. Revenue from sales originating outside of North America is recognized upon transfer of title to the customer based on contractual terms of each arrangement and when the other revenue recognition criteria have been met. Shipping and handling costs are included as a component of cost of goods sold.

(b) Basis of consolidation

Business combinations
Acquisitions on or after January 1, 2010
For acquisitions on or after January 1, 2010, AGT measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net earnings.

Transaction costs, other than those associated with the issue of debt or equity securities, that AGT incurs in connection with a business combination are expensed as incurred.

Acquisitions prior to January 1, 2010
As part of its transition to IFRS, AGT elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian GAAP.

Subsidiaries
Subsidiaries are entities controlled by AGT. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of AGT entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on transactions are recognized in net earnings except for financial assets and liabilities designated as hedges of the investment in foreign operations or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates prevailing at the date of the transaction. Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

(d) Financial instruments

(i) Non-derivative financial assets

AGT initially recognizes loans and receivables and deposits on the date that they are originated at fair value. All other financial assets are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument.

AGT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by AGT is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, AGT has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(i) Non-derivative financial assets – (continued)

Financial assets at fair value through net earnings
A financial asset is classified at fair value through net earnings if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through net earnings if AGT manages such investments and makes purchase and sale decisions based on their fair value in accordance with AGT's documented risk management or investment strategy. Upon initial recognition relevant transaction costs are recognized in net earnings as incurred. Financial assets at fair value through net earnings are measured at fair value, and changes therein are recognized in net earnings.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. AGT's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net earnings.

(ii) Non-derivative financial liabilities
AGT initially recognizes debt securities issued on the date that they are originated at fair value. All other financial liabilities (including liabilities designated at fair value through net earnings) are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument. AGT derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when AGT has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

AGT has the following non-derivative financial liabilities: bank indebtedness, short term financing, accounts payable and accrued liabilities, long-term debt and finance leases and dividends payable. Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs, which are expensed through net earnings. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(iii) Derivative financial instruments

AGT holds derivative financial instruments to mitigate its foreign currency risk exposures. Embedded derivatives are separated from the host contracts and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net earnings.

Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized immediately in net earnings.

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(e) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated net impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. During their construction, items of property, plant and equipment are classified as construction in progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property, plant and equipment and depreciation of the item commences.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in net earnings.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to AGT, and its cost can be measured reliably. The net carrying amount of the replaced part is derecognized and recorded as an expense in AGT's net earnings. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings as incurred.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value.

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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation related to production is recognized through cost of sales. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that AGT will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

• Building and site improvement	Straight line	20 to 50 years
• Motor vehicles	Straight line	5 to 10 years
• Plant and equipment	Straight line	2 to 30 years
• Fixtures and fittings	Straight line	20 to 25 years
• Equipment under finance leases	Straight line	2 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is recorded separately. Goodwill is assessed annually for impairment during the fourth quarter, unless a triggering event occurs that would signify the need to evaluate more frequently. For measurement of goodwill at initial recognition, see note 3 (b).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by AGT and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets which have an indefinite life are measured annually for impairment during the fourth quarter, unless a triggering event occurs that would signify the need to evaluate more frequently.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, is recognized in net earnings as incurred.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(iv) Amortization

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in net earnings as part of general and administration on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Rights 10 years
- Customer relationships 10 years
- Other 10 years

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Leased assets

Leases in terms of which AGT assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease agreements that do not meet the recognition criteria of a finance lease are classified and recognized as operating leases and are not recognized in AGT's statement of financial position. Payments made under operating leases are charged to income on a straight-line basis over the lease term.

(h) Inventories

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct costs related to the purchase such as cost of grain, direct materials, direct labour, operational overhead expenses, depreciation and freight costs. Net realizable value for finished products, intermediate products and raw materials is generally considered to be the selling price of the finished product in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. Inventory is reviewed monthly to ensure the carrying value does not exceed net realizable value. If so, a write-down is recognized. The write-down may be reversed if the circumstances which caused it no longer exist.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(i) Impairment

Financial assets (including receivables)
A financial asset not carried at fair value through net earnings is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to AGT on terms that AGT would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

AGT considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, AGT uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings. Impairment losses on available-for-sale financial assets are recognized through other comprehensive income. Any subsequent recovery in the fair value of an impaired available for-sale financial instrument is recognized in other comprehensive income.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

Non-financial assets

The carrying amounts of AGT's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

AGT's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(j) Employee benefits – continued

Share-based payment transactions
The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(k) Provisions

A provision is recognized if, as a result of a past event, AGT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by AGT from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, AGT recognizes any impairment loss on the assets associated with that contract.

(l) Lease payments

Payments made under operating leases are recognized in net earnings on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on disposal of available-for-sale financial assets. Interest income is recognized as it accrues in net earnings, using the effective interest method.

Finance costs comprise interest expense and fees on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net earnings using the effective interest method.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of temporary difference is controlled by AGT and it is probable the temporary difference will not reverse in the foreseeable future.

(o) Earnings per share

AGT presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of AGT by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, such as compensation options granted to employees and Directors.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(p) Segment reporting

An operating segment is a component of AGT that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of AGT's other components. All operating segments' operating results are reviewed regularly by AGT's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily AGT's headquarters), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

3. Significant accounting policies – continued

(q) New standards and interpretations

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these consolidated financial statements as their effective dates fall in periods beginning subsequent to the current reporting period.

Proposed standards	Description	Previous Standard	Effective Date
IFRS 10 - Consolidated Financial Statements	Builds on the existing principles of control and elaborates on the definition of control when determining whether an entity should be consolidated or not.	SIC-12 -Consolidation - Special Purpose Entities IAS 27 -Consolidated and Separate Financial Statements	January 1, 2013
IFRS 11 - Joint Arrangements	Focuses on the rights and obligations of an arrangement rather than its legal form and requires a single method to account for interests in jointly controlled entities.	IAS 31 - Interests in Joint Ventures SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers	January 1, 2013
IFRS 12 - Disclosure of Interest in Other Entities	A new standard detailing disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-statement of financial position vehicles.	Various - no direct replacement	January 1, 2013
IFRS 13 - Fair Value Measurement	Sets out a single framework for measuring fair value and disclosure requirements surrounding the inputs and assumptions used in determining fair value.	Various - no direct replacement	January 1, 2013
IFRS 9 - Financial Instruments	Initially issued in November 2009 to address the classification and measurement of financial assets. Additional guidance issued in October 2010 on the classification and measurement of financial liabilities.	IAS 39 - Financial Instruments: Recognition and Measurement	January 1, 2015
IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	Issued in December 2011. Clarifies the presentation and disclosure requirements related to the offsetting of financial assets and liabilities.	IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	January 1, 2014

Management continues to assess the potential impact of standards and amendments effective in future years for impacts on both quantitative and qualitative disclosure.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

4. Business combinations

Acquisitions are accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table below summarizes the purchase price allocation of assets acquired and liabilities assumed in 2011:

Purchase price equation comprised of:	*i)* Canz Commodities	*ii)* Advance Seed	Total
Total purchase price	$ 6,622,158	$ 4,295,943	$ 10,918,101
Allocation of purchase price:			
Cash and cash equivalents	-	489,981	489,981
Accounts receivable	-	7,181,882	7,181,882
Inventory	-	4,855,881	4,855,881
Property, plant and equipment	6,622,158	4,005,375	10,627,533
Identifiable tangible assets	6,622,158	16,533,119	23,155,277
Bank indebtedness	-	(1,399,548)	(1,399,548)
Short term financing	-	(4,039,442)	(4,039,442)
Accounts payable and accrued liabilities	-	(6,690,823)	(6,690,823)
Deferred income tax asset	-	58,437	58,437
Deferred income tax liability	-	(284,334)	(284,334)
Intangible assets	-	118,534	118,534
	$ 6,622,158	$ 4,295,943	$ 10,918,101

i) On July 29, 2011, AGT acquired 100 percent of Canz Commodities, a chickpea and pulse processor in Narrabri, New South Wales Australia. The assets acquired include real property, storage and related handling equipment and a processing plant for pulses and grains, specializing in desi and kabuli chickpeas, faba beans, mung beans and albus lupins. The purchase price for Canz Commodities was $6.6 million CAD. The Narrabri facility is currently operational with capital expansions and improvements commencing upon purchase. The facility will be owned and operated by AGT's wholly owned subsidiary, Australia Milling Group PTY Ltd. Included in these consolidated financial statements AGT has recognized additional revenues from its Australian operations of approximately $7.6 million and additional earnings of approximately $470,000. If these facilities had been part of AGT's integrated operations for the entire 12 month period ending December 31, revenue would have increased by approximately $30.4 million, and net earnings would have increased by approximately $1.88 million.

ii) On October 11, 2011, AGT acquired South Africa based Advance Seed from Euro-Africa Trading, a European based holding company. The assets acquired include real property, storage and related handling equipment, a processing plant for pulses, popcorn and grains and grass seeds, as well as three warehouses and small packaging plants, supplying the wholesale and retail markets with a range of pulses, grains and popcorn. Certain processing facilities as well as the warehouse and small packaging plants are currently operational. Advance Seed will continue to be run by the management team in place at the time of acquisition.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

4. Business combinations – continued

AGT estimates that the amounts allocated to the accounts receivables purchased approximates the gross amounts owed and the receivables fair value. AGT expects that all amounts owing are collectable, and no allowances for uncollectable amounts are expected to be recorded. AGT has paid cash for the initial purchase of 82 percent of the outstanding shares of Advance Seed, with the remaining 18 percent of the purchase price recorded a liability and may ultimately be settled with the issuance of cash or shares of AGT. AGT is awaiting approval of the South African financial regulators to determine the final form of the consideration to be tendered, at which time the transaction will be considered finalized. Advance Seed currently has a June 30 year end which will be changed to December 31 in 2012 to conform with the AGT year end. Included in these consolidated financial statements AGT has recognized additional revenues from Advance Seed of approximately $11.3 million and additional earnings of approximately $0.2 million. If these facilities had been part of AGT's integrated operations for the entire 12 month period ending December 31, revenue would have increased by approximately $45.2 million, and net earnings would have increased by approximately $0.8 million.

i. Finalization of 2010 purchase equation

(1) On November 1, 2010, AGT acquired the shares of A. Poortman (London) Ltd. Group (the "Poortmans Group"), 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 purchase price for the Poortmans Group acquisition was $14.38 million CAD, which was paid in cash. The table below summarizes the preliminary fair value of assets acquired and liabilities assumed, the adjustments to the initial purchase equation, and the final purchase price equation:

Purchase price comprised of:	Poortmans (1)	Adjustment in Finalizing Purchase Equation	Final Poortmans Purchase Equation	Balco and Northern Yorke Processing (2)	Total
Total purchase price	$ 14,375,610	$ -	$ 14,375,610	$ 5,093,354	$ 19,468,964
Allocation of purchase price:					
Cash and cash equivalents	790,613	-	790,613	-	790,613
Accounts receivable	8,777,076	-	8,777,076	-	8,777,076
Inventory	7,539,283	-	7,539,283	-	7,539,283
Property, plant and equipment	384,478	-	384,478	5,043,120	5,427,598
Identifiable tangible assets	17,491,450	-	17,491,450	5,043,120	22,534,570
Accounts payable and accrued liabilities	(8,566,268)	-	(8,566,268)	-	(8,566,268)
Deferred income tax liability	(525,230)	(262,203)	(787,433)	-	(787,433)
Intangible assets	1,875,822	1,008,447	2,884,269	-	2,884,269
Goodwill	4,099,836	(746,244)	3,353,592	50,234	3,403,826
	$ 14,375,610	$ -	$ 14,375,610	$ 5,093,354	$ 19,468,964

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

4. Business combinations – continued

(2) On November 15, 2010, AGT completed the acquisition of Balco Grain Services and certain real property from Balco Holdings, located in Bowmans, South Australia. The acquisition included real property, vertical and horizontal storage for pulses and grains, and related handling equipment. Also on November 15, 2010, AGT completed the acquisition of Northern Yorke Processing, 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 these acquisitions was $5,093,354, which was paid in cash. Goodwill acquired is not deductible for tax purposes.

5. Inventory

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Raw materials	$ 53,581,696	$ 32,213,675	$ 15,117,887
Processed product	36,428,285	47,975,303	68,801,250
Split production	19,264,868	5,037,187	4,047,062
Packaged product	71,191,443	23,601,093	17,426,954
Other	2,843,479	1,955,372	127,926
	$ 183,309,771	$ 110,782,630	$ 105,521,079
Depreciation in ending inventory	$ 249,226	$ 235,247	$ 194,946
Inventory expensed in cost of goods sold	449,203,604	370,639,018	-

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

6. Property, plant and equipment

Cost	Land	Building and site improvement	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	Construction in Progress	Total
Balance at January 1, 2010	$ 13,443,448	$ 47,628,912	$ 83,388,672	$ 3,988,740	$ 2,136,512	$ 7,947,877	**$ 158,534,161**
Addition	449,845	465,475	3,394,252	907,578	586,145	32,521,539	**38,324,834**
Disposal	-	(3,448)	(948,147)	(171,182)	(48,708)	-	**(1,171,485)**
Acquisition through business combinations	2,831,241	724,921	1,439,776	36,275	395,385	-	**5,427,598**
Asset reclassified within the schedule	(570,871)	(379,823)	683,588	68,335	198,771	-	**-**
Transfer from construction in progress	-	3,609,397	8,614,739	115,411	-	(12,339,547)	**-**
Effects of movement in exchange rates	(1,344,669)	(1,056,857)	(714,586)	(171,186)	(150,402)	314,401	**(3,123,299)**
Balance at December 31, 2010	$ 14,808,994	$ 50,988,577	$ 95,858,294	$ 4,773,971	$ 3,117,703	$ 28,444,270	**$ 197,991,809**
Addition	2,614,400	752,126	3,324,658	596,236	819,815	33,351,104	**41,458,339**
Disposal	-	-	(133,230)	(115,014)	(3,049)	-	**(251,293)**
Acquisition through business combinations	934,803	5,016,592	4,379,049	214,808	82,281	-	**10,627,533**
Asset reclassified within the schedule	-	(46,318)	69,362	(8,007)	(15,037)	-	**-**
Transfer from construction in progress	-	11,198,102	28,574,274	1,424,543	248,688	(41,445,607)	**-**
Effects of movements in exchange rates	(545,070)	(2,475,347)	(8,597,327)	(185,850)	(205,805)	(1,876,082)	**(13,885,481)**
Balance at December 31, 2011	$ 17,813,127	$ 65,433,732	$ 123,475,080	$ 6,700,687	$ 4,044,596	$ 18,473,685	**$ 235,940,907**
Accumulated Depreciation							
Balance at January 1, 2010	$ -	$ 2,810,886	$ 18,512,220	$ 1,530,244	$ 870,489	$ -	**$ 23,723,839**
Depreciation for the period	-	1,239,105	3,774,079	544,572	545,732	-	**6,103,488**
Disposal	-	10,124	(286,923)	(76,770)	(7,325)	-	**(360,894)**
Effects of movements in exchange rates	-	293,307	(449,441)	(41,294)	37,371	-	**(160,057)**
Balance at December 31, 2010	$ -	$ 4,353,422	$ 21,549,935	$ 1,956,752	$ 1,446,267	$ -	**$ 29,306,376**
Depreciation for the period	-	1,520,036	9,242,738	705,300	447,522	-	**11,915,596**
Disposal	-	-	(56,894)	(27,392)	(2,591)	-	**(86,877)**
Effects of movements in exchange rates	-	(219,859)	(2,058,244)	(126,531)	(110,767)	-	**(2,515,401)**
Balance at December 31, 2011	$ -	$ 5,653,599	$ 28,677,535	$ 2,508,129	$ 1,780,431	$ -	**$ 38,619,694**
Net Book Value at January 1, 2010	**$ 13,443,448**	**$ 44,818,026**	**$ 64,876,452**	**$ 2,458,496**	**$ 1,266,023**	**$ 7,947,877**	**$ 134,810,322**
Net Book Value at December 31, 2010	**14,808,994**	**46,635,155**	**74,308,359**	**2,817,219**	**1,671,436**	**28,444,270**	**168,685,433**
Net Book Value at December 31, 2011	**17,813,127**	**59,780,133**	**94,797,545**	**4,192,558**	**2,264,165**	**18,473,685**	**197,321,213**
Assets under capital lease, January 1, 2010	$ -	$ -	$ 7,104,244	$ 111,188	$ -	$ -	$ 7,215,432
Assets under capital lease, December 31, 2010	-	-	5,557,340	86,391	14,047	-	5,657,778
Assets under capital lease, December 31, 2011	-	-	4,815,844	102,894	190,714	-	5,109,452

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

7. Intangible assets and goodwill

Cost	Rights	Brands	Customer Relationships	Other Intangible Assets	**Total Intangible Assets**	Goodwill	**Total Goodwill and Intangible Assets**
Balance at January 1, 2010	$ 85,047	$ 3,885,493	$ -	$ 134,166	**$ 4,104,706**	$ 66,662,803	**$ 70,767,509**
Acquisitions through business combinations	-	-	1,875,822	4,000,000	**5,875,822**	4,989,059	**10,864,881**
Effects of movements in exchange rates	(7,065)	(322,819)	(98,701)	(431,814)	**(860,399)**	(4,279,792)	**(5,140,191)**
Balance at December 31, 2010	$ 77,982	$ 3,562,674	$ 1,777,121	$ 3,702,352	**$ 9,120,129**	$ 67,372,070	**$ 76,492,199**
Additions	182,899	28,786	-	41,045	**252,730**	-	**252,730**
Acquisitions through business combinations	23,742	107,509	-	-	**131,251**	-	**131,251**
Reclass of Intangibles	-	-	4,571,121	(3,562,674)	**1,008,447**	(746,244)	**262,203**
Effects of movements in exchange rates	(41,688)	(556,362)	(561,710)	(28,879)	**(1,188,639)**	(7,073,810)	**(8,262,449)**
Balance at December 31, 2011	$ 242,935	$ 3,142,607	$ 5,786,532	$ 151,844	**$ 9,323,918**	$ 59,552,016	**$ 68,875,934**
Accumulated Amortization							
Balance at January 1, 2010	$ 38,764	$ 100,000	$ -	$ 54,988	**$ 193,752**	$ -	**$ 193,752**
Amortization for the period	6,142	(100,000)	31,264	143,803	**81,209**	-	**81,209**
Balance at December 31, 2010	$ 44,906	$ -	$ 31,264	$ 198,791	**$ 274,961**	$ -	**$ 274,961**
Amortization for the period	24,744	37,764	597,941	32,603	**693,052**	-	**693,052**
Reclass of Intangibles	-	-	88,571	(105,416)	**(16,845)**	-	**(16,845)**
Effects of movements in exchange rates	(10,770)	-	(4,002)	(18,423)	**(33,195)**	-	**(33,195)**
Balance at December 31, 2011	$ 58,880	$ 37,764	$ 713,774	$ 107,555	**$ 917,973**	$ -	**$ 917,973**
Carrying amounts							
At January 1, 2010	**$ 46,283**	**$ 3,785,493**	**$ -**	**$ 79,178**	**$ 3,910,954**	**$ 66,662,803**	**$ 70,573,757**
At December 31, 2010	**33,076**	**3,562,674**	**1,745,857**	**3,503,561**	**8,845,168**	**67,372,070**	**76,217,238**
At December 31, 2011	**184,055**	**3,104,843**	**5,072,758**	**44,289**	**8,405,945**	**59,552,016**	**67,957,961**

The brands AGT recognizes are considered intangible assets with an indefinite life as the brands are actively managed with no current expectation that the brand will cease to exist.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

7. Intangible assets and goodwill

Intangible assets are assessed for impairment regularly, with detailed impairment testing carried out for indefinite life intangible assets and goodwill annually. For the purposes of impairment testing, goodwill and indefinite life intangible assets are allocated the lowest level within AGT at which goodwill and indefinite life intangible assets are monitored for internal management purposes as follows:

	Dec 31, 2011		Dec 31, 2010		Jan 1, 2010	
	Goodwill	Indefinite Life Intangible Asset	Goodwill	Indefinite Life Intangible Asset	Goodwill	Indefinite Life Intangible Asset
Turkey	$ 37,843,080	$ 2,993,370	$ 45,040,396	$ 3,562,674	$ 48,203,613	$ 3,885,493
Canada	18,399,190	-	18,399,191	-	18,399,190	-
United Kingdom	3,247,628	-	3,871,805	-	-	-
	$ 59,489,898	$ 2,993,370	$ 67,311,392	$ 3,562,674	$ 66,602,803	$ 3,885,493
Units without significant allocations	62,118	-	60,678	-	60,000	-
Total	$ 59,552,016	$ 2,993,370	$ 67,372,070	$ 3,562,674	$ 66,662,803	$ 3,885,493

The recoverable amount of the units was based on the expected value in use of the cash generating units (CGU) to which goodwill has been allocated. The value in use was determined by discounting management's estimate of the expected cash flows to be generated through continuing use of the CGU.

