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AG GROWTH INTERNATIONAL

FOR THE THREE AND NINE-MONTH
PERIODS ENDED SEPTEMBER 30, 2011

Hello and welcome to our Q-3 2011 Quarterly Report. Our quarterly results did not meet plan and were disappointing to your management team. There were a number of factors that contributed to the shortfall and these are outlined in our MD&A. I would like to provide you with some additional perspective on the analysis contained in the MD&A. More importantly I would like to describe the work underway to address these challenges. In doing so I hope that you will share our belief in the long term opportunities for the agriculture sector and your company in particular.

Our Q-3 performance is always directly influenced by crop yields and weather conditions during harvest time. Corn yields in the USA dropped from an average of 165 bushels/acre last year to 146 bushels/acre this year, according to the latest USDA data released in early November. As significant as the decrease itself was the rate of deterioration in crop conditions as summer progressed. While it is still a strong corn crop overall, we believe the variability and unpredictability of crop outcomes led to less than optimal buying behaviour that adversely affected sales of our portable grain handling equipment in the third quarter. In western Canada we faced a second year of reduced seeded acreage, but in the end the good news was an improved harvest over 2010. However the harvest was very quick and efficient, which negatively impacted all of our in-season business, particularly sales of conditioning equipment at Edwards/Twister.

Q-3 and year to date 2011 performance has also been directly impacted by several of our 2010 initiatives that have not yet contributed as planned; namely the Twister greenfield expansion, the Mepu acquisition in Finland, and the Franklin acquisition in Winnipeg. When the performance of these three divisions is combined with the impact of FX, our Q-3 EBITDA decreased by approximately $6 million compared to Q-3, 2010 and $11 million YTD compared to 2010. While our commercial grain handling business continued its robust pace in both North America and globally, it was insufficient to offset the impact of these factors. The work we have undertaken with each of these three initiatives is ambitious but we remain confident that we can effectively deliver the benefits that supported the thesis of our original investments.

As reported earlier, the Twister greenfield expansion project encountered considerable start up challenges. As a result we backed off further marketing initiatives in Q-3 to allow time and focus to be directed at stabilizing operations. Outside of fine tuning the new equipment (still in progress), this project has largely become an engineering initiative to complete the design and drawings to support the new product line. The focus has been to complete the underlying modules for the full line of bins, unstiffened and stiffened farm duty, as well as commercial bins, from 15’ through 75 ‘ diameter, 4 tiers to 26 tiers tall. The work is estimated to be 80% complete with a planned completion date of December 31, 2011. For context keep in mind that our original plan called only for 48’ and 60’ farm duty bins, 12 tiers in height in year one. We took the initiative in 2011 to significantly broaden the line. While this decision delayed the optimization of production at Twister, we believe it will give us a much stronger competitive position going forward.

Mepu’s business in 2011 was significantly impacted by the 2010 drought in Northern Europe as dealer inventory flushed through the market leading to pricing pressures. This is a similar pattern to what happens in North America the year after adverse weather conditions. Indeed it mirrors our experience with the Edwards acquisition in 2005 which was followed by an extremely dry efficient harvest in Western Canada in 2006 (much like this year). Our aeration business at Edwards has grown substantially after that initial set back and we expect the same for Mepu in 2012 and beyond. We have already seen a sizeable improvement in fall quoting activity. We have also successfully assembled a talented regional sales force with offices in Finland and Latvia, carrying the broad AGI catalogue of grain handling, storage and conditioning products for farms of all sizes. AGI warehousing has been established in Finland to support the market development. We are also working on some new product designs at Mepu to broaden our offering of high capacity dryers, something of particular potential in the countries of the former Soviet Union.

As mentioned in earlier reports Franklin has played a major support role in the development, prototyping and ongoing component manufacturing for Twister. It has also become the manufacturer of our Wheatheart livestock equipment. And it remains available for swing plant opportunities in support of our Commercial Divisions. However, our current structure still requires sufficient volume of third party trade for Franklin to break even. While achievable, it has not been consistent. As we enter the new planning cycle we are looking for ways to smooth out operations at Franklin and minimize quarterly volatility.

The work we have undertaken with each of these three initiatives is ambitious and full of operational detail. It has challenged the depth of our resources and therefore the timeliness of our execution. We have a great team of dedicated and talented people. Going forward we will build out our team to create a structure that supports the size and scope of our operations and the ability to drive our growth objectives.

This year has also been impacted by a couple of nonrecurring events. The first was our conversion to IFRS, which cost us in excess of $0.6 million. The second was an unsuccessful attempt in Q-3 at a major acquisition, in which we incurred costs of $1.5 million. Given the transformational nature of the opportunity we believed it merited the attempt. There are a number of positive takeaways from this experience which we will be of value to us in the long run.

On October 3, 2011 we announced our latest acquisition, Airlanco, a Nebraska based manufacturer of commercial aeration and aspiration equipment. Airlanco fits our traditional model of clip-on acquisitions, with a product line that plugs nicely into our AGI catalogue, increasing the potential share of wallet available to us on commercial projects. Airlanco historically has had little focus on international markets and our sales team is excited about the potential to grow the business.

