QUARTERLY REPORT

For the three month period ended
March 31, 2005

AG GROWTH
INCOME FUND

TO OUR UNITHOLDERS:

On behalf of management, our employees and our board of trustees, we welcome you to our 2005 first quarter report. The fundamentals that propelled us to strong financial results in 2004 remained in place for the first quarter of this year. Last years' record U.S. corn and soybean crop has expanded demand for our grain handling equipment in the near term. Despite soft commodity prices, as a result of this massive crop there is an underlying optimism in the U.S. marketplace for continued firmness in the farm equipment sector.

Western Canadian farmers are a little more tentative after repeated droughts in the last few years were followed by excessive moisture last year that affected the quality and grade of the crop.

Our order backlogs remain seasonally among the strongest we have experienced which gives us an optimistic outlook as we enter the second quarter of the year. Looking out into the second half of the year is always a challenge in our industry. June marks the cutoff for the 2004-2005 crop year. The newly seeded crop becomes the driver for our business for the second half of the year, and the strength of that crop will impact our latter year results.

In the first quarter we established our new warehouse operation in the key state of Iowa. Progress is being made in achieving adequate parts and finished goods inventory in advance of the peak harvest sales season. We are excited about the potential for this warehouse to increase our service levels to dealers and farmers in this important state. Our expectation is that in the medium term we should achieve greater penetration in this market.

On April 8, 2005 we completed the acquisition of the Edwards Group of Companies based in Lethbridge, Alberta. Edwards is the leading manufacturer of grain aeration equipment in Canada. We are pleased to welcome all Edwards employees to the Ag Growth family. The quality of the Edwards people and products are a welcome addition to our existing operations. We are convinced that together we will be even better positioned to grow and prosper in our sector.

We would like to give a special welcome to Tom Kehoe, our new general manager at the Edwards operations. Tom has a long history of excellence in manufacturing as well as a relationship with Ag Growth that goes back a number of years. We are confident that Tom has the skills to effect an orderly transition of the operation into the Ag Growth Income Fund.

We are pleased with the strength of revenues and earnings in the first quarter. For those of you that are new to the Fund, we have a strong seasonal component to our cash flow and earnings. This seasonality is weighted to the third quarter of the year. To achieve an 83% payout ratio in the first quarter is particularly strong.

As we have been a publicly traded trust for less that a year, we thank all new unitholders for your support. We hope to have a long and profitable relationship with all of you as we strive to build value for unitholders over the long term.

Sincerely,

Rod Senft
Chairman of the Board of Trustees
Ag Growth Income Fund
May 10, 2005

Rob Stenson
President and Chief Executive Officer
Ag Growth Income Fund
May 10, 2005

AG GROWTH INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
MAY 10, 2005

This Management's Discussion and Analysis should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes ("Interim Financial Statements") of Ag Growth Income Fund for the three-month period ended March 31, 2005, and the audited consolidated financial statements and accompanying notes of Ag Growth Income Fund as at and for the 283-day period ended December 31, 2004 [including Ag Growth's results of operations for the 228-day period ended December 31, 2004]. Results are reported in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles.

OVERVIEW OF THE FUND

Ag Growth Income Fund [the "Fund"] is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. On May 5, 2004, the Fund filed a final prospectus for the sale of 6,904,000 units at $10 per unit. In conjunction with the IPO, the Fund acquired indirectly all of the securities and assets of Ag Growth Industries Inc. ["Ag Growth"], which conducts business in the grain handling, storage, and conditioning market. As consideration for the acquisition, the owners of Ag Growth received, in addition to cash, 800,000 Class B Exchangeable units and 1,926,000 Class C Exchangeable Subordinated units of AGX Holdings Limited Partnership ["AGHLP"], a wholly owned subsidiary of the Fund. The units of the Fund and the Class B and Class C units of AGHLP participate pro rata in the distributions of net earnings. Subsequent to the date of the offering, a total of 630,022 Class B units of AGHLP have been exchanged for 630,022 units of the Fund.

Ag Growth Income Fund units trade on the Toronto Stock Exchange under the symbol AFN.UN.

BASIS OF MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund was inactive until its acquisition of Ag Growth on May 18, 2004. Comparative results provided, for purposes of Management's Discussion and Analysis, are Ag Growth's results of operations for the three-month period ended March 31, 2004.

SUMMARY FINANCIAL INFORMATION

	The Fund	**Ag Growth** (Pre Fund)
	Three Months March 31, 2005	Three Months March 31, 2004
Sales	$16,233,458	$11,679,649
Cost of sales	8,581,163	6,409,443
Gross margin	7,652,295	5,270,206
Operating expenses	3,299,874	2,995,803
EBITDA before gain on sale	4,352,421	2,274,403
Gain on sale (1)	0	4,553,611
EBITDA*	4,352,421	6,828,014
Amortization	619,204	185,815
Interest expense	213,032	697,747
Earnings before tax	3,520,185	5,944,452
Tax expense	71,000	2,746,557
Net earnings	$3,449,185	$3,197,895
Net earnings per unit	$0.36	N/A

(1) In January 2004 Ag Growth realized a gain on the sale of its outstanding forward foreign exchange contracts. Due to the significance of the gain and its impact on the comparison of results for the quarters ended March 31, 2004 and March 31, 2005, the gain has been segregated from operating expenses.

* See discussion of non-GAAP measures.

	March 31, 2005	**March 31, 2004**
Total assets	$119,648,054	$107,030,776
Total long-term liabilities	$20,060,218	$42,570,422

For the three-month period ended March 31, 2005, the Fund generated distributable cash of $0.3936 per unit and declared regular distributions, in accordance with the Fund's targeted monthly distributions, of $0.3249 per unit.

The table below summarizes the distributions declared for trust units of the Fund and for Class B Exchangeable limited partnership units and Class C Subordinated limited partnership units of AGX Holdings Limited Partnership:

Trust units	$2,447,804
Class B Exchangeable units	55,226
Class C Exchangeable Subordinated units	625,757
	$3,128,787

OPERATING RESULTS

Sales

Sales for the three-month period ended March 31, 2005 increased 39.0% over the same period in 2004. The significant increase was largely the result of two factors. First, demand for product is very high as the Fund's distribution network rebuilds its inventory levels following an exceptional harvest in key U.S. markets. Second, price increases implemented throughout 2004 in response to rising input costs, and a trend towards larger, more expensive units, has resulted in higher per unit revenue. It is important to note that the sales increase was achieved even though US Dollar denominated sales for the three months ended March 31, 2005 were recorded at an effective rate of exchange of $1.27, compared to $1.32 for the same period in 2004.