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amounts are the discount rates and the budgeted earnings before interest, taxes, depreciation and amortization (EBITDA)** growth rate. AGT used budgeted earnings before interest, taxes, depreciation and amortization as an approximation for baseline cash flows. The assumptions are as follows:

	Dec 31, 2011		Dec 31, 2010		Jan 1, 2010	
	Discount Rate	EBITDA** Growth	Discount Rate	EBITDA** Growth	Discount Rate	EBITDA** Growth
Turkey	13%	10%	13%	8%	13%	8%
Canada	6%	0%	6%	0%	6%	0%
United Kingdom	8%	0%	8%	0%	8%	0%

Discount rate

Discount rates are a pre-tax measure based on risk-free rates for 2-year or longer bonds issued by the government in the relevant market. The rates were then adjusted to reflect both the increased risk of investing in equities and the risk specific to the unit.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

7. Intangible assets and goodwill - continued

Budgeted EBITDA** growth

Budgeted EBITDA** was projected based on AGT's 2012 budget which incorporated management's past experience and expectations of future unit performance. Management based growth rates over the first five years of the cash flow projection on a combination of historical growth in the unit and management's expectation of performance over the forecast period. Changes in cash flows associated with various working capital account balances due to estimated growth have been factored into the estimated cash flows. Cash flows into perpetuity have been assumed based on the inclusion of an annual cash outflow associated with sustaining capital expenditures. These are estimated expenditures that are intended to maintain the performance of the property, plant and equipment of the unit. No growth of EBIDTA** has been assumed for this terminal period.

** AGT provides some non-IFRS measures in its management discussion and analysis and other public documents as supplementary information that Management believes may be useful to investors to explain AGT's financial results. EBITDA** (earnings before interest, income taxes, depreciation and amortization, one time set up costs and any effects of non-cash foreign exchange adjustment) is one of these measures.

8. Bank indebtedness

At December 31, 2011, AGT had total operating lines with varying maturity dates and other facilities available of $280.2 million (December 31, 2010 - $255.7 million, January 1, 2010 $176.4 million), a $130 million of which is secured by a general security agreement. Interest rates on CDN and USD operating credits range from 3% to 8% (January 1 and December 31, 2010 - 3% to 8%) with varying maturity dates (see note 21).

9. Short term financing

At December 31, 2011, AGT had unsecured financing instruments in place, with maturities ranging from March to August 2012, and bearing interest rates ranging from 1.5% to 2.7% (December 31, 2010 - 2.6% to 2.9%; January 1, 2010 - 3.6% to 3.9%).

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

10. Long term debt

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Term Debt			
Loan payable, bearing an interest rate of 8.7%, with a maturity date of February 2012, secured by inventory and accounts receivable.	$ 2,554,218	$ 10,023,792	$ 10,571,415
Loan payable, bearing an interest rate of prime plus 1.1%, with monthly payments of interest only, due November 2015, secured by certain property, plant and equipment.	49,998,471	15,270,036	12,000,000
Loan payable, bearing an interest rate of prime plus 1%, interest only, due December 2023 - repaid during 2010.	-	-	5,566,718
Loan payable, bearing an interest rate of prime plus 1.1% with monthly interest payments to November 2012 and combined principal and interest payments of $368,921 to October 2017 secured by property, plant and equipment.	20,000,000	-	-
Loan payable, bearing interest rates varying from 4% to 8%, with monthly payments of USD $89,069, due dates ranging from April 2012 to July 2022, secured by property, plant and equipment.	4,681,118	5,222,256	2,502,048
Loan payable, bearing an interest rate of Canadian Bankers Acceptance rate plus 3.75%, monthly principal payments of $12,500, due October 2012, repaid during 2010.	-	-	526,391
Loan payable, bearing an interest rate of Canadian Bankers Acceptance rate plus 3.75%, monthly principal payments of $6,900, due October 2012, secured by certain property, plant and equipment.	485,000	567,800	650,600
Vehicle debt payable, bearing an interest rate of 0.9%, monthly payments of $858, due June 2011, secured by vehicle.	-	5,265	16,561
Finance Leases			
Leases payable, bearing interest rates ranging from 3.2% to 6.5% in total monthly payments of EUR 259,466 and $1,334 USD, secured by equipment, due dates ranging from January 2012 to June 2014.	2,628,750	4,817,476	5,517,858
Leases payable, bearing variable interest rates from 8.5% to 9.75%, with monthly payments of 58,269 ZAR, secured by equipment due on dates varying from February 2012 to December 2015.	189,683	-	-
Lease payable bearing 0% interest with monthly payments of $16,091 CAD secured by equipment, due date is November 2012	176,997	-	-
Leases payable, bearing variable interest rates from 9.1% to 10.25%, with monthly payments of $4,027.46 CAD, secured by equipment, due on dates varying from February 2012 to February 2013.	30,374	114,732	235,319
Lease, bearing interest rates varying from 8% to 9% with monthly payments of $1,463 USD currency, secured by equipment, due dates between July 2012 and November 2015.	20,525	34,643	37,029
	80,765,136	$ 36,056,000	$ 37,623,939
Total current portion	(6,203,319)	(13,163,084)	(999,618)
	$ 74,561,817	$ 22,892,916	$ 36,624,321

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

10. Long term debt - continued

The estimated principal repayments for term loans and future minimum payments for finance leases in each of the next five years are as follows:

	Term debt	Finance leases	Total
2012	$ 4,397,552	$ 1,805,767	$ 6,203,319
2013	4,504,996	1,069,867	5,574,863
2014	4,718,064	155,495	4,873,559
2015	54,423,330	15,200	54,438,530
2016	4,570,191	-	4,570,191
thereafter	5,104,674	-	5,104,674
	$ 77,718,807	$ 3,046,329	$ 80,765,136

The fair value of the finance lease obligations are estimated as $3,046,329 (2010 - $4,966,850). The carrying value of variable and fixed interest rate debt approximates fair value.

11. Share capital

a) Authorized – Unlimited number of voting common shares without par value

b) Issued – 19,743,077 common shares

	# of Common Shares	Amount
Issued and outstanding at January 1, 2010	17,103,246	$ 187,151,311
Issuance of common shares (1)	2,500,000	80,000,000
Share issuance costs, net of tax	-	(577,634)
Issuance of shares pursuant to stock option plan	102,832	925,488
Balance, December 31, 2010	19,706,078	$ 267,499,165
Issuance of shares pursuant to stock option plan	36,999	466,720
Balance, December 31, 2011	19,743,077	$ 267,965,885

(1) Issuance of common shares

On April 26, 2010, 2,500,000 shares were issued at a price of $32.00 per share. The net proceeds of the offering were used to finance AGT's growth strategy, working capital requirements and for general corporate purposes.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

11. Share capital – continued

c) Stock option plan

On April 21, 2008 AGT issued options to acquire 605,000 units of AGT, each exercisable for one share of AGT at a price of $9.00 per share until April 21, 2013. Subsequently 75,000 options were cancelled and never exercised. Options vest annually, over a three year period ending in 2012.

Risk free interest rate	3%
Expected volatility	25%
Expected time until exercise	5 years
Dividend Yield	10%

The Black-Scholes options valuation model used by AGT to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future share price volatility and expected time until exercise. AGT's outstanding options have characteristics which are significantly different from those of traded options and changes in any of the assumptions may have a material effect on the estimated value.

Changes in the number of options, with their weighted average exercise prices, are summarized below:

	2011		2010	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Stock options outstanding, beginning of year	427,168	$ 9.00	530,000	$ 9.00
Granted	-	-	-	-
Exercised	(36,999)	-	(102,832)	-
Forfeited	-		-	-
Expired	-	-	-	-
Stock options outstanding, end of year	390,169	$ 9.00	427,168	$ 9.00
Stock options exercisable, end of year	246,836	$ 9.00	107,168	$ 9.00

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

11. Share capital – continued

d) Per share amounts

	Dec 31, 2011	Dec 31, 2010
Basic earnings per share computation		
Net (loss) earnings attributable to equity holders	$ (8,460,582)	$ 18,966,394
Weighted average common shares outstanding	19,725,023	18,866,853
Basic (loss) earnings per common share	**$ (0.43)**	**$ 1.01**
Diluted earnings per share computation		
Net (loss) earnings attributable to equity holders	$ (8,460,582)	$ 18,966,394
Weighted average common shares outstanding	19,725,023	18,866,853
Dilutive effect of stock options	-	304,042
Weighted average common shares outstanding assuming dilution	19,725,023	19,170,895
Diluted (loss) earnings per common share	**$ (0.43)**	**$ 0.99**

There was no dilutive impact of stock options in 2011 as AGT recognized a net loss attributable to equity holders. Had AGT recognized earnings attributable to equity holders, the dilutive effect of stock options would have resulted in an additional 246,167 shares for the purposes of calculating weighted average common shares outstanding assuming dilution.

During 2011, AGT had a dividend per share of $0.58 per share (2010 - $0.52 per share).

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

12. Finance expense

	Dec 31, 2011	Dec 31, 2010
Interest current	$ 6,546,122	$ 4,990,661
Interest on long term debt	2,452,797	941,775
Trade finance fees and expense	1,977,519	-
	$ 10,976,438	$ 5,932,436

	Dec 31, 2011	Dec 31, 2010
Borrowing costs capitalized during the period	$ 1,962,105	$ 38,419
Capitalization rate	11.35%	3.00%

Borrowing costs capitalized in 2011 were comprised mainly of debt amounts that were directly attributable to the construction of assets in AGT's Turkish subsidiary.

13. Expenses by nature

Certain expenses have been allocated on the Statement of Comprehensive Income in order to analyze expenses by their function. These expenses were allocated into the cost of sales, general administrative expenses and marketing, sales and distribution expense lines. The nature of these expenses is as follows:

	Dec 31, 2011	Dec 31, 2010
Employee salaries and benefits	$ 34,044,724	$ 24,303,699
Depreciation	12,231,986	7,354,032

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments

Financial risk management objectives and policies

Fair values

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments. AGT, as part of its operations, may carry a number of financial instruments including 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.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments - continued

Fair values – continued

AGT's financial instruments are classified as follows:

	Fair value		Amortized cost		Total	
December 31, 2011	Through Profit or Loss	Available for Sale	Loans and receivables	Other financial liabilities	Carrying amount	Fair value
Financial Assets						
Cash and cash equivalents	56,220,307	-	-	-	56,220,307	56,220,307
Accounts receivables	-	-	171,179,212	-	171,179,212	171,179,212
Investment	-	1,250,000	-	-	1,250,000	1,250,000
Foreign exchange derivatives *	343,154	-	-	-	343,154	343,154
Financial Liabilities						
Bank indebtedness	-	-	-	197,868,017	197,868,017	197,868,017
Short term financing	-	-	-	42,370,877	42,370,877	42,370,877
Accounts payable and accrued liablities	-	-	-	80,655,980	80,655,980	80,655,980
Long-term debt and finance leases	-	-	-	80,765,136	80,765,136	80,765,136
Foreign exchange derivatives *	1,656,049	-	-	-	1,659,049	1,659,049
Dividend payable	-	-	-	2,961,461	2,961,461	2,961,461

	Fair value		Amortized cost		Total	
December 31, 2010	Through Profit or Loss	Available for Sale	Loans and receivables	Other financial liabilities	Carrying amount	Fair value
Financial Assets						
Cash and cash equivalents	23,628,472	-	-	-	23,628,472	23,628,472
Accounts receivables	-	-	131,672,862	-	131,672,862	131,672,862
Investment	-	1,250,000	-	-	1,250,000	1,250,000
Foreign exchange derivatives *	3,213,562	-	-	-	3,213,562	3,213,562
Financial Liabilities						
Bank indebtedness	-	-	-	80,335,924	80,335,924	80,335,924
Short term financing	-	-	-	24,925,150	24,925,150	24,925,150
Accounts payable and accrued liablities	-	-	-	70,293,665	70,293,665	70,293,665
Long-term debt and finance leases	-	-	-	36,056,000	36,056,000	36,056,000

	Fair value		Amortized cost		Total	
January 1, 2010	Through Profit or Loss	Available for Sale	Loans and receivables	Other financial liabilities	Carrying amount	Fair value
Financial Assets						
Cash and cash equivalents	10,115,784	-	-	-	10,115,784	10,115,784
Restricted cash	6,009,799	-	-	-	6,009,799	6,009,799
Accounts receivables	-	-	87,452,657	-	87,452,657	87,452,657
Investment	-	1,000,000	-	-	1,000,000	1,000,000
Foreign exchange derivatives *	1,559,849	-	-	-	1,559,849	1,559,849
Financial Liabilities						
Bank indebtedness	-	-	-	30,105,128	30,105,128	30,105,128
Short term financing	-	-	-	26,280,000	26,280,000	26,280,000
Accounts payable and accrued liablities	-	-	-	80,451,578	80,451,578	80,451,578
Long-term debt and finance leases	-	-	-	37,623,939	37,623,939	37,623,939
Foreign exchange derivatives	-	-	-	-	-	-
Dividend payable	-	-	-	2,308,938	2,308,938	2,308,938

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments – continued

Fair values - continued

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act. Fair values for AGT's derivative instruments are determined using models requiring the use of inputs.

The fair value of cash and cash equivalents, bank indebtedness, accounts receivable, accounts payable and accruals, and dividends payable approximate their carrying value given their short-term maturities. The fair value of long-term debt and finance leases are not materially different than their carrying value.

All financial instruments measured at fair value are categorized into one of three levels, described below, for disclosure purposes. Each level is based on 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. In determining the inputs for calculating fair values, AGT looks to readily observable market inputs, primarily currency rates based on the nature of AGT's derivative instruments.

Level 3 – values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. There were no items measured at fair value using level 3 in 2009, 2010 or 2011.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments – continued

Fair values - continued

The following items, shown in the consolidated balance sheet as at January 1, 2010, December 31, 2010 and 2011 are measured at fair value on a recurring basis using level 1 or level 2 inputs:

December 31, 2011	Level 1	Level 2	Total	Change in fair value recognized in net earnings
Asset (Liability)				
Investment	$ -	$ 1,250,000	$ 1,250,000	$ -
Cash and cash equivalents	56,220,307	-	56,220,307	-
Foreign exchange derivatives *	-	(1,312,895)	(1,312,895)	(4,526,457)
	$ 56,220,307	$ (62,895)	$ 56,157,412	$ (4,526,457)

December 31, 2010	Level 1	Level 2	Total	Change in fair value recognized in net earnings
Asset (Liability)				
Investment	$ -	$ 1,250,000	$ 1,250,000	$ -
Cash and cash equivalents	23,628,472	-	23,628,472	-
Foreign exchange derivatives *	-	3,213,562	3,213,562	1,653,713
	$ 23,628,472	$ 4,463,562	$ 28,092,034	$ 1,653,713

January 1, 2010	Level 1	Level 2	Total	
Asset (Liability)				
Investment	$ -	$ 1,000,000	$ 1,000,000	$ -
Cash and cash equivalents	10,115,784	-	10,115,784	-
Restricted cash	6,009,799	-	6,009,799	-
Foreign exchange derivatives *	-	1,559,849	1,559,849	-
	$ 16,125,583	$ 2,559,849	$ 18,685,432	

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments – continued

Risk management

As a result of the nature of AGT's operations, it may be exposed to various forms of risk related to financial instruments. Those forms of risk include credit risk, foreign exchange risk, liquidity risk, interest rate risk and commodity price risk.

AGT seeks from time to time, to use financial derivatives to reduce market risk exposures from changes in in foreign exchange rates. AGT does not hold or use any derivative instruments for trading or speculative purposes. Overall, AGT's Board of Directors has responsibility for the establishment and approval of AGT's risk management policies. Management continually perform risk assessments to ensure that all significant risks have been reviewed and assessed to reflect changes in market condition and AGT's operating activities.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions. AGT minimizes this risk by having a diverse customer base and established credit policies, including the use of accounts receivable insurance.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	Dec 31, 2011	Dec, 31 2010	Jan 1, 2010
Cash and cash equivalents	$ 56,220,307	$ 23,628,472	$ 10,115,784
Accounts receivables	171,179,212	131,672,862	87,452,657
Foreign exchange derivatives *	343,154	3,213,562	1,559,849
Restricted cash	-	-	6,009,799

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

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments – continued

Credit risk - continued

Due to the nature and timing of cargo shipments, it is not uncommon for AGT to carry receivable balances in excess of 60 days. Due to risk management processes that AGT has in place, including insurance on substantially all receivables and prepayments from customers, management is confident in its ability to collect outstanding receivables.

The aging of customer receivables is as follows:

		Dec 31, 2011		Dec 31, 2010		Jan 1, 2010
Current	$	46,811,961	$	40,405,521	$	27,511,904
0-30 days		42,777,964		39,645,903		28,845,175
31-60 days		48,768,172		39,936,808		17,705,705
Greater than 60 days		33,164,269		14,898,192		14,949,722
	$	171,522,366	$	134,886,424	$	89,012,506

The above table reflects a listing of accounts receivable from the date of the invoice, net of any allowance for doubful accounts.

