Alliance
GRAIN TRADERS
Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2013 AND JUNE 30, 2012

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The following Management's Discussion and Analysis ("MD&A") of financial condition and results of operation has been prepared by Management to help readers interpret Alliance Grain Traders Inc.'s ("AGT" or the "Company") consolidated financial results for the three and six months ended June 30, 2013 and June 30, 2012 and should be read in conjunction with AGT's audited consolidated financial statements and related notes thereto for the year ended December 31, 2012. 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 Form ("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 August 9, 2013. All references to AGT or the Company include its subsidiaries, as appropriate. All amounts are in Canadian dollars unless otherwise stated.

Highlights of quarter ended June 30, 2013

• **EBITDA*** was $13.9 million for the three months ended June 30, 2013 compared to $9.3 million for the three months ended June 30, 2012, an increase of 50%.

• **Revenue** was $246.7 million for the three months ended June 30, 2013 compared to $201.8 million for the three months ended June 30, 2012, an increase of 22.3%.

• **Adjusted net earnings** were $4.9 million for the three months ended June 30, 2013 compared to adjusted net earnings of $0.4 million for the three months ended June 30, 2012 and adjusted net earnings of $5.1 million for the three months ended March 31, 2013.

• **Improvement in days inventory outstanding** to 73 days for the quarter ended June 30, 2013, down from 86 days for the year ended December 31, 2012 and 80 days for the quarter ended June 30, 2012. Days inventory outstanding decreased to 68 days for the six months ended June 30, 2013, from 81 days for the six months ended June 30, 2012.

• **Improvement in days accounts receivable outstanding** to 69 days for the quarter ended June 30, 2013, down from 76 days for the year ended December 31, 2012 and 74 days for the quarter ended June 30, 2012. Days accounts receivable outstanding decreased to 65 days for the six months ended June 30, 2013, from 75 days for the six months ended June 30, 2012.

• **Cash flow from operating activities** improved by $35.4 million at June 30, 2013, from $(39.9) million at March 31, 2013.

• **Minot facility** construction complete with plant commissioning activities having begun.

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

Business Overview

AGT operates with two reporting segments: (1) pulses and grains processing and (2) supply chain management and distribution. The pulses and grains processing includes subsidiaries and facilities in Canada, the U.S., Australia and a portion of the operations in Turkey. The supply chain management and distribution segment includes operations in Europe, South Africa, Russia, China, India and a portion of the operations in Turkey. Through its two segments, AGT handles a full range of pulses and specialty crops including lentils, peas, chickpeas, beans, canary seed, flax and other specialty seeds. In North America, AGT produces pulses proteins, fibres, starches and flours for food ingredient and industrial uses. AGT's durum wheat milling operations in Turkey produce semolina, pasta (under the Arbella brand) and bulgur wheat. AGT is also involved in milling medium grain and long grain rice in Turkey. Other specialty products such as sunflower seeds, popcorn and grass seeds are produced in other origins as well.

AGT owns twelve processing plants in Canada, two in the U.S., four in Australia and nine in Turkey, as well as one distribution facility in China, and one in South Africa. Wholly owned foreign subsidiaries include the Arbel Group in Turkey ("Arbel"); 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; Advance Seed Pty Ltd. and its subsidiary Pouyoukas Foods ("Advance Seed") in South Africa; A. Poortman (London) Limited in London, U.K. ("Poortmans") with merchandising offices in the Netherlands and Spain; Alliance Grain Traders (India) Private Limited ("AGT India") with a merchandising office in Mumbai, India and Alliance Grain Traders (Tianjin) Co. Ltd. ("AGT China") in Tianjin, China. AGT also operates an origination office located in Rostov-on-Don, Russia ("AGT Rostov").

AGT is among the world's largest value-added processors and 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".

Market Outlook – Summary

Global pulse markets continued to demonstrate signals of a forecasted normalization of regular business in the Q2 2013 period. The period is traditionally the reset point for global pulse merchandising, with North American seeding completed, resulting in buyers looking forward to production estimates and domestic production from India supplying the local and regional subcontinent markets, coming first in February/March followed by production in Turkey in May/June. As a result, buying activities from local importers traditionally slows in the April through June period.

However, in 2013, following a strong Q4 2012 and Q1 2013 from an pulses export standpoint, Q2 continued the trend of higher pulses exports, particularly lentils, foreshadowing demand as "normalizing" as well as confirming the industry opinion that more robust demand from consumption markets as a result of lower or deficient local production seems to be manifesting itself as a demand catalyst.

The buying activities of India and Turkey in a non-traditional buying period (after March/April India harvest and before Turkey May/June harvest) has assisted in the continued balancing of the supply and demand position of the global lentils markets. Gradual erosion of the surplus North American stock position is expected to contribute to the continued gradual recovery of global lentil margins as supply and demand positions may converge in 2013-2014, providing a relative balance for the sector going forward. This balance may lead to margin improvements over time.

With Statistics Canada ("StatsCan") reporting approximately 58% of Canada's lentils in the Q2 2013 period were exported to India and subcontinent markets, along with 15% to the Middle East/North Africa region and an additional 7% to Turkey, the export volumes in this non-traditional shipping period are directed to key consumption markets and are some of the highest in recent reporting periods, outpacing the traditional shipping periods seen in Q4 and Q1 from a total metric tonne ("mt") standpoint.

Key indicators from India regarding production may have an impact on the continued normal flow of pulses and staple foods to the region in the traditional periods beyond the Q2 imports reported. Even with normal monsoon rains estimated by the Indian Government, production impairment may continue in India for kharif (fall harvest) supply of toor dal (pigeon peas) which is produced in this period, as opposed to lentils produced in rabi season. Lentils may be substituted for toor dal, meaning there is potential for replacement with larger quantities of Canadian lentils, which may have the effect of continuing to boost Canadian lentil exports to the region.

Growing conditions in Western Canada and the Northern Tier states have been positive, which is expected to lead to an on-time harvest with good quantity and quality of product produced. The lower-than-expected reduction in estimated production may signal that producers in these regions are continuing their rotational cropping plans, leading to flat production from 2012 as opposed to the significant rationalization of acres that was being forecast earlier by many sources. Global pulse markets, particularly lentils, have been in an oversupply position for the past three seasons, since 2010, with significant production levels from Canada, the U.S. and Australia and lower buying activities from key consumption markets as a result of volatile global currency and continued Eurozone economic issue leading to increased credit liquidity constraints. This has led to high carry-in stocks and volatile pricing.

The increased buying activities in these non-traditional buying periods is expected to reduce carry-in stocks, particularly from Canada, as markets purchase products to fill some of the estimated low or depleted local market stocks in advance of new crop harvest in North America. This may have the result of slight average price recovery and may lead to higher top line sales revenue and better earnings and recovery in shipment volumes and margins for AGT. Stocks remaining from 2012 have been extremely low in Australia, as a result of high late 2012 season buying to fill immediate need in India and subcontinent markets, where low kharif and rabi harvests have resulted in a significant supply-demand imbalance. As a result of these low stocks, export activities from Australia have been impeded. However, AGT activities to the region have been picked up by Canadian shipments.

AGT management would categorize supply for the 2013 year as ample when considering both carry-in stocks from all origins AGT operates in and projected production for the upcoming seasons in Canada, the U.S. and Australia. The relative supply and demand imbalance has been largely rectified with strong shipping in the first half of 2013 reducing North American stock levels, which had been characterized by many industry analysts as “overhang” that was allowing global buyers to continue their hand-to-mouth buying patterns leading to less than normalized predictable and stable demand profiles. With normalizing business operations, AGT management expects to report capacity utilization increases for facilities in the global network, including increases in Australia from new crop harvest in late 2013 and increases in Turkey from high domestic and regional demand.

Overall market views by AGT management continues to be positive for normalization of pulse market activities post-harvest in North America based on continued improvement in global pulse markets, economic conditions, positive quantity/quality expectations for new crop and positive demand fundamentals for pulses and staple foods in key consumption markets. Demand in key Turkey/MENA and India and subcontinent markets is estimated to continue in part due to replenishment activities to “catch up stocks” but also in traditional shipping periods as part of normalized buying and consumption habits.

Pulses and staple foods are key consumption items providing non-GMO, gluten free, nutrient dense vegetable protein consumed by large numbers of the world’s population. Local market stocks must be replenished soon, with many core production and consumption markets forecast to report lower production levels, which may lead to increased import levels and in turn result in normalized earnings and improved margins for AGT.

For detailed discussion of crop conditions and production estimates for significant markets and geographies AGT operates in, please refer to the appendix at the end of the management’s discussion and analysis.

Business Outlook

Through recent past periods, AGT management has been active on many initiatives aimed at both de-risking the Company’s operations through the development of new sales opportunities, diversifying the business and reducing costs while boosting operational efficiency to assist in strengthening earnings and margins in AGT’s high fixed cost operating environment. Recent results have shown a positive impact of these initiatives in terms of balance sheet strength including working capital management, cost cutting initiatives and increasing inventory and receivables turns, thereby shortening the cash cycle. AGT management believes the Company has implemented the necessary measures to continue benefiting from the ongoing programs aimed at bringing together the significant global asset base and the merchandising opportunities that exist in global pulse, staple foods and ingredient markets around the globe.

Overall, with pulses and staple foods markets showing the necessary signals of normalization, AGT management continues to plan for the next phases of growth for the Company as well as develop sales opportunities in its two core platforms for growth: (1) pulses and grains processing (2) supply chain management and distribution. Specifically, this includes an increased focus on AGT's core offerings, such as split and value-added lentils, peas and chickpeas, and continued expansions of sales programs in AGT's newer offerings of beans, pasta, bulgur wheat, semolina and rice, as well as growth of the planned pulses ingredient platform including proteins, fibres, starches and flours derived from pulses.