Expenses

Gross margin for the three-months ended March 31, 2005 increased $2.4 million over the prior year, as a result of increased sales and a higher gross margin percentage. Gross margin as a percentage of sales for the three-month period ended March 31, 2005 was 47.1%, compared to 45.1% for the same period in 2004. The increase in gross margin is largely the result of the Fund realizing the full impact of the price increases implemented in 2004 to offset rising input costs. Also, gross margin has benefited from higher sales volume compared to the prior year. Again, it is important to note that the gain in gross margin was achieved despite recording US Dollar denominated transactions at a lower effective exchange rate in 2005, as the Fund's US Dollar denominated sales greatly exceeds purchases made in that currency.

Operating expenses for the three-months ended March 31, 2005 were $3.3 million, compared to $3.0 million for the same period in 2004. Commission expenses increased $0.2 million in 2005 as a result of higher commission based sales. Expenses in 2005 include approximately $0.1 million related to public reporting and trustee costs, an expense that was not incurred prior to the IPO. Increases of approximately $0.1 million were also recorded in research and development, sales and marketing, and salary expenses. These increases were offset by the elimination of management fees payable to the owners of Ag Growth prior to the IPO that totalled $0.3 million in the three-months ended March 31, 2004.

Prior to the initial public offering, Ag Growth realized a net gain of $4.6 million on the sale of its forward foreign exchange contracts. Ag Growth subsequently entered into a number of new forward foreign exchange contracts that continue to form part of the Fund's hedging strategy. The $4.6 million one-time gain on sale significantly affected Ag Growth's financial results for the three-month period ended March 31, 2004. No similar transaction was recorded in the three-month period ended March 31, 2005.

Net earnings and EBITDA (see discussion of non-GAAP measures)

EBITDA for the three months ended March 31, 2005 was $4.4 million, compared to $2.3 million in 2004 prior to the gain Ag Growth realized on the sale of its forward foreign exchange contracts. The significant increase is the result of strong sales and a higher gross margin, offset by an increase in operating expenses. After recognition of the gain on sale recorded in January 2004, EBITDA for the three months ended March 31, 2004 was $6.8 million.

Upon completion of the IPO on May 18, 2004, the Fund retired the existing debt obligations of Ag Growth and entered into a new credit facility with a single lender. The credit facility includes term debt of $20 million and an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30 each year. Both facilities bear interest at rates based on performance calculations. For the three-month period ended March 31, 2005, the Fund's effective interest rate on its term debt was 4.5%, and after consideration of the effect of the Funds interest rate swap (see "Financial Instruments") was 4.32%.

Amortization for the three-month period ended March 31, 2005 of $0.6 million includes the amortization of intangible assets of $0.3 million, the amortization of deferred financing costs of $0.1 million, and the amortization of property, plant and equipment of $0.2 million.

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. The manufacturing business operations of the Fund are carried out within a limited partnership. Income from the limited partnership is not subject to tax but flows through to the holders of the partnership units, which include the Fund. The Fund's distributions are taxable in the hands of the unitholders. As a result of the Fund's structure, tax expense is recorded only for the Fund's subsidiary corporations. The recorded tax expense of $71,000 for the three-months ended March 31, 2005 represents taxes payable on the net income primarily allocated to Ag Growth through its ownership in AGLP after deductions for interest expense and capital taxes.

Net earnings for the three-month period ended March 31, 2005 were $3.4 million, or $0.36 per basic and diluted unit.

Quarterly Financial Information

	2005 Q1	**2004 Q4**	**2004 Q3**	**2004 Q2***
Total sales	$16,233,458	$13,915,323	$21,154,339	$7,334,924
Net earnings	$3,449,185	$ 1,798,911	$5,483,492	$1,441,006
Net earnings per unit	$0.36	$0.19	$0.57	$0.15

*Includes the results of Ag Growth's operations only for the 44-day period May 18, 2004 to June 30, 2004. See "Basis of Management's Discussion and Analysis".

Interim period revenues and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. Historically, revenues and earnings in the first, second, and fourth quarters are relatively similar. Distributable cash generated per unit will also typically be highest in the third quarter. In the first quarter of 2005, for the reasons set out under "Operating Results", the Fund's revenues and earnings exceeded the first quarter results recorded in prior years.

The Fund's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the third quarter, result in accounts receivable levels increasing throughout the year and peaking in the third quarter. In order to ensure the Fund has adequate supply throughout its distribution network in advance of the in-season demand experienced primarily in the third quarter, inventory levels must be gradually increased throughout the year. Accordingly, inventory levels increase in the first and second quarters and then begin to decline in the third and fourth quarters as sales levels exceed production.

As a result of these working capital movements, historically, Ag Growth's use of its bank revolver is typically highest in the first and second quarters. As at March 31, 2005, primarily because of the significant amount of customer deposits received in the fourth quarter of 2004, the Fund had not yet drawn on its revolver. The revolver balance would normally begin declining in the third quarter as collections of accounts receivable increase and inventory levels begin to decrease. Ag Growth has generally fully repaid its revolver balance by early in the fourth quarter.

CASHFLOW AND LIQUIDITY

The table below reconciles net income to cash flow from operations for the three month periods ended March 31, 2005 and 2004. Consistent with the discussion above, the first quarter in both periods reflects an increase in accounts receivable and inventory. Also, strong preseason demand resulted in higher than usual customer deposits in the fourth quarter of 2004. The Fund invested significantly in working capital in the first quarters of 2004 and 2005.

	Three Months Ended March 31	
	2005	**2004**
Net income	$3,449,185	$3,197,895
Add charges (deduct credits) to operations not requiring a current cash payment:		
Amortization	619,204	185,815
Future income taxes	56,000	45,000
Deferred foreign exchange loss	(43,026)	(36,509)
	4,081,363	3,392,201
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(4,002,047)	(3,287,491)
Inventory	(1,634,069)	(2,631,902)
Prepaid expenses and other assets	193,816	4,795
Accounts payable and accrued liabilities	287,416	85,167
Customer deposits	(1,795,149)	551,129
Income tax payable	400,029	1,219,516
Dividends payable	0	(607,500)
Cash flow invested in operations	$(2,468,641)	$(1,274,085)

The Fund had capital expenditures of $0.3 million in the period, which were primarily related to the budgeted purchases of manufacturing equipment and a semi trailer unit. During the period, the Fund's cash balance decreased $6.6 million, which was in line with management expectations for the reasons discussed above. Consistent with prior years, management expects working capital requirements in the second quarter will require the Fund to draw on its revolver facility.