Quoting activity in general for our commercial products continues to grow internationally. As a result of the Tramco acquisition we have become more engaged in the Latin American markets. A sales office in Colombia has been established, with a second one in Argentina in the process of opening. In the CIS we were recently awarded an $11.7 million contract to supply large Twister bins, along with product from Edwards, Union Iron Works and Hi Roller. This represents the single largest AGI contract to date. We are also encouraged by a number of other potential opportunities. Overall our quote book is growing significantly and becoming more balanced with substantial potential being expressed in a number of regions.

In closing I would like to remind us all that the long term global fundamentals that underpin the opportunities in our business haven't changed. We recently welcomed the 7 billionth person to our planet, with the 8 billionth person expected to arrive in less than 15 years. Food security and the desire/demand for improved diets will drive greater need for a more efficient and productive agriculture system globally.

This November marked the 15th anniversary of the inception of AGI. We have come a long ways from those start-up days in Swift Current, Saskatchewan. We have had our fair share of bumps and growing pains along the way, but we have always worked through them and have become stronger as a result. Thank you to all of our shareholders for your support over the years, some since our IPO in 2004. We are committed to rewarding your patience.

Sincerely,

Gary Anderson
President/CEO

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS, THIRD QUARTER 2011
Dated: November 14, 2011

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. ("Ag Growth", the "Company", "we", "our" or "us") for the year ended December 31, 2010, which were prepared in accordance with previous Canadian generally accepted accounting principles ("CGAAP"), the unaudited interim consolidated financial statements of the Company for the three month period ended March 31, 2011, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and the unaudited interim condensed consolidated financial statements of the Company for the three month and nine month periods ended September 30, 2011, which were prepared in accordance with IAS 34, Interim Financial Reporting. Results are reported in Canadian dollars unless otherwise stated.

Throughout this MD&A references are made to "trade sales", "EBITDA", "adjusted EBITDA", "gross margin", "funds from operations" and "payout ratio". A description of these measures and their limitations are discussed below under "Non-IFRS Measures".

This MD&A contains forward-looking statements. Please refer to the cautionary language under the heading "Risks and Uncertainties" and "Forward-Looking Statements" in this MD&A and in our most recently filed Annual Information Form.

SUMMARY OF RESULTS

Ag Growth achieved record sales in the nine months ended September 30, 2011, due largely to revenues from divisions acquired in 2010 and strength in commercial grain handling. Sales for the quarter ended September 30, 2011 decreased from 2010 due to weather related weakness in western Canada, less than optimal growing conditions in the United States and the impact of a stronger Canadian dollar. Adjusted EBITDA decreased primarily due to lower gross margins that resulted from start-up challenges at the Company's Twister greenfield storage bin plant and regional market issues at the Company's Finland based Mepu division. These factors are discussed in more detail later in this MD&A. Net profit and diluted profit per share for the three and nine months ended September 30, 2011 decreased compared to the prior year due to the factors discussed above, transaction costs of $1.7 million that related to the Airlanco acquisition and a significant acquisition bid that was unsuccessful, and in the three months ended September 30, 2011, the Company recorded a $1.1 million non-cash loss (2010 – gain of $0.8 million) related to translating its U.S. dollar denominated debt into Canadian dollars.

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2011	**2010**	**2011**	**2010**
Trade sales (1)(2)	$81,845	$86,875	$233,975	$212,891
Adjusted EBITDA (2)	$14,828	$22,886	$44,830	$53,028
Net Profit	$4,570	$15,159	$21,270	$31,140
Diluted profit per share	$0.36	$1.12	$1.69	$2.35
Funds from operations (2)	$13,346	$21,711	$35,997	$49,437
Dividends per share	$0.60	$0.51	$1.80	$1.53
Payout ratio (2)	57%	30%	63%	40%

(1) Sales excluding gains or losses on foreign exchange contracts.
(2) See "Non-IFRS Measures".

A brief summary of our operating results can be found below. A more detailed narrative is included later in this MD&A under "Explanation of Operating Results".

Trade Sales

- Trade sales for the nine months ended September 30, 2011 increased compared to 2010 primarily due to revenues from divisions acquired in 2010 and strength in commercial grain handling.
- Trade sales for the quarter ended September 30, 2011 decreased compared to 2010 due to:
    - A fast, dry and efficient harvest in western Canada negatively impacted sales of portable grain handling and aeration equipment.
    - In the U.S., an unusual growing season and mixed crop conditions decreased demand for portable grain handling and temporary storage equipment.
    - A stronger Canadian dollar compared to the prior year lowered the Canadian dollar equivalent of U.S. dollar denominated sales by approximately $4.3 million.

Gross Margin

- Divisional gross margin percentages approximated those achieved in 2010 with the exception of the Edwards/Twister and Mepu divisions.
    - Edwards/Twister – margin compression resulted from start-up challenges at the Twister greenfield storage bin facility and a decrease in higher margin aeration sales caused by unusual harvest conditions in western Canada.
    - Mepu – margin pressure resulted from aggressive pricing by competitors with excess inventories due to 2010 drought conditions, combined with rising steel input costs that could not be passed through in the current market environment.