Management considers that substantially all of the amounts are current and recoverable.

The movement schedule of provision for doubtful accounts is as follows:

		Dec 31, 2011		Dec 31, 2010		Jan 1, 2010
Allowance for doubtful accounts - beginning	$	1,061,487	$	1,059,328	$	891,560
Recoveries		(4,058)		(49,380)		(6,319)
Provision for losses		1,042,034		51,539		174,087
Allowance for doubtful accounts - ending	$	2,099,463	$	1,061,487	$	1,059,328

The allowance for doubtful receivables represents specific provisions charged to expenses. The allowance is an estimated amount that management believes will be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments – continued

Foreign currency risk

AGT enters into various transactions denominated in various foreign currencies that 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 US dollars, Euro dollars, British pounds, Australian dollars 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.

The unrealized foreign exchange loss is primarily the result of a devaluation of the Turkish Lira and fluctuations in the US Dollar, partially offset by an increase in the value of the Australian Dollar and results from the revaluation of certain foreign denominated loans, receivables and derivative contracts. The foreign exchange effect is unrealized and non-cash in nature and is added back when AGT reports EBITDA** and adjusted earnings per share.

Foreign currency risk arises as a result of foreign exchange rates in the future and the difference between the assets and liabilities recognized. In this regard, AGT manages this risk by matching foreign currency denominated assets and liabilities. Management reviews the foreign currency open position and takes risk management measures if required. At December 31, 2011, 79% of the foreign exchange contracts expire within 90 days. The impact of a 1% change in foreign exchange rates would have an approximate impact on net earnings of $2,763,890 (December 31, 2010- $1,924,819).

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments – continued
Liquidity risk

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

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

December 31, 2011	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 197,868,017	$ 197,868,017	$ 197,868,017	$ -	$ -	$ -
Short term financing	42,370,877	42,370,877	42,370,877	-	-	-
Accounts payable and accrued liablities *	80,655,980	80,655,980	80,655,980	-	-	-
Long-term debt and finance leases	80,765,136	112,339,468	9,568,766	8,642,044	71,421,897	22,706,761
Dividend payable	2,961,461	2,961,461	2,961,461	-	-	-
Foreign exchange derivatives *	1,656,049	1,656,049	1,656,049	-	-	-
	$ 406,277,520	$ 437,851,852	$ 335,081,150	$ 8,642,044	$ 71,421,897	$ 22,706,761

December 31, 2010	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 80,335,924	$ 80,335,924	$ 80,335,924	$ -	$ -	$ -
Short term financing	24,925,150	24,925,150	24,925,150	-	-	-
Accounts payable and accrued liablities *	70,293,665	70,293,665	70,293,665	-	-	-
Long-term debt and finance leases	36,056,000	41,677,914	12,292,050	6,051,700	21,031,276	2,302,888
	$ 211,610,739	$ 217,232,653	$ 187,846,789	$ 6,051,700	$ 21,031,276	$ 2,302,888

January 1, 2010	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 30,105,128	$ 30,105,128	$ 30,105,128	$ -	$ -	$ -
Short term financing	26,280,000	26,280,000	26,280,000	-	-	-
Accounts payable and accrued liablities *	80,451,578	80,451,578	80,451,578	-	-	-
Long-term debt and finance leases	37,623,939	41,774,220	6,908,049	6,646,420	8,456,964	19,753,787
Dividend payable	2,308,938	2,308,938	2,308,938	-	-	-
	$ 176,769,583	$ 180,919,864	$ 146,053,693	$ 6,646,420	$ 8,456,964	$ 19,753,787

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

Future expected operational cash flows and sufficient assets are on hand 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.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

14. Financial instruments – continued

Interest rate risk

Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. The exposure is also managed by aligning current and long term assets with outstanding debt and making use of global credit facilities.

AGT is exposed to interest rate fluctuations on its variable-rate long term debt. The impact of a 1% change in interest rates would have an approximate impact on net earnings of $704,835 (December 31, 2010 - $158,378).

Commodity risk

AGT is a producer and supplier of pulse crops and bears significant exposure to changes in prices of these products. Prices are volatile and are influenced by numerous factors beyond AGT's control, such as supply and demand fundamentals, geographical events and weather.

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

15. Capital management

AGT manages its capital to ensure that financial flexibility exists to increase equity 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 utilizes bank indebtedness (net of cash and cash equivalents), long-term debt and finance leases and shareholders' equity. It may be difficult to accurately predict market conditions for attracting capital. During December 2011, AGT added a new $130 million syndicated banking agreement. The new credit facility has been utilized to fund AGT's increased working capital requirements resulting from recent acquisitions (note 21). AGT has guarantees on certain of its debt facilities that require security in the form of accounts receivable, inventory and property, plant and equipment totalling $292.5 million. Certain long term lenders have priority claim on the property, plant and equipment, ranking in priority to other lenders.

AGT includes net debt and shareholders' equity as components of its capital structure. The calculation of net debt, shareholders equity and capital are set out in the following table:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Long-term debt and finance leases	$ 74,561,817	$ 22,892,916	$ 36,624,321
Bank indebtedness and current portion long-term debt	204,071,336	93,499,008	31,104,746
Short term financing	42,370,877	24,925,150	26,280,000
Cash and cash equivalents	(56,220,307)	(23,628,472)	(10,115,784)
Net debt	**264,783,723**	**117,688,602**	**83,893,283**
Shareholders' equity	270,965,391	303,089,972	227,052,363
Total capital	**$ 535,749,114**	**$ 420,778,574**	**$ 310,945,646**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

15. Capital management - continued

AGT is bound by certain covenants within its general credit facilities. These covenants place restrictions on working capital ratios, total debt, including guarantees and set minimum levels of capital. As of December 31, 2011 and 2010, and January 1, 2010, AGT met these requirements.

16. Non-cash working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

		Dec 31, 2011		Dec 31, 2010
(Increase) decrease in current assets:				
Accounts receivable	$	(40,894,819)	$	(37,096,845)
Inventory		(76,446,097)		2,277,732
Prepaid expenses and deposits		2,841,694		(4,967,592)
		(114,499,222)		(39,786,705)
Increase (decrease) in current liabilities:				
Accounts payable and accrued liabilities		19,067,412		(19,990,043)
		19,067,412		(19,990,043)
	$	(95,431,810)	$	(59,776,748)

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

17. Income taxes

a) Tax rate reconciliation

The provision for income taxes differs from the amount computed by applying the expected federal and provincial income tax rate to earnings before income taxes. 2011 combined federal and provincial rates are lower than rates in 2010 primarily due to reductions in the Canadian federal tax rate that became effective in 2011. The reasons for these differences are as follows:

	Dec 31, 2011	Dec 31, 2010
Net earnings (loss) before income taxes	$ (6,626,047)	$ 22,578,569
Combined federal and provincial rate	26.98%	28.62%
Computed income tax expense (recovery)	(1,787,707)	6,461,986
Increase (decrease) in taxes resulting from:		
Difference between Canadian rate and rates applicable to subsidiaries in other countries	2,200,390	232,824
Non-deductible borrrowing costs	1,769,305	-
Other non-deductible expenses	60,383	(7,015)
Recognition of previously unrecognized tax asset	(540,019)	-
Other	132,183	(3,075,620)
Income tax expense	1,834,535	3,612,175
Current	2,204,474	6,596,527
Deferred	(369,939)	(2,984,352)
	$ 1,834,535	$ 3,612,175

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

17. Income taxes - continued

b) Significant components of deferred tax assets and liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of net deferred income tax liabilities are as follows:

	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Assets:			
Operating loss carry forwards	$ 4,783,256	$ 2,693,228	$ 630,033
Inventory	10,509	1,413,957	-
Share issuance costs and financing costs	1,407,124	1,929,966	2,090,311
Investment incentive	335,320	367,141	854,828
Other costs and adjustments	2,504,835	527,790	412,592
	9,041,044	6,932,082	3,987,764
Liabilities:			
Trade and other payables	-	(1,386,276)	-
Property, plant and equipment	(14,884,783)	(13,762,484)	(17,941,900)
Goodwill and intangibles	(1,162,582)	(1,281,255)	(62,930)
Unrealized foreign exchange gains	(1,190,432)	-	-
Other costs and adjustments	(980,116)	(10,610)	(91,756)
	(18,217,913)	(16,440,625)	(18,096,586)
Net deferred income tax liability	$ (9,176,869)	$ (9,508,543)	$ (14,108,822)
Deferred income tax classified as follows:			
Deferred income tax assets	$ 2,988,292	$ 3,503,983	$ 3,896,403
Deferred income tax liabilities	(12,165,161)	(13,012,527)	(18,005,225)
Net deferred income tax liability	$ (9,176,869)	$ (9,508,544)	$ (14,108,822)

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

17. Income taxes - continued

c) Movement in net deferred tax assets and liabilities

	Dec 31, 2011	Dec 31, 2010
Deferred income tax liability at January 1	$ (9,508,543)	$ (14,108,822)
Origination and reversal of temporary differences	369,939	2,984,352
Foreign exchange adjustments and other	442,161	2,941,157
Deferred income tax liability acquired on Advance Seed acquisition	(225,897)	-
Deferred income tax liability on finalization of Poortman purchase price equation	(254,528)	-
Deferred income tax liability acquired on Poortman acquisition	-	(525,230)
Deferred income tax liability on finalization of Arbel Group purchase price equation	-	(800,000)
Deferred income tax liability at December 31	$ (9,176,868)	$ (9,508,543)

d) Income tax losses

At December 31, 2011, income tax losses carried forward of $18,343,573 (2010 - $13,707,777) are available to reduce taxable income. These losses expire as follows:

Year of expiry	Canada	Turkey	Total
2014	-	$ 712,682	$ 712,682
2015	-	4,556,110	4,556,110
2016	-	9,886,491	9,886,491
2029	86,411	-	86,411
2030	3,101,879	-	3,101,879
2031	-	-	-
	$ 3,188,290	$ 15,155,283	$ 18,343,573

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

18. Related party transactions

The consolidated financial statements of AGT include the accounts of AGT and its seven directly wholly-owned subsidiaries incorporated in Canada, USA, China, Europe, Australia, South Africa and Turkey.

(a) Key management personnel

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

	Dec 31, 2011	Dec 31, 2010
Short term benefits (wage, bonus, vacation paid out, directors fees)	$ 2,425,596	$ 3,409,350
Post employment benefits (RRSP)	84,800	84,800
Other long term benefits (long term incentive plan)	915,000	-
Total	$ 3,425,396	$ 3,494,150

(b) Transactions with other related parties

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. As noted below, one of these entities transacted with AGT in the reporting period. The terms and conditions of the transactions were on an arm's length basis. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

Transactions with corporations whose directors are also AGT directors

	Dec 31, 2011	Dec 31, 2010
Revenues	$ 59,487	$ 197,606
Purchases	1,031,903	1,404,096
Accounts receivable	772,645	32,059
Accounts payable	420,875	-

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

19. Segmented information

AGT is in the business of sourcing and processing specialty crops, wheat, bulgar, rice and pasta, specializing in various markets for domestic and export, and operating in one reporting segment. This reporting segment is involved in the milling, cleaning, sizing, color sorting and packaging for distribution to end use customers. Pasta, rice and pulses share common customers and therefore have a common platform and are managed as one reporting segment. Geographic information about AGT's revenues is based on the product shipment destination.

Sales by product line

	Dec 31, 2011	Dec 31, 2010
Pulses and specialty crops	$ 625,333,939	$ 479,741,194
Pasta, semolina and bulgur	70,408,682	68,474,616
Rice	25,398,206	69,658,885
Other commodities	35,809,706	23,438,517
Miscellaneous revenue	3,023,567	826,304
Total	$ 759,974,100	$ 642,139,516

Sales were derived from customers located in the following geographic areas:

	Dec 31, 2011	Dec 31, 2010
Canada	$ 43,153,351	$ 36,722,101
Americas / Caribbean, excluding Canada	118,260,712	103,399,241
Asia / Pacific Rim	88,344,670	143,739,001
Europe / Middle East / North Africa	510,215,367	358,279,173
Total	$ 759,974,100	$ 642,139,516

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

19. Segmented information - continued

Segmented assets:

Property, plant and equipment and goodwill by geographic areas are as follows:

	Property, plant and equipment		
	Dec 31, 2011	**Dec 31, 2010**	**Jan 1, 2010**
Canada	$ 62,518,921	$ 59,168,422	$ 54,488,386
North America, excluding Canada	22,551,380	14,185,230	9,158,426
Australia	33,700,950	20,748,920	7,869,766
Turkey	74,056,916	74,291,754	63,293,744
South Africa	3,898,123	-	-
China	594,923	291,107	-
Total	$ 197,321,213	$ 168,685,433	$ 134,810,322

	Goodwill		
	Dec 31, 2011	**Dec 31, 2010**	**Jan 1, 2010**
Canada	$ 18,399,191	$ 18,399,191	$ 18,354,347
North America, excluding Canada	10,213	9,970	9,970
Australia	51,934	50,708	-
Turkey	37,843,080	45,040,396	48,298,486
United Kingdom	3,247,598	3,871,805	-
Total	$ 59,552,016	$ 67,372,070	$ 66,662,803

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

20. Commitments and contingencies

AGT enters into 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.

At December 31, 2011, AGT had a letter of credit in favour of the Canadian Grain Commission in the amount of $10,000,000, (December 31, 2010 - $35,000,000, January 1, 2010 - $17,500,000). 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, 2012. The reduction in the letter of credit between December 31, 2011 and December 31, 2010 is the result of AGT being re-classified from a grain dealer to a primary elevator.

AGT has various legal matters pending which, in the opinion of management, will not have a material effect on AGT's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to AGT's financial position or results of operations could result.

21. Subsequent events

On March 22, 2012, AGT signed an agreement to extend its existing $130 million syndicated short-term credit facility. This agreement extends the terms of the credit facility which was set to expire April 30, 2012 to April 29, 2013. All other terms of the agreement are unchanged. The facility also carries a one year extension term out period that extends to April 29, 2014 at the option of AGT.

22. Explanation of transition to IFRS

As discussed in note 2(a), these are AGT's first consolidated financial statements and notes thereto, for the year ended December 31, 2011, that AGT is required to prepare in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information presented in these financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010 (AGT's date of transition).

In preparing its opening IFRS statement of financial position, AGT has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected AGT's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued

On transition to IFRS, AGT has elected and applied the following IFRS 1 exemptions and made certain reclassifications as required under IFRS:

(i) **Borrowing costs**

IFRS 1 provides the option to apply IAS *23 Borrowing Costs* (“IAS 23”), prospectively from the transition date to IFRS (January 1, 2010), or from a particular pre-transition date elected by the first time adopter. Borrowing costs may be capitalized on qualifying assets for which the commencement date for capitalization was on or after the date selected. AGT elected to apply IAS 23 prospectively from the date of transition to IFRS. Based on this election, AGT expensed the borrowing costs capitalized before January 1, 2010 under Canadian GAAP and will capitalize borrowing costs incurred on qualifying assets for which the commencement date for capitalization is subsequent to January 1, 2010.

(ii) **Business combinations**

The application of IFRS 3 *Business Combinations* (“IFRS 3”), requires the restatement of all past business combinations in accordance with IFRS 3. IFRS 1 provides the option to apply IFRS 3 prospectively from the transition date, or from a particular pre-transition date elected by AGT. AGT elected to not restate any past business combinations and to apply IFRS 3 prospectively from the transition date.

iii) **Cumulative translation differences**

IAS 21, *The Effects of Changes in Foreign Exchange Rates*, would require AGT to calculate currency translation differences retrospectively, from the date a subsidiary or associate was formed or acquired. IFRS 1 provides the option of resetting cumulative translations gains and losses to zero at the transition date. AGT elected to reset cumulative translations losses to zero through opening retained earnings at the transition date.

iv) **Analysis of expenses by function**

IFRS requires an entity to analyze its expenses on the Statement of Comprehensive Income either by the expense’s function within the entity, or by the nature of the expense. AGT has chosen to present an analysis of expenses by function. As a result, certain expenses have been reclassified within the Statement of Comprehensive Income in order to conform to the presentation requirements of IFRS.

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued
Reconciliation of Consolidated Statement of Shareholders' Equity as at January 1, 2010

	Note	Canadian GAAP	Correction of an immaterial error	Adjusted Canadian GAAP	Transition to IFRS	IFRS
Assets						
Current						
Cash and equivalents		$ 10,115,784	$ -	$ 10,115,784	$ -	$ 10,115,784
Restricted cash		6,009,799	-	6,009,799	-	6,009,799
Accounts receivable		89,012,506	-	89,012,506	-	89,012,506
Inventory		105,521,079	-	105,521,079	-	105,521,079
Prepaid expenses and deposits		2,271,432	-	2,271,432	-	2,271,432
Deferred income taxes	*g*	205,796	-	205,796	(205,796)	-
Total current assets		**213,136,396**		**213,136,396**	**(205,796)**	**212,930,600**
Property, plant and equipment	*g*	136,504,553	-	136,504,553	(1,694,231)	134,810,322
Intangible assets	*a*	4,025,461	(114,507)	3,910,954	-	3,910,954
Goodwill	*a, b*	66,088,311	574,492	66,662,803	-	66,662,803
Investment		1,000,000	-	1,000,000	-	1,000,000
Deferred income taxes		3,690,607	-	3,690,607	205,796	3,896,403
Total non-current assets		**211,308,932**	**459,985**	**211,768,917**	**(1,488,435)**	**210,280,482**
Total assets		**$ 424,445,328**	**$ 459,985**	**$ 424,905,313**	**$ (1,694,231)**	**$ 423,211,082**
Liabilities						
Current						
Bank indebtedness		$ 30,105,128	$ -	$ 30,105,128	$ -	$ 30,105,128
Short-term financing		26,280,000	-	26,280,000	-	26,280,000
Accounts payable and accrued liabilities	*a, b*	76,396,066	4,055,512	80,451,578	-	80,451,578
Income taxes payable		1,383,911	-	1,383,911	-	1,383,911
Current portion of long term debt and finance leases		999,618	-	999,618	-	999,618
Dividends payable		2,308,938	-	2,308,938	-	2,308,938
Total current liabilities		**137,473,661**	**4,055,512**	**141,529,173**	**-**	**141,529,173**
Long term debt and finance leases		36,624,321	-	36,624,321	-	36,624,321
Deferred income taxes	*i*	18,437,254	-	18,437,254	(432,029)	18,005,225
Total non-current liabilities		**55,061,575**	**-**	**55,061,575**	**(432,029)**	**54,629,546**
Total liabilities		**$ 192,535,236**	**$ 4,055,512**	**$ 196,590,748**	**$ (432,029)**	**$ 196,158,719**
Shareholders' equity						
Common shares		187,151,311	-	187,151,311	-	187,151,311
Contributed surplus		866,662	-	866,662	-	866,662
Accumulated other comprehensive income (loss)	*a, d*	933,381	(3,595,527)	(2,662,146)	2,662,146	-
Retained earnings		42,958,738	-	42,958,738	(3,924,348)	39,034,390
Total shareholders' equity		**231,910,092**	**(3,595,527)**	**228,314,565**	**(1,262,202)**	**227,052,363**
Total liabilities and shareholders' equity		**$ 424,445,328**	**$ 459,985**	**$ 424,905,313**	**$ (1,694,231)**	**$ 423,211,082**