AGT management's view is that the Company's diversified operating divisions in virtually every pulse and staple food producing origin, with value-added processing infrastructure and origination strength taking advantage of freight options, provide a position of strength with respect to AGT competitors both regionally and globally. This global footprint of assets and AGT's access to significant working capital financing will magnify a competitive advantage for AGT in the coming periods. A continuing focus on these products and maximizing sales opportunities for these offerings is a key component to generate consistent earnings and margin growth.

Global pulses markets continue to signal normalization, with an expected resumption of more traditional volumes in traditional shipping periods post North American harvest to key consumption markets after what could be categorized as "hand-to-mouth" buying to fill only the minimum of required local market stocks that have been estimated as depleted or low for some time. Export statistics from Canada, the U.S. and Australia, along with key global economic indicators and market intelligence gained by AGT's network of global merchandisers, agents and wholesalers, supports AGT management view of potential for increased shipments of AGT's core pulses and staple foods products with gradual recovery of sales margins over time. Reported production impairment in India and subcontinent origins and lower production in Turkey for domestic consumption and MENA region distribution are expected to provide sales opportunities in the period after North American harvest as importers potentially increase purchases.

Normalized business operations are also expected to provide opportunities for AGT to continue to boost the utilization of its asset base through both increased shipment volumes to key markets as well as selling into new markets, both geographic and product-based. AGT management views of opportunities in South America and the Caribbean, where pulses, particularly beans and chickpeas (or garbanzo beans) are high consumption items, but also in South East Asia, where non-traditional consumption of pulses is estimated as high for products such as vermicelli noodles, pea powder and other pulse-based products and snack foods. AGT is examining an expansion into soybeans, cereal grains and oilseeds as well as expanding its focus on chickpeas, green peas, flax seeds and canary seeds to utilize global facilities and assets more effectively. As such, AGT management believes that AGT has significant operating leverage and capacity to profitably increase sales volumes, utilizing its existing global fixed asset base that has now been largely established.

Added to this are AGT's new food ingredient initiatives, producing flours, proteins, starches and fibres derived from pulses, aimed at ingredient use by food companies developing both human food products and animal feed including pet foods. AGT has invested in laboratory facilities for collaborative research with food companies, as well as strategic quality analysis and new product development to support AGT's new pulse ingredient and fractionation facility, which began commercial production late in June 2013 supplying Cargill Inc. as well as other North American, European and Chinese customers. Pulse ingredient flours, proteins, starches and fibres provide many benefits for food companies in that they are non-GMO, gluten-free, nutrient dense, high in protein and fibre and can provide cost or performance advantages for food companies producing consumer or industrial products.

For AGT, these products may additionally provide added margin opportunities, as these business lines are less susceptible to some of the issues and volatility currently being experienced in emerging markets which are typically traditional whole pulse and staple food consumption markets. These potential opportunities are leading AGT management to evaluate potential additional ingredient processing infrastructure in Turkey as well as the planned production plant in China, which is scheduled for completion in late 2013. Pulse ingredient facilities may also be introduced in Canada to capitalize on available capacity in some Western Canadian processing facilities, where supply or logistical advantages exist, or in India, where consumption of not only traditional pulses but other products that utilize pulse-based ingredients is viewed as providing potential opportunities.

As AGT's business grows, Management believes these strategies will allow AGT to maintain a healthy balance sheet to fund its growth and expansions from free-cash flow, debt and equity as required.

Strategy Implementation: Management Update

Management strategies for the coming quarters will continue to focus on activities related to the normalization of AGT's business and improving the profitability of its global operations by:

Margin Improvement through increased volumes, product mix changes and new platform growths: With continued normalization of key consumption markets, increased volumes and efficient distribution channels and programs intended to maximize existing sales outlets for whole and value added pulses to core consumption markets such as India and subcontinent markets and Turkey/MENA region markets are expected to be ongoing. As key consumption markets replenish estimated low or depleted market stocks, traditional shipping periods and increased volumes are expected, providing potential for margin and sales growth in the existing core pulses business for AGT. However, market development programs to develop enhanced utilization and market opportunities for pulses in new traditional markets, such as a focus on improvements in South America and the Caribbean and South Asia are ongoing. As well, market opportunities for pulses in food and ingredient markets in Europe, North America and South East Asia (China, Malaysia, Philippines, Indonesia) in the pet food, aquaculture, food and industrial uses of pulses. Programs are also underway to diversify product opportunities to further develop bean and chickpeas markets to balance AGT's lentil concentration globally. AGT management is confident in its ability to deliver steady improvements in gross margins per metric tonne in 2013 when comparing to 2012. With the scale and size of operations, margin improvement on existing tonnes handled through AGT facilities will have a material impact on improving earnings.

AGT's new Minot, North Dakota pulses ingredient plant is currently undertaking commercial shipments after Q2 2013 commissioning and is expected to contribute to AGT results in the second half of 2013. This new platform may further drive AGT margin profile to a new market segment with a different demand and macro-economic profile compared to AGT's current emerging markets pulse marketing program. The further diversification of geographies, markets, products and revenue platforms are expected to provide a solid foundation for the smoothing of quarterly seasonality over time and ensure that margin improvement visibly improves AGT's overall financial metrics.

Working Capital Management: AGT management will continue its focus on increasing inventory and receivable turns to ensure that working capital debt is reduced as a percentage of revenues and equity capital. These initiatives have reported positive results in the past three quarters. As AGT's business grows and earnings improve, debt optimization strategies are expected to ensure that AGT maintains a healthy balance sheet to fund its growth and expansions from free-cash flows, debt and equity while maintaining its yield to shareholders. AGT will continue to pursue strategies reduce its global cost of debt capital across its mix of operating geographies. Additional access to free cash, through working capital management, will allow new sales and margin opportunities for AGT. Debt and interest rate certainty provides AGT access to funds, enabling growth in emerging markets. AGT has continued to achieve success in this area as evidenced by the improvements reported in its inventory and receivables turn metrics reported in the period ended June 30, 2013 when comparing to the year end 2012 and the comparative period in 2012.

Increase capacity utilization: By using AGT's global origination base and strength in marketing and origination, AGT expects to boost its utilization of its asset base and examine alternatives to utilize its assets for new products and opportunities. In addition to its position in the global lentil trade, AGT has expanded into cereal grains and oilseeds in Australia and is expanding its focus on beans, chickpeas, green peas, flax seeds and canary seeds to utilize Canadian facilities more effectively and continues in its efforts to boost pulse and grain processing utilization in Turkey through origination programs for Turkey from Russia, Ukraine, Argentina, Canada and Australia. Facility throughput was increased marginally in the period ended June 30, 2013, in part building on gains in Q1 2013 and also through increased import demand for AGT products in key consumption markets. Further meaningful improvement of overall annual utilization is expected in the second half of 2013 as traditional supply and demand periods show a return to business seasonality seen in past years.

Management continues its analysis on the feasibility and costs of conversion of existing under-utilized capacity to assist AGT in ramping up its food ingredient platform in 2014 and 2015. This capacity conversion may assist in strategy implementation of both the capacity utilization strategy and the margin improvement strategy by converting tonnes of capacity from lower margin utilization to higher margin utilization. Analysis for conversion of capacity is based on results achieved in the new food ingredient platform based on production from the new Minot facility and on profitability estimates on targeted volume potential that may be achievable with additional capacity.

Market development activities through the Cargill agreement and AGT's food ingredient marketing program are expected to assist in the development of commercial sales programs to off take additional production added in future years. Management will also focus a modest cap-ex program in 2013 and 2014 to enhance utilization. Global cap-ex programs in 2013 are anticipated at a modest $10 million excluding the capital budgets required to complete the first phase of construction of the Minot processing plant budgeted at $30 million. Management will continue to postpone large scale capital allocation to major new projects until margins and earnings show a marked improvement to pre-financial crisis levels.

Management capacity utilization targets are to achieve 67% asset utilization in 2013 (pre-crisis levels) and boost that utilization through a steady 3% per annum program to achieve full utilization within five years. With a high fixed component business, additional gains in utilization contribute materially to incremental earnings. The pace of capacity utilization increase may be sped up dramatically by the strategy to take underutilized capacity from the Canada and Turkey platforms and convert to projected higher margin utilization in pulse food ingredients.

Continue to focus on efficiencies and costs: Initiatives surrounding cost-containment and reduction continue to be a focus of AGT management with accountability on these items with each global plant manager at a geographic cost center level being measured on cost reduction programs and overall reductions in processing costs per metric tonne. Programs will continue to focus on management of fixed costs so that boosting utilization of AGT's asset base will indeed deliver a higher contribution to EPS and earnings. Success in this area is demonstrated by the relative consistency of general and administrative expenses in 2013 when comparing 2012 periods. Tonnages invoiced increase while costs remain static implying that management cost containment programs are showing benefits through a reduction in fixed overheads.

Improve reporting and disclosure to the market: AGT management continues to report the segments of its business to give meaningful disclosure to its shareholders and the capital markets globally. The unveiling of segmented reporting has allowed AGT to better communicate its gains in diversifying its earnings through its efforts to diversify its origins, products and markets. Management anticipates a further segment introduction through the addition of a third reporting segment entitled Pulse Ingredients and Packaged Foods. This is planned in the second half of 2013.

With markets returning to normalized flow of products, potential for a return to traditional margins and earnings levels is anticipated. This is coupled with expanding and new business lines that may provide new opportunities for sales, earnings and margin growth in future periods.

By focusing on the core competencies and strengths of AGT’s business, including the strength of the management team, the geographic diversification of AGT’s assets, the Company’s global reach for sales and distribution to virtually all pulse consumption markets around the globe, a clearly defined and executed risk management program, and adequate access to capital in a capital constrained global market, AGT management is optimistic about the company’s ability to normalize business operations and strengthen shareholder value in the long-term.