Adjusted EBITDA

- Compared to 2010, EBITDA at Edwards/Twister and Mepu for the three and nine months ended September 30, 2011 decreased by a combined $3.7 million and $6.6 million, respectively, principally for the reasons discussed above.
- The impact of the stronger Canadian dollar negatively impacted EBITDA by roughly $1.7 million and $4.2 million, respectively, in the three and nine month periods in 2011 compared to 2010.
- Trade sales of higher margin portable grain handling, aeration and temporary storage equipment decreased compared to 2010, particularly in the third quarter, for the reasons discussed earlier.

Diluted profit per share

- In addition to the decrease in adjusted EBITDA, the comparison of profit per share to 2010 was impacted by the following:
    - Third quarter 2011 transaction costs of $1.7 million, related to the Airlanco acquisition and a significant acquisition bid that was unsuccessful, decreased Q3 profit per share by $0.14/share.
    - A non-cash gain or loss results from translating the Company's U.S. dollar denominated debt to Canadian dollars. In the third quarter of 2011 this translation resulted in a non-cash loss of $1.1 million (2010 – gain of $0.8 million).

Payout Ratio

- The Company's payout ratio remained relatively conservative despite the above-noted issues impacting 2011.
- The increase compared to 2010 is partially attributable to the increase in the monthly dividend implemented in November 2010.
- Third quarter 2011 transaction costs of $1.7 million related to the Airlanco acquisition and an unsuccessful acquisition bid increased the payout ratio from 50% to 57%.

CORPORATE OVERVIEW

We are a manufacturer of agricultural equipment with a focus on grain handling, storage and conditioning products. Our business is affected by regional and global trends in grain volumes, on-farm and commercial grain storage and handling practices, and crop prices. Our business is seasonal, with higher sales occurring in the second and third calendar quarters compared with the first and fourth quarters.

We sell portable versions of our products primarily to individual farmers, mainly through a network of independent dealers and distributors. We sell larger, commercial (sometimes referred to as stationary) versions of our products primarily to corporate customers, mainly by bidding for contracts.

We manufacture in Canada, the US and Europe and we sell products globally, with most of our sales in the US. The following table sets forth our geographic concentration of sales for the first nine months of 2011 compared with a year earlier.

Trade Sales (1) by Geographic Region

(thousands of dollars)	**Nine Months Ended September 30**	
	2011	**2010**
Canada	$52,302	$47,060
US	141,172	136,534
Overseas	40,501	29,297
Total	**$233,975**	**$212,891**

(1) Sales excluding gains or losses on foreign exchange contracts (See "Non-IFRS Measures")

Our business is sensitive to fluctuations in the value of the Canadian and US dollars as a result of our exports from Canada to the US and as a result of earnings derived from our US based divisions. Fluctuations in currency impact our results even though we engage in currency hedging with the objective of partially mitigating our exposure to these fluctuations.

Our business is also sensitive to fluctuations in input costs, especially steel, a principal raw material in our products. Steel represented approximately 29% of production costs in fiscal 2010. Short-term fluctuations in the price of steel impact our financial results even though we strive to partially mitigate our exposure to such fluctuations through the use of long-term purchase contracts, bidding commercial projects based on current input costs and passing input costs on to customers through sales price increases.

Acquisitions in Fiscal 2010

The inclusion of the assets, liabilities and operating results of a number of acquisitions completed in fiscal 2010 significantly impact comparisons with the prior year. As such, these acquisitions are summarized briefly below.

Mepu – Ag Growth acquired 100% of the outstanding shares of Mepu Oy ("Mepu") on April 29, 2010, for cash consideration of $11.3 million, plus costs related to the acquisition of $0.6 million and the assumption of a $1.0 million operating line. The acquisition was funded from cash on hand. Mepu is a Finland based manufacturer of grain drying systems and other agricultural equipment. The acquisition of Mepu provided the Company with a complementary product line, distribution in a region where the Company previously had only limited representation and a corporate footprint near the growth markets of Russia and Eastern Europe. Mepu had average sales and EBITDA of approximately 14 million Euros (CAD $19 million) and 1.5 million Euros (CAD $2 million), respectively, in the three fiscal years prior to acquisition. The nature of Mepu's business is very seasonal with a heavy weighting towards the second and third quarters.

Franklin Enterprises – Ag Growth acquired the assets of Winnipeg-based Franklin Enterprises Ltd ("Franklin") effective October 1, 2010 for cash consideration of $7.1 million, plus costs related to the acquisition of $0.4 million and a working capital adjustment of $1.7 million. The acquisition was funded from cash on hand. Franklin enhances Ag Growth's manufacturing capabilities and can increase production capacity in periods of high in-season demand. Franklin has played an integral role in the development of the new storage bin product line. Franklin's custom manufacturing business is expected to generate monthly sales of approximately $1 million and to roughly break-even on an EBITDA basis.