CONTRACTUAL OBLIGATIONS

	Total	2005	2006	2007	2008	2009
Long-term debt	20,093,713	25,120	20,033,495	27,008	8,090	0
Operating leases	534,333	198,557	159,127	105,408	61,561	9,680
Total obligations	20,628,046	223,677	20,192,622	132,416	69,651	9,680

On May 18, 2004 the Fund entered a two-year, non-amortizing, $20 million term loan facility that upon maturity is extendible annually for twelve months at the lenders option. The operating leases relate to vehicle, equipment, and warehouse facility leases entered in the normal course of business. In addition, the Fund is committed to entering into a lease for equipment over a five-year period with total lease payments of approximately $590,000. The lease terms will be finalized in 2005.

TRANSACTIONS WITH RELATED PARTIES

Under the terms of the long term incentive plan ("LTIP"), 10% to 20% of cash distributions in excess of an established threshold are contributed to a pool of funds set aside to purchase units of the Fund in the market. The cost is accrued as an expense in the period when cash distributions paid or payable exceed the thresholds established by the LTIP. As at December 31, 2004, a total of $265,788 had been accrued for the LTIP. An accrual was not made for the three-months ended March 31, 2005.

DISTRIBUTIONS

Distributions are paid at the end of the month that follows the month when the cash was earned. Consistent with the distribution amount anticipated in the IPO, the Fund declared distributions to public unitholders of $2.4 million for the three-month period ended March 31, 2005. Furthermore, consistent with the Fund's prospectus dated May 5, 2004, the Fund declared distributions to Ag Growth's previous owners of $0.7 million for the three-month period ended March 31, 2005.

The Fund's policy is to make monthly distributions to holders of both Fund units and Class B Exchangeable limited partnership units. Furthermore, in accordance with the terms of the Fund's prospectus, holders of Class C Subordinated Exchangeable limited partnership units receive distributions quarterly provided the relevant terms of subordination have been met, which they have since the inception of the Fund.

The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal period ending December 31. It may be necessary for the Fund to estimate a special year-end distribution to achieve this requirement. The initial distribution, if any, will be made in December and paid to unitholders of record on December 31. Upon completion of the annual financial statements, a final determination of any additional distribution will be made, and the additional amount, if any, will be paid to unitholders of record at that time. If the Fund is required to make an additional distribution, the unitholders of record on December 31 will be required to include the amount of the additional distribution in their taxable income. If they are not unitholders at the record date of the additional payment they will be required to include the amount in their taxable income even though they do not receive the distribution. Those unitholders, however, can reduce their capital gain on the sale by the amount of the additional distribution.

The Fund's Board of Trustees reviews financial performance and other factors when assessing the Fund's distribution levels. An adjustment to distribution levels will be made at such time as the Board determines the adjustment is sustainable and in the long-term best interest of the Fund and its unitholders.

Distributable cash generated for the period is calculated as follows:

	Three-months Ended March 31, 2005
Net income for the period	$3,449,185
Add: Amortization	619,204
Interest expense	213,032
Tax expense	71,000
EBITDA*	4,352,421
Less: Interest expense	213,032
Net maintenance capital expenditures	334,475
Current income taxes	15,000
Distributable cash *	$3,789,914
Distributable cash generated per unit	$0.3936
Distributions declared per unit	$0.3249
Distribution percentage	82.55%

* See discussion of non-GAAP measures below.

CAPITAL RESOURCES

The Fund has a two-year, non-amortizing, $20 million term loan with a single lender. The loan expires in May 2006 and is extendible annually for additional one-year terms at the lenders option. The Fund also has available a $15 million operating facility, increasing to $18 million for the period May 31 to September 30. At March 31, 2005, the operating facility was not being utilized. Interest rates on both facilities are based on performance calculations. The Fund is party to an interest rate swap agreement to hedge the impact of fluctuating interest rates on its term loan.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off balance sheet arrangements with the exception of the interest rate swap and foreign currency contracts discussed below in Financial Instruments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. We believe the accounting policies that are critical to our business relate to our use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, and goodwill. Due to the nature of Ag Growth's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. In addition, assessments and judgments are inherent in the determination of the net realizable value of inventories. Another area requiring judgment includes the allocation of the purchase price at the time of the IPO, specifically the allocation between goodwill and other intangible assets, and the amortization period of the intangible assets. In the normal course of its operations, the Fund may become involved in various legal actions. The Fund maintains, and regularly updates on a case-by-case basis, provisions when the expected loss is both likely and can be reasonably estimated. While management has applied judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

FINANCIAL INSTRUMENTS

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. Dollar. Historically, approximately 60% - 65% of Ag Growth's sales are denominated in US Dollars while a much smaller proportion of its expenses are denominated in this currency. The Fund has entered into foreign exchange contracts with a Canadian chartered bank to hedge its foreign currency exposure on anticipated US dollar sales transactions and the collection of the related accounts receivable. At March 31, 2005, the Fund had outstanding USD $36.5 million of forward foreign exchange contracts, dated from April 2005 to December 2006, with a Canadian Dollar equivalent of $48.1 million. As at March 31, 2005, the Fund has recorded a deferred foreign exchange loss of $90,926 with respect to its hedged accounts receivable. At March 31, 2005, the unrealized gain on forward foreign exchange contracts was $3.4 million.

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires on May 4, 2006. The swap transaction involves the exchange of the underlying floating interest rate for an effective fixed interest rate of 3.07% plus 1.25% to 2.25% based on performance calculations. The notional amount of the swap transaction at March 31, 2005 was $20.0 million. At March 31, 2005, a cash payment of $8,559 would have been required to settle the interest rate swap.

The Fund manages its short-term cash position partially through the use of foreign exchange swap contracts. At March 31, 2005, the Fund had outstanding USD $2.8 million of foreign exchange swap contracts, dated from May 2005 to August 2005, with a Canadian Dollar equivalent of $3.4 million. The recognized fair value of the foreign currency swap arrangements at March 31, 2005 resulted in a liability of $37,621.

CHANGES IN ACCOUNTING POLICIES

In an effort to harmonize Canadian GAAP with US GAAP, the Canadian Accounting Standards Board has issued the following sections:

- 1530, Comprehensive Income;
- 3855, Financial Instruments—Recognition and Measurement; and
- 3865, Hedges.