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued

Reconciliation of Consolidated Statement of Shareholders' Equity as at December 31, 2010

	Note	Canadian GAAP	Correction of an immaterial error	Adjusted Canadian GAAP	Transition to IFRS	IFRS
Assets						
Current						
Cash and equivalents		$ 23,628,472	$ -	$ 23,628,472	$ -	$ 23,628,472
Restricted cash		-	-	-	-	-
Accounts receivable		134,886,424	-	134,886,424	-	134,886,424
Inventory		110,782,630	-	110,782,630	-	110,782,630
Prepaid expenses and deposits		7,239,024	-	7,239,024	-	7,239,024
Income taxes receivable		3,210,941	-	3,210,941	-	3,210,941
Deferred income taxes	*g*	287,539	-	287,539	(287,539)	-
Total current assets		**280,035,030**		**280,035,030**	**(287,539)**	**279,747,491**
Property, plant and equipment	*c, g*	169,347,573	-	169,347,573	(662,140)	168,685,433
Intangible assets		8,845,168	-	8,845,168	-	8,845,168
Goodwill	*b, c*	65,469,317	2,136,634	67,605,951	(233,881)	67,372,070
Investment	*e*	1,000,000	-	1,000,000	250,000	1,250,000
Deferred income taxes	*g*	3,216,444	-	3,216,444	287,539	3,503,983
Total non-current assets		**247,878,502**	**2,136,634**	**250,015,136**	**(358,482)**	**249,656,654**
Total assets		**$ 527,913,532**	**$ 2,136,634**	**$ 530,050,166**	**$ (646,021)**	**$ 529,404,145**
Liabilities						
Current						
Bank indebtedness		$ 80,335,924	$ -	$ 80,335,924	$ -	$ 80,335,924
Short-term financing		24,925,150	-	24,925,150	-	24,925,150
Accounts payable and accrued liabilities	*b*	68,157,031	2,136,634	70,293,665	-	70,293,665
Income taxes payable		1,690,907	-	1,690,907	-	1,690,907
Current portion of long term debt and finance leases		13,163,084	-	13,163,084	-	13,163,084
Dividends payable		-	-	-	-	-
Total current liabilities		**188,272,096**	**2,136,634**	**190,408,730**	**-**	**190,408,730**
Long term debt and finance leases		22,892,916	-	22,892,916	-	22,892,916
Deferred income taxes	*i*	13,211,918	-	13,211,918	(199,391)	13,012,527
Total non-current liabilities		**36,104,834**	**-**	**36,104,834**	**(199,391)**	**35,905,443**
Total liabilities		**$ 224,376,930**	**$ 2,136,634**	**$ 226,513,564**	**$ (199,391)**	**$ 226,314,173**
Shareholders' equity						
Common shares		267,499,165	-	267,499,165	-	267,499,165
Contributed surplus		383,357	-	383,357	-	383,357
Accumulated other comprehensive loss	*d*	(15,419,405)	-	(15,419,405)	2,912,146	(12,507,259)
Retained earnings		51,073,485	-	51,073,485	(3,358,776)	47,714,709
Total shareholders' equity		**303,536,602**	**-**	**303,536,602**	**(446,630)**	**303,089,972**
Total liabilities and shareholders' equity		**$ 527,913,532**	**$ 2,136,634**	**$ 530,050,166**	**$ (646,021)**	**$ 529,404,145**

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued

Reconciliation of Consolidated Statement of Comprehensive Income for the year ended December 31, 2010

Canadian GAAP Categories	Note	Previous Canadian GAAP	Correction of an immaterial error	Adjusted Canadian GAAP	IFRS Reclassifications	IFRS Adjustments	IFRS Balance	IFRS Categories
Revenues		$ 642,139,516	$ -	$ 642,139,516	$ -	$ -	$ 642,139,516	Revenues
Cost of sales	g	578,196,762	-	578,196,762	(6,593,788)	(1,036,188)	570,566,786	Cost of sales
Gross profit		63,942,754		63,942,754	6,593,788	1,036,188	71,572,730	Gross profit
				-				
Depreciation		3,377,087	-	3,377,087	(3,377,087)	-	-	
Foreign exchange loss		720,984	-	720,984	(720,984)	-	-	
Interest and bank charges		4,990,661	-	4,990,661	(4,990,661)	-	-	
Interest on long-term debt		941,775	-	941,775	(941,775)	-	-	
General and administration	g	31,798,633	-	31,798,633	(9,469,021)	571,233	22,900,845	General administration expense
		-	-	-	19,439,896	-	19,439,896	Marketing, sales and distribution expenses
Earnings from operating activities		22,113,614		22,113,614	6,653,420	464,955	29,231,989	Earnings from operating activities
		-	-	-	720,984	-	720,984	Foreign exchange loss
		-	-	-	5,932,436	-	5,932,436	Finance expenses
Earnings from operations before income tax		22,113,614		22,113,614	-	464,955	22,578,569	Earnings from operations before income tax
				-				
Current income tax		6,596,527	-	6,596,527	-	-	6,596,527	Current income tax
Deferred income tax	i	(2,883,735)	-	(2,883,735)	-	(100,617)	(2,984,352)	Deferred income tax
				-				
Net earnings		18,400,822		18,400,822	-	565,572	18,966,394	Net earnings
Other comprehensive loss	a, e	(16,352,786)	3,595,527	(12,757,259)	-	250,000	(12,507,259)	Other comprehensive income (loss)
Comprehensive income		$ 2,048,036	$ 3,595,527	$ 5,643,563	$ -	$ 815,572	$ 6,459,135	Comprehensive income

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued

Reconciliation of Consolidated Statement of Cash Flows for the year ended December 31, 2010

	Note	Canadian GAAP Dec 31, 2010	IFRS Reclassifications	Transition to IFRS	IFRS Dec 31, 2010
Cash from (used for) the following:					
Operating activities					
Net earnings (loss)		$ 18,400,822	$ -	$ 565,572	$ 18,966,394
Items not involving cash:					
- Depreciation		3,377,087	-	-	3,377,087
- Depreciation in costs of sales		5,013,133	-	(1,036,188)	3,976,945
- Unrealized foreign exchange loss		720,984	-	-	720,984
- Deferred income taxes		(2,883,735)	-	232,638	(2,651,097)
- Loss on disposal of property, plant and equipment		505,171	-	-	505,171
- Income tax expense		-	6,596,527	-	6,596,527
Interest paid		-	(5,919,940)	-	(5,919,940)
Income taxes paid		-	(9,159,065)	-	(9,159,065)
Non-cash working capital		(68,259,226)	8,482,478	-	(59,776,748)
		(43,125,764)	-	(237,978)	(43,363,742)
Financing activities					
Increase in bank indebtedness		46,855,451	-	-	46,855,451
Decrease in short term financing		(1,354,850)	-	-	(1,354,850)
Net proceeds from the issuance of shares		77,204,690	-	-	77,204,690
Proceeds from long term debt		36,141,183	-	-	36,141,183
Repayment of long term debt		(37,447,489)	-	-	(37,447,489)
Dividends paid		(12,595,013)			(12,595,013)
		108,803,972	-	-	108,803,972
Investing activities					
Restricted cash		6,009,799	-	-	6,009,799
Purchase of property, plant and equipment		(37,895,509)	-	(429,325)	(38,324,834)
Proceeds from the sale of property, plant and equipment		305,420	-	-	305,420
Acquisitions, net of cash aquired		(19,345,654)	-	667,303	(18,678,351)
		(50,925,944)	-	237,978	(50,687,966)
Effect of exchange rate changes on cash		(1,239,576)	-	-	(1,239,576)
Increase in cash position		$ 13,512,688			$ 13,512,688
Cash position, beginning of the year		**$ 10,115,784**	**$ -**	**$ -**	**$ 10,115,784**
Cash position, end of the year		**$ 23,628,472**	**$ -**	**$ -**	**$ 23,628,472**

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS – continued

Notes to the reconciliations:

Adjustment of prior period amounts

(a) As part of the transition to IFRS, AGT has determined that certain currency translation amounts reflected in its statement of comprehensive income for the year ended December 31, 2010 related to changes in foreign currency amounts which occurred prior to 2010. This immaterial error resulted in an overstatement of other comprehensive loss of $3,595,527 in fiscal 2010. Accordingly, AGT has corrected accumulated other comprehensive loss and also reduced the other comprehensive loss previously reported under Canadian GAAP of $16,352,786 by $3,595,527 for the year ended December 31, 2010 due to the adjustment described above.

The adjustment affected intangible assets, goodwill, and accounts payable as follows:

	Canadian GAAP Jan 1, 2010	Canadian GAAP Dec 31, 2010
Consolidated Statement of Financial Position		
Decrease intangible assets	$ (114,507)	$ -
Decrease goodwill	(1,562,142)	-
Increase accounts payable	1,918,878	-
Increase accumulated other comprehensive loss	(3,595,527)	-

	Year Ended December 31, 2010
Consolidated Statement of Comprehensive Income	
Decrease other comprehensive loss	$ 3,595,527

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS – continued

(b) As part of the transition to IFRS, AGT also determined that goodwill resulting from business combinations recorded in prior periods had been misstated under Canadian GAAP by immaterial amounts. The impact of correcting these immaterial amounts in both the January 1, 2010 and December 31, 2010 statement of financial position was as follows:

	Canadian GAAP Jan 1, 2010	Canadian GAAP Dec 31, 2010
Consolidated Statement of Financial Position		
Increase goodwill	2,136,634	2,136,634
Increase accounts payable	2,136,634	2,136,634

(c) Business combinations

AGT has elected, under IFRS 1, to not apply IFRS 3 retrospectively to business combinations that occurred prior to the transition date, January 1, 2010. Under IFRS, AGT is required to expense acquisition related costs that, under Canadian GAAP, were capitalized as part of the business combination.

The impact from the change is summarized as follows:

	January 1, 2010	December 31, 2010
Consolidated Statement of Financial Position		
Property, plant and equipment	$ -	$ (433,422)
Goodwill	-	(233,881)
Adjustment to retained earnings	$ -	$ (667,303)

	Year Ended December 31, 2010
Consolidated Statement of Comprehensive Income	
General administration expense	$ 667,303
Adjustment to comprehensive income	$ (667,303)

Alliance
GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued

(d) Cumulative translation differences

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 summarized as follows:

	January 1, 2010	December 31, 2010
Consolidated Statement of Financial Position		
Accumulated other comprehensive loss	$ 2,662,146	$ 2,662,146
Adjustment to retained earnings	$ (2,662,146)	$ (2,662,146)

(e) Investments

Under previous Canadian GAAP, AGT measured its investment in equity instruments at cost. Under IFRS AGT is required to measure the investment at fair value.

The impact of the change is summarized as follows:

	January 1, 2010	December 31, 2010
Consolidated Statement of Financial Position		
Investments	$ -	$ 250,000
Adjustment to other comprehensive loss	$ -	$ 250,000

	Year Ended December 31, 2010
Consolidated Statement of Comprehensive Income	
Other comprehensive loss	$ 250,000
Adjustment to comprehensive income	$ 250,000

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued

(f) Capitalization and depreciation

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. As well, AGT capitalized certain legal costs under previous Canadian GAAP, which would not meet the criteria for capitalization under IFRS.

Additionally, the requirements to separately account for and provide depreciation 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.

The impact of the change is summarized as follows:

	January 1, 2010	December 31, 2010
Consolidated Statement of Financial Position		
Property, plant and equipment	$ (1,694,231)	$ (228,718)
Adjustment to retained earnings	$ (1,694,231)	$ (228,718)

	Year Ended December 31, 2010
Consolidated Statement of Comprehensive Income	
Cost of sales	$ (1,036,188)
General and administration expense	$ (429,345)
Adjustment to comprehensive income	$ 1,465,533

Alliance GRAIN TRADERS Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2011
(Stated in Canadian dollars)

22. Explanation of transition to IFRS - continued

(g) Under IFRS, all deferred taxes are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate, or the expected reversal of the temporary difference. The effect is to reclassify $205,796 at January 1, 2010, and $287,539 at December 31, 2010 from deferred tax asset (current) to deferred tax asset (non-current).

The impact of the above changes (c-g) are summarized as follows:

	January 1, 2010	December 31, 2010
Consolidated Statement of Financial Position		
Deferred income tax liability	$ (432,029)	$ (199,391)
Adjustment to retained earnings	$ (432,029)	$ (199,391)

	Year Ended December 31, 2010
Consolidated Statement of Comprehensive Income	
Deferred income tax expense	$ (100,617)
Adjustment to comprehensive income	$ 100,617

(h) On transition to IFRS, the above changes increased (decreased) retained earnings as follows:

	January 1, 2010	December 31, 2010
Retained earnings under Canadian GAAP	$ 42,958,738	$ 51,073,485
Translation reserve	(2,662,146)	(2,662,146)
Goodwill and intangibles	-	(233,881)
Componentization of property, plant and equipment	(1,694,231)	(662,140)
Tax impact of componentization	432,029	199,391
Retained earnings under IFRS	$ 39,034,390	$ 47,714,709

Alliance
GRAIN TRADERS
Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

ALLIANCE GRAIN TRADERS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 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 years ended December 31, 2011 and 2010 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2011. The consolidated financial statements have been prepared in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"). Additional information related to AGT, including periodic quarterly and annual reports and the Annual Information Forms ("AIF"), filed with Canadian securities regulatory authorities, is available on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com.

This MD&A has been prepared as at March 22, 2012. All references to AGT or the Company include its subsidiaries. All amounts are in Canadian dollars and in thousands (except for share data) unless otherwise stated.

Caution about forward looking statements

This MD&A contains certain forward-looking statements. Forward-looking statements include, but are not limited to, those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, the growth of AGT's business, strategic initiatives, planned capital expenditures, plans and reference to future operations and results, critical accounting estimates and expectations regarding future capital resources and liquidity of the Company. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AGT (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled "Risk Factors" in AGT's most recent AIF, which is available on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com and which should be reviewed in conjunction with this document. Although AGT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Although AGT believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as at the date of this MD&A. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, Western Canadian, U.S. Northern Plains, Southern Australian crop and Turkish production quality in 2011 and subsequent crop years; the volume and quality of crops held on-farm by producer customers in North America; demand for and supply of open market pulses; movement and sale of pulses in Australia and Turkey, particularly in the Australian states of South Australia, New South Wales and Victoria; agricultural commodity prices; demand for lentils, peas, chickpeas and bean crop products and the market share of these products that will be achieved; general financial conditions for Western Canadian, U.S. Northern Plains, Turkish and Southern Australian agricultural producers; market share of pulse deliveries and sales that will be achieved by AGT; the ability of the railways to ship pulses to port facilities for export without labour or other service disruptions; the ability to maintain existing customer contracts and relationships; the impact of competition; the ability to obtain and maintain existing financing on acceptable terms; and currency, exchange and interest rates.

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

Non-IFRS Financial Measures

AGT provides some non-IFRS measures as supplementary information that Management believes may be useful to investors to explain AGT's financial results. These non-IFRS measures include EBITDA* (earnings before interest, income taxes, depreciation and amortization, and any effects of non-recurring costs and non-cash foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-recurring costs and non-cash foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities). Management believes that these are important measures in evaluating performance and in determining whether to invest in AGT. However, EBITDA*, Adjusted Net Earnings*, Net Debt* and Net Working Capital* are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. In addition, AGT may calculate these measures differently than other companies; therefore, such measures may not be comparable. Investors are cautioned that EBITDA*, Adjusted Net Earnings*, Net Debt* and Net Working Capital* should not be construed as an alternative to net earnings (loss) or cash flows as determined in accordance with IFRS as an indicator of AGT's performance or liquidity. For a reconciliation of net earnings (loss) determined in accordance with IFRS to EBITDA* and Adjusted Net Earnings*, see the table on page 38.

Market Share, Industry Data and Other Statistical Information

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

Highlights of 2011

• **Adjusted Net Earnings*** were $22.5 million or $1.14 per common share ($1.13 on a diluted basis) for 2011, compared to $20.4 million or $1.08 per common share ($1.06 on a diluted basis) for 2010.

• **EBITDA*** was $47.6 million for 2011 compared to $37.3 million for 2010, an increase of 27.6%.

• **Consolidated revenues** were $760.0 million for 2011 compared to $642.1 million for 2010, an increase of 18.3%.

• **Capital expenditures** were $52.3 million which included $41.7 million in enhancements to buildings and equipment at facilities in Canada, the United States, Turkey and Australia as well as $10.6 million relating to the acquisitions of New South Wales in Australia, Advance Seed in South Africa and real property in Minot, North Dakota.

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

Business Overview

AGT's subsidiaries and facilities in Canada, the U.S., Turkey, Europe, Australia, South Africa 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 produce semolina, pasta (under the Arbella brand) 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, two in the U.S., four in Australia, one in China, nine in Turkey, and one in South Africa. Canadian locations include Saskcan Pulse Trading, Saskcan Rosetown, Saskcan Agtech, Saskcan Milestone, Saskcan Horizon, Saskcan Pulse Depot, Saskcan Parent, Saskcan Assiniboia, Saskcan Gibbons and Saskcan Wilkie. Wholly owned foreign subsidiaries include the Arbel Group in Turkey ("Arbel"); Advance Seed and its subsidiary Pouyoukas Foods (collectively "Advance Seed") in South Africa; United Pulse Trading Inc. ("United Pulse") in Williston and Minot, North Dakota, U.S.A.; Australia Milling Group Pty Ltd. ("Australia Milling Group") in Victoria, South Australia and New South Wales, Australia; A. Poortman (London) Limited in London, U.K. ("Poortmans") with merchandising offices in the Netherlands and Spain; and Alliance Grain Traders (Tianjin) Co. Ltd. ("AGT China") in Tianjin, China.

AGT is among the world's largest value-added processors/splitters of pulse crops and an international exporter of staple food products to over 100 countries. The Company's common shares are currently listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "AGT".

On December 30, 2011, AGT announced that through its wholly-owned Canadian subsidiary, Alliance Pulse Processors Inc. ("APP"), it entered into a $130.0 million senior secured credit facility with The Bank of Nova Scotia and a syndicate of two other banks, HSBC Bank of Canada and Rabobank Nederland (Canadian Branch). The credit facility is being used for general corporate purposes and retired AGT's existing $60.0 million Bank of Nova Scotia facility. The facility had a revolving period that ends on April 30, 2012. On March 22, 2012, this revolving period was extended to April 29, 2013. The facility also carries a one year extension term-out period that extends to April 29, 2014 at the option of APP.