Tramco – Ag Growth acquired 100% of the outstanding shares of Wichita, Kansas-based Tramco, Inc. ("Tramco"), on December 20, 2010, for cash consideration of $21.5 million, less a working capital adjustment of $1.3 million. Costs related to the acquisition were $0.6 million. The acquisition was funded from cash on hand. Tramco is a manufacturer of heavy duty chain conveyors and related handling products, primarily for the grain processing sector. Tramco is an industry leader with a premier brand name and strong market share and as such provides the Company with an excellent entry point into a new segment of the food supply chain. Tramco had average sales and EBITDA of approximately $30 million and $4 million, respectively, in the two fiscal years prior to acquisition. Demand in the processing sector in 2011 remains strong, particularly in overseas markets. Tramco manufactures in Wichita, Kansas, and in Hull, England. It has a sales office in the Netherlands.

Acquisitions in Fiscal 2011

Airlanco - On October 3, 2011, the Company acquired the operating assets of Airlanco, a manufacturer of aeration products and filtration systems that are sold primarily into the commercial grain handling and processing sectors. The purchase price of USD $11.0 million was financed primarily from Ag Growth's acquisition line of credit while costs related to the acquisition of $0.2 million and a working capital adjustment will be financed by cash on hand. The purchase price represents a valuation of approximately five times Airlanco's normalized fiscal 2010 EBITDA. Airlanco is located in Falls City, Nebraska and has traditionally served customers headquartered or located in North America. The Company had sales of approximately $11 million in 2010, operating out of an 80,000 square foot facility with 65 employees.

OUTLOOK

The fourth quarter of the fiscal year is typically a period of relatively low demand for portable grain handling equipment as dealers begin building their inventories subsequent to the completion of harvest. Based on current information, dealer inventory levels and preseason order activity appears to be consistent with historical patterns. Commercial sales in the fourth quarter are expected to exceed the previous year due to strong domestic demand and international sales to Russia, Ukraine and Latin America. Actual results in the fourth quarter may be impacted by revenue recognition including the timing of overseas shipments.

Looking ahead to 2012, demand for portable grain handling equipment in the first and second quarters primarily relates to dealers building inventory in advance of the harvest season. Current dealer inventory levels in both western Canada and the U.S. appear to be at average historical levels. As 2012 progresses our dealer networks will consider planting intentions and crop conditions when determining the appropriate levels of inventory to carry into harvest. In the U.S., based on early indicators including commodity prices and farmer net income, management anticipates farmers will again plant a large number of acres with an emphasis on corn acres which is supportive of demand for portable grain handling equipment. In western Canada, farmer sentiment is positive for the future period. Based on current conditions and assuming a return to more typical weather patterns in 2012, management anticipates a return to historical sales levels.

The rate of exchange between the Canadian and US dollars may impact results in the fourth quarter of 2011 and in 2012 compared to prior years. Consistent with prior years, demand in 2012, particularly in the second half, will be influenced by crop and harvest conditions. Changes in global macro-economic factors also may influence demand, primarily for commercial grain handling and storage products.

Results in 2011 were negatively impacted by poor results from our Mepu division which resulted from the carryover impact of the 2010 drought in northern Europe and a spike in steel costs. Mepu has historically been very seasonal, with negative EBITDA in the first and fourth quarters of the fiscal year, and this trend is expected to continue in Q4 2011 and Q1 2012. Management expects results at Mepu in 2012 to improve over 2011 due to improved market conditions, largely the result of favourable 2011 harvest conditions, and improved steel cost alignment.

Our commercial divisions delivered strong growth in North America and internationally in 2011 and management expects another strong year in 2012. Order backlogs at commercial divisions remain high as positive agricultural macro-economic factors continue to drive demand. The geographic scope of activity continues to expand beyond the original areas of focus of Russia, Eastern Europe and Latin America to include increased activity in Southeast Asia, the Middle East and Africa. Ag Growth has continued to invest in its international development with additions to its international sales team and recently opened sales offices in Latin America and the Baltic region.

Results in 2011 were significantly impacted by start-up issues related to the ambitious ramp up of our greenfield storage bin facility in Alberta. These matters are currently being resolved, however less than optimal operating efficiencies continued into the fourth quarter of 2011. Entering 2012, management anticipates the start-up challenges should be resolved however targeted gross margins may not be immediately achieved. Interest in our storage bin product line remains strong both domestically and overseas and management retains a very positive outlook for contributions from this plant in 2012 and beyond. The new bins have been well received by our domestic and international customers.

DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Trade sales [(1)]	$81,845	$86,875	$233,975	$212,891
Gain on foreign exchange [(2)]	1,496	1,831	4,542	4,970
Sales	83,341	88,706	238,517	217,861
Cost of inventories	55,008	52,654	153,717	128,566
Depreciation & amortization	1,417	921	4,121	2,441
Total cost of sales	56,425	53,575	157,838	131,007
Gross profit	26,916	35,131	80,679	86,854
General and administrative	12,055	11,459	35,765	31,892
Transaction expenses	1,721	40	1,721	733
Depreciation & amortization	800	860	2,616	2,492
Other operating expenses	19	(63)	92	(240)
Operating Profit	12,321	22,835	40,485	51,977
Finance costs	3,152	3,110	9,384	9,346
Finance loss (income)	1,857	(991)	870	(865)
Profit before income taxes	7,312	20,716	30,231	43,496
Current income taxes	1,155	2,108	4,029	3,829
Deferred income taxes	1,587	3,449	4,932	8,527
Profit for the period	$4,570	$15,159	$21,270	$31,140
Net profit per share				
Basic	$0.37	$1.23	$1.71	$2.44
Diluted	$0.36	$1.12	$1.69	$2.35

(1) See "Non-IFRS Measures".
(2) Primarily related to gains on foreign exchange contracts.

EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Profit before income taxes	$7,312	$20,716	$30,231	$43,496
Finance costs	3,152	3,110	9,384	9,346
Amortization in cost of sales	1,417	921	4,120	2,441
Amortization in G&A expenses	800	860	2,616	2,492
EBITDA [(1)]	**12,681**	**25,607**	**46,351**	**57,775**
Transaction costs	1,721	40	1,721	733
Gain on foreign exchange in sales [(2)]	(1,496)	(1,831)	(4,542)	(4,970)
Loss (gain) on foreign exchange in finance income	1,865	(770)	1,107	(420)
Gain on sale of property, plant & equipment	65	(40)	67	3
Other operating expense	(8)	(120)	126	(93)
Adjusted EBITDA [(1)]	**$14,828**	**$22,886**	**$44,830**	**$53,028**

(1) See "Non-IFRS Measures".
(2) Primarily related to gains on foreign exchange contracts.

ASSETS AND LIABILITIES

(thousands of dollars)	**September 30 2011**	**September 30 2010**
Total assets	$396,482	$391,587
Total liabilities	$188,259	$174,924

EXPLANATION OF OPERATING RESULTS

Trade sales

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Trade sales	$81,845	$86,875	$233,975	$212,891
Trade sales excluding acquisitions [1]	$66,496	$81,700	$189,163	$204,312

(1) Trade sales excluding acquisitions completed in 2010.

Trade sales in 2011 benefited from continued strength in commercial grain handling, increased storage bin sales and revenues from divisions acquired in 2010. Excluding acquisitions, trade sales for the three and nine month periods ending September 30, 2011 decreased $15.2 million and $15.1 million, respectively. The decrease in sales excluding acquisitions is primarily the result of the following:

- Canada – An exceptionally fast, dry and efficient harvest in western Canada resulted in a shortened in-season selling period, minimal wear on grain augers and reduced demand for aeration equipment. Compared to the prior year, sales of portable grain handling and aeration equipment in the three and nine month periods ended September 30, 2011 decreased $2.2 million and $4.8 million, respectively.
- United States – A late planting season followed by extreme heat stress over the summer resulted in lower crop yield expectations, reduced crop production estimates and a reduction in demand for portable grain handling and temporary storage equipment.
- Foreign exchange – a stronger Canadian dollar negatively impacts the reported amount of sales denominated in U.S. dollars. If the Canadian/US exchange rates in 2011 had been the same as 2010, sales excluding acquisitions for the three and nine months ended September 30, 2011 would have increased $4.3 million and $10.1 million, respectively.
- International trade sales in the nine months ended September 30, 2011 were $40.5 million, up 38% from a year earlier, mainly due to our 2010 acquisitions of Mepu and Tramco. Excluding acquisitions, international sales for the three and nine month periods in 2011 were $6.2 million and $17.3 million, representing decreases compared to 2010 of $4.3 million and $3.4 million, respectively. The Company’s international sales order backlog exceeds that of the prior year and quoting activity remains robust, particularly in Eastern Europe and Latin America.
  - Comparative figures for 2010 reflect an IFRS adjustment related to the timing of revenue recognition that increased international sales for the three and nine months ended September 30, 2010 by $3.7 million and $5.7 million, respectively.

Gross Profit and Gross Margin

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Trade sales	$81,845	$86,875	$233,975	$212,891
Cost of inventories (1)	55,008	52,654	153,717	128,566
Gross Margin (1)	$26,837	$34,221	$80,258	$84,325
Gross Margin (1) (as a % of trade sales)	32.8%	39.4%	34.3%	39.6%
Gross Margin (2) (excluding 2010 acquisitions)	35.2%	40.3%	37.3%	39.8%

(1) Excluding depreciation and amortization included in cost of sales.
(2) Gross margin without taking into effect the divisions acquired in 2010 so as to provide a comparison based only on the results of divisions that were operating in both periods.

As expected the consolidated gross margin was negatively impacted by the inclusion of Mepu, Franklin and Tramco as the gross margin percentages of these newly acquired businesses are lower than Ag Growth's historical gross margin percentage. Gross margin also declined due to significant start up issues at the Company`s greenfield storage bin facility. To provide an indication of margin performance on the remainder of the Company's businesses, gross margin has been recalculated below to exclude 2010 acquisitions and Edwards:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Gross margin excluding acquisitions and Edwards	40.2%	41.3%	40.6%	41.0%

Gross margin percentages in 2011 have also been adversely impacted by the strong Canadian dollar and the higher cost of steel inputs. The factors noted above were partially offset by the continued benefits of high throughput and production efficiencies that resulted from the implementation of lean manufacturing practices at several of the Company's divisions.

General and Administrative Expenses

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
G&A (1)	$12,055	$11,459	$35,765	$31,892
G&A (as a % of trade sales)	14.7%	13.2%	15.3%	15.0%
G&A excluding acquisitions	$9,710	$10,918	$28,491	$30,969

(1) G&A excluding depreciation, amortization and transaction costs.