Summary of Quarterly Results (1)

(in thousands of Cdn. $ except as indicated, unaudited)

	3 Months Ended June 30, 2013	3 Months Ended March 31, 2013	3 Months Ended Dec 31, 2012	3 Months Ended Sept 30, 2012	3 Months Ended June 30, 2012	3 Months Ended Mar 31, 2012	3 Months Ended Dec 31, 2011	3 Months Ended Sept 30, 2011
Revenue	$ 246,729	$ 276,440	$ 247,195	$ 208,957	$ 201,768	$ 197,405	$ 231,450	$ 190,556
Less: cost of sales (2)	223,396	254,231	227,415	191,926	185,148	183,275	212,667	166,794
Gross profit	23,333	22,209	19,780	17,031	16,620	14,130	18,783	23,762
Add back: depreciation cost of sales	2,549	2,720	2,700	2,445	2,402	2,401	1,809	1,531
Add back: finance income	8	340	433	1,034	492	317	856	-
Adjusted gross profit	**25,890**	**25,269**	**22,913**	**20,510**	**19,514**	**16,848**	**21,448**	**25,293**
Deduct: General and administrative expenses	(8,365)	(9,118)	(9,008)	(7,051)	(6,975)	(6,738)	(8,226)	(6,394)
Deduct: Marketing, sales and distribution expenses	(4,616)	(4,327)	(4,204)	(3,113)	(4,266)	(4,769)	(9,023)	(4,024)
Add: Amortization in general and administrative expense	601	1,142	717	640	805	726	2,449	309
Add: Non-recurring and other costs (3)	388	608	2,073	505	184	80	2,566	(158)
EBITDA (*)	**13,898**	**13,574**	**12,491**	**11,491**	**9,262**	**6,147**	**9,214**	**15,026**
Deduct: Finance expense	(7,296)	(5,768)	(4,248)	(4,402)	(3,837)	(4,448)	(2,907)	(3,549)
Deduct: Depreciation and amortization	(3,150)	(3,862)	(3,417)	(3,085)	(3,207)	(3,127)	(4,255)	(1,842)
Add (Deduct): Provision for income taxes	1,434	1,180	(1,033)	(22)	(1,779)	(1,198)	(1,178)	905
Adjusted net earnings (loss) (*)	**4,886**	**5,124**	**3,793**	**3,982**	**439**	**(2,626)**	**874**	**10,540**
Adjusted basic net earnings (loss) per share	0.25	0.26	0.19	0.20	0.02	(0.13)	0.04	0.53
Adjusted diluted net earnings (loss) per share	0.24	0.26	0.19	0.20	0.02	(0.13)	0.04	0.53
Non-recurring and other costs (3)	(388)	(608)	(2,073)	(505)	(184)	(80)	(2,566)	158
Non-cash foreign exchange effect	(10,037)	(4,895)	72	(2,895)	1,415	5,473	1,001	(21,774)
Net earnings (loss) per financial statements	**(5,539)**	**(379)**	**1,792**	**582**	**1,670**	**2,767**	**(691)**	**(11,076)**
Basic net earnings (loss) per share	(0.28)	(0.02)	0.09	0.03	0.08	0.14	(0.03)	(0.56)
Diluted net earnings (loss) per share	(0.28)	(0.02)	0.09	0.03	0.08	0.14	(0.03)	(0.56)
Total assets	710,905	735,810	712,491	641,882	624,580	651,052	689,512	615,556
Bank indebtedness	112,277	132,362	205,549	170,649	171,227	185,782	197,868	129,493
Short term financing	2,622	12,714	12,402	17,936	21,073	40,436	42,371	37,093
Long-term debt including current portion	215,486	210,769	82,310	76,202	77,069	77,468	80,765	73,968
Shareholders' equity	253,923	267,892	269,848	268,960	274,598	273,742	270,965	276,011
Dividends declared per share	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150	$ 0.150
Pulses and grain processing tonnes invoiced (4)	297,302	278,199	231,206	221,107				
Supply chain management and distribution tonnes invoiced (4)	92,608	95,235	76,087	55,733				
Elimination tonnes	(65,809)	(17,794)	(38,911)	(17,749)				
Total tonnes invoiced	324,101	355,640	268,382	259,091	275,905	275,123	272,196	282,847
Gross profit per metric tonne	$ 71.99	$ 62.45	$ 73.70	$ 65.73	$ 60.24	$ 51.36	$ 69.01	$ 84.01
Adjusted gross profit per metric tonne	79.88	71.05	85.37	79.16	70.73	61.24	78.80	89.42
EBITDA (*) per metric tonne	42.88	38.17	46.54	44.35	33.57	22.34	33.85	53.12

Notes:

(1) Calculated from the condensed consolidated unaudited interim financial statements for the quarters ended June 30, 2013 and 2012, March 31, 2013 and 2012 and September 30, 2012 and 2011 and the audited IFRS annual financial statements for the year ended December 31, 2012 and 2011.

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

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

(4) For a breakdown on segmented information, see the section entitled "Revenues, expenses and EBITDA* by reporting segment"

Discussion of Quarterly and Year to Date Results
(in thousands of Cdn. $ except as indicated, unaudited for the three month ended periods)

Revenue, Gross Profit and Adjusted Gross Profit

	3 Months Ended June 30			6 Months Ended June 30			3 Months Ended		
	2013	2012	Change	2013	2012	Change	June 2013	March 2013	Change
Revenue	246,729	201,768	44,961	523,169	399,173	123,996	246,729	276,440	(29,711)
Less: cost of sales	223,396	185,148	38,248	477,627	368,423	109,204	223,396	254,231	(30,835)
Gross profit	23,333	16,620	6,713	45,542	30,750	14,792	23,333	22,209	1,124
Add back: depreciation in cost of sales	2,549	2,402	147	5,269	4,803	466	2,549	2,720	(171)
Add back: finance income	8	492	(484)	348	809	(461)	8	340	(332)
Adjusted gross profit	25,890	19,514	6,376	51,159	36,362	14,797	25,890	25,269	621
Gross profit percentage	9.5%	8.2%	1.2%	8.7%	7.7%	1.0%	9.5%	8.0%	1.4%
Adjusted gross profit percentage	10.5%	9.7%	0.8%	9.8%	9.1%	0.7%	10.5%	9.1%	1.4%

Revenue was $246.7 million for the three months ended June 30, 2013 compared to $201.8 million for the three months ended June 30, 2012 and compared to $276.4 million for the three months ended March 31, 2013. Revenue decreased for the three months ended June 30, 2013 compared to the three months ended March 31, 2013 due to an overall decrease in tonnes invoiced. Revenue increased when comparing the three months ended June 30, 2013 to the three months ended June 30, 2012 due largely to increased utilization of processing facilities and resulting increased tonnes invoiced.

Revenue was $523.2 million for the six months ended June 30, 2013 compared to $399.2 million for the six months ended June 30, 2012. This is due to improved demand in 2013 compared to the same period in 2012, resulting in improved utilization and increased tonnes invoiced.

Gross profit was $23.3 million or 9.5% for the three months ended June 30, 2013 compared to $16.6 million or 8.2% for the three months ended June 30, 2012 and $22.2 million or 8.0% for the three months ended March 31, 2013. Adjusted gross profit was $25.9 million or 10.5% for the three months ended June 30, 2013 compared to $19.5 million or 9.7% for the three months ended June 30, 2012 and $25.3 million or 9.1% for the three months ended March 31, 2013.

Gross profit was $45.5 million or 8.7% for the six months ended June 30, 2013 compared to $30.8 million or 7.7% for the six months ended June 30, 2012. Adjusted gross profit was $51.2 million or 9.8% for the six months ended June 30, 2013 compared to $36.4 million or 9.1% for the six months ended June 30, 2012.

Gross profit and adjusted gross profit percentages improved when comparing the quarter ended June 30, 2013 to both the quarters ended June 30, 2012 and March 31, 2013. This is due to continued improvement in margins throughout the last half of 2012 and into 2013. The margin increase is largely driven by gradual improvement in lentil margins and also illustrates the further benefits of platform diversification in beans, chickpeas and value added peas.

EBITDA*

	3 Months Ended June 30			6 Months Ended June 30			3 Months Ended		
	2013	2012	Change	2013	2012	Change	June 2013	March 2013	Change
EBITDA*	13,898	9,262	4,636	27,472	15,409	12,063	13,898	13,574	324

EBITDA* was $13.9 million for the three months ended June 30, 2013 compared to $9.3 million for the three months ended June 30, 2012 and $13.6 million for the three months ended March 31, 2013. EBITDA* increased by $4.6 million when comparing the three months ended June 30, 2013 to the three months ended June 30, 2012 and increased by $0.3 million when comparing the three months ended June 30, 2013 to the three months ended March 31, 2013. This increase is a result of continued movements toward the recovery of macro-economic conditions that resulted in margin compression in past quarters. AGT management continues to focus on initiatives to generate EBITDA* through cost reduction and earnings opportunities. The expected seasonal period slow-down in demand was tempered by production shortfalls in India and Turkey allowing relatively robust shipping volumes in the period, assisting in AGT's improved earnings.

EBITDA* was $27.5 million for the six months ended June 30, 2013 compared to $15.4 million for the six months ended June 30, 2012. When comparing the trailing twelve month EBITDA* for June 30, 2012 to June 30, 2013, EBITDA* improved from $39.6 million to $51.5 million, or an improvement of 30%.

Expenses

	3 Months Ended June 30			6 Months Ended June 30			3 Months Ended		
	2013	2012	Change	2013	2012	Change	June 2013	March 2013	Change
General and administrative expenses	8,365	6,975	1,390	17,483	13,713	3,770	8,365	9,118	(753)
Marketing, sales and distribution expenses	4,616	4,266	350	8,943	9,035	(92)	4,616	4,327	289

General and administrative expenses were $8.4 million for the three months ended June 30, 2013 compared to $7.0 million for the three months ended June 30, 2012 and $9.1 million for the three months ended March 31, 2013. The decrease from the quarter ended March 31, 2013 is due to a lower amount of general and administrative expense related one-time costs.