On November 3, 2011, AGT announced that it had acquired certain real property, storage and related handling equipment. The acquired assets are located in Minot, North Dakota. The facility will be operated by United Pulse. The planned build-out includes the installation of pulse processing equipment for beans, chickpeas, peas and lentils to augment AGT's U.S. processing capacity at the Williston, North Dakota production facility. It is expected that the new facility, once commissioned, will provide origination reach into central and eastern North Dakota, which is a region of substantial acreage of beans, peas and pulses. The site also provides transportation advantages for both export and domestic shipments with inbound containers being driven by inbound shipments of equipment for the oil and gas sector in North Dakota. The construction is estimated to be substantially complete by November 2012.

On October 11, 2011, AGT acquired South Africa-based Advance Seed. The assets acquired include real property, storage and related handling equipment, a processing plant for pulses, popcorn and grains and grass seeds, as well as three warehouses and small packaging plants, supplying the wholesale and retail markets with a range of pulses, grains and popcorn. The total investment, including the cash acquisition price and a budget for improvements and working capital, is estimated at $7.0 million. The Johannesburg processing facility, as well as the warehouses and small packaging plants, are currently operational. Advance Seed will continue to be run with the existing management team and business in place at the time of acquisition.

On October 7, 2011, AGT announced its intention to invest up to $50.0 million towards the construction of a pasta and pulse processing and logistics complex. The complex is planned as a milling site for wheat and pulses, where durum wheat will be processed into semolina and used to produce the Arbella pasta brand in Canada. The complex, expected to be located in Regina, Saskatchewan, is expected to be used for pulse processing capacity and for production of food ingredients. Canada is a major producer of durum wheat and AGT management has identified this location as favourable to construct its first pasta facility outside of Turkey.

On July 29, 2011, AGT acquired all of the assets of Canz Commodities, a chickpea and pulse processor in Narrabri, New South Wales, Australia, located approximately 500 kilometres from Sydney. The assets acquired include real property, storage and related handling equipment and a processing plant for pulses and grains, specializing in desi and kabuli chickpeas, faba beans, mung beans and albus lupins. The total investment, including the cash acquisition price and a budget for improvements, is $8.0 million. The Narrabri facility is currently operational and is owned and operated by AGT's wholly owned subsidiary, Australia Milling Group.

Market Outlook

Following a return to more normalized production conditions and an "on-time" North American harvest, the previous optimism for a strong finish to the 2011 fiscal year for AGT has been tempered by uncertain global economic conditions, highlighted by liquidity constraints of importers, political uncertainty in North Africa and the Middle East, European economic and debt crisis issues and currency volatility in virtually all major consumption and importing markets. These constraints, coupled with currency fluctuations and devaluations, are reported to have temporarily affected importers' ability to buy and move commodities of all types, pulses and staple foods included.

Demand for import of pulses, estimated by management as relatively inelastic, has been reported as having slowed through the end of 2011 based on lower lentil and pulse exports compared to previous years. These lower export volumes from production origins are viewed by AGT management as short-term issues caused by uncertainty of local production in pulses production/consumption markets such as India and Turkey, credit liquidity of local importers and a temporary change in the buying patterns of local importers as a result of the market conditions in the period. Management maintains its opinion that pulses are a basic protein and staple food, and therefore the demand profile is growing in traditional consumption markets that are experiencing population growth (ie. the Indian subcontinent and China). Pulses are also enjoying consumption growth in non-traditional markets such as North America and Europe as consumers look for healthy vegetable-based non-GMO protein sources.

With regard to supply, most origins, particularly Canada and Australia, have reported favourable harvests with regard to quality and quantity. These conditions should be viewed as a normalization of supply in these production regions. Reported decreases in production in many traditional production and consumption regions, such as Turkey and India, have not to date manifested as increases to import volumes to fill domestic and regional demand. Reports of higher carryover stocks from most origins are estimated to offset production decreases, a result of the rotational cropping nature of growing pulses in many origins. AGT management expects the trend of slower export levels seen through the late 2011 period to be alleviated throughout the second half of 2012 and into 2013 and result in increased shipments from AGT's origins around the globe. Increased buying to replenish low consumption market stocks, as well as demand for pulses and staple foods in consumption markets in the Indian subcontinent and Middle East, is expected by AGT management to continue to support this trend improvement.

In the early months of 2012, markets traditionally fill stocks. This is prior to the resetting of buying patterns in the Q2 period when the world lentil markets annually recalibrate price expectations and strategies for buying as a result of Canadian crop seeding data, harvest reports from India and Turkey, as well as looking forward to supplies needed for the start of Ramadan, which is estimated to begin on July 20, 2012. With reports of problems in the Indian crop and concerns over excess moisture in the Turkish crop, AGT management expects that this may be a potential catalyst for improved demand later in 2012.

Based on these market conditions, financial results for the three and twelve months ended December 31, 2011 as reported were lower than expected. AGT management expectations are toward resumption of normalized business operations in 2012 and future periods. This view is supported by ample stock availability as part of AGT's global origination strategy with facilities located in major pulse growing regions, reports of higher than normal carryover stocks to balance lower production estimates caused by rotational plans by farmers and reports of continued low or depleted local market stocks in consumption regions.

AGT management expects to continue to capture market share and margin opportunities by using its value-added asset base in Canada, the U.S., Turkey, Australia, China and South Africa to satisfy consumer demands internationally at prices those customers may find acceptable for 2011 North American crop and new crop from other origins throughout 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.

Reports following the completion of the North American crop season state that harvested crop quality has returned to normal in 2011 from the low or highly variable quality product produced in 2010. Reported production of lentils in 2011 in Canada are at 1.53 million metric tonnes ("mt") and 214,642 mt in the U.S., a decrease of 21% and 55% respectively with average yields and a return to the 80/20 average with respect to quality (approximately 80% of crop in the top two grades with remaining 20% in the bottom grades). While seeded acreage declined from 2010 to 2011, 2010 levels were deemed by AGT management as excessive levels of production. An acreage reduction in Canada is seen as a positive trend for margin improvement for both the producers and AGT, as ample or excessive stocks constrain margins and farm-gate returns.

The return to normal quality conditions is an important development after 2010, where the overall quality and quantity of North American pulse products were lower than market expectations, creating pressure on purchase price and export volumes. Even with reported low or depleted local market stocks, importers took a "wait and see" attitude looking forward to other origins that would be producing and may be in line with their price and quality expectations. With credit liquidity pressure and reported local currency downgrades, importers attempted to maximize the value of the limited quantities of products purchased post-harvest which has not resulted in the traditional volumes expected in the final quarter of the year, which is traditionally a strong quarter for sales and shipments.

For 2012, Statistics Canada estimates production in Canada to be the following:

- Lentils at 2.00 million acres for resulting production of 1.174 million mt based on 1,294 lbs yield
- Peas at 3.210 million acres for resulting production of 2.786 million mt based on 1,913 lbs yield
- Edible beans 271,000 acres for resulting production of 213,000 mt based on 1,733 lbs yield
- Chickpeas at 150,000 acres for resulting production of 91,000 mt based on 1,337 lbs yield

Pulses are rotational crops used by farmers to naturally replenish soil nitrogen instead of summer fallow (leaving fields to black dirt to replenish soil nitrogen) which results in the reported types of acre and production fluctuations year on year. Current production levels in North America, combined with positive harvest reports in Australia and carryover stocks in these key production origins, result in AGT management's view of ample supply for AGT merchandising activities from North America for the 2012 year.

USDA estimates U.S. lentil production for 2011 at levels lower than 2010 at 428,000 acres harvested, with associated production estimates at 214,642 mt or a 55% decrease. U.S. pulse growers in the Northern Plains states were significantly affected by the wet conditions during the early season seeding period in 2011 that impacted their ability to seed their fields as intended, resulting in significantly lower production for the year that was of normalized quality. The majority of U.S. lentil production is typically done in Montana, the Pacific Northwest and western North Dakota, with a significant amount of production within the drawing area of AGT facilities in Williston and Minot, North Dakota. Other pulses in the U.S. are reported in 2011 as approximately 97,206 mt for chickpeas or a 10.5% increase, 255,148 mt for field peas or a 60% decrease and 802,410 mt or a 44% decrease for all other beans (excluding chickpeas or garbanzo beans as they are referred to in the U.S.).

All reported production numbers in the U.S. for 2011 represent a significant drop due to the wet conditions throughout the entire season in eastern North Dakota, Minnesota and the Red River Valley from Manitoba. AGT management expectations are that with a return to normal growing conditions and the agronomical benefits pulses provide, farmers in these key U.S. growing regions will follow U.S. producers in regions in Montana and the Pacific Northwest in growing pulses.

Estimates for 2012 for U.S. production are reported as returning to historical averages after the significant decrease in 2011. USDA estimates for production in the U.S. are as follows:

- Lentils at 528,000 acres for resulting production of 277,000 mt based on 1,157 lbs yield
- Peas 468,000 acres for resulting production of 650,000 mt based on 3,062 lbs yield
- Edible beans (including chickpeas) at 1.724 million acres for resulting production of 1.302 million mt

In Canada, due to the higher overall acres of pulses seeded by farmers, more fluctuations, year on year, may be seen as farmers continue on their rotational cropping plans. AGT management view is that this is the case for 2012, with a long-term view of stable to slightly rising acres in Western Canada. In the U.S., past year seeding intentions, while affected by weather resulting in lower seeding and therefore lower production levels for 2011, indicate to AGT management that the expected trend of the U.S. becoming a significant and growing origin for pulse crop production in the future may continue. This continues to reaffirm AGT 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. As pulses are a rotational crop option with nitrogen-fixing properties for farmers, it is expected that a movement of acres from summer fallow to pulses will continue in the U.S. as it has in Canada over the past number of years.

International markets have been buying "hand-to-mouth" to keep estimated depleted local market stocks steady at the low levels that they have been at for some time. While AGT management expectations were for these buying levels to increase in the late 2011 period, credit liquidity of imports and an overall global economic tightening in part due to Eurozone concerns that contributed to volatility in the currency markets have resulted in local importers not increasing their buying activities in a meaningful way. AGT management is optimistic that these trends will return to more normalized buying activities in the second half of 2012 as credit and currency markets improve and potentially lower crop supplies in India and Turkey are confirmed.

Additionally, North American farmers, who have for the past few growing seasons reported high prices for their crops in pulses, cereal grains and canola, are under less pressure to sell crops at prevailing prices, choosing to instead hold on to stocks with the expectation of higher prices in the future due to the relative inelastic demand of pulses. With this disconnect in expectations from both farmers and importers, price volatility and high prices have been the norm, further exacerbating the lower buying levels seen in the market and contributing to margin tightening in processing operations.

Export statistics available from StatsCan for the October to December 2011 period show a decrease of 13% in lentil exports with an average of 121,295 mt exported monthly. The trend of hand-to-mouth buying is further confirmed by the January 2012 Canadian export data showing a 38% year over year January decline in exports comparing 2011 to 2010. The U.S. Department of Commerce statistics for U.S. exports show a continued decreasing trend on exports to an average of 8,967 mt per month in this period, a 23% increase over the previous period but dramatically down from 2010 exports in the same period due in large part to the significant production decreases, limited stocks and higher prices for U.S. lentils resulting from wet conditions.

The ability to ship product from North American facilities is a key driver for AGT's business with its significant operations in Western Canada and the Northern Plains states. Global economic conditions continue to be a source of uncertainty and have driven significant volatility in commodity prices and volumes, including agricultural commodities, with what AGT management views as short-term liquidity issues for importers around the world. While agricultural supply and demand fundamentals are relatively immune to short-term macroeconomic events, this uncertainty has contributed to significant volatility as non-commercial traders have significantly lowered their positions in commodity markets or have continued with programs of limited stock replenishments.

Because AGT's business operations in the pulses area have traditionally been very focused on North American production, steps to reduce this bias towards production in this region are being actively pursued. North American operations are being diversified and reliance on them decreased through expansions and a focus on other origins. A good quantity and quality crop in

Canada and the U.S. are important factors to AGT's success in executing on its sales strategy, with expected renewed buying activity from local importers. With well-positioned assets in Western Canada, added capacity and facilities and distribution channels in the U.S. are being evaluated by AGT management to capitalize on possible future increases to U.S. acres and domestic business opportunities for lentils, peas, chickpeas and beans as well as ingredients such as flours, proteins, starches and fibres. With the high-fixed cost nature of AGT's business, capacity utilization becomes a key driver in producing higher margin earnings. 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. Additionally, other origins like Australia, Russia, Ukraine and Southern Africa are rapidly emerging as significant producers of pulses. With AGT's stated strategy surrounding diversification of origination, decreases in North American production may be offset in this manner over time, which is expected to lead to increased ability to smooth earnings volatility due to weather events or other market distributions for export business.

Ongoing uncertainty regarding the final state of the government legislation regarding the Canadian Wheat Board has no impact on AGT currently, as the company is not actively purchasing Canadian board grains, specifically durum wheat for pasta production; however AGT management is closely monitoring the process and information as it becomes available. Agriculture Canada, in its recent report on Grains and Oilseeds, has reported seeded area for durum wheat in Canada to increase by 16% from 2011 levels resulting in an estimated 8% increase in production to 4.5 million mt. Exports are estimated to remain similar to 2011 levels at 3.5 million mt with low carry-out stocks. Prices for durum wheat are expected to decrease slightly based on higher world and U.S. supply, and the expected stronger Canadian dollar. World durum production is forecast to increase to 37.5 million mt and the supply to 44.4 million mt including carryover stocks.

Planning for a new pasta and pulses ingredient facility in Regina for the production of Arbella pasta, both for Canadian domestic, U.S. and export markets, as well as pulses-based flours, proteins, starches and fibres for food ingredient and industrial uses is ongoing, with plans to commence construction in 2012 with an estimated completion in late 2013.

Turkey

Continued speculation about the potential size of Turkish pulses production is ongoing. Over the past few production seasons, production levels for red lentils and chickpeas have steadily decreased, with current levels for lentils in 2012 expected to again be lower at approximately 400,000 mt (U.S. Ag Attaché, USDA, StatPub, TMO, TurkStat, private trade sources). Continued high demand, both domestically and within the region, is also expected. AGT management estimates imports of pulses to Turkey to rise through 2012 to meet domestic and export requirements, although not at the robust levels seen in previous years. Factors such as volatile currency and importer liquidity are affecting this market.

The majority of available Turkish lentil and chickpea 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 and free zone facilities for import/processing/re-export activities, as shipment and freight option advantages exist from Turkey to many core consumption markets in the Middle East and North Africa. Turkey is typically looked to as an origination point in the region for agri-product commodities. The lower supply levels locally in Turkey are viewed by AGT management as providing opportunities supported by the Company's global origination strategy. This entails shipping quantities of lentils and chickpeas from other origins such as Canada, the U.S. and Australia for processing and distribution into regional end-use markets.

However, this process has been affected both by the ability of Turkish importers and domestic customers as well as their importers and customers in the Middle East and North African region to obtain credit needed to purchase and replenish the low or depleted local market stocks. Continued ability to drive Turkish assets, both for supply to domestic markets as well as regional exports, will continue to be a key focus by AGT management. AGT management continues to be optimistic about its ability to increase capacity utilization at its pulses assets in Turkey in 2012 through this strategy.

Chickpea production is estimated to drop below 450,000 mt, the lowest production levels since 2007. With decreases in North American production, a focus on AGT's licensed variety, the B-90 chickpea, for Saskatchewan, North Dakota and Montana as well as production from other origins, such as Australia and Russia, are expected to be key drivers to AGT's expanding chickpea business. Turkey and the surrounding region is a significant consumption market for chickpeas for hummus and other uses such as flour and snack foods. AGT management expects in the near term to grow its global chickpea business to the Europe, Middle East and North Africa regions in part by utilization of its Turkish assets through its existing global origination strategy as it has in other pulses. Reports of higher prices for chickpeas globally, particularly driven by Indian demand, are creating competition for available products. Turkish assets are also being used to process chickpeas originated and imported unprocessed from Russia and Ukraine, imported in containers, and sold throughout Turkey and neighboring markets. Turkish asset utilization for AGT's program in chickpeas, beans and peas is growing in significance with approximately 20% of product passing through plants originating unprocessed from former Soviet Union countries (Russia, Ukraine, Kyrgyzstan, Uzbekistan, Kazakhstan). Turkey is a becoming a key regional processing and distribution hub for raw materials in this region. Arbel assets in close proximity to port facilities provide an advantage for import and processing activities.

With respect to durum wheat, the raw material for the production of pasta, bulgur and semolina, Turkey is expected to see a modest decrease in seeded acres due to competition from corn and cotton, creating pressure on pasta producers and millers. However, yield increases are expected to result in production estimated to be close to the short-term average. Additionally, pasta producers and millers including AGT, who have contracted directly from farmers, are estimated to have secured raw materials needed for production. With local origination through its Arbel Group operations in Turkey, AGT management is confident that pasta production will continue uninterrupted and without raw material price pressure until new crop is available in Turkey.

With reported increases in durum wheat production in Canada and the U.S. and increases in global production overall in other origins, durum wheat prices are expected to decrease according to Agriculture Canada. The ability to supplement decreases in Turkish production from origins AGT is doing business in, such as Canada, the U.S. and Australia, will provide similar advantages to pulses imports to Turkey by AGT for reprocess/re-export activities. Stable supply from Turkey is a key driver for AGT's growing global pasta and milled wheat business. Sufficient local stocks of Turkish durum have ensured that AGT's pasta business is able to secure its supplies to back its sales commitments without significant risks to margin. This has traditionally supplied a possible advantage for Arbella pasta business, which is expected to continue with the origin and production diversification of AGT pasta production with the announced new facility to be constructed in Regina.

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 continuing estimated demand for AGT pasta products, a fifth pasta line has been commissioned for production and has been partially operational through the last quarter of 2011. The line will add 36,000 mt of additional short cut pasta capacity in the second half of 2012. Expansions for semolina production are currently underway, with a 50% capacity increase in semolina production targeted for completion in early 2012 to keep pace with production capacity increases and demand for pasta and other milled wheat production in 2012. Overall, AGT management expects pasta facility expansions to continue to be a strong contributor to earnings in 2012. This is a positive development in AGT's cross-selling approach for pasta where 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 have grown and are expected to continue, providing growth opportunities for the pasta segment overall. Continued offerings to new and existing markets will be a focus through 2012 and future periods. Continued demand for other milled wheat products such as semolina, bulgur and durum in general in the domestic Turkish market is also expected during this period.

Rice paddy production is estimated to continue to rise as it has in the past recent periods. Estimates have been reported for rice production of between 750,000 and 900,000 mt (TMO). With estimated production levels for paddy production continuing in this range, imports of rice are forecasted to continue in upcoming periods from U.S. origins (U.S. Agricultural Attaché Grain and Feed Update Report, TMO, Turkish Rice Millers Association). This is expected to continue to create opportunities for AGT's rice business and provide ample raw material stocks for its rice processing assets located in Edirne, Turkey, which were commissioned for operations in mid-2011. This new facility is expected to bolster AGT's growth in this business platform with potential of additional production through enhanced irrigation systems for the area. Rice harvest is typically completed in the September/October period, which is projected to provide a positive outlook on this business segment in 2012. Contributions to earnings of this new asset are expected to begin in 2012, as 2011 ramp up and commissioning took approximately three months longer than expected. Management is pleased with the facility's efficiency and the quality of the finished products for sale.