Under these new standards, all financial assets should be measured at fair value with the exception of loans, receivables and investments that are intended to be held to maturity and certain equity investments, which should be measured at cost. Similarly, all financial liabilities should be measured at fair value when they are held for trading or they are derivatives. Gains and losses on financial instruments measured at fair value will be recognized in the income statement in the periods they arise with the exception of gains and losses arising from:

- Financial assets held for sale, for which unrealized gains and losses are deferred in other comprehensive income until sold or impaired; and
- Certain financial instruments that qualify for hedge accounting.

Sections 3855 and 3865 make use of "other comprehensive income". Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but are excluded from net income. Unrealized gains and losses on qualifying hedging instruments, translation of self-sustaining foreign operations, and unrealized gains or losses on financial instruments held for sale will be included in other comprehensive income and reclassified to net income when realized. Comprehensive income and its components will be a required disclosure under the new standard. These new standards are effective for fiscal years beginning on or after October 1, 2006 and early adoption is permitted. Management has not yet determined the impact of the adoption of these standards on the presentation of the Fund's results from operations or financial position.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not the only risks and uncertainties we face. We believe that the risks mentioned are the principal risks relating to our operations. There are other risks that relate to the structure of the Fund. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for distribution could suffer.

Industry Cyclicality

The performance of the farm equipment industry is cyclical, with sales depending on the performance of the agricultural sector. To the extent that the agricultural sector declines or experiences a downturn, this is likely to have a negative impact on the farm equipment industry.

Seasonality of Business

The seasonality of the demand for Ag Growth's products results in lower cash flow in the first three quarters of each calendar year and may impact the ability of the Fund to make cash distributions to Unitholders, or the quantum of such distributions, if any. No assurance can be given that the Fund's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

Risk of Decreased Crop Yields

Decreased crop yields due to poor weather conditions and other factors are a significant risk affecting Ag Growth. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling equipment.

Potential Volatility of Production Costs

Various materials and components are purchased in connection with Ag Growth's manufacturing process, some or all of which may be subject to wide price variation. Consistent with past and current practices within the industry, Ag Growth manages its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and passing through to customers, most, if not all, of the price volatility. There can be no assurance that industry dynamics will allow Ag Growth to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers.

Commodity Prices, International Trade and Political Uncertainty

Prices of commodities are influenced by a variety of unpredictable factors that are beyond the control of Ag Growth, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

Competition

Ag Growth experiences competition in the markets in which it operates. Certain of Ag Growth's competitors may have greater financial and capital resources than Ag Growth. Ag Growth could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on Ag Growth's primary markets. As the grain handling equipment sector is fragmented, there is also a risk that a larger, formidable competitor may be created through a combination of one or more smaller competitors. Ag Growth may also face potential competition from the emergence of new products or technology.

Business Interruption

The operation of the manufacturing facilities of Ag Growth are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, labour disruptions and weather conditions/natural disasters. Ag Growth may suffer damages associated with such events that it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. For instance, Ag Growth's Rosenort facility is located in an area that was affected by widespread floods experienced in Manitoba in 1997, and insurance coverage for this type of business interruption is limited. Ag Growth is not able to predict the occurrence of business interruptions.

Litigation

In the ordinary course of its business, Ag Growth may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Farming is an inherently dangerous occupation. Grain handling equipment used on farms may result in product liability claims that require not only proper insuring of risk, but management of the legal process as well.

Dependence on Key Personnel

Ag Growth's future business, financial condition, and operating results depend on the continued contributions of certain of Ag Growth's executive officers and other key management and personnel, certain of whom would be difficult to replace.

Distribution, Sales Representative and Supply Contracts

Ag Growth typically does not enter into written agreements with its dealers, distributors or suppliers. As a result, such parties may, without notice or penalty, terminate their relationship with Ag Growth at any time. In addition, even if such parties should decide to continue their relationship with Ag Growth, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis.

Foreign Exchange Risk

Ag Growth generates a majority of its sales in US dollars, but a materially smaller proportion of its expenses are denominated in US dollars. As a result, a significant strengthening of the Canadian dollar against the US dollar will negatively impact the return from US dollar sales revenue. To mitigate the effects of exchange rate fluctuation, management has implemented a hedging strategy of purchasing forward foreign exchange contracts. Ag Growth has entered into a series of hedging arrangements at average exchange rates of $C1.3116 in 2005 and C$1.3227 in 2006 to mitigate the potential effect of fluctuating exchange rates through December 2006. To the extent that Ag Growth does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the US dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Acquisitions and Integration of Additional Businesses

As part of its business strategy, Ag Growth may pursue select strategic acquisitions. While Ag Growth has historically acquired businesses and successfully integrated their operations into its existing corporate structure, there can be no assurance that Ag Growth will find additional attractive acquisition candidates or succeed at effectively managing the integration of any businesses acquired in the future.

Potential Undisclosed Liabilities Associated with Acquisitions

To the extent that prior owners of businesses acquired by Ag Growth failed to comply with or otherwise violated applicable laws, Ag Growth, as a successor owner, may be financially responsible for these violations. In particular, to the extent that businesses acquired by Ag Growth have failed to make all necessary filings with applicable governmental, regulatory or tax authorities prior to the date of their acquisition by Ag Growth, Ag Growth may be subject to certain penalties and/or liabilities.

Uninsured and Underinsured Losses
Ag Growth will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

Distributions
The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal period ending December 31. It may be necessary for the Fund to estimate a special year-end distribution to achieve this requirement. The initial distribution, if any, will be made in December and paid to unitholders of record on December 31. Upon completion of the annual financial statements, a final determination of any additional distribution will be made, and the additional amount, if any, will be paid to unitholders of record at that time. If the Fund is required to make an additional distribution, the unitholders of record on December 31 will be required to include the amount of the additional distribution in their taxable income. If they are not unitholders at the record date of the additional payment they will be required to include the amount in their taxable income even though they do not receive the distribution.

OUTLOOK

Current conditions point to a strong fiscal 2005 for the Fund. Market demand is high, particularly in key U.S. markets, as the Fund's distribution network replenishes its inventory after a very strong 2004 harvest. The Fund's product order backlog is significant, and in anticipation of strong demand throughout 2005 the Fund has continued to take steps to increase production capacity through automation, labour efficiencies, and inter-divisional production opportunities. The Fund continues to face challenges with respect to the high cost of steel and a stronger Canadian dollar, however the impact of these developments has been largely addressed through price increases and a foreign currency hedging program. Although demand in the second half of 2005 will be influenced by crop conditions, existing indicators suggest that in the absence of severe weather patterns the Fund can look forward to sound financial results in fiscal 2005.