The expense for the quarter ended June 30, 2013 is higher when comparing to the quarter ended June 30, 2012 due to AGT's growth in Australia, South Africa, China, India and North America (food ingredients platform).

General and administrative expenses were $17.5 million for the six months ended June 30, 2013 compared to $13.7 million for the six months ended June 30, 2012.

This increase when comparing the quarter and six months ended June 30, 2013 to the same periods in 2012 is due to additional costs and staff related to the food ingredients platform as well as additional costs related to growth in China and India.

Marketing, sales and distribution expenses were $4.6 million for the three months ended June 30, 2013, compared to $4.3 million for the three months ended June 30, 2012 and $4.3 million for the three months ended March 31, 2013.

Marketing, sales and distribution expenses were $8.9 million for the six months ended June 30, 2013 compared to $9.0 million for the six months ended June 30, 2012. The expense has remained relatively consistent when comparing the three and six months ended June 30, 2013 to the same periods last year. Tonnes invoiced increased by 128,713 or 23.4% when comparing the six months ended June 30, 2013 to the six months ended June 30, 2012. AGT's cost management initiatives allowed this expense category to remain relatively unchanged with significant increases in business activity.

	3 Months Ended June 30			6 Months Ended June 30			3 Months Ended		
							June	March	
	2013	2012	Change	2013	2012	Change	2013	2013	Change
Finance expense	7,296	3,837	3,459	13,064	8,285	4,780	7,296	5,768	1,528
Depreciation and amortization	3,150	3,207	(57)	7,012	6,334	678	3,150	3,862	(712)
Provision for (recovery of) income taxes	(1,434)	1,779	(3,213)	(2,614)	2,977	(5,591)	(1,434)	(1,180)	(254)
Non-cash foreign exchange effect	10,037	(1,415)	11,452	14,932	(6,888)	21,820	10,037	4,895	5,142

Finance expenses for the three months ending June 30, 2013 were $7.3 million compared to $3.8 million for the three months ending June 30, 2012 and $5.8 million for the three months ending March 31, 2013. Finance expense increased when comparing the three months ended June 30, 2013 to the three months ended June 30, 2012 due to a larger platform and resulting higher debt levels. Finance expense increased when comparing the three months ended June 30, 2013 to the three months ended March 31, 2013 due to the high yield bond issuance in February of 2013.

Finance expenses were $13.1 million for the six months ended June 30, 2013 compared to $8.3 million for the six months ended June 30, 2012. This is due to a larger global platform and resulting higher debt levels in 2013 compared to the same period in 2012.

Depreciation expenses for the three months ended June 30, 2013 were $3.2 million compared to $3.2 million for the three months ended June 30, 2012 and $3.9 million for the three months ended March 31, 2013. Depreciation expense decreased when comparing to the three months ended March 31, 2013 due to depreciation rates on certain assets being adjusted.

Depreciation expenses for the six months ended June 30, 2013 were $7.0 million compared to $6.3 million for the six months ended June 30, 2012. This was due to capital assets being put to use and depreciated.

Provision for income tax shows a recovery of $1.4 million for the three months ended June 30, 2013 compared to an expense of $1.8 million for the three months ended June 30, 2012 and a recovery of $1.2 million for the three months ended March 31, 2013. The income tax expense is calculated for each subsidiary at the individual rate for that country, therefore can fluctuate depending on the earnings reported for each tax jurisdiction.

Provision for income tax shows a recovery of $2.6 million for the six months ended June 30, 2013 compared to an expense of $3.0 million for the six months ended June 30, 2012. This is due to utilization of various tax credits in certain jurisdictions.

AGT estimates an average tax rate in the range of 26% to 26.5%, depending on which jurisdiction has earnings or losses, and the tax treatment of various revenues or expenses.

Non-cash foreign exchange was an expense of $10.0 million for the three months ended June 30, 2013 compared to a gain of $1.4 million for the three months ended June 30, 2012 and an expense of $4.9 million for the three months ended March 31, 2013. The change in non-cash foreign exchange from the three months ended March 31, 2013 and June 30, 2012 to the three months ended June 30, 2013 is due to changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts.

Non-cash foreign exchange was an expense of $14.9 million for the six months ended June 30, 2013 compared to a gain of $6.9 million for the six months ended June 30, 2012. The increase is due to changes in foreign exchange rates associated with certain foreign denominated loans, receivables, payables and derivative contracts. This amount includes the interest rate swap related to the high yield offering of $125 million.

Reporting Segments

As of July 1, 2012, improvements were made to management information systems to allow the review of AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies. AGT currently has two segments: (1) pulses and grains processing and (2) supply chain management and distribution.

The pulses and grains processing includes the operations of AGT factories across its global platform. The activities in this segment are viewed by management as the traditional and regular business of AGT: to source pulses and grains from producers, process them through its factories and sell these products through its network of clients in over 100 countries in the world. The segment includes all pulses processed in AGT factories in Canada, the United States, Australia, and a portion of the operations in Turkey. The segment is consistent with AGT in the periods prior to 2010 when AGT management began a strategy to establish certain distribution activities in key regional markets around the globe.

Supply chain management and distribution relates to AGT's activities aimed at bringing its range of pulses and specialty crops direct to wholesale and retail markets. The segment currently captures AGT operations in Canada, UK, Netherlands, Spain, Russia, a portion of the operations in Turkey, the Ukraine and China. The segment also includes AGT operations in Southern Africa.

The segment was established to develop packaging, wholesale and retail clients for AGT products offering import, warehouse, logistics and quality management services to AGT clients and to expand market reach and penetration of certain client segments in Europe and Africa. The segment includes a trading group that sources products from South America, Africa, China, Russia and Ukraine for the food and feed client base. It also includes a birdseed ingredient distribution business in Europe with sales to leading packagers of bird food blends for retail clients globally.

AGT management anticipates that this segment will grow with product offerings in the areas of pet food ingredients, ground nuts, popcorn, chickpeas, dry beans and bakery product ingredients sourced from reliable, quality audited suppliers globally. The segment is expected to assist AGT in increasing the utilization of its core asset base in the Pulses and Grains Processing segment.

AGT's chief operating decision maker evaluates segment performance on the basis of EBITDA* (earnings before finance expense, income taxes, depreciation and amortization, non-recurring costs and any effects of non-cash foreign exchange adjustment). AGT provides some non-IFRS measures in its management discussion and analysis and other public documents as supplementary information that AGT management believes may be useful to investors to explain AGT's financial results.

Revenues, expenses and EBITDA* by reporting segment

Net Earnings by Reporting Segment	Pulses and Grain Processing				Supply Chain Management and Distribution			
	3 Months Ended June 30, 2013	6 Months Ended June 30, 2013	3 Months Ended Mar 31, 2013	Change Jun 30, 2013 to Mar 31, 2013	3 Months Ended June 30, 2013	6 Months Ended June 30, 2013	3 Months Ended Mar 31, 2013	Change Jun 30, 2013 to Mar 31, 2013
Quarterly comparisons								
Revenue	$221,954,586	$420,255,834	$198,301,248	$ 23,653,338	$ 78,871,505	$ 182,173,566	$ 103,302,061	$ (24,430,556)
Cost of sales	204,651,552	387,063,631	182,412,079	22,239,473	72,841,431	169,824,186	96,982,755	(24,141,324)
Gross profit	17,303,034	33,192,203	15,889,169	1,413,865	6,030,074	12,349,380	6,319,306	(289,232)
Add back: depreciation in cost of sales	2,435,055	5,034,810	2,599,755	(164,700)	114,228	234,091	119,863	(5,635)
Add back: finance income	-	339,813	339,813	(339,813)	-	-	-	-
Adjusted gross profit	19,738,089	38,566,826	18,828,737	909,352	6,144,302	12,583,471	6,439,169	(294,867)
General administrative expenses and other	4,045,182	8,816,152	4,770,970	(725,788)	2,276,485	4,306,263	2,029,778	246,707
Marketing, sales and distribution expenses	2,453,018	4,651,403	2,198,385	254,633	1,930,175	3,450,125	1,519,950	410,225
Segment earnings from operations	**13,239,889**	**25,099,271**	**11,859,382**	**1,380,507**	**1,937,642**	**4,827,083**	**2,889,441**	**(951,799)**
Unrealized foreign exchange gain	-	-	-	-	-	-	-	-
Finance expense	-	-	-	-	-	-	-	-
Segment earnings before income taxes	**13,239,889**	**25,099,271**	**11,859,382**	**1,380,507**	**1,937,642**	**4,827,083**	**2,889,441**	**(951,799)**
Net tax expense	-	-	-	-	-	-	-	-
Net segment earnings	**13,239,889**	**25,099,271**	**11,859,382**	**1,380,507**	**1,937,642**	**4,827,083**	**2,889,441**	**(951,799)**
Depreciation	514,897	937,640	422,743	92,154	29,556	72,601	43,045	(13,489)
Unrealized foreign exchange gain	-	-	-	0	-	-	-	0
Finance expense	-	-	-	0	-	-	-	0
Net tax expense	-	-	-	0	-	-	-	0
Non-recurring and other expenses	(297,406)	227,206	524,612	(822,018)	7,198	11,275	4,077	3,121
EBITDA*	**$ 13,457,380**	**$ 26,264,117**	**$ 12,806,737**	**$ 650,643**	**$ 1,974,396**	**$ 4,910,959**	**$ 2,936,563**	**$ (962,167)**
Total tonnes invoiced	297,302	575,501	278,199	19,103	92,608	187,843	95,235	(2,627)
Gross profit per metric tonnes	$ 58.20	$ 57.68	$ 57.11	$ 1.09	$ 65.11	$ 65.74	$ 66.35	$ (1.24)
Adjusted gross profit per metric tonne	66.39	67.01	67.68	(1.29)	66.35	66.99	67.61	(1.27)
EBITDA* per metric tonne	45.27	45.64	46.03	(0.77)	21.32	26.14	30.83	(9.51)