G&A expenses increased compared to 2011 largely due to acquisitions made in 2010. G&A expressed as a percentage of trade sales increased in the third quarter of 2011 compared to the prior year primarily due to lower sales, and was relatively consistent with 2010 for the nine month period. Excluding acquisitions, compared to the same periods in 2010, G&A expenses decreased due to lower stock-based compensation that resulted from a reduced number of share awards outstanding and a lower expense related to the LTIP, offset by increased professional fees which primarily resulted from expenditures of $0.6 million related the Company's conversion to IFRS.

EBITDA and Adjusted EBITDA

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2011	**2010**	**2011**	**2010**
EBITDA (1)	$12,497	$25,607	$46,168	$57,775
Adjusted EBITDA (1)	$14,828	$22,886	$44,830	$53,028

(1) See the EBITDA reconciliation table above and "Non-IFRS Measures" later in this MD&A.

EBITDA in the third quarter and nine-month period ended September 30, 2011 was impacted by transaction costs related to the acquisition of Airlanco and other M&A activity totalling $1.7 million. The decline in EBITDA and Adjusted EBITDA in 2011 compared with a year earlier is largely due to the stronger Canadian dollar, start-up challenges at the Company's new storage bin facility, weather and crop related weakness in western Canada and the U.S. and the factors affecting Mepu, as discussed under "Explanation of Operating results".

Finance Costs

The Company's bank indebtedness as at September 30, 2011 was $nil (2010 - $nil) and its outstanding long-term debt and obligations under capital leases including the current portion was $26.2 million (2010 - $25.5 million). Long-term debt at September 30, 2011 is comprised of US $25.0 million aggregate principal amount of non-amortizing secured notes that bear interest at 6.80% and mature October 29, 2016 and $0.1 million of 0% GMAC financing, net of all deferred financing costs of $0.4 million. The Company is also party to a credit facility with three Canadian chartered banks that includes CAD $10.0 million and US $2.0 million available for working capital purposes and provides for non-amortizing long-term debt of up to CAD $38.0 million and US $20.5 million. The facilities bear interest at rates of prime plus 0.50 % to prime plus 1.50% based on performance calculations and matures on October 29, 2012. See "Financial Instruments".

Obligations under capital lease of $0.2 million include a number of equipment leases with an average interest rate of 6.5%. The lease end dates are in 2011 and 2012.

Finance costs for the three and nine month periods ended September 30, 2011 were $3.2 million and $9.4 million, respectively (2010 - $3.1 million and $9.3 million). At September 30, 2011 the Company had outstanding $114.9 million aggregate principal amount of convertible unsecured subordinated debentures (2010 - $115.0 million). The Debentures bear interest at an annual rate of 7.0% and mature December 31, 2014. See "Capital Resources".

In addition to interest on the instruments noted above, finance costs include non-cash interest related to debenture accretion, the amortization of deferred finance costs, stand-by fees and other sundry cash interest.

Finance Income

Finance income is comprised of interest earned on the Company's surplus cash balances and gains or losses on translation of the Company's U.S. dollar denominated long-term debt.

Depreciation and amortization

Under IFRS the depreciation of property, plant and equipment and the amortization of intangible assets are categorized on the income statement in accordance with the function to which the underlying asset is related.

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2011	**2010**	**2011**	**2010**
Depreciation in cost of sales	$1,254	$717	$3,589	$2074
Depreciation in G&A	105	99	350	285
Total Depreciation	$1,359	$816	$3,939	$2,359

(thousands of dollars)	**Three Months Ended September 30**		**Nine Months Ended September 30**	
	2011	**2011**	**2011**	**2010**
Amortization in cost of sales	$163	$204	$532	$367
Amortization in G&A	695	761	2,266	2,207
Total Amortization	$858	$965	$2,798	$2,574

Current income tax expense

For the three and nine months ended September 30, 2011, the Company recorded current tax expense of $1.2 million and $4.0 million, respectively (2010 – $2.1 million and $3.8 million). Current tax expense relates primarily to certain subsidiary corporations of Ag Growth, including its U.S. and Finland based divisions.

Deferred income tax expense

For the three and nine months ended September 30, 2011, the Company recorded deferred tax expense of $1.6 million and $4.9 million, respectively (2010 – $3.4 million and $8.5 million). The deferred tax expense in 2011 relates to the utilization of deferred tax assets plus a decrease in deferred tax liabilities that related to the application of corporate tax rates to reversals of temporary differences between the accounting and tax treatment of depreciable assets, intangibles, reserves, deferred compensation plans and deferred financing fees.

Effective tax rate

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
Current tax expense	$1,155	$2,108	$4,029	$3,829
Deferred tax expense	1,587	3,449	4,932	8,527
Total tax	$2,742	$5,557	$8,961	$12,356
Profit before taxes	$7,312	$20,716	$30,231	$43,496
Total tax %	38%	27%	30%	28%

The effective tax rate in the third quarter of 2011 exceeded that of year ago largely due to the impact of non-cash foreign exchange translation.