EDWARDS GROUP ACQUISITION

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies, a leading manufacturer of agricultural equipment, for cash consideration in the amount of $20.0 million, subject to final working capital adjustments. In conjunction with the acquisition, the Fund has completed a private placement of 1,595,000 Trust Units priced at $13.50 per unit for gross proceeds of approximately $21.5 million. The Fund's estimated expenses in connection with the acquisition and offering are expected to be approximately $1.1 million. The remaining proceeds from the offering will be used for general corporate purposes. As at March 31, 2005, transaction costs of $446,669 had been incurred and recorded as deferred transaction costs on the consolidated balance sheet.

In recent years, revenues from Edwards' business have ranged from $12 million to $16 million. Over the same period, EBITDA, after adjustments for expected, non-recurring costs, has averaged approximately $4 million. These operating results, combined with low historical maintenance CAPEX requirements averaging less than $300,000 annually, results in an acquisition that management believes will be accretive to the Fund.

In conjunction with the acquisition of the Edwards Group, the Fund issued an additional 1,595,000 units via a bought deal private placement. Subsequent to this unit issuance, the prior owners of Ag Growth hold a 19% interest in the Fund and hold 2,095,978 Special Voting Units.

As at May 10, 2005, the following units of the Fund were issued and outstanding:

Fund units	9,129,022
Class B Exchangeable units	169,978
Class C Exchangeable Subordinated units	1,926,000
Total units that participate pro rata in distributions	11,225,000
Special Voting Units (1)	2,095,978

(1) The Fund has issued a Special Voting Unit for each Class B and Class C unit outstanding. The Special Voting Units are not entitled to any interest or share in the Fund, or in any distribution from the Fund, but are entitled to vote on matters related to the Fund.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation, and amortization. Management believes that, in addition to net income or loss, EBITDA is a useful supplemental measure in evaluating its performance. Specifically, management believes that EBITDA is the appropriate measure from which to make adjustments to determine the Fund's distributable cash. EBITDA is not a financial measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have a standardized meaning prescribed by GAAP. Management cautions investors that EBITDA should not replace net income or loss as an indicator of performance, or cash flows from operating, investing, and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers.

Distributable cash is a non-GAAP measure generally used by Canadian income funds as an indicator of financial performance. The Fund defines distributable cash as EBITDA less interest expense, maintenance capital expenditures, and current taxes. The method of calculating the Fund's distributable cash may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis may contain forward-looking statements which reflect our expectations regarding the future growth, results of operations, performance and business prospects, and opportunities of the Fund. Forward-looking statements contain such words as “anticipate”, “believe”, “continue”, “could”, “expects”, “intend”, “plans” or similar expressions suggesting future conditions or events. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including the effects, as well as changes in national and local business conditions, decreased crop yields, industry cyclicality, and competition. Although the forward-looking statements contained in this MD&A are based on what we believe to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements.

ADDITIONAL INFORMATION

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com).

INVESTOR RELATIONS

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Unaudited Interim Consolidated Financial Statements

Ag Growth Income Fund

March 31, 2005

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

	As at March 31, 2005 $	As at December 31, 2004 $
ASSETS *[notes 9 and 10]*		
Current		
Cash and cash equivalents	**121,763**	6,736,141
Restricted cash *[note 14]*	**265,788**	265,788
Accounts receivable	**8,517,100**	4,515,053
Inventory *[note 5]*	**17,107,646**	15,473,577
Prepaid expenses and other assets	**764,609**	958,425
Total current assets	**26,776,906**	27,948,984
Property, plant and equipment *[note 6]*	**5,771,071**	5,623,174
Other assets		
Goodwill	**32,888,891**	32,888,891
Intangible assets *[note 7]*	**52,794,658**	53,144,658
Deferred financing costs *[note 8]*	**371,933**	454,559
Deferred transaction costs *[note 18]*	**446,669**	—
Future tax assets *[note 12]*	**507,000**	563,000
Deferred foreign exchange loss	**90,926**	47,900
	87,100,077	87,099,008
	119,648,054	120,671,166
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**4,778,930**	4,044,845
Income taxes payable	**475,622**	75,593
Customer deposits	**2,030,022**	3,825,171
Distributions payable	**2,114,941**	2,789,041
Long-term incentive plan *[note 14]*	**265,788**	265,788
Current portion of long-term debt *[note 10]*	**33,495**	33,495
Total current liabilities	**9,698,798**	11,033,933
Long-term debt *[note 10]*	**20,060,218**	20,068,593
Total liabilities	**29,759,016**	31,102,526
Commitments *[notes 15 and 17]*		
Unitholders' equity	**89,889,038**	89,568,640
	119,648,054	120,671,166

See accompanying notes

On behalf of the Board of Trustees:

Rod Senft
Trustee

John R. Brodie, FCA
Trustee

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF EARNINGS

Three-month period ended March 31 *[note 2]*

	2005 $
Sales	**16,233,458**
Cost of goods sold	**8,581,163**
Gross margin	**7,652,295**
Expenses	
Selling, general and administration	**2,892,630**
Research and development	**211,932**
Professional fees	**122,852**
Capital taxes	**82,037**
Other income	**(9,577)**
	3,299,874
Earnings before the following	**4,352,421**
Interest expense	
Short-term debt	**4,518**
Long-term debt	**208,514**
Earnings before amortization and income taxes	**4,139,389**
Amortization of intangible assets	**350,000**
Amortization of deferred financing costs	**82,626**
Amortization of property, plant and equipment	**186,578**
	619,204
Earnings before income taxes	**3,520,185**
Provision for income taxes *[note 12]*	
Current	**15,000**
Future	**56,000**
	71,000
Net earnings for the period	**3,449,185**
Basic and diluted net earnings per unit	**$0.36**
Basic and diluted weighted average number of units outstanding	**9,630,000**

See accompanying notes

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

Three-month period ended March 31, 2005 *[note 2]*

	Unitholders' capital $	Accumulated earnings $	Accumulated distributions $	Total $
	[note 11]			
Balance, beginning of period	**89,954,248**	**8,723,409**	**(9,109,017)**	**89,568,640**
Net earnings for the period	—	**3,449,185**	—	**3,449,185**
Distributions declared	—	—	**(3,128,787)**	**(3,128,787)**
Balance, end of period	**89,954,248**	**12,172,594**	**(12,237,804)**	**89,889,038**

See accompanying notes

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three-month period ended March 31 *[note 2]*