Net Earnings by Reporting Segment	Corporate and Eliminations				Consolidated			
	3 Months Ended June 30, 2013	6 Months Ended June 30, 2013	3 Months Ended Mar 31, 2013	Change Jun 30, 2013 to Mar 31, 2013	3 Months Ended June 30, 2013	6 Months Ended June 30, 2013	3 Months Ended Mar 31, 2013	Change Jun 30, 2013 to Mar 31, 2013
Quarterly comparisons								
Revenue	$ (54,097,197)	$ (79,260,832)	$ (25,163,635)	$ (28,933,562)	$ 246,728,894	$523,168,568	$276,439,674	$ (29,710,780)
Cost of sales	(54,097,197)	(79,260,832)	(25,163,635)	(28,933,562)	223,395,786	477,626,985	254,231,199	(30,835,413)
Gross profit	-	-	-	-	23,333,108	45,541,583	22,208,475	1,124,633
Add back: Depreciation in cost of sales	-	-	-	-	2,549,283	5,268,901	2,719,618	(170,335)
Add back: Finance income	7,570	7,570	-	7,570	7,570	347,383	339,813	(332,243)
Adjusted gross profit	7,570	7,570	-	7,570	25,889,961	51,157,867	25,267,906	622,055
General administrative expenses and other	2,043,252	4,360,185	2,316,933	(273,681)	8,364,919	17,482,600	9,117,681	(752,762)
Marketing, sales and distribution expenses	232,763	841,467	608,704	(375,941)	4,615,956	8,942,995	4,327,039	288,917
Segment earnings from operations	**(2,268,445)**	**(5,194,082)**	**(2,925,637)**	**657,192**	**12,909,086**	**24,732,272**	**11,823,186**	**1,085,900**
Unrealized foreign exchange loss (gain)	10,036,716	14,931,587	4,894,871	5,141,845	10,036,716	14,931,587	4,894,871	5,141,845
Finance expense	7,295,927	13,064,328	5,768,401	1,527,526	7,295,927	13,064,328	5,768,401	1,527,526
Segment earnings before income taxes	**(19,601,088)**	**(33,189,997)**	**(13,588,909)**	**(6,012,179)**	**(4,423,557)**	**(3,263,643)**	**1,159,914**	**(5,583,471)**
Net tax expense	(1,433,678)	(2,613,503)	(1,179,825)	(253,853)	(1,433,678)	(2,613,503)	(1,179,825)	(253,853)
Net segment earnings	**(18,167,410)**	**(30,576,494)**	**(12,409,084)**	**(5,758,326)**	**(2,989,879)**	**(650,140)**	**2,339,739**	**(5,329,618)**
Depreciation	57,042	732,875	675,833	(618,791)	601,495	1,743,116	1,141,621	(540,126)
Unrealized foreign exchange gain	10,036,716	14,931,587	4,894,871	5,141,845	10,036,716	14,931,587	4,894,871	5,141,845
Finance expense	7,295,927	13,064,328	5,768,401	1,527,526	7,295,927	13,064,328	5,768,401	1,527,526
Net tax expense	(1,433,678)	(2,613,503)	(1,179,825)	(253,853)	(1,433,678)	(2,613,503)	(1,179,825)	(253,853)
Non-recurring and other expenses	677,424	758,021	80,597	596,827	387,216	996,502	609,286	(222,070)
EBITDA*	**$ (1,533,979)**	**$ (3,703,186)**	**$ (2,169,207)**	**$ 635,228**	**$ 13,897,797**	**$ 27,471,890**	**$ 13,574,093**	**$ 323,704**
Total tonnes invoiced	(65,809)	(83,603)	(17,794)	(48,015)	324,101	679,741	355,640	(31,539)
Gross profit per metric tonnes					$ 71.99	$ 66.99	$ 62.45	$ 9.55
Adjusted gross profit per metric tonne					79.88	75.25	71.05	8.83
EBITDA* per metric tonne					42.88	40.41	38.17	4.71

AGT is reporting comparative segment information in order to provide metrics regarding the quarterly and annual performance of its reporting segments. In future periods, management will report current quarter to past quarter and current period to same period prior year.

When reviewing the Pulses and Grain Processing segmented results for the quarter ended June 30, 2013, gross profit and tonnes invoiced increased when comparing to the quarter ended March 31, 2013. This is a result of stronger demand and increased utilization of AGT's processing facilities.

The Supply Chain Management and Distribution segment showed a slightly lower gross profit per tonne and lower tonnes invoiced in the quarter ended June 30, 2013 compared to the quarter ended March 31, 2013. This segment includes traded tonnes at lower margins, which is offset by higher margin invoiced tonnes through the operations of Poortman's and Advance Seeds. Due to relatively fixed costs of operations, the EBITDA* per tonne decreased when comparing the quarter ended March 31, 2013 to the quarter ended June 30, 2013 due to a decrease in tonnes invoiced and an increase in general and administrative and marketing, sales and distribution expenses. AGT management continues to view the Supply Chain Management and Distribution segment as an important platform for new business development and development of opportunities to utilize capacity in AGT's Pulses and Grain Processing segment.

The two reporting segments show relatively consistent gross profit and EBITDA* per metric tonne when comparing the quarter ended June 30, 2013 to the quarter ended March 31, 2013. This consistency is reported in a quarter which has shown seasonal weakness in past years. This consistency further illustrates a gradual recovery of margins in AGT's core pulse and grain processing segment. It is important to consider the consolidated margin data which is inclusive of all metric tonnes that are transacted on an intercompany basis. For the quarter ended June 30, 2013, corporate elimination metric tonnes, product that sold and/or transferred between AGT wholly subsidiaries, were 65,809. When comparing adjusted gross profit and EBITDA* per metric tonne for the quarter ended June 30, 2013 to the quarter ended March 31, 2013, AGT demonstrated a 12% improvement in these margin measures on a consolidated basis.

Other reporting segment information

As at June 30, 2013	Pulses and Grain Processing	Supply Chain Management and Distribution	Corporate and Eliminations	Consolidated
Assets	$ 722,276,950	$ 153,483,542	$ (164,855,450)	**$ 710,905,042**
Liabilities	539,230,291	44,255,627	(126,504,173)	**456,981,745**
Intangible assets	5,397,178	3,478,702	-	**8,875,880**
Goodwill	45,313,866	14,535,424	-	**59,849,290**

Working Capital and Net Debt

Net working capital* decreased to $187.8 at June 30, 2013, compared to $191.3 million at March 31, 2013 due to capital expenditures relating to the completion of the Minot, North Dakota food ingredient processing facility partially funded by working capital. This was offset by lower inventory levels that are typical during the second quarter of the fiscal year and an increase in accounts payable.

Net debt* is comprised of bank indebtedness, short term financing, long term debt and current portion of long term debt, less cash and totalled $296.1 million at June 30, 2013 compared to $319.1 million at March 31, 2013 and compared to $267.2 million at December 31, 2012 (see table on page 23). The decrease in net debt of $22.9 million when comparing to March 31, 2013 is a result of decreased bank indebtedness resulting from the collection of accounts receivables and lower inventory levels. An increase in property, plant and equipment related mainly to the completion of the Minot facility also affected the net debt total as of June 30, 2013. Metrics continue to be calculated for each facility and performance targets are being tied to inventory and accounts receivable turns.

Current assets were $404.7 million at June 30, 2013 compared to $434.0 million at March 31, 2013 and compared to $417.9 million at December 31, 2012 (see table on page 23). The current asset base is largely accounts receivable and inventory. It is important to note that accounts receivables are largely insured by Export Development Canada, significantly reducing the risks associated with accounts receivable collection, since buyer risk is being replaced by Government of Canada risk through the export insurance. Reduction in inventory levels is attributed to normal seasonal sales prior to the Turkish and North American harvests.

Accounts receivable days outstanding decreased from an average of 76 days for the year ended December 31, 2012 and from 74 days for the quarter ended June 30, 2012 to 69 days for the quarter ended June 30, 2013.

Accounts receivable increased to $193.6 million at June 30, 2013, compared to $193.0 million at March 31, 2013 and increased compared to $183.2 million at December 31, 2012 (see table on page 23). Accounts receivable increased by $0.6 million when comparing the quarter ended June 30, 2013 to the quarter ended March 31, 2013. This is due to increased sales from Canada later in the quarter ended June 30, 2013 as well as additional invoiced tonnes out of India in the later part of June. When comparing the quarter ended June 30, 2013 to the quarter ended March 31, 2013, accounts receivables in Australia decreased by $5.7 million and decreased by $1.4 million in the U.S. Accounts receivables increased by $4.4 million in Canada and increased by $2.8 million in India. Accounts receivable at other subsidiaries increased by $0.5 million.

Inventory days outstanding decreased from an average of 86 days for the year ended December 31, 2012 and from 80 days for the quarter ended June 30, 2012 to 73 days for the quarter ended June 30, 2013.

Inventory decreased to $170.5 million at June 30, 2013, compared to $195.2 million at March 31, 2013. Inventory decreased at all locations, with the exception of India where inventory was $1.3 million at June 30, 2013 and Turkey, where inventory increased by $3.7 million due to the harvest period. It is typical for inventory to decrease in the second quarter due to lower receipts of grain in many of the subsidiaries.

The total of accounts receivable and inventory days outstanding has decreased from 162 days during the year ended December 31, 2012 and 154 days for the quarter ended June 30, 2012 to 142 days for the quarter ended June 30, 2013. AGT Management continues to monitor these metrics.