Based on available reports, AGT management maintains its opinion of a favourable business environment for operations in Turkey with expected increases to capacity utilization and related earnings contribution. As it has done in the past, where local production shortfalls were experienced, AGT management expects to continue on the strategy to utilize available capacity in its Arbel facilities, coupled with free zone facilities for import/processing/re-export activities with products being shipped to Turkey from AGT facilities in Canada, Australia, China, South Africa and other origins. More normalized or slightly lower production of new crop supply and global carry-in stocks are expected to 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 throughout the year as harvest is completed in other origins. This is expected to allow for a return to normalized processing and distribution margins in the pulses business segment from Turkey. 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 can cause price variances according to demand outpacing available supplies. Regular import supplies provide a degree of insulation from these upward price pressures and allow for more consistent margins.

AGT will also continue to develop its distribution platform using Arbel as the base for green lentils, chickpeas, white beans, speckled beans, faba beans, mung beans, popcorn and rice. Transit and trade business to neighbouring countries are important revenue generators for AGT. Utilization of newly-erected cold storage warehouses at Arbel will allow AGT branded bagged product to achieve further market penetration as AGT has positioned warehouse stocks in Turkey to capitalize on immediate delivery opportunities.

With these factors in mind, AGT 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

Australia reported the period after harvest on a positive note, as it has throughout the 2011 crop season. Overall pulses production is estimated by Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) to be at record levels for 2011 at 2.331 million mt. Increases in production of lupins at 47% to 901,000 mt and chickpeas at 28% to 485,000 mt are being reported. Slight decreases of 6% each on lentils to 288,000 mt, off the 306,000 mt record production in 2010, and on faba beans to 268,000, off the 287,000 mt record in 2010 are also being reported. These production levels are viewed as positive from a global origination standpoint by AGT management.

Export levels for pulses have been reported by the Australian Bureau of Statistics as continuing to rise as has been seen through 2011. Lentil exports from Australia rose a reported 283% from the same period in 2010 from an average monthly volume of 7,300 mt in 2010 to 28,000 mt in 2011. Chickpeas and faba beans reported more modest gains at 18% year over year increase for chickpeas from an average monthly volume of 22,700 mt to 26,000 mt and 45% for faba beans from 40,000 mt in 2010 to 58,000 mt in 2011.

With Australia expected to continue being a strong production origin in the coming periods, AGT is well positioned with extensive assets in key growing regions throughout the country. AGT management is optimistic about the potential for its Australian business units in Victoria and its expanded South Australian facilities as well as the acquisition in New South Wales. With opportunities around storage, blending, colour sorting and sizing, AGT's Victoria business in Horsham is 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 subcontinent markets. The acquisitions and expansions at the grain handling facilities in Bowmans and Kadina in South Australia and the addition of a processing plant 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 is in excess of 100,000 mt, giving AGT a significant competitive advantage over most of its global competitors.

AGT's acquisition in Narrabri, New South Wales is commissioned for processing and is expected by AGT management to provide opportunities for exports of desi and kabuli chickpeas, faba beans, mung beans and lupins principally to North Africa, Middle East and Indian subcontinent markets in 2012 with ample good quality lentil and other pulse crop supply. Container rail service to Adelaide and Sydney from AGT facilities and container shipments from Victoria via Melbourne are expected to bolster export opportunities for these products to nearby consumption markets, further expanding AGT's global chickpea and bean platforms.

AGT management expects its Australian expansion strategy to continue to grow and contribute positively to earnings with strong origination, well-equipped and positioned assets and a growing loyal producer following in its origination areas. AGT management believes it is building a sustainable, competitive advantage for AGT in the pulses and specialty crops space in Australia. The Australian business unit, along with Turkey and the U.S., is a key factor in AGT's efforts to diversify its earnings base and balance its concentration on Canadian operations.

AGT management expects that pulses acreage in Australia will continue to rise providing the basis on which to continue execution of its investment strategy in Victoria, South Australia and New South Wales with planned improvements of its existing asset bases in 2012-2013.

India and Subcontinent Markets

Ongoing reports from India regarding import and production levels have contributed to questions in global pulse markets with respect to the impact of India on global pulse exports. Lower kharif and rabi production had led to optimism of higher levels of imports to meet the significant domestic demand for pulses in India. While pulses production is reported as down 5% by STATPub based on Indian government reports, it should be noted that accurate and reliable reporting on production, consumption and import levels in India are difficult to verify. Statistical lag and regions that simply do not report production and consumption contribute to this. This has translated to a short-term reduction in imports to the region as local production is consumed in the market. Local importers are expected to look to import product available from North America and Australia in future periods. However, credit liquidity and currency volatility has affected the ability of importers to conduct their business in a manner consistent with historical buying habits. Governmental policy and messaging aimed at curbing food inflation and dealing with currency volatility also contribute to messaging that AGT management estimates may be “overly optimistic” in the Indian production systems.

AGT management notes that India is a major driver of regional production and consumption. However, Bangladesh, Sri Lanka and Pakistan are also positive demand points for AGT. Demand for lentils, chickpeas and beans are expected to increase in 2012 in these neighbouring markets regardless of India’s internal market dynamics. Market intelligence gathered by AGT through agents, customers and distributors finds reports of low or depleted local market stocks that must be replenished even partially once Indian new crop is completely distributed through the domestic consumption markets.

AGT management is optimistic that the positive demand fundamentals for pulse imports to Indian subcontinent markets may materialize in the second half of 2012. At the recent Global Pulses Conclave Meetings in Mumbai in February 2012, panelists projected that lentil and pigeon pea stocks may be reduced by 20% to 40% as seeded acres and yields are expected to be down. In any production year, India and its regional markets are important contributors to demand to move global pulses supplies. The continued governmental ban on Indian origin exports is expected to allow AGT to benefit from opportunities to ship its products to this region and drive utilization of its North American, Australian and South African asset bases. Origination and export from Southern Africa (Mozambique, Tanzania, Kenya and Malawi) is also an opportunity that is expected to be developed with the Advance Seed acquisition in South Africa.

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 with regard to distribution in key consumption markets. The gap in supply and demand in India is forecast to continue to rise in the coming years according to published reports by the Indian Government and other industry sources. Growth in consumption is estimated to continue its rise due to the growing population in India. Pulses are a staple food group that spreads across all income levels, from the richest to the poorest of consumers. This, coupled with stable-to-declining production in India due to weather volatility, leaves India as a key driver for future demand prospects for the pulses markets.

Russia and Ukraine

While not a traditional growing region for pulses, Russia and the Ukraine are emerging as potentially important production regions, especially considering the availability of shipping lanes through the Black Sea and Bosphorus to processing locations and markets in Turkey and decreases in local Turkish production. Reports from FAO and USDA have Russian pulses production up significantly in 2011 with a continuation of these gains expected in 2012. In 2011 a total of 1.5 million acres of pulses produced a reported 2.4 million mt. While much of this production is in peas, with 1.1 million acres resulting in 1.8 million mt of production, the reported 21,400 acres of chickpeas resulting in 43,000 mt and 12,700 acres of lentils resulting in 10,000 mt of production has potential to increase in upcoming years. Opportunities including broad beans, beans and lupins could also be realized.

AGT management, identifying the Russian and Ukrainian production regions as a significant new origin for origination of pulses and grains, has positioned local Turkish staff in Russia, Kyrgyzstan and Ukraine to assist in grain buying and origination in the region to facilitate the flow of peas, chickpeas and beans to Arbel's facilities in Turkey.

South Africa

With the acquisition of Advance Seed, AGT's long-time client and distributor in the Southern Africa region for pulses, grains and popcorn, entry into this key consumption region has begun. Processing facilities in Johannesburg and warehouse and packaging facilities in Cape Town and Durban provide AGT with existing markets for popcorn, pulses, pasta and seed grains in the Southern Africa region. It should be noted that AGT, with the Advance Seed acquisition, has acquired a fully functioning business with existing sales contracts and a branded retail product line both for retailers and private label, which is expected by AGT management to continue contribution to earnings in the 2012 period.

While pulses acres for beans, lupins and other products in South Africa are trending down with competition with corn and other higher priced cereals (South Africa Grain Information Service; SAGIS), AGT, with its global operations in other origins, is viewing similar import/reprocess/re-export opportunities to cross-sell with the locally produced popcorn and other products. Southern Africa provides another outlet for driving sales opportunities for AGT's asset base in China, Canada, the U.S., Turkey and Australia.

Additionally, AGT management has identified potential for increased pulses production in neighbouring regions for import substitution growing and supply programs for local retail markets capturing potential duty and tax advantages for locally produced products. With the amount of farmland available in the Southern African region, AGT management remains optimistic about future production growth in pulses and specialty crops in Africa.

China

Although limited official data on pulses production in China is available, the U.S. Agricultural Attaché to China continues to report 2011-2012 production levels as trending upward; however, production is still estimated as approximately 4.2 million mt of pulses production, largely consisting of broad beans, kidney beans, mung beans and adzuki beans. In previous reports, the U.S. Agricultural Attaché reported estimates of high levels of pea imports for domestic starch extraction for vermicelli noodle production, moon cakes and snack foods. AGT management has continued to proceed with implementation of a strategy to utilize the new Chinese assets to provide an entry point for Canadian, U.S. and Australian peas for starch, green peas for snack foods, green pea powder and sprouting green peas.

Flax imports to China for the industrial processing sector is also a growing segment for AGT's North American assets, providing another product to utilize excess capacity. China is also an origin for exports 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 for AGT's planned new bean processing plant have been slower than anticipated as AGT management continues to evaluate options on location, scope and scale of the investment. Plans for construction of a new facility in 2012 are ongoing.

Strategy Implementation on Track

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, sunflower seeds). Specifically, offerings include split and value-added lentils, peas and chickpeas and its newer offerings of beans, pasta, bulgur wheat, semolina and rice that are in place, as well as a planned pulses ingredient business including flour, protein, starch and fibre. AGT 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.

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/South Africa (December harvest), India (March harvest) and Turkey (June harvest). AGT management believes demand will continue through traditional shipping periods, with opportunities for the 2012 crop supply from all origins in the coming periods to replenish local market stocks. The uncertainty regarding actual Indian production and supply levels has the potential to translate to growing import levels of pulses to India in 2012, which is an important component to moving available product from producing origins in any production year. Similar import opportunities for Turkey are estimated to exist as well, with the decrease in production of lentils and chickpeas in that origin creating high estimated domestic and regional consumption.

Importers and international buyers must complete buying decisions as stocks become available, bringing them into the markets to satisfy consumer demands for pulse products, staple foods and protein. AGT management is optimistic that local importers who previously postponed portions of their buying due to volatile pulse markets and global economic conditions may begin to come back into the market for 2011 crop year and 2012 offerings from all origins shipping throughout 2012, especially as quality is reported to have returned 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 crises and food availability as a basic building block of civil society. Libya, Egypt, Algeria, Syria, Iraq and Sudan present great opportunities for sales in 2012.

On December 30, 2011, AGT announced that through its wholly-owned Canadian subsidiary, APP, it has entered into a $130.0 million senior secured credit facility with The Bank of Nova Scotia and a syndicate of two other banks, HSBC Bank of Canada and Rabobank Nederland (Canadian Branch). With the established risk management program followed by AGT, which includes “back to back” selling to reduce risk of commodity exposure, hedging mechanisms for foreign exchange, selling based on trade terms where AGT retains ownership of the cargo until payment is received and receivable insurance by Export Development Canada (“**EDC**”), AGT’s sales program is working capital-intensive. Farmers are paid within 7 to 14 days and payment for cargo may not be realized in some cases for 60 days or more, as transit times from factory to destinations may take 65 days or more. Establishment of this global credit facility is expected to assist AGT in executing on its sales program and strategy. AGT continues to have high-quality inventory and a book of receivables that are largely credit insured by EDC to offset its levels of short-term financing. Long term debts compared with equity levels are considered by management to be at relatively low levels.

With regards to acquisitions, AGT management reports that the evaluation of acquisitions in key consumption markets and other origins is ongoing. With regard to integration of previous acquisitions, integration processes are continuing as planned. New additions to AGT’s corporate management continue on programs aimed at bolstering administrative, corporate reporting and information technology standardization between all corporate subsidiaries. Improvements completed in 2011 at a number of North American, Turkish and Australian facilities position those facilities for positive contribution to AGT business in future periods, as well as provide AGT management with better tools and information to manage AGT’s global operations.

The expansions of the Minot, North Dakota facilities are projected to be completed in late 2012. As the facility in Minot was never commissioned as a pulses processing facility, AGT operations staff are able to set up and configure the facility in a manner that makes most efficient use of processes and equipment for value-added processing of pulses and staple foods, as well as the processing of pulses ingredients including flours, proteins, starches and fibre.

In Australia, AGT management is optimistic with regard to the growth potential of the existing and new Australian business units. Expansions of storage in Victoria, Australia are completed. Integration of South Australian assets are ongoing and on track, with these facilities expected to continue to create opportunities to capture pulses into AGT's newly commissioned storage and processing systems. The newly acquired facility in Narrabri is well-positioned in a key growing area in New South Wales for desi and kabuli chickpeas, faba beans, mung beans and lupins. It is a fully operational facility, with three times weekly container rail service to port of Sydney and freight advantages to North Africa and the Indian subcontinent, which are the principal markets for these products. AGT management is pleased with the opportunities that may be provided by its Australian operations.

AGT management is optimistic about the benefits the new acquisition of Advance Seed in South Africa is expected to provide for AGT in the Southern African region. With a strong management team headed by Mr. Brian Lever and his decades-long experience in the agri-foods sector in the region, AGT management expects the existing facilities for processing and packaging in Johannesburg, as well as the packaging and distribution facilities in Cape Town and Durban, to begin to contribute positively to earnings in the short-term. Furthermore, the seed grains and agronomical consulting services that Advance Seed provides to growers of pulses, grains and popcorn in Southern Africa is expected to assist in the increase of acres of AGT's core products in the region. Finally, the branded products and private label business through the Pouyoukas Foods brand is seen as a platform for growth of the AGT retail platform for popcorn, packaged pulses, rice and Arbella pasta in the region.

AGT 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, with a continued focus on expansions and facility refurbishments providing capacity efficiency gains in the Canada, U.S., Turkey, Australia, China, India, Eastern Europe and Southern Africa.

Management reiterates the following core competencies and strengths of AGT's business:

- Strength of the management team
- Geographic diversification of AGT's assets
- Global reach for sales and distribution
- Risk management
- Adequate access to capital in a capital constrained global market

Selected Annual Information

The following table presents selected financial information for AGT taken from its financial statements.

(in thousands of Cdn. $ except as indicated)	Year Ended Dec 31, 2011	Year Ended Dec 31, 2010
Sales	759,974	642,140
Cost of sales	677,162	570,567
Gross profit	**82,812**	**71,573**
Deduct: General and administrative expenses	(24,632)	(22,901)
Deduct: Marketing, sales and distribution expenses	(25,871)	(19,440)
Add: Finance income	855	-
Add: Depreciation in cost of sales	6,726	3,977
Add: Depreciation in operating expense	5,506	3,377
Add: Non-recurring costs (1)	2,194	667
EBITDA (*)	**47,590**	**37,253**
Deduct: Interest	(10,977)	(5,932)
Deduct: Depreciation and amortization	(12,231)	(7,354)
Deduct: Provision for income taxes	(1,835)	(3,612)
Adjusted net earnings (*)	**22,547**	**20,355**
Adjusted basic net earnings per share	1.14	1.08
Adjusted diluted net earnings per share	1.13	1.06
Deduct: Non-recurring costs	(2,194)	(667)
Deduct: Non cash foreign exchange effect	(28,814)	(721)
Net earnings (loss) per financial statements	**(8,461)**	**18,967**
Basic net earnings per share	(0.43)	1.01
Diluted net earnings per share	(0.43)	0.99
Total assets	689,512	529,404
Bank indebtedness	197,868	80,336
Short term financing	42,371	24,925
Long-term debt including current portion	80,765	36,056
Shareholders' equity	270,965	303,090
Dividends declared per share	0.585	0.540
Basic shares outstanding	19,725,023	18,866,853
Fully diluted shares outstanding	19,971,190	19,170,895

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

Discussion of Annual Results

AGT's sales were $760.0 million for the year ended December 31, 2011, compared to sales of $642.1 million for the year ended December 31, 2010. This increase of 18% from the previous year is due to AGT's reporting of a full year of results for Poortmans, which was acquired in November 2010, the 2011 acquisition of Advance Seed in South Africa, and a growing revenue base in Australia during 2011 as compared to 2010.

AGT's EBITDA* was $47.6 million for the year ended December 31, 2011, compared to $37.2 million for the year ended December 31, 2010, an increase of approximately 28%. The increase is attributable to new acquisitions contributing to positive earnings, as well as some return to normal capacity utilization following the high degree of quality variance during the year ended December 31, 2010. Capacity utilization suffered during the last two months of 2011 due to global financial liquidity issues and resulting lower margins partially offsetting the EBITDA* increase earlier in the year.

AGT has revised the selected annual reporting disclosure to more closely conform to the format of the IFRS financial statements and provide more detail on expenses as they relate to sales trends. Operating expenses are now being detailed into the categories of general and administrative expenses and marketing, sales and distribution expenses.

General and administrative expenses increased from $22.9 million for the year ended December 31, 2010 to $24.6 million for the year ended December 31, 2011. This increase of 7.4% reflects the larger scale of operations due to additional capacity and new operations that were brought on line with the acquisition of Canz Commodities in New South Wales, Australia and Advance Seed in South Africa as well as the reporting of a full year of results for Poortmans.

Marketing, sales and distribution expenses increased from $19.4 million for the year ending December 31, 2010 to $25.9 million for the year ending December 31, 2011 as a result of acquisitions late in 2010 and in 2011. The year-over-year comparison is skewed by the dramatic increase of the size of AGT. This includes the additional operating costs associated with the full year results of Poortmans and acquisitions in Australia, which were purchased in 2010, as well as the additional facilities in Australia and South Africa purchased in 2011. In addition, AGT incurred advertising costs in 2011 estimated by management as non-recurring costs attributable to a Turkish domestic marketing program to build brand awareness of Arbella. These advertising campaigns are targeted campaigns that are necessary approximately every 3 to 4 years. It is not anticipated that this level of expenditure will be required in 2012.

Gross profit for 2011 was $82.8 million, an improvement in absolute dollars from the $71.6 million in 2010. During 2011, gross margins improved as a result of better quality product being available when the 2011 harvest was received. This was partially offset by lower demand late in 2011, causing gross profit as a percentage of sales to decrease slightly from 11.1% in 2010 to 10.9% in 2011. Global liquidity issues experienced late in 2011 resulted in AGT management making the decision to sell product at lower margins as opposed to decreasing factory utilization.