	2005 $
OPERATING ACTIVITIES	
Net earnings for the period	**3,449,185**
Add charges to operations not requiring a current cash payment	
Amortization	**619,204**
Future income taxes	**56,000**
Foreign exchange gain	**(43,026)**
	4,081,363
Net change in non-cash working capital balances related to operations	
Accounts receivable	**(4,002,047)**
Inventory	**(1,634,069)**
Prepaid expenses and other assets	**193,816**
Accounts payable and accrued liabilities	**287,416**
Income taxes payable *[note 12]*	**400,029**
Customer deposits	**(1,795,149)**
	(6,550,004)
Cash used in operating activities	**(2,468,641)**
INVESTING ACTIVITIES	
Acquisition of property, plant and equipment	**(334,475)**
Cash used in investing activities	**(334,475)**
FINANCING ACTIVITIES	
Repayment of long-term debt	**(8,375)**
Distributions paid	**(3,802,887)**
Cash used in financing activities	**(3,811,262)**
Net decrease in cash during the period	**(6,614,378)**
Cash position, beginning of period	**6,736,141**
Cash position, end of period	**121,763**
Supplemental cash flow information	
Interest paid	**219,387**
Income taxes paid (recovered) *[note 12]*	**(339,970)**

See accompanying notes

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

1. ORGANIZATION AND NATURE OF BUSINESS

Ag Growth Income Fund [the "Fund"] is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. The Fund conducts business in the grain handling, storage, and conditioning market. Each unitholder participates pro rata in distributions of net earnings and, in the event of termination, participates pro rata in the net assets remaining after satisfaction of all liabilities. Income tax obligations related to the distribution of net earnings by the Fund are the obligations of the unitholders.

2. BASIS OF PRESENTATION

The Fund prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles. The unaudited interim consolidated financial statements should be read in conjunction with the Fund's audited consolidated financial statements as at and for the 283-day period ended December 31, 2004 [including Ag Growth's results of operations for the 228-day period ended December 31, 2004].

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature to present fairly the consolidated financial position of the Fund as at March 31, 2005.

These unaudited interim consolidated financial statements reflect the results of operations for the three-month period ended March 31, 2005. Although the Declaration of Trust for the Fund was made on March 24, 2004, comparative financial information has not been provided on the statements of earnings, unitholders' equity and cash flows as the Fund had no operating activities during the eight day period ended March 31, 2004.

3. SEASONALITY OF BUSINESS

Interim period revenues and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. Historically, revenues and earnings in the first, second, and fourth quarters are relatively similar.

The Fund's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the third quarter, result in accounts receivable levels increasing throughout the year and normally peaking in the third quarter.

In order to ensure the Fund has adequate supply throughout its distribution network in advance of the in-season demand experienced primarily in the third quarter, inventory levels must be gradually increased throughout the year. Accordingly, inventory levels increase in the first and second quarters and then begin to decline in the third and fourth quarters as sales levels exceed production.

As a result of these working capital movements, historically, the Fund's use of its bank revolver is typically highest in the first and second quarters. As at March 31, 2005, primarily as a result of the significant amount of customer deposits received in the fourth quarter of fiscal 2004, and heavy demand in the first quarter, the Fund has not yet drawn on its revolver. The revolver balance begins to decline in the third quarter as collections of accounts receivable increase and inventory levels begin to decrease. The Fund would expect to repay its revolver in the fourth quarter of each year.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiaries Ag Growth Operating Trust, AGX Holdings Inc., AGX Holdings Limited Partnership ["AGHLP"], Ag Growth Industries Limited Partnership, Ag Growth, Westfield Distributing Ltd. and Westfield Distributing (North Dakota) Inc. All material intercompany balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid money market funds with maturities of less than three-months.

Inventory

Inventory is comprised of raw materials and finished goods. Raw materials are recorded at the lower of cost and replacement cost. Finished goods are recorded at the lower of cost, which includes direct costs and an allocation of direct manufacturing overhead, and net realizable value. Cost is determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of amortization. Amortization is provided over the estimated useful lives of the assets using the following rates and methods:

Buildings	4% - 5%	declining balance
Leasehold improvements	20%	straight line
Furniture and fixtures	20%	declining balance
Automotive equipment	20% - 30%	declining balance
Computer equipment	30%	declining balance
Manufacturing equipment	20% - 30%	declining balance

Goodwill

Goodwill represents the amount paid to acquire Ag Growth in excess of the fair value of the net identifiable assets acquired. Goodwill is not subject to amortization. Goodwill is tested for impairment at least annually by comparing the fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to fair value if the carrying value of the reporting unit's goodwill exceeds its fair value.

Intangible assets

Intangible assets are comprised of Ag Growth's brand name, which is considered to have an indefinite life, and Ag Growth's distribution network, which is being amortized over 25 years on a straight-line basis. Indefinite life intangible assets are tested for impairment at least annually by comparing their fair values to their carrying values. The carrying value of an indefinite life intangible asset is written down to its fair value if its carrying value exceeds its fair value.

Impairment of property, plant and equipment and finite life intangible assets

Impairment of property, plant and equipment and finite life intangible assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value.

Deferred financing costs

Deferred financing costs are amortized on a straight-line basis over the two-year term of the related debt financing.

Income taxes

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. Taxes payable on income of the Fund distributed to unitholders is the responsibility of individual unitholders.

The Fund's corporate subsidiaries use the liability method of accounting for income taxes. Under this method, assets or liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income taxes are measured using the substantively enacted tax rates expected to be in effect in the years in which those temporary differences are expected to reverse. Future income tax benefits are recognized when realization is considered more likely than not.

Foreign currency translation

The Fund follows the temporal method of accounting for the translation of its integrated foreign subsidiary and foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the consolidated balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at their historical exchange rates. Revenue and expenses denominated in foreign currencies are translated to Canadian dollars at the monthly rate of exchange. Gains and losses on translation are reflected in net earnings for the period.

Revenue recognition

The Fund recognizes revenue when the risks and rewards of ownership in the products have transferred to its customer and collection is reasonably assured. Subject to the terms of the contract, these criteria are generally met when the products are shipped, freight on board shipping point. For products on consignment, revenue is recognized upon the sale of the product by the consignee. Provision is made at the time revenue is recognized for estimated product returns and warranties.

Research and development

Research expenses are charged to earnings in the period they are incurred. Development expenses are charged to earnings unless the Fund believes the costs meet generally accepted criteria for deferral and amortization.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the Fund are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Net earnings per unit

Net earnings per unit is based on the consolidated net earnings for the period divided by the weighted average number of units outstanding during the period. Diluted earnings per unit is computed in accordance with the treasury stock method and based on the weighted average number of units and dilutive unit equivalents.