Profit and profit per share

For the three and nine months ended September 30, 2011, the Company reported net profit of $4.6 million and $21.3 million, respectively (2010 - $15.2 million and $31.1 million), basic net profit per share of $0.37 and $1.71 (2010 - $1.23 and $2.44), and fully diluted net profit per share of $0.36 and $1.69 (2010 - $1.12 and $2.35). Profit per share for the three and nine month periods ended September 30, 2011 decreased compared to the prior year primarily due to lower Adjusted EBITDA (see "Explanation of Operating Results") and transaction costs of $1.7 million that related to the Airlanco acquisition and a significant acquisition bid that was unsuccessful. In addition, for the quarter ended September 30, 2011, the Company recorded a non-cash loss related to translating its U.S. dollar denominated debt into Canadian dollars of $1.1 million (2010 – gain of $0.8 million).

QUARTERLY FINANCIAL INFORMATION (thousands of dollars):

2011					
	Average USD/CAD Exchange Rate	**Sales**	**Profit (Loss)**	**Basic Profit per Share**	**Diluted profit per Share**
Q1	$0.99	$67,065	$4,706	$0.38	$0.38
Q2	$0.96	$88,111	$11,994	$0.97	$0.91
Q3	$0.97	$83,341	$4,570	$0.37	$0.36
Q4					
Fiscal 2011	**$0.97**	**$238,517**	**$21,270**	**$1.71**	**$1.69**

2010 (1)					
	Average USD/CAD Exchange Rate	**Sales**	**Profit (Loss)**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	$1.05	$ 52,430	$ 4,351	$0.33	$0.33
Q2	$1.03	76,727	11,626	$0.90	$0.85
Q3	$1.05	88,703	15,164	$1.23	$1.12
Q4	$1.02	50,970	(817)	$(0.07)	$(0.07)
Fiscal 2010	**$1.04**	**$268,830**	**$30,324**	**$2.39**	**$2.36**

2009 (1)					
	Average USD/CAD Exchange Rate	**Sales**	**Profit (Loss)**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	$1.25	$55,289	$10,127	$0.79	$0.79
Q2	$1.18	66,840	16,431	$1.29	1.27
Q3	$1.11	68,316	15,126	$1.17	1.16
Q4	$1.07	46,849	3,619	$0.28	0.27
Fiscal 2009	**$1.15**	**$237,294**	**$45,303**	**$3.53**	**$3.45**

(1) Quarterly results for 2010 have been restated in accordance with IFRS. The Company was not required to apply IFRS to periods prior to 2010 and accordingly 2009 comparative data is presented in accordance with CGAAP.

Interim period sales and profit historically reflect seasonality. The third quarter is typically the strongest primarily due to the timing of construction of commercial projects and high in-season demand at the farm level. Due to the seasonality of Ag Growth's working capital movements, cash provided by operations will typically be highest in the fourth quarter.

The following factors impact the comparison between periods in the table above:

- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.
- Sales, net profit and profit per share are significantly impacted by the acquisitions of Mepu (April 29, 2010), Franklin (October 1, 2010) and Tramco (December 20, 2010).
- Profit and profit per share in the first and second quarters of 2009 benefited from non-recurring deferred income tax recoveries related to Ag Growth's conversion to a corporation (the "Conversion") and a change in effective tax rates.
- Profit and profit per share subsequent to October 27, 2009 are impacted by interest expense related to the Debentures (see "Capital Resources").

CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Profit before income taxes for the period	$7,312	$20,716	$30,231	$43,496
Add charges (deduct credits) to operations not requiring a current cash payment:				
Depreciation and amortization	2,217	1,781	6,737	4,933
Translation loss (gain) on foreign exchange	5,232	(331)	3,156	400
Non-cash interest expense	611	569	1,800	1,696
Stock based compensation	345	2,001	1,463	4,696
Loss (gain) on sale of assets	65	(40)	67	3
	15,782	24,696	43,454	55,224
Net change in non-cash working capital balances related to operations:				
Accounts receivable	809	(1,829)	(21,730)	(27,341)
Inventory	(2,793)	5,038	(12,732)	(163)
Prepaid expenses and other assets	528	322	2,927	(22)
Accounts payable and accruals	(62)	(8)	4,890	5,541
Customer deposits	(652)	(1,468)	241	(2,728)
Provisions	3	369	(10)	710
	(2,167)	2,424	(26,414)	(24,003)
Settlement of SAIP obligation	0	0	(1,998)	0
Income tax paid	(1,818)	(2,255)	(4,707)	(2,935)
Cash provided by operations	$11,797	$24,865	$10,335	$28,286

For the three and nine months ended September 30, 2011, cash provided by operations was $11.8 million and $10.3 million, respectively (2010 – $24.9 million and $28.3 million). The decrease in cash generated from operations compared to 2010 is the result of a decrease in profit, inventory purchases related to the Company's new storage bin operation and higher than expected levels of inventory at Edwards/Twister and Mepu.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. Ag Growth's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the third quarter that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, Ag Growth begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. Ag Growth has typically fully repaid its operating line balance by early in the fourth quarter.