Interest expense increased from $5.9 million in 2010 to $11.0 million in 2011 due to increases in working capital requirements and long term debt resulting from the acquisitions during 2010 and 2011. Increased interest costs related to higher costs of borrowing in Turkey and South Africa are also contributing factors. Management continues to look at options to utilize AGT's global balance sheet to reduce costs of borrowing of foreign subsidiaries.

Provision for income tax for the year ended December 31, 2011 was $1.8 million compared to $3.6 million for the year ended December 31, 2010. This is due to lower income in 2011 and the resulting decrease in tax expense in some tax jurisdictions. In addition, although foreign exchange losses are non-cash, these losses affect the net income and therefore the tax provision. Management is in the early stages of examining its international tax structure.

Depreciation for the year ended December 31, 2011 was $12.2 million compared to $7.4 million for the year ended December 31, 2010. The increase in depreciation is due primarily to additional depreciable assets resulting from acquisitions and capital additions and improvements. In addition, an assessment of depreciable assets and relevant useful lives resulted in an adjustment to depreciation expense in the fourth quarter.

Unrealized foreign exchange was a loss of $28.8 million for the year ended December 31, 2011 compared to a loss of $0.70 million for the year ended December 31, 2010. Foreign exchange fluctuations for the year ended December 31, 2011 as compared to the year ended December 31, 2010 were primarily the result of a devaluation of the Turkish lira and fluctuations in the U.S. dollar, partially offset by an increase in the value of the Australian dollar. It is important to note that this FX effect is unrealized and non-cash in nature and is added back when AGT reports EBITDA and adjusted earnings per share.

Current assets increased to $419.2 million in 2011 from $279.8 million in 2010 while current liabilities increased to $331.8 million from $190.4 million. The increases in inventory levels to $183.3 million in 2011 from $110.8 million in 2010 reflect higher stock levels of branded pasta and the broadened footprint of Australian operations with the late 2010 acquisition of additional storage assets in South Africa and the mid-2011 purchase of New South Wales assets. As well, 2011 inventory includes the acquisition in South Africa. In addition, cash increased from $23.6 million at December 31, 2010 to $56.2 million at December 31, 2011. The cash increase is largely due to deferred producer payments that were expected to be cleared through AGT accounts in the first few days of January 2012.

Net positive working capital position of $89.3 million in 2010 decreased to $87.4 million in 2011 largely as a result of foreign denominated loans and receivables being marked to market. The mark to market entry is a non-cash amount. Long term debt including current portion increased from $36.1 million in 2010 to $80.8 million in 2011 as a result of additional proceeds received from Farm Credit Canada, for funding of acquisitions, as well as long term debt associated with the Advance Seed purchase. This is partially offset by long term debt paid down by certain of the subsidiaries.

Net debt* (bank indebtedness, short term financing and long term debt less cash) increased from $117.7 million at December 31, 2010 to $264.8 million at December 31, 2011. This is a result of additional financing taken to augment working capital requirements as well as acquisitions. During 2011, AGT ramped up its distribution strategy to have inventory available at port facilities. The strategy allows shorter transit periods for the buyers and AGT will be in a position to charge premiums on the product. The inventory levels at December 31, 2011 are reflective of the warehoused product and benefits of this strategy are expected to be seen early in 2012.

Equity decreased from $303.1 in 2010 to $271.0 in 2011. The decrease is largely a result of accumulated other comprehensive loss increasing to $25.0 million in 2011 compared to $12.5 million in 2010. This is an adjustment to equity and other comprehensive loss that has no cash impact. This other comprehensive loss is largely related to the cumulative translation adjustment for 2010 resulting from the devaluation of the Turkish lira, which decreased from $0.64 at December 31, 2010 to $0.54 at December 31, 2011 as compared to $1.00 Canadian dollar. The “snap-shot” end of period adjustment to net assets and earnings translated to Canadian dollars from the local currencies show the currency effects of the devaluations on AGT’s overall equity base. Since this is a non-cash item, this amount is expected to change year to year as the local currencies of foreign operations change over time. In addition, the net loss recorded for 2011 resulted in a decrease in retained earnings.

Summary of Quarterly Results (1)
(in thousands of Cdn. $ except as indicated unaudited)

	3 Months Ended Dec 31, 2011	3 Months Ended Sept 30, 2011	3 Months Ended June 30, 2011	3 Months Ended March 31, 2011	3 Months Ended Dec 31, 2010	3 Months Ended Sept 30, 2010	3 Months Ended June 30, 2010	3 Months Ended, March 31, 2010
Sales	231,450	190,556	169,915	168,053	169,003	137,559	149,222	186,356
Cost of sales (2)	212,387	165,001	153,011	146,763	154,769	122,142	136,882	156,774
Gross profit	**19,063**	**25,555**	**16,904**	**21,290**	**14,234**	**15,417**	**12,340**	**29,582**
Deduct: General and administrative expenses	(7,911)	(6,709)	(5,400)	(4,612)	(7,053)	(6,228)	(4,971)	(4,649)
Deduct: Marketing, sales and distribution expenses	(9,322)	(5,817)	(5,990)	(4,742)	(3,550)	(6,187)	(4,843)	(4,860)
Add (Deduct): Other expenses	16	4	(2)	(18)	2	-	-	(2)
Add (Deduct): Finance expense	1,327	(258)	121	(335)	524	(33)	(153)	(338)
Add: Amortization in cost of sales	1,809	1,531	1,625	1,761	905	1,893	1,179	-
Add: Amortization in operating expense	2,447	311	1,920	828	1,649	213	887	628
Add: Non-recurring costs (3)	1,785	409	-	-	667	-	-	-
EBITDA (*)	**9,214**	**15,026**	**9,178**	**14,172**	**7,378**	**5,075**	**4,439**	**20,361**
Deduct: Interest	(2,907)	(3,549)	(2,328)	(2,193)	(2,432)	(1,139)	(1,283)	(1,078)
Deduct: Depreciation and amortization	(4,255)	(1,842)	(3,545)	(2,589)	(2,554)	(2,106)	(2,066)	(628)
Add (Deduct): Provision for income taxes	(1,178)	905	1,252	(2,814)	(1,013)	(1,382)	1,186	(2,403)
Adjusted net earnings (*)	**874**	**10,540**	**4,557**	**6,576**	**1,379**	**448**	**2,276**	**16,252**
Adjusted basic net earnings per share	0.04	0.53	0.23	0.33	0.05	0.02	0.02	0.95
Adjusted diluted net earnings per share	0.04	0.53	0.23	0.33	0.05	0.02	0.02	0.93
Deduct: Non-recurring costs (3)	(1,785)	(409)	-	-	(667)	-	-	-
Deduct: Non cash foreign exchange effect	218	(21,205)	(8,433)	606	(1,017)	5,467	(6,604)	1,433
Net earnings (loss) per financial statements	**(693)**	**(11,074)**	**(3,876)**	**7,182**	**(305)**	**5,915**	**(4,328)**	**17,685**
Basic net earnings (loss) per share	(0.04)	(0.56)	(0.20)	0.36	(0.02)	0.30	(0.23)	1.03
Diluted net earnings (loss) per share	(0.04)	(0.56)	(0.20)	0.36	(0.02)	0.30	(0.23)	1.01
Total assets	689,512	615,556	575,397	566,609	529,404	453,274	445,398	459,439
Bank indebtedness	197,868	129,493	116,397	99,150	80,336	-	-	64,755
Short term financing	42,371	37,093	28,958	9,703	24,925	25,005	26,261	50,975
Long-term debt including current portion	80,765	73,968	66,416	69,654	36,056	21,792	25,162	37,932
Shareholders' equity	270,965	276,011	290,862	302,604	303,090	319,633	314,779	244,755
Dividends declared per share	0.150	0.150	0.150	0.135	0.135	0.135	0.135	0.135
Total tonnes invoiced	272,196	282,847	227,132	251,267				
Gross profit per metric tonne	70.03	90.35	74.42	84.73				
EBITDA (*) per metric tonne	33.85	53.12	40.41	56.40				

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.

Notes:

(1) Calculated from the unaudited interim financial statements for the quarters ending September 30, 2011 and 2010, June 30, 2011 and 2010 and March 31, 2011 and 2010, and the audited IFRS annual financial statements for the year ending December 31, 2011 and 2010.

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

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

Discussion of Fourth Quarter Results

Revenues were $231.5 million for the three months ended December 31, 2011 compared to $190.6 million for the three months ended September 30, 2011 and $169.0 million for the three months ended December 31, 2010. This is due to higher sales prices of Australian commodities, as well as increased sales prices for commodities such as beans, chickpeas, pasta and other value-added commodities during the quarter ending December 31, 2011 compared to the quarter ending September 30, 2011 and additional volume handled for the quarter ending December 31, 2011 compared to the quarter ending December 31, 2010.

Gross Profit was $19.1 million or 8.2% for the three months ended December 31, 2011 compared to $25.6 million or 13.4% for the three months ended September 30, 2011 and $14.2 million or 8.4% for the three months ended December 31, 2010. Although gross profit percentage for the three months ended December 31, 2011 is consistent with the gross profit for the three months ended December 31, 2010, there is a decrease when comparing to the quarter ended September 30, 2011. This is due to better quality product being handled, and resultant lower processing costs during the quarter ended September 30, 2011. The decrease in trading margins during the quarter ended December 31, 2011 is largely due to global liquidity issues, sluggish demand causing temporary margin compression causing Management to make the decision to sell product at lower margins as opposed to decreasing factory utilization. Product mix also contributed with lower lentil sales and more commodity pea and flax seed sales compared to the expected value-added pulses opportunities expected during the quarter shipping period.

EBITDA* was $9.2 million for the three months ended December 31, 2011 compared to $15.0 million for the three months ended September 30, 2011 and $7.4 million for the three months ended December 31, 2010. The quality of 2011 crop was better than crop received in 2010, resulting in more efficient processing and an EBITDA* increase when comparing the three months ending December 31, 2011 to the three months ending December 31, 2010. However, the decrease in EBITDA* from the quarter ended September 30, 2011 to the quarter ended December 31, 2011 was due to a strain on margins resulting from temporary reduction in global demand for core product offerings associated with normalized margins.

AGT has revised the selected quarterly reporting disclosure to more closely conform to the format of the IFRS financial statements and provide more detail on expenses as they relate to sales trends. Operating expenses are now being detailed into the categories of general and administrative expenses and marketing, sales and distribution expenses.

General and administrative expenses increased from $6.7 million for the three months ended September 30, 2011 to $7.9 million for the three months ended December 31, 2011 and compared to $7.1 million for the three months ended December 31, 2010. This increase of 17.9% when comparing the three months ending December 31, 2011 to the three months ending September 30, 2011 and 11.3% when comparing the three months ending December 31, 2011 to the three months ending December 31, 2010 reflects the larger scale of operations due to additional capacity and new operations that were brought on line with the acquisition of New South Wales in Australia and Advance Seed in South Africa. AGT management is undertaking an administrative cost review and it is anticipated that the Company will initiate a reduction in decentralized functions at acquired subsidiaries globally and operating divisions in North America in favor of centralized functions at AGT's corporate offices to reduce costs going forward.

Marketing, sales and distribution expenses increased from $5.8 million for the three months ended September 30, 2011 and from $3.6 million for the three months ended December 31, 2010 to $9.3 million for the three months ended December 31, 2011 as a result of acquisitions late in 2010 and in 2011 as well as non-recurring advertising costs incurred late in the year. In addition, the higher sales volume during the quarter ending December 31, 2011 compared to the quarter ending December 31, 2010 resulted in increased distribution costs. This expense category is expected to normalize back to levels estimated at approximately $7.0 million for periods ongoing.

Interest expenses for the quarter ending December 31, 2011 were $2.9 million compared to $3.5 million for the quarter ending September 30, 2011 and compared to $2.4 million for the quarter ending December 31, 2010. Interest expense decreased when comparing the quarter ended December 31, 2011 to the quarter ending September 30, 2011 due to capital projects being put into use and interest costs being capitalized. Interest expenses during the quarter ending December 31, 2011 were higher than interest expenses for the quarter ending December 31, 2010 due to increased credit utilization, partially offset by capitalization of interest for construction projects.

Provision for income tax shows an expense of $1.2 million for the quarter ended December 31, 2011 as compared to a recovery of $0.9 million for the quarter ended September 30, 2011 and an expense of $1.0 million for the quarter ended December 31, 2010. The recovery amount for the quarter ended September 30, 2011 is a result of net losses for these quarters attributable to unrealized foreign exchange loss. The net loss improved from $11.1 million for the quarter ended September 30, 2011 to $0.70 million for the quarter ended December 31, 2011, and certain of the subsidiaries had income for tax purposes, resulting in a shift from income tax recovery to an income tax expense when comparing the quarter ended September 30, 2011 to the quarter ended December 31, 2011 and December 31, 2010.

Depreciation expenses for the quarter ended December 31, 2011 were $4.3 million compared to $1.8 million for the quarter ended September 30, 2011 and compared to $2.6 million for the quarter ended December 31, 2010. The higher depreciation amount for the quarter ended December 31, 2011 is attributable to the adjustment of management estimates of useful life and finalization of componentization. Certain classes of assets were re-evaluated resulting in the adjustments and the adjustments were all recorded in the reporting period.

Unrealized foreign exchange was a recovery for the quarter ended December 31, 2011 of $0.2 million compared to a loss of $21.2 million for the quarter ended September 30, 2011 and compared to a loss of $1.0 million for the quarter ended December 31, 2010. The change in unrealized foreign exchange from the quarter ended September 30, 2011 to the quarter ended December 31, 2011 is primarily due to gains on certain foreign denominated loans, receivables and derivative contracts, partially offset by devaluations of the Turkish lira against the Canadian and U.S. dollar, resulting in a small change during the quarter ended December 31, 2011. The unrealized foreign exchange difference when comparing to the quarter ending December 31, 2010 is a result of fluctuations in foreign exchange rates of subsidiaries.

Net debt* is comprised of bank indebtedness, short term financing and long term debt, less cash and cash equivalents, totalled $264.8 million at December 31, 2011 compared to $223.3 million at September 30, 2011. The increase in net debt of $41.5 million is a result of lower inventory turns and the resulting increased inventory from $176.0 million at September 30, 2011 to $183.3 million at December 31, 2011 and increased accounts receivable from $156.9 million at September 30, 2011 to $171.5 million at December 31, 2011. This net debt figure is expected to decrease in 2012 as global liquidity improves. Also, additional term financing was put in place to fund acquisitions of South Africa and Minot, North Dakota.

Current assets were $419.2 million at December 31, 2011 compared to $361.0 million at September 30, 2011 (see table on page 30). The current asset base is largely accounts receivable and inventory, reflecting the continued growth in sales and distribution that AGT has experienced in recent months. It is important to note that the receivables are largely insured by Export Development Canada, significantly reducing the risks associated with this current asset class as buyer risk is being replaced by Government of Canada risk through the export insurance. Inventory levels, while appearing higher than prior periods, reflect the diversification efforts of the company to carry a full range of products processed in AGT factories for its global distribution clients.

In its efforts to manage working capital, Management has initiated tighter credit terms for international buyers and expects that the improvements will be realized in the second half of 2012. Inventory level increases are also attributable to a shift to distribution activities in consumption markets, illustrated by the continued flow of pulses from Canada and Australia to Turkey, the flow of pulses and grains from Russia and Ukraine to Turkey and through the distribution and sales activities of Poortmans in Europe and Advance Seed in South Africa. It is estimated that there are over 50 different products and grades contained within AGT's inventory.

Dividends - AGT paid a dividend in January 2012 of $2.96 million ($0.15 per share) in the aggregate to its shareholders of record as at December 30, 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.

AGT's financial statements are presented in Canadian dollars, but AGT's operating subsidiaries earn revenues and incur expenses in several currencies, including U.S. dollars ("**US$**" or "**USD**"), Turkish lira ("**TL**"), Australian dollars ("**A$**" or "**AUD**"), Pounds Sterling ("**£**" or "**GBP**"), Euros ("**€**" or "**EUR**") South African rand ("**R**" or "**ZAR**") and the Renminbi of the People's Republic of China (" **¥**" or "**RMB**").

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

	2011	2010
USD/CDN	1.02133	0.997006
AUD/CDN	1.03867	1.014160
TL/CDN	0.54089	0.643761
GBP/CDN	1.58206	1.547720
EUR/CDN	1.32150	1.332200
ZAR/CDN	0.12606	N/A
RMB/CDN	0.16197	N/A

For each subsidiary, any difference between the December 31, 2011 exchange rate and the average exchange rate used to record revenues and expenses is recorded as other comprehensive income (loss) on AGT's Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity.

Liquidity and Capital Resources

AGT has been able to generate sufficient cash from its operations and through access to equity, operating lines and other facilities to maintain its operations, 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 Fourth Quarter Results - Dividends" above and "Outlook" for a discussion of these factors. Further information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com.

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

At December 31, 2011, AGT had total operating lines and other facilities available of $280.2 million (December 31, 2010 - $255.7 million), a portion of which is secured by a general security agreement. Interest rates on CDN and USD operating credits range from 3% to 8% with varying maturity dates. Since some facilities are denominated in local currency, the available amount in CDN dollar terms will vary.

The Canadian credit facilities have floating interest rates, and Management regularly monitors interest rates to make adjustments to its fixed versus floating interest rate management program. AGT also uses fixed rate banker's acceptances from time to time to mitigate a portion of its floating interest rate risk in its operating credit facilities. As a result of the low interest rates prevailing in Canada in recent years, Management has decided to leave its Canadian credit facilities largely at floating interest rates. Turkish Lira denominated borrowings are basis Turkish Central Bank rate and prevailing market premiums at the time of utilization. At December 31, 2011, AGT is in compliance with its financial covenants under all credit agreements.

AGT has implemented a global foreign exchange management program to effectively manage its net exposure to the U.S. dollar, while matching its local currency operations to minimize net exposure to any one foreign currency. AGT's operations in Canada, Australia and Turkey are managed such that net exposures to local currencies are mitigated through offsetting local currency receipts with local currency requirements and borrowings, and hedging programs where appropriate.

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

	Dec 31, 2011	Sept 30, 2011 (unaudited)	Dec 31, 2010
Long term debt and finance leases	$ 74,561,817	$ 66,203,205	$ 22,892,916
Bank indebtedness and current portion of long term debt and finance leases	204,071,336	137,258,052	93,499,008
Short term financing	42,370,877	37,092,680	24,925,150
Cash and cash equivalents	(56,220,307)	(17,288,295)	(23,628,472)
Net debt*	**264,783,723**	**223,265,642**	**117,688,602**
Shareholders' equity	270,965,391	276,011,686	303,089,972
Capital	**535,749,114**	**499,277,328**	**420,778,574**

Selected asset and liability information

	Dec 31, 2011	Sept 30, 2011 (unaudited)	Dec 31, 2010
Cash and cash equivalents	$56,220,307	$17,288,295	$23,628,472
Accounts receivable	171,522,366	156,938,050	134,886,424
Inventory	183,309,771	175,968,043	110,782,630
Bank indebtedness and current portion of long term debt and finance leases	204,071,336	137,258,052	93,499,008
Accounts payable, accrued liabilities and short term financing	124,682,906	121,673,706	95,218,815
Long-term debt and finance leases	74,561,817	66,203,205	22,892,916
Total current assets	419,193,075	361,027,210	279,747,491
Total current liabilities	331,820,115	262,250,114	190,408,730
Net working capital*	87,372,960	98,777,096	89,338,761

Cash Flow Information – Non Cash Working Capital:

The change in non-cash working capital for the year ended December 31, 2011 was a reduction of $95.4 million compared to a reduction of $59.8 million for the year ended December 31, 2010. This is due primarily to increased inventory and accounts receivable levels. Further discussion is included below.