Long-term incentive plan

Under the terms of the long-term incentive plan [“LTIP”], 10% to 20% of cash distributions in excess of an established threshold are contributed to a pool of funds set aside to purchase units of the Fund in the market. The cost is accrued as an expense in the period when cash distributions exceed the thresholds established by the LTIP.

Derivative financial instruments

Derivative financial instruments are utilized by the Fund in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific anticipated sales transactions and long-term debt on the consolidated balance sheet. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

The Fund purchases forward foreign exchange contracts to hedge anticipated sales to customers in the United States and the collection of the related accounts receivable. Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated U.S. dollar denominated sales are recognized as an adjustment of the revenues when the sale is recorded. For forward foreign exchange contracts used to hedge anticipated U.S. dollar denominated sales and the collection of the related accounts receivable, the portion of the forward premium or discount on the contract relating to the period prior to consummation of the sale is also recognized as an adjustment of the revenues when the sale is recorded; and the portion of the premium or discount that relates to the resulting account receivable is amortized over the expected period to collection of the accounts receivable.

The Fund also enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Fund designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current, or non-current, assets or liabilities on the consolidated balance sheet and recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

The Fund also uses foreign currency swap agreements to manage its cash positions. The Fund's foreign currency swap agreements do not qualify for hedge accounting. These swaps are measured at their fair value and included in accounts payable and accrued liabilities on the consolidated balance sheet. Changes in the fair value of the swaps are recognized in earnings and are included in other income in the corresponding period.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the consolidated balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

5. INVENTORY

	March 31, 2005 $	December 31, 2004 $
Raw materials	**4,836,013**	4,080,743
Finished goods	**12,271,633**	11,392,834
	17,107,646	15,473,577

6. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2005			December 31, 2004		
	Cost	Accumulated amortization	Net book value	Cost $	Accumulated amortization $	Net book value $
Land	**611,315**	**—**	**611,315**	611,315	—	611,315
Buildings	**2,961,726**	**113,259**	**2,848,467**	2,940,739	80,893	2,859,846
Leasehold improvements	**7,000**	**3,706**	**3,294**	10,486	2,942	7,544
Furniture and fixtures	**62,613**	**10,095**	**52,518**	83,543	10,831	72,712
Automotive equipment	**1,271,454**	**257,774**	**1,013,680**	1,197,541	183,447	1,014,094
Computer equipment	**298,171**	**78,018**	**220,153**	285,842	60,667	225,175
Manufacturing equipment	**1,250,104**	**228,460**	**1,021,644**	998,442	165,954	832,488
	6,462,383	**691,312**	**5,771,071**	6,127,908	504,734	5,623,174

7. INTANGIBLE ASSETS

	March 31, 2005			December 31, 2004		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Distribution network	**35,000,000**	**1,205,342**	**33,794,658**	35,000,000	855,342	34,144,658
Brand name	**19,000,000**	**—**	**19,000,000**	19,000,000	—	19,000,000
	54,000,000	**1,205,342**	**52,794,658**	54,000,000	855,342	53,144,658

8. DEFERRED FINANCING COSTS

	March 31, 2005			December 31, 2004		
	Cost $	**Accumulated amortization** $	**Net book value** $	**Cost** $	**Accumulated amortization** $	**Net book value** $
	661,011	**289,078**	**371,933**	661,011	206,452	454,559

9. BANK INDEBTEDNESS

The Fund has an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30. The facility bears interest at rates of prime plus 0.25%, 0.75% or 1.25% per annum based on performance calculations. The effective interest rate during the period was 4.50%. At March 31, 2005 and December 31, 2004 no amount was outstanding under this facility. Collateral for the operating facility includes a general security agreement over all assets and first position collateral mortgages on land and buildings.

10. LONG-TERM DEBT

	March 31, 2005 $	**December 31, 2004** $
Term loan, matures May 2006, extendible annually for additional one-year terms at the lender's option, interest payable monthly at prime plus 0.25%, 0.75% or 1.25% per annum based on performance calculations. As described in note 15, the Fund has entered into a swap contract that effectively fixes the Fund's interest rate at 3.07% plus 1.25%, 1.75% or 2.25% per annum based on performance calculations. The effective interest rate during the period was 4.50% and after consideration of the effect of the interest rate swap was 4.32%.	**20,000,000**	20,000,000
GMAC loans, 0% maturing in 2007 and 2008, with monthly payments of $2,791. Vehicles financed are pledged as collateral.	**93,713**	102,088
	20,093,713	20,102,088
Less current portion	**33,495**	33,495
	20,060,218	20,068,593

Under the agreement for the term loan, the Fund is required to maintain certain financial covenants. As at March 31, 2005, the Fund was in compliance with the applicable financial covenant terms.

Principal repayments due within the next four fiscal years are as follows:

	$
2005 [April 1 – December 31]	25,120
2006	20,033,495
2007	27,008
2008	8,090
	20,093,713

Collateral for the term loan and operating facility *[note 9]* includes a general security agreement over all assets and first position collateral mortgages on land and buildings.

11. UNITHOLDERS' CAPITAL

Unitholders' capital is comprised of the following:

	Fund Trust units $	**Class B Exchangeable units of AGHLP** $	**Class C Exchangeable units of AGHLP** $	**Total Unitholders' capital** $
Balance, December 31, 2004	68,883,378	1,810,870	19,260,000	89,954,248
Exchange of units	111,090	(111,090)	—	—
Balance, March 31, 2005	**68,994,468**	**1,699,780**	**19,260,000**	**89,954,248**

	Fund Trust units \#	Class B Exchangeable units of AGHLP \#	Class C Exchangeable units of AGHLP \#
Balance, December 31, 2004	7,522,913	181,087	1,926,000
Exchange of units	11,109	(11,109)	—
Balance, March 31, 2005	**7,534,022**	**169,978**	**1,926,000**

The Fund Declaration of Trust provides that an unlimited number of trust units may be issued. Each trust unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each trust unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of unitholders.

The Fund Declaration of Trust also provides for the issuance of an unlimited number of Special Voting Units. The Special Voting Units are only issuable for the purpose of providing voting rights to the holders of Exchangeable LP Units or Subordinated LP Units. Each unit is entitled to one vote on matters related to the Fund. The Special Voting Units are not entitled to any interest or share in the Fund or in any distribution from the Fund. There is no value attached to these units. At March 31, 2005, there were 2,095,978 Special Voting Units outstanding [December 31, 2004 – 2,107,087 units], which were attached to the outstanding Class B Exchangeable LP Units of AGHLP and the Class C Exchangeable Subordinated LP Units of AGHLP.