Working capital management in the areas of accounts receivable and inventory continue to be a focus of AGT management. While the inventory value is $170.5 million at June 30, 2013, this value represents a number of different commodities globally. Much of this inventory is also earmarked for sales contracts and will remain as inventory until substantial risks transfer from seller to buyer under AGT's revenue recognition policy. AGT management continues the practice of examining stock levels at each of its foreign operations to achieve an optimization of inventory levels. In addition, inventory management practices include book to physical inventory reconciliations monthly to ensure accurate recording of inventory values.

The majority of AGT sales are insured through Export Development Canada ("EDC") providing coverage on receivables in the event of customer default on payment. In addition, ownership of the original documents for the cargo in transit remains with AGT in most cases, due to the terms of sale. If a customer defaults on the contract, AGT can choose to resell the cargo to another customer or divert the cargo to another market. With extensive market reach and facilities or warehouses in key consumption markets, AGT has numerous options available to minimize or mitigate risk and exposure in these areas. AGT also has the option to make a claim to EDC to cover up to 90% of the receivable in question. AGT has extended its EDC coverage to all foreign operations, excluding China, to ensure that additional financial risks are largely mitigated in the current macro-economic environment.

Working capital and short-term debt, is typically used by AGT to finance its export program and customer orders due to the long transit times. In addition, costs associated with the goods, such as processing costs, payments to the farmer from whom raw materials were purchased and freight costs, must be paid prior to receiving payment for sale. Customer purchases are typically backed by irrevocable letters of credit (LC) or cash against document (CAD) terms and therefore payment risk is mitigated. The EDC policy remains in place to ensure that a catastrophic loss in any particular region will not hinder payment. Management has implemented steps to monitor accounts receivable aging and inventory turns at each facility. Metrics are calculated for each facility and correlate to facility compensation.

In addition, much of the bank financing availability is determined based on a borrowing base calculation and therefore this financing is backed by the inventory and accounts receivable.

AGT management will continue in its efforts to optimize capital utilization and debt levels to ensure a predictable return on deployed capital for shareholders. It is anticipated that with a predicted return to more seasonal flows in the global pulse and staple foods markets, AGT management may observe a potential de-levering of the balance sheet with a gradual ramp up of working capital in the last four months of the calendar year. This seasonal working capital trend has been observed in past years and reflects the normalized consumption patterns of markets for AGT's products.

Dividends - AGT paid a dividend in July 2013 of $2.98 million ($0.15 per share) in the aggregate to its shareholders of record.

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 and its predecessors have declared and paid the quarterly dividend each quarter since its inception in 2005. Management does not anticipate a reduction of the current dividend in the coming periods.

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**”), Renminbi of the People's Republic of China (“ **¥**” or “**RMB**”) and the Indian Rupee (“**INR**”).

Balance sheet accounts of subsidiaries are valued at March 31, 2013 and December 31, 2012 foreign exchange rates as follows:

	June 30, 2013	**Dec 31, 2012**
USD/CDN	1.05180	0.99490
AUD/CDN	0.96360	1.03390
TL/CDN	0.54470	0.55740
GBP/CDN	1.59870	1.61780
EUR/CDN	1.36760	1.31180
ZAR/CDN	0.10640	0.11720
RMB/CDN	0.17130	0.15970
INR/CDN	0.01766	N/A

For each subsidiary, any difference between the June 30, 2013 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

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.

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 and development activities, and pay its declared dividends. AGT’s ability to generate sufficient cash resources from its operations will depend, among other things, on future harvests of and demand for pulses and special crops. Please see “Discussion of Dividends” above, “Outlook” and “Appendix A” discussing geographic crop conditions 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 June 30, 2013, AGT had total operating lines and other facilities available of $250.2 million (December 31, 2012 - $289.8 million), a portion of which is secured by a general security agreement. Interest rates on CDN and USD operating credits and other facilities are LIBOR and prime rate based ranging from 1.44% to 4.25% 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. At June 30, 2013, 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.

On January 24, 2013, AGT finalized an amended and restated credit agreement that provides for three facilities in an aggregate principal amount of $270 million ($300 million in the event that the $30 million accordion option is exercised in full) through AGT's wholly owned Alliance Pulse Processors Inc. ("APP") subsidiary through the Bank of Nova Scotia and a syndicate of six other lenders containing customary negative covenants and maintenance of certain ratios at the APP and AGT level.

On February 6, 2013 AGT submitted the first draw against a Master Receivables Purchase Agreement that was signed with The Bank of Nova Scotia on December 21, 2012.

This agreement allows the sale of specific Turkish trade accounts receivable that are insured through EDC, to The Bank of Nova Scotia.

AGT continues to be involved in the collection of the accounts receivables and submission of those collections to The Bank of Nova Scotia with any uncollected amounts resulting in EDC making a payment to the third party.

On February 14, 2013, an offering of $125 million aggregate principal amount of senior secured second lien notes due February 14, 2018 was completed with proceeds used to repay certain indebtedness of some of AGT's global subsidiaries and for general corporate purposes.

The combination of these credit arrangements is expected by AGT management to provide additional balance sheet certainty with regard to both duration and interest rates and additionally provide the capital required to execute AGT's business plan to expand global asset base utilization, commercialize AGT's new pulses based food ingredient platform and provide working capital requirements for additional operations in India, China and Russia which Management believes may assist in the incremental improvement in earnings and margins.

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

	June 30, 2013 (unaudited)	Mar 31, 2013 (unaudited)	Dec 31, 2012
Long term debt and finance leases	$ 209,081,604	$ 204,032,461	$ 76,558,126
Bank indebtedness, short term financing and current portion of long term debt and finance leases	121,304,339	151,812,465	223,702,732
Cash and cash equivalents	(34,249,736)	(36,773,907)	(33,109,951)
Net debt*	**$ 296,136,207**	**$ 319,071,019**	**$ 267,150,907**
Shareholders' equity	253,923,297	267,891,752	269,847,553
Capital	**$ 550,059,504**	**$ 586,962,771**	**$ 536,998,460**

Selected asset and liability information

	June 30, 2013 (unaudited)	Mar 13, 2013 (unaudited)	Dec 31, 2012
Cash and cash equivalents	$ 34,249,736	$ 36,773,907	$ 33,109,951
Accounts receivable	193,647,324	193,040,580	183,156,181
Inventory	170,481,380	195,196,462	188,881,727
Bank indebtedness, short term financing and current portion of long term debt and finance leases	121,304,339	151,812,465	223,702,732
Accounts payable, accrued liabilities and deferred revenue [1]	91,790,004	86,460,407	122,257,362
Long-term debt and finance leases	209,081,604	204,032,461	76,558,126
Total current assets	404,673,035	433,962,766	417,935,344
Total current liabilities[1]	216,884,532	242,686,788	351,006,151
Net working capital*	187,788,503	191,275,978	66,929,193

[1] excludes derivative liabilities

Consolidated capitalization information

Consolidated capitalization information of AGT as of June 30, 2013 includes information on the operations of Alliance Pulse Processors, United Pulse, Australia Milling Group and Poortmans, consolidated ("APP Group") as well as information on AGT and other entities, and is set out in the following table:

	June 30, 2013	f/s category
APP Group		
Senior secured APP bank facility	$ 105,151,130	bank indebtedness
Senior secured APP bank facility	94,859,393	long term debt
Poortman facility (GBP 11 million)	575,399	bank indebtedness
Leases	25,647	long term debt
	$ 200,611,569	
Arbel/Other Entities (excluding AGT)		
Arbel drafts	$ 2,622,350	short term financing
Senior secured Advance Seed facility	6,479,642	bank indebtedness
Arbel/Advance Seed/other debt	71,020	bank indebtedness
Leases	584,797	long term debt
	$ 9,757,809	
Alliance Grain Traders		
Notes offered	$ 120,016,565	long term debt
Total debt	$ 330,385,943	
June 30, 2013 financial statements		
Bank indebtedness	$ 112,277,191	
Short term financing	2,622,350	
Long term debt, including current portion	215,486,402	
	$ 330,385,943	

Cash Flow Summary

	3 months ended March 31, 2013	3 months ended June 30, 2013	6 months ended June 30, 2013	6 months ended June 30, 2012	Difference
Cash flow from operating activities	$ (39,887,788)	$ 35,389,728	$ (4,498,060)	$ 49,397,226	$ (53,895,286)
Cash flow from financing activities	52,298,980	(28,132,855)	24,166,125	(60,465,150)	84,631,275
Cash flow from investing activities	(10,384,307)	(8,605,207)	(18,989,514)	(13,747,782)	(5,241,732)
Effect of exchange rate changes on	1,637,071	(1,175,837)	461,234	1,098,624	(637,390)
Change in cash	$ 3,663,956	$ (2,524,171)	$ 1,139,785	$ (23,717,082)	$ 24,856,867

	3 months ended March 31, 2013	3 months ended June 30, 2013	6 months ended June 30, 2013	6 months ended June 30, 2012	Difference
Non-cash working capital	$ (47,233,769)	$ 27,063,471	$ (20,170,298)	$ 42,781,409	$ (62,951,707)

Cash flow from operating activities for the quarter ended June 30, 2013 was a decrease of $4.5 million compared to an increase of $49.4 million for the quarter ended June 30, 2012. This change is due largely to a decrease in non-cash working capital for the quarter ended June 30, 2013 in the amount of $20.2 million compared to an increase for the quarter ended June 30, 2012 in the amount of $42.8 million. The change is largely due to increased asset utilization and sales volumes and the resulting increase in accounts receivable and inventory. Cash flow from operating activities improved from $(39.9) million for the quarter ended March 31, 2013 to $35.4 million for the quarter ended June 30, 2013. This is due largely to an improvement in non-cash working capital of $27.1 million.

Cash flow from financing activities for the quarter ended June 30, 2013 was an increase of $24.2 million compared to a decrease of $60.5 million for the quarter ended June 30, 2012. This change is a result of additional credit facilities due to the growth of AGT.