Inventory:

Inventory at December 31, 2011 was $183.3 million compared to $110.8 million at December 31, 2010. Australian inventory increased by $17.7 million due to additional storage capacity acquired during 2011. Arbel's inventory increased by $31.0 million as at December 31, 2011 compared to December 2010. This is due to larger stock positions in durum wheat reflecting additional production capacity added when the fifth pasta line was installed, as well as additional inventory of branded capacity ready for shipping at December 31, 2011. Poortmans inventory increased by $11.3 million as at December 31, 2011 compared to December 2010 due to stock positions taken in Chinese beans for increased sales commitments to U.K. and European canners from the September 2011 Chinese harvest. Canadian inventory increased by $8.3 million due to lower inventory turns later in the year. In addition, South African inventory was valued at $4.2 million at December 31, 2011.

Accounts Receivable:

Accounts receivable at December 31, 2011 was $171.5 million compared to $134.9 million at December 31, 2010. Canadian accounts receivable increased $19.4 million from December 2010 due to the large volume of sales that were executed late in 2011 and are still outstanding at December 31, 2011. U.S. accounts receivable decreased $2.6 million from December 2010. Australian accounts receivable increased $16.2 million from December 2010. This is due to much larger sales volume. Arbel's accounts receivable dropped by $4.1 million as at December 31, 2011 compared to December 2010. This is due to reductions in commodity prices in durum wheat, lentils and other pulses business, which given similar tonnages shipped resulted in lower accounts receivable figures for collections. In addition, South African accounts receivable were $7.7 million at December 31, 2011.

Accounts Payable:

AGT benefits from favorable payment terms due to its large business volumes with some vendors. In addition, AGT saw its deferred producer settlements at December 31, 2011 increase as compared to December 31, 2010. This has resulted in an increase in accounts payable from $70.3 million at December 31, 2010 to $82.3 million at December 31, 2011.

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 finance leases. Assets under finance leases are depreciated on a straight-line basis over the term of the lease unless the terms contain a bargain purchase option in which case the asset is amortized over the asset's estimated economic life on a straight-line basis. Rental payments under operating leases are expensed as incurred.

Transactions with other related parties

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. As noted below, one of these entities transacted with AGT in the reporting period. The terms and conditions of the transactions were on an arm's length basis. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

Transactions with corporations whose directors are also AGT directors

	Dec 31, 2011	Dec 31, 2010
Revenues	$ 59,487	$ 197,606
Purchases	1,031,903	1,404,096
Accounts receivable	772,645	32,059
Accounts payable	420,875	-

The Arslan family, who own approximately 27.5% of the outstanding shares of AGT, also own a chain of gas stations and convenience stores. Arbella pasta and pulses are sold at some of these locations. AGT also contracted labour and construction support for ongoing construction projects and the reconstruction related to the December 2010 fire at Arbel's complex in Mersin, Turkey. The amounts in the above table are largely attributable to these transactions.

Contractual obligations and commitments:

At December 31, 2011 AGT's contractual obligations, which do not include commitments for goods and services required in the ordinary course of business, are indicated in the following table:

December 31, 2011	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Long-term debt and finance leases	$ 80,765,136	$ 112,339,468	$ 9,568,766	$ 8,642,044	$ 71,421,897	$ 22,706,761

December 31, 2010	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Long-term debt and finance leases	$ 36,056,000	$ 41,677,914	$ 12,292,050	$ 6,051,700	$ 21,031,276	$ 2,302,888

Critical Accounting Estimates:

Note 3 to AGT's consolidated financial statements for the year ending December 31, 2011, describes AGT's significant accounting policies.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Valuation of Inventory:

Inventories consist of direct costs related to the purchase such as cost of grain, direct materials, direct labour, operational overhead expenses, depreciation and freight costs. Inventory on hand is valued at the lower of cost and net realizable value which is generally considered to be the selling price of the finished product in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. Cost of sales is based upon incurred costs. The estimate relates to the net realizable value of the inventory based upon product quality and market factors.

Income Taxes:

AGT operates in a number of tax jurisdictions and is required to estimate its income taxes in each of these jurisdictions in preparing its financial statements. In calculating income taxes, consideration is given to items such as tax rates in each jurisdiction, deductibility of expenses, valuation allowances, changing tax laws and management's expectations about future results. AGT estimates deferred income taxes based on temporary differences income and losses for financial reporting purposes and income and losses determined under the applicable tax laws. The tax effect of these temporary differences is recorded as a deferred tax assets or liabilities in the financial statements. The calculation of income taxes requires the use of judgement and estimates. If these judgements and estimates prove to be inaccurate, future earnings may be materially impacted.

Estimate of Useful Life and Impairment Property, Plant and Equipment:

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, interest and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value. 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, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that AGT will obtain ownership by the end of the lease term.

Valuation of Intangible Assets and Goodwill:

The intangible assets of AGT are recorded at their estimated fair values at their acquisition date and amortized over their estimated useful life. Indefinite life intangible assets and goodwill are subject to impairment tests under IFRS, at a minimum, annually or more frequently if events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the greater of value in use or fair value, the assets are written down to fair value. The treatment of intangible assets such as trademarks, brands and licenses is subject to separate impairment testing from the values contained in goodwill. No impairment was required as at December 31, 2011.

Financial Instruments:

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

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

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

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

Changes in Accounting Policies

International Financial Reporting Standards (IFRS)

As at January 1, 2010, IFRS has replaced Canadian GAAP for publicly accountable enterprises. The new Standards are effective for annual and interim financial statements with respect to fiscal years on or after January 1, 2010 with retrospective application.

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

Disclosure Controls and Procedures

Disclosure Controls and Procedures (“Disclosure Controls”) are designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to Management, including the Chief Executive

Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Management, including the CEO and the CFO, do not expect that AGT's Disclosure Controls will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

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

Internal Controls over Financial Reporting

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

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

As at December 31, 2011, Management, including the CEO and CFO, evaluated the design and operating effectiveness of AGT's ICFR. Based on the evaluation, the CEO and the CFO concluded that the Company's ICFR was effective as at December 31, 2011.

During the year, AGT successfully integrated its South Australian assets and Poortmans into the Company's existing control structure.

There have been no other changes in AGT's ICFR that occurred during the period that have materially affected or are reasonably likely to materially affect the Company's ICFR.

New Standards and Interpretations

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and amendments that have not been applied in preparing these condensed consolidated interim financial statements, as their effective dates fall in annual periods beginning subsequent to the current reporting period.

Proposed standards	Description	Previous Standard	Effective Date
IFRS 10 - Consolidated Financial Statements	Builds on the existing principles of control and elaborates on the definition of control when determining whether an entity should be consolidated or not.	SIC-12 -Consolidation - Special Purpose Entities IAS 27 -Consolidated and Separate Financial Statements	January 1, 2013
IFRS 11 - Joint Arrangements	Focuses on the rights and obligations of an arrangement rather than its legal form and requires a single method to account for interests in jointly controlled entities.	IAS 31 - Interests in Joint Ventures SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers	January 1, 2013
IFRS 12 - Disclosure of Interest in Other Entities	A new standard detailing disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-statement of financial position vehicles.	Various - no direct replacement	January 1, 2013
IFRS 13 - Fair Value Measurement	Sets out a single framework for measuring fair value and disclosure requirements surrounding the inputs and assumptions used in determining fair value.	Various - no direct replacement	January 1, 2013
IFRS 9 - Financial Instruments	Initially issued in November 2009 to address the classification and measurement of financial assets. Additional guidance issued in October 2010 on the classification and measurement of financial liabilities.	IAS 39 - Financial Instruments: Recognition and Measurement	January 1, 2015
IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	Issued in December 2011. Clarifies the presentation and disclosure requirements related to the offsetting of financial assets and liabilities.	IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	January 1, 2014

Management continues to assess the potential impact of standards and amendments effective in future years on both quantitative and qualitative disclosure.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 19,743,077 Common Shares.

Risks and Uncertainties

Information relating to the risks and uncertainties to which AGT and its subsidiaries are subject is summarized in AGT's most recent AIF, which is available, together with additional information relating to AGT, on SEDAR at www.sedar.com and on AGT's website at www.alliancegrain.com. To Management's knowledge, no significant changes to these risks and uncertainties have occurred in the year ending December 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 Canadian Grain Commission 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, 2012.

In the normal course of operations AGT may become involved in various legal matters, both claims by and against AGT. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Based on the information provided by legal counsel, there does not appear to be significant litigation risk for AGT at December 31, 2011.

Interest Rate Risk

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

Commodity Price Risk

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

AGT’s sales contracting strategy focuses on reducing the volatility in future earnings and cash flow while providing 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 Earnings, Adjusted Net Earnings* and EBITDA* (In thousands of CDN $ except as indicated)

	For the Year Ended Dec 31, 2011	For the Year Ended Dec 31, 2010
Net earnings (loss)	(8,461)	18,967
Add:		
Income tax expense	1,835	3,612
Depreciation and amortization	12,231	7,354
Interest	10,977	5,932
Unrealized foreign exchange loss	28,814	721
Non-recurring expenses [(1)]	2,194	667
EBITDA*	47,590	37,253
Less:		
Interest	10,977	5,932
Depreciation and amortization	12,231	7,354
Income tax expense	1,835	3,612
Adjusted net earnings*	22,547	20,355
Basic adjusted net earnings* per share	1.14	1.08
Diluted adjusted net earnings* per share	1.13	1.06
Basic weighted average number of shares outstanding	19,725,023	18,866,853
Diluted weighted average number of shares outstanding	19,971,190	19,170,895

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

Reconciliation of Net Working Capital* and Net Debt* (In CDN $ except as indicated)

	For the Year Ended Dec 31, 2011	For the Year Ended Dec 31, 2010
Current assets	$ 419,193,075	$ 279,747,491
Current liabilities	331,820,115	190,408,730
Net working capital*	$ 87,372,960	$ 89,338,761
Long term debt and finance leases	$ 74,561,817	$ 22,892,916
Bank indebtedness and current portion of long term debt and finance leases	204,071,336	93,499,008
Short term financing	42,370,877	24,925,150
Cash and cash equivalents	(56,220,307)	(23,628,472)
Net debt*	$ 264,783,723	$ 117,688,602

EBITDA (earnings before interest, income taxes, depreciation and amortization, and any effects of non-recurring costs and non-cash foreign exchange adjustment), Adjusted Net Earnings (earnings before any effects of non-recurring costs and non-cash foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities) 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 Net Earnings* (earnings before any effects of non-recurring costs and non-cash foreign exchange adjustments), Net Debt* (bank indebtedness, short term financing and long term debt less cash) and Net Working Capital* (current assets less current liabilities) are important measures in evaluating the performance of AGT and in determining whether to invest in AGT. However EBITDA * and Adjusted Net Earnings*, Net Debt* and Net Working Capital* are not recognized 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 Net Earnings*, Net Debt* and Net Working Capital* may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA* and Adjusted Net Earnings* should not be construed as alternatives to net earnings or loss determined in accordance with IFRS as an indicator of AGT's performance or cash flows.

shareholder information

ANNUAL MEETING

The annual meeting of the shareholders of Alliance Grain Traders Inc. will be held at the offices of Stikeman Elliott LLP, 5300 Commerce Court West, 199 Bay Street, Toronto, ON, Canada M5L 1B9, on Monday, the 18th day of June, 2012, at 11:00 a.m. (ET).

INVESTOR INQUIRIES

Omer Al-Katib
Director, Corporate Affairs and Investor Relations,
Alliance Grain Traders Inc.
T. (306) 525-4490
E. ir@alliancegrain.com
W. www.alliancegrain.com

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors for the Company are KPMG LLP.

The transfer agent and registrar for the Company is Equity Financial Trust Company.

LEGAL COUNSEL

The legal counsel for the Company is Stikeman Elliott LLP.

SHARES LISTED

TSX Ticker Symbol: AGT

FINANCIAL REPORTS AND NEWS RELEASE

Financial information is provided in Alliance Grain Traders Inc. comparative financial statements and MD&A for the financial year ended December 31, 2011, which are posted on the Company's website, www.alliancegrain.com, and under the Company's profile on SEDAR at www.sedar.com. Shareholders may request, and receive free of charge, copies of such financial statements and MD&A by mailing a request to the transfer agent of AGT, Equity Financial Trust Company, at 200 University Ave, Suite 400, Toronto, Ontario M5H 4H1, Fax: (416) 361-0470.

CORPORATE OFFICE

Alliance Grain Traders Inc.
P.O. Box 30029
Regina, SK, Canada S4N 7K9
T. (306) 525-4490
F. (306) 525-4463

SENIOR MANAGEMENT

Murad Al-Katib – President and CEO,
Alliance Grain Traders Inc.

Huseyin Arslan – Executive Chairman,
Alliance Grain Traders Inc.
President, the Arbel Group

Lori Ireland – Chief Financial Officer,
Alliance Grain Traders Inc.

Gaetan Bourassa – Chief Operating Officer,
Alliance Grain Traders Inc.

BOARD OF DIRECTORS

Huseyin Arslan Mersin, Turkey
Elected to the Board of AGT's predecessor: January 31, 2008
Executive Chairman of the Board of Directors, Alliance Grain Traders Inc.
President, the Arbel Group

Murad Al-Katib Regina, Saskatchewan
Elected to the Board of AGT's predecessor: August 1, 2007
President and CEO, Alliance Grain Traders Inc.

Howard N. Rosen Toronto, Ontario
Elected to the Board of AGT's predecessor: November 30, 2004
Senior Managing Director, FTI Consulting

Denis C. Arsenault Toronto, Ontario *(retiring)*
Elected to the Board of AGT's predecessor: November 30, 2004
Chief Financial Officer, Sulliden Gold Corporation Ltd.

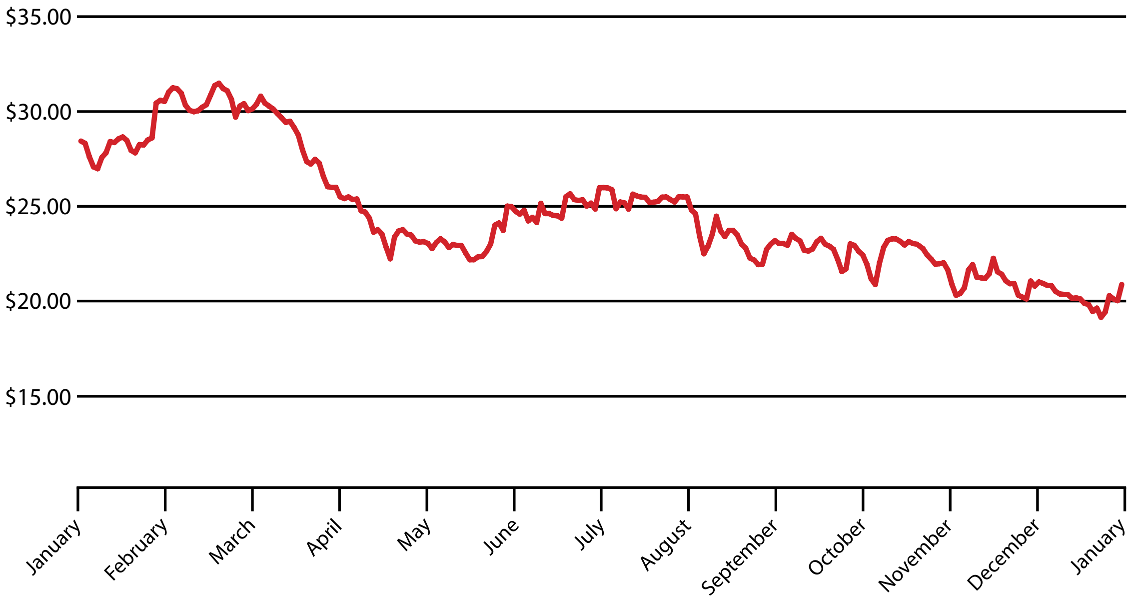
John M. Gardner Ancaster, Ontario
Elected to the Board: June 28, 2011
Consultant, Chartered Accountant

Drew Franklin Wisconsin, USA
Management Nominee to the Board for June 18, 2012
Annual General Meeting
Vice President, S.C. Johnson

summary of common share prices and volumes

Period	High	Low	Volume
December 2011	$20.87	$18.58	890,670
November 2011	$22.25	$19.10	1,228,269
October 2011	$23.25	$19.86	733,316
September 2011	$23.50	$19.83	850,171
August 2011	$25.49	$21.19	1,023,401
July 2011	$25.99	$24.53	447,586
June 2011	$25.98	$23.36	1,967,888
May 2011	$25.00	$21.75	1,606,489
April 2011	$25.50	$21.80	2,461,527
March 2011	$30.88	$24.11	3,698,438
February 2011	$31.57	$29.03	1,753,606
January 2011	$30.66	$26.53	2,219,205

2011 share price



product pillars

PULSES (lentils, peas, chickpeas, beans)

MILLED WHEAT (bulgur)

PASTA AND SEMOLINA

RICE

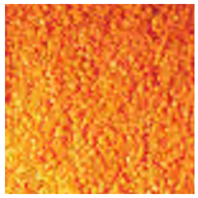
PULSE INGREDIENTS (proteins, fibres, starches, flours)

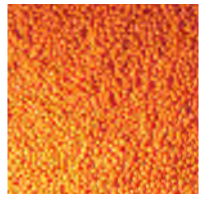
OTHER PRODUCTS

For more information on Alliance Grain Traders' products, please visit our website at **alliancegrain.com**.

products


King Red™ lentils


red split lentils


red football lentils


red whole lentils


Queen Green™ lentils


green laird lentils


green eston lentils


green richlea lentils


french green lentils


yellow football lentils


B90 chickpeas


kabuli chickpeas

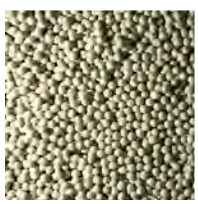

chana dal


desi chickpeas


yellow split peas


yellow whole peas


green split peas


green whole peas


canary seed

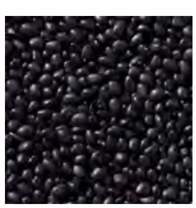

navy beans


pinto beans


dark kidney beans


light kidney beans


white beans


black beans


romano beans


faba beans


split faba beans

Alliance Grain Traders
P.O. Box 30029
Regina, SK S4N 7K9
CANADA
T +1-306-525-4490
F +1-306-525-4463
E ir@alliancegrain.com

www.alliancegrain.com
Listed on the TSX under the symbol AGT.