The Class B Exchangeable LP Units of AGHLP are exchangeable for trust units of the Fund at the option of the holder on a one-for-one basis at any time. During the period, 11,109 Class B Exchangeable LP Units of AGHLP, with a value of $111,090, were exchanged into 11,109 Units of the Fund.

The Class C Subordinated Exchangeable LP Units of AGHLP are exchangeable for Class B Exchangeable LP Units of AGHLP on a one-for-one basis at the option of the holder after December 31, 2009 and by AGHLP on the subordination end date which can be no earlier than June 30, 2006, and is determined based on certain earnings and cash distribution thresholds of the Fund.

12. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for Ag Growth. Ag Growth is subject to tax, including large corporation tax.

The provision for income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial statutory income tax rates to the earnings before income taxes as shown in the following table:

	Three-month period ended March 31, 2005	
	$	%
Earnings before income taxes	**3,520,185**	
Temporary differences and non-tax deductible expenses	**74,812**	
Earnings subject to tax in the hands of unitholders/limited partners	**(3,447,385)**	
Net income of subsidiary companies	**147,612**	
Provision for income taxes	**56,000**	**38**
Large corporation tax	**15,000**	**10**
Income tax provision	**71,000**	**48**

Significant components of the Fund's future tax assets are shown below:

	March 31, 2005	**December 31, 2004**
	$	$
Future tax assets		
Financing costs	**312,000**	377,000
Non-capital losses	**195,000**	186,000
	507,000	563,000

The non-capital losses expire as follows:

	$
2014	186,000
2015	9,000

13. DISTRIBUTIONS TO UNITHOLDERS

Distributions of $0.3249 per unit of the Fund and per Class B and Class C Exchangeable units of AGHLP, totalling $3,128,787 were declared for the three-month period ended March 31, 2005.

14. LONG TERM INCENTIVE PLAN

Key senior management of the Fund are eligible to participate in the Fund's LTIP. The purpose of the LTIP is to provide eligible participants with compensation opportunities that encourage ownership of units of the Fund, enhance the Fund's ability to attract, retain and motivate key personnel and reward key senior management for significant performance and associated growth in distributions. Pursuant to the LTIP, the Fund sets aside a pool of funds based upon the amount by which the Fund's distributions exceed cash distribution thresholds [as defined in the LTIP plan documents]. A trustee then purchases units of the Fund in the market with such pool of funds and holds these units until such time as ownership vests to each participant. The LTIP is administered by the Corporate Governance and Compensation Committee.

The Board of Trustees of the Fund or the Corporate Governance and Compensation Committee has the power to, among other things, determine those individuals who participate in the LTIP and determine the level of participation of each participant.

The Fund recorded an accrual at December 31, 2004 of $265,788 with respect to purchases of units to be made in the market. An equal amount of cash has been restricted for this purpose.

15. FINANCIAL INSTRUMENTS

The Fund has the following financial instruments: cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, distributions payable, long-term debt, an interest rate swap arrangement, forward foreign exchange contracts and foreign currency swap agreements. It is management's opinion that the Fund is not exposed to significant credit risks arising from these financial instruments.

Currency exposures

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. The Fund has entered into foreign exchange contracts to hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and the collection of the related accounts receivable. At March 31, 2005, the Fund had outstanding forward foreign exchange contracts as follows:

Settlement dates	**Face value** $U.S.	**Average rate** $Cdn
April 2005 to December 2005	18,000,000	1.3116
March 2006 to December 2006	18,500,000	1.3227

At March 31, 2005, the Fund also had outstanding foreign currency swap agreements as follows:

Settlement dates	**Face value** $U.S.	**Average rate** $Cdn
May 2, 2005	300,000	1.2100
June 1, 2005	200,000	1.2098
July 4, 2005	800,000	1.2280
August 2, 2005	1,500,000	1.2275

Interest rate exposures

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into, for hedging purposes, an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires on May 4, 2006. The swap transaction involves the exchange of the underlying floating interest rate of prime plus 0.25% to 1.25% per annum for an effective fixed interest rate of 3.07% plus 1.25% to 2.25% per annum based on performance calculations. The notional amount of the swap transaction at March 31, 2005 was $20,000,000.

Fair value

At March 31, 2005, the carrying value of the Fund's financial instruments approximates their fair value with the exception of derivative financial instruments. At March 31, 2005, a cash payment of $8,559 would have been due to settle the interest rate swap agreement. The unrealized gain on forward foreign exchange contracts was $3,374,676 at March 31, 2005. Upon maturity of the forward foreign exchange contracts, any unrealized gain/loss would be recognized in sales and/or realized foreign exchange gain/loss in the consolidated statement of earnings.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

16. SEGMENTED DISCLOSURE

The Fund operates in one business segment related to the manufacturing and distributing of portable grain handling equipment. Geographic information about the Fund's revenues is based on the product shipment destination. Assets are based on their physical location as at the period end:

	Revenues for the three-month period ended March 31, 2005 $	Property, plant and equipment, goodwill and intangible assets at March 31, 2005 $
Canada	**4,817,092**	**91,220,954**
United States	**10,743,907**	**233,666**
International	**672,459**	**—**
	16,233,458	**91,454,620**

17. COMMITMENTS

The Fund has entered into various operating leases for office equipment and vehicles. Minimum annual lease payments required in aggregate and over the next five fiscal years are as follows:

	$
2005 [April 1 to December 31]	198,557
2006	159,127
2007	105,408
2008	61,561
2009	9,680
	534,333

In addition, the Fund is committed to entering into a lease for equipment over a 5 year period with total lease payments of approximately $590,000. The lease terms will be finalized in 2005.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

18. SUBSEQUENT EVENT

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies, a leading manufacturer of agricultural aeration equipment, for cash consideration in the amount of $20.0 million, subject to final working capital adjustments. In conjunction with the acquisition, the Fund has completed a private placement of 1,595,000 Trust Units priced at $13.50 per unit for gross proceeds of approximately $21.5 million. The Fund's estimated expenses in connection with the acquisition and offering, including commissions payable to the underwriters, are expected to be approximately $1.1 million. The remaining proceeds from the offering will be used for general corporate purposes. As at March 31, 2005, transaction costs of $446,669 had been incurred and recorded as deferred transaction costs on the consolidated balance sheet.

AG GROWTH INCOME FUND
CORPORATE DATA

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INCOME FUND