Cash flow from investing activities for the quarter ended June 30, 2013 was a reduction of $19.0 million compared to a reduction of $13.7 million for the quarter ended June 30, 2012. This is due mainly to increased purchases of property, plant and equipment in 2013 when compared to the same period in 2012.

Cash Flow Information – Non-Cash Working Capital:

Non-cash working capital for the quarter ended June 30, 2013 decreased by $20.2 million compared to an increase of $42.8 million for the quarter ended June 30, 2012. This difference of $63.0 million is due primarily to increased accounts receivable and inventory levels as compared to the same period last year. AGT continues to monitor working capital.

Accounts Payable and deferred revenue:

Accounts payable and deferred revenue decreased by $30.5 million, from $122.3 million at December 31, 2012 to $91.8 million at June 30, 2013. This is largely due to deferred producer payments being cashed early in 2013.

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:

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:

	June 30, 2013	June 30, 2012
Short term benefits (wage, bonus, vacation paid out, directors fees)	$ 1,134,750	$ 815,250
Post employment benefits (RRSP)	43,200	42,400
Other long term benefits including stock based compensation (long term incentive plan)	457,665	457,500
Total	$ 1,635,615	$ 1,315,150

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. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

Transactions with key management and corporations significantly influenced or controlled by AGT directors or key management

	June 30, 2013	Dec 31, 2012
Accounts receivable	$ 445,483	$ 801,143
Accounts payable	1,637,214	1,640,551

	June 30, 2013	June 30, 2012
Purchases	$ 3,384,384	$ 1,367,083

AGT contracted labour and construction support for ongoing construction projects. The amounts in the above table are largely attributable to these transactions.

Critical Accounting Estimates:

The preparation of the consolidated financial statements in conformity with IFRS requires AGT 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.

Estimates, judgments 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.

The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the consolidated financial statements are as follows:

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 judgment is required related to the classification of transactions and assessment of probable outcomes. Significant estimates are 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, 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 estimates. If these estimates prove to be inaccurate, future earnings may be materially impacted.

Impairment of Long-Lived and Intangible Assets

AGT assesses the carrying values of property, plant and equipment, intangibles assets, and goodwill annually. Recoverability is determined through assumptions and estimates 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

In assessing the recoverability of long-lived and intangible assets, judgment is required in the determination of the appropriate grouping of assets that generate cash inflows or cash generating units (CGU's). The determination of CGU's is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure, geographic proximity and similarity of risk exposures. AGT also uses significant judgment in evaluating if a triggering event occurs which would warrant an evaluation of impairment of long-lived and intangible assets based on the identified CGU's.

Functional Currency

The identification of functional currency for each of the legal entities involves significant judgment. AGT has utilized this judgment and summarized the results in note 3c of AGT's 2012 annual consolidated financial statements.

Financial Instruments:

AGT, as part of its operations, carries a number of financial instruments that include cash, bank indebtedness, short term financing, accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, and long-term debt and finance leases. The fair value of cash, 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.

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 AGT 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 AGT's Disclosure Controls as at June 30, 2013 and concluded that the design of 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 June 30, 2013, management, including the CEO and CFO, evaluated the design of AGT's ICFR. Based on the evaluation, the CEO and the CFO concluded that the design of AGT's ICFR was effective as at June 30, 2013.

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 AGT'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 consolidated financial statements, as their effective dates fall in annual periods beginning subsequent to the current reporting period.

Proposed standards	Description	Previous Standard	Effective Date
IAS 32 - Financial Instruments: Presentation	Issued in December 2011. Clarifies the presentation requirements related to the offsetting of financial assets and liabilities.	IAS 32 - Financial Instruments: Presentation	IAS 32- January 1, 2014
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

Management is assessing the potential impact of standards and amendments effective in future years for impacts on both quantitative and qualitative disclosure. AGT does not expect any significant impact.

On January 1, 2013, AGT adopted the following new standards as issued by the IASB: IFRS 7 Financial Instruments: Disclosures, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, and IFRS 13 Fair Value Measurement. None of these standards had a material impact on AGT's financial statements.

Outstanding Share Data

As at the date hereof, there are issued and outstanding 19,865,521 common shares of AGT.

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. Potential risks and uncertainties include operating requirements, volume, transportation and transloading, distribution and supply contracts, customer retention and competitive environment, foreign operations, integration of acquisitions, realization of benefits from acquisitions, acquisition and expansion, reliance on key personnel, localized decision making, potential undisclosed liabilities, uninsured and underinsured losses, global financial crisis and general economic conditions, wholesale price volatility, capital markets, leverage and capital requirements, financing and credit liquidity, reduced dividend payment, international agricultural trade, foreign exchange, counterparty and export, geographic and political, environmental protection, energy price fluctuation, information technology, regulatory oversight, financial reporting, control of AGT and dilution of shareholders. To management's knowledge, no significant changes to these risks and uncertainties have occurred in the six months ended June 30, 2013.

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 June 30, 2013, AGT had a letter of credit in favour of the Canadian Grain Commission in the amount of $10 million (December 31, 2012 - $12 million). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires at December 31, 2014.

At June 30, 2013, AGT had a letter of credit in favour of Lloyd's Bank in the United Kingdom in the amount of $12.6 million (December 31, 2012 – nil). This letter of credit serves as security for the operating line in the United Kingdom and is callable in the event of a default by AGT's subsidiary.

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. Should circumstances change, provisions could change materially.

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 protection against decreases in market price and retention of 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.

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; 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 finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-recurring and other costs, restructuring costs and 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 34.

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.

Reconciliation of Net Earnings, Adjusted Net Earnings* and EBITDA*
(In thousands of CDN $)

	For the Three Months Ended June 30, 2013	For the Three Months Ended June 30, 2012
Net earnings (loss)	$ (5,539,162)	$ 1,669,819
Add (deduct):		
Income tax expense (recovery)	(1,433,678)	1,779,577
Depreciation and amortization expense	3,150,778	3,207,194
Finance expense	7,295,927	3,836,550
Non-cash foreign exchange	10,036,716	(1,414,880)
Non-recurring and other expenses [1]	387,216	183,403
EBITDA*	13,897,797	9,261,663
Less:		
Finance expense	7,295,927	3,836,550
Depreciation and amortization expense	3,150,778	3,207,194
Income tax expense (recovery)	(1,433,678)	1,779,577
Adjusted net earnings*	$ 4,884,770	$ 438,342
Basic adjusted net earnings* per share	0.25	0.02
Diluted adjusted net earnings* per share	0.24	0.02
Basic weighted average number of shares outstanding	19,860,795	19,791,505
Diluted weighted average number of shares outstanding	19,993,898	19,907,776

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

Reconciliation of Net Working Capital* and Net Debt*

	June 30, 2013	Dec 31, 2012
Current assets	$ 404,673,035	$ 417,935,344
Current liabilities[1]	216,884,532	351,006,151
Net working capital*	$ 187,788,503	$ 66,929,193
Long term debt and finance leases	$ 209,081,604	$ 76,558,126
Bank indebtedness and current portion of long term debt and finance leases	118,681,989	211,300,922
Short term financing	2,622,350	12,401,810
Cash and cash equivalents	(34,249,736)	(33,109,951)
Net debt*	$ 296,136,207	$ 267,150,907

[1] excludes derivative liabilities

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 finance expense, income taxes, depreciation and amortization, restructuring costs and any effects of non-recurring and other costs and foreign exchange adjustment), Adjusted Net Earnings* (earnings before any effects of non-recurring and other costs, restructuring costs and 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.

APPENDIX 1 – REGIONAL AND PRODUCTION SUMMARY

North America – Canada and the U.S.

Generally favourable conditions in Western Canada for the 2013 crop year were being reported by the Saskatchewan Ministry of Agriculture, with the majority of crops in Saskatchewan categorized in good to excellent condition, including 81% of lentils and 88% of peas, as reported by Saskatchewan Agriculture in an August 1, 2013 report. Warm weather and more-than-adequate topsoil moisture have assisted in crops advancing within the normal timeframes, with an "on-time" harvest expected. According to the Saskatchewan Pulse Growers ("SPG"), Saskatchewan accounts for approximately 97% of Canada's lentil crop, 83% of Canada's chickpea crop and 72% of Canada's dry pea crop in a typical growing season.

The previously reported expectations surrounding rationalization of pulses acres, particularly in lentils, appear to have not materialized as they were forecast, with lentil production estimated for 2013 at just behind the five-year average and slightly lower than 2012 levels. Overall, pulses production for the four major pulse crops in Canada are slightly increased for 2013 over 2012. Production estimates for lentils and chickpeas have improved from earlier estimates, supporting the view that farmers may have made last minute alterations to their seeding plans late in the spring. Based on available data, AGT management expects an on-time harvest in Western Canada with ample supply coming from new crop harvest at expected quality levels. Agriculture and Agri-Food Canada ("AAFC") estimates a decrease in lentil prices to growers for 2013 due to burdensome supply and carry-out stocks; however, these same carry-out stocks are expected to provide potential for slight average price recovery from 2012-13 as Canada continues to reduce its carry-out stocks through export programs.

Current production estimates by Statistics Canada ("StatsCan") are as follows:

	Canadian Pulse Production 2013 (1)			Variance
	Area (acres)	**Production (mt)**	**Yields (lbs)**	**2013(E) to 2012 Production**
Lentils	2,455,000	1,463,000	1,314	-0.7%
Dry Peas	3,370,000	3,048,000	1,994	7.7%
Edible Beans	244,000	194,000	1,753	-29.3%
Chickpeas	205,000	142,000	1,527	-9.8%
Faba Beans(2)	20,000	20,800	2,300	n/a

(1) Effective July 29, 2013 from data and estimates available from StatsCan and STAT Publishing ("StatPub").
(2) Estimates compiled by AGT based on 5 year historical data and internal estimates of production.

Pulse exports from Canada for the period of April-June 2013 were reported by StatsCan as having increased as compared to 2012, building off year-over-year gains in the Q1 period. Comparing these periods, StatsCan reported an 85% increase in peas, an 84% increase in lentils, a 223% increase in chickpeas and a 31% increase in beans.

In the U.S., the United States Department of Agriculture ("USDA") reports that in late July, U.S. pulses harvest was underway in Montana and limited activity was reported in Washington and North Dakota. The Northern Tier states have had similar growing conditions to those in Western Canada for the crop year, although a decrease in overall pulses production is being forecast.

Current production estimates by USDA are as follows:

	U.S. Pulse Production 2013 [1]			**Variance**
	Area (acres)	**Production (mt)**	**Yields (lbs)**	**2013(E) to 2012 Production**
Lentils	335,000	179,000	1,178	-25.6%
Dry Peas	850,000	633,000	1,642	28.4%
Edible Beans	1,247,300	986,302	1,743	-24.0%
Chickpeas	212,100	151,865	1,579	0.8%

(1) Effective July 29, 2013 from data and estimates available from USDA and STAT Publishing.

Pulse exports from the U.S. for the period April-June 2013 period were reported by the Department of Commerce with lentils increased 117% over the same period in 2012. U.S. exports for peas and chickpeas were reported as decreased by 19% each for the period, with bean exports relatively flat at a decrease of 3% over 2012 levels.

Regarding durum wheat, production in Canada is forecast by AAFC to rise by 4% to 4.8 million mt, with average Canadian durum prices expected to be similar to 2012-13. U.S. durum production is expected to fall by 30% to 1.56 million mt due to a drop in seeded area and lower yields. World durum production is forecast by the International Grains Council (IGC) to increase by 0.6 million mt to 35.8 million mt, mostly because of higher production in Morocco, Canada and Kazakhstan.

Turkey

Pulses production for 2013 in Turkey was reported as slightly improved over past seasons; however, production volumes have been relatively flat in the period since 2011. Lentil production is reported by a variety of outlets as between 375,000 mt (StatPub based on data from TMO, USDA and private trade sources) to 460,000 mt by the USDA Global Agriculture Information Network ("GAIN"). Chickpea production in Turkey has followed a similar flat production trend in the past two seasons, although lower than the 5-year average.

While AGT management expects actual volumes to be in between 275,000 to 350,000 mt, production at these levels would result in Turkey continuing to import red and green lentils to fill domestic consumption and regional export demands to the Middle East/North Africa ("MENA") regional markets. AGT, through its Arbel Group operations in Mersin, Turkey, has continued to be active in import/re-process/re-export activities, where lentils and other pulses from other pulse producing origins such as Canada, the U.S., and Australia and to an increasing degree Russia, Ukraine and other former Soviet Union republics such as Kyrgyzstan are brought to Turkey for further processing and movement to consumption markets in the region. According to export data from StatsCan, Turkey has been Canada's second largest market for lentil exports based on average export volumes since 2010.

Durum wheat production for 2013 is estimated by USDA GAIN at 2 million mt, with quality at or below normal due to lower moisture levels; however, conditions do change regionally, providing opportunities for blending to meet quality levels required for pasta production. As stated earlier, with slight increases to world durum wheat production, adequate raw materials are expected to be available through import of bulk vessel if required to meet pasta and bulgur production requirements.

Paddy rice production for 2013 has remained at 701,000 mt according to USDA GAIN. Rice yields are dependent on rainfall in the late summer, with harvest commencing in October. Consumption demands in Turkey is expected to result in Turkey continuing to be an importer of paddy rice to meet high domestic consumption and regional exports in the near term as it has been for the recent past periods.

Australia

Australian pulses production is forecast by Australian Bureau of Agricultural and Resource Economics and Science ("ABARES") to continue in the above 2 million mt range as it has since 2010; however, some slight decreases are being reported by variety. Australia is a significant producer of Desi-type chickpeas destined for Indian subcontinent markets where freight advantages exist for shipments from Australia.

Australian export volumes have slowed in the period as volumes available for marketing, particularly for chickpeas, are reported by StatPub as having substantially moved in the late 2012 and early 2013 periods, leaving little product available to cover demand from Australia in the period leading to harvest late in 2013. A surge in demand, which may be a result of lower production in India and low local supply in Australia for export, also appears to have contributed to the higher export levels from Canada.

Current production estimates in Australia are as follows:

	Australian Pulse Production 2013 [1]		Variance
	Area (acres)	Production (mt)	2013(E) to 2012 Production
Lentils	406,232	232,500	-0.43%
Field Peas (All)	643,696	323,000	1.04%
Chickpeas (All)	1,285,908	775,400	3.66%
Lupins (All)	1,002,999	520,600	13.49%
Faba Bean	403,028	266,800	-19.13%

(1) Effective July 29, 2013 from data and estimates available from Pulse Australia and ABARES.

Indian Subcontinent Markets

Import activity to India and subcontinent markets continues to drive the global pulses markets. Kharif (fall or monsoon harvest) is reported to be progressing, albeit at slightly slower rates, than average for pulses. Normal monsoon rains are expected by the Indian Government to benefit these crops, as pulses are rain-fed crops.

However, with rabi (spring harvest) lentil production, which is traditionally the harvest that includes production of lentils, reported as having been lower than expected, coupled with lower kharif harvest in 2012, production for pulses in India has been impaired based on reported production volumes through USDA GAIN, the Indian Ministry of Agriculture and compiled production statistics by StatPub. Supply deficiency from local production shortfalls and already estimated low or depleted local market stocks has resulted in Indian imports in periods where the region is not typically a buyer, illustrated by the higher export volumes from Canada to India in the Q1 and Q2 periods.

For the full year of 2013, imports may represent a potential of approximately 3.1 million mt of imports needed to meet domestic supply requirements of pulses based on presentations from the 2013 CICLS/IPTIC conference; however, other estimates, such as the Indian Government's estimates of 3.3 million mt and USDA GAIN of 4 million mt could result in even higher import levels for the full 2013 period.

Further illustration of the forecasted requirement for India to continue importing pulses came from the Indian Ministry of Commerce and Industry extending the export ban on pulses to March 31, 2014, with some chickpea varieties exempt from the ban.

Russia and Ukraine

Production estimates for pulse production in the Russian Federation in 2013 are estimated by the Russian State Statistical Service (Rosstat) in data published in 2012 at approximately 2 million mt for legumes; however, specific details on these quantities in terms of product-specific breakdowns were not provided. Production at these levels would appear to be consistent with production estimated by a variety of other outside sources including StatPub, Leftfield Commodities and reports by SPG and are consistent with the last USDA GAIN report where accurate production estimates were provided. Based on these figures, AGT management would estimate that Russian production could include as much as 50,000 mt to 75,000 mt of lentils, 1 to 1.5 million mt of peas and 175,000 to 250,000 mt of chickpeas in future periods. A further 500,000 mt of pulse production in the Ukraine is estimated by AGT management, largely made up of pea production, which is consistent with levels estimated by StatPub and in SPG reports.

With decreasing levels of pulses production in Turkey, supply of some pulses, principally chickpeas and some bean varieties from Russia, Ukraine and former Soviet republics continue to be an important supply of for Turkey both for domestic and regional markets. With year-round ports available through the Black Sea and the Bosphorus to processing destinations in Turkey, there are shipping advantages available from these countries for Turkish processors. AGT continues to be active in grain origination from its offices in Rostov-on-Don to assist with the flow of peas, chickpeas and beans from these origins to AGT's Arbel facilities in Turkey.

South Africa

Agricultural production in 2013 in South Africa as estimated by South Africa Grain Information Service ("SAGIS") indicates that the production of beans has increased 26% over 2012 levels. However, StatPub comments that production remains well below the country's annual estimated consumption needs, pointing to continued demand for speckled beans from China and pulses from other origins. Canola and soybeans are also projected to see increases as farmers in Southern Africa try to take advantage of higher prices in the region for these products.

The Southern African region, with its significant availability of farmland, is viewed as a future production growth region in pulses and specialty crops for import substitution, growing and supply programs for local retail markets, capturing potential duty and tax advantages for locally produced products. In the near term, however, the region is a consumer of pulses. AGT's global operations and local distribution infrastructure provide the view of this region as a source of import/re-process/re-export opportunities to cross-sell with locally produced popcorn and other products produced by AGT in other origins such as Turkey.

China

China continues to emerge as a significant potential origin for pulses, particularly in the area of beans. Although limited official data on pulses production in China is available, information from the United Nations Food and Agriculture Organization ("FAO") reports 4.6 million mt of pulse production in 2011, slightly higher than the 5 year average of 4.4 million mt. The 2011 production estimates include 1.5 million mt of beans, including broad beans, kidney beans, mung beans and adzuki beans, as well as 150,000 mt of lentils.

With a continuation of production in China of pulses production at levels similar to the 5 year average, China can be viewed as a significant potential export origin to major bean markets such as the U.S., Latin America, Europe, Southern Africa and India for light speckled kidney beans, black beans, navy beans, mung beans and white beans.

Additionally, China presents business opportunities, with previously reported estimates of high levels of pea imports for domestic starch extraction for vermicelli noodle production, moon cakes and snack foods. This may provide an entry point for Canadian, U.S. and Australian whole green peas, pea starch, green pea powder and sprouting green peas as well as flax.

Construction on a planned new bean processing plant has commenced, with the new facility located in Tianjin, 35 km from Beijing. The facility is planned as for the processing and export of Chinese beans to AGT markets around the globe with additional capacity planned for AGT's new food ingredient division focused on pulses proteins, fibres, starches and flours. The facility is planned to commence commissioning in early 2014 with construction currently in the early phases.