Working capital requirements in 2011 have thus far been generally consistent with historical patterns, however due to a larger than typical opening cash balance the Company has not drawn on its operating lines to the same extent as in prior years.
In addition, the Company's inventory levels increased in three months ending September 30, 2011, as lower than anticipated sales (see "Explanation of Operating Results") and the timing of shipment of certain international orders resulted in less drawdown of inventory compared to historical patterns. Acquisitions completed in 2010 are having a minor effect on seasonal working capital requirements in 2011 as sales and EBITDA at Mepu and Tramco are weighted to the second and third quarters.

Capital Expenditures

Ag Growth had maintenance capital expenditures of $0.6 million and $2.7 million in the three and nine months ended September 30, 2011 (2010 - $0.8 and $2.8), representing 0.7% and 1.1% of trade sales, respectively (2010 – 0.9% and 1.3%). Maintenance capital expenditures in 2011 relate primarily to purchases of manufacturing equipment, trucks, trailers, and forklifts and were funded through cash on hand, cash from operations and bank indebtedness. Maintenance capital expenditures in 2011 were expected to increase slightly over 2010 levels, largely due to the addition of three new divisions in 2010, and were funded through cash on hand, cash from operations and bank indebtedness.

Ag Growth defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. Ag Growth had non-maintenance capital expenditures in the three and nine months ended September 30, 2011 of $1.0 million and $4.8 million, respectively (2010 - $5.8 million and $16.6 million). As expected, non-maintenance capital expenditures in 2011 have decreased significantly from 2010 largely due to the significant investment in 2010 related to the Company's greenfield storage bin facility. Non-maintenance capital expenditures in 2011 were financed through cash on hand, cash from operations and bank indebtedness. The following capital expenditures were classified as non-maintenance in 2011:

i. Grain storage bin capacity – in 2010 the Company invested $15.9 million towards a grain storage bin manufacturing facility and automated storage bin production equipment. The investment is expected to allow the Company to capitalize on international sales opportunities and to increase sales in North America. In the three and nine months ended September 30, 2011, the Company invested $0.1 million and $3.2 million, respectively, to complete the project. No additional significant expenditures are anticipated.
ii. Manufacturing equipment – in the three and nine months ended September 30, 2011, the Company invested $0.3 million and $0.1 million, respectively, to upgrade certain equipment to allow for increased capacity.

iii. Union Iron – in the three and nine months ended September 30, 2011, the Company invested $0.5 million and $0.6 million, respectively, to upgrade the paint line and shipping/receiving area at Union Iron to provide for increased capacity and improved manufacturing efficiencies.

Cash Balance

For the three months ended September 30, 2011 the Company's cash balance increased $2.4 million (2010 – decrease $7.2 million) and for the nine month period ended September 30, 2011, the Company's cash balance decreased $32.6 million (2010 – $61.5 million). The decrease in the cash balance in 2010 and 2011 resulted primarily from payments related to acquisitions, strategic capital expenditures, seasonality, and a normal course issuer bid in 2010.

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	2011	2012	2013	2014	2015+
Debentures	$114,885	$ 0	$ 0	$ 0	$114,885	$ 0
Long-term debt	25,994	4	17	0	0	25,973
Capital leases	178	10	168	0	0	0
Operating leases	1,884	236	548	343	275	482
Total obligations	$ 142,941	$ 250	$ 733	$ 343	$115,160	$ 26,455

Debentures relate to the aggregate principal amount of debentures issued by the Company in October 2009 (see "Convertible Debentures"). Long-term debt at June 30, 2011 is comprised of US $25.0 million aggregate principal amount of secured notes issued through a note purchase and private shelf agreement, net of deferred financing costs, and GMAC financed vehicle loans. Capital lease obligations relate to a number of leases for equipment. The operating leases relate primarily to vehicle, equipment, warehousing, and facility leases and were entered into in the normal course of business.

As at November 14, 2011, the Company had no outstanding commitments in relation to capital expenditures for building and equipment.

CAPITAL RESOURCES

Cash

The Company had a cash balance of $2.4 million as at September 30, 2011 (2010 – $47.6 million). The Company's cash balance at September 30, 2010 was higher than is typical because it included a portion of the net proceeds received from an October 2009 debenture offering (see "Convertible Debentures"). The remainder of the debenture proceeds was deployed later in fiscal 2010.

Long-term debt

On October 29, 2009, the Company authorized the issue and sale of US $25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement. The notes are non-amortizing and bear interest at 6.80% and mature October 29, 2016. The agreement also provides for a possible future issuance and sale of notes of up to an additional US $75.0 million aggregate principal amount, with maturity dates no longer than ten years from the date of issuance. Ag Growth is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio. The Company is in compliance with all financial covenants.

On October 29, 2009, the Company also entered a credit facility with three Canadian chartered banks that includes CAD $10.0 million and US $2.0 million available for working capital purposes, and provides for non-amortizing long-term debt of up to CAD $38.0 million and US $20.5 million. No amounts were drawn under these facilities as at September 30, 2011. The facilities bear interest at rates of prime plus 0.50 % to prime plus 1.50% based on performance calculations and matures on October 29, 2012. Ag Growth is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

On October 3, 2011, the Company increased its non-amortizing long-term debt by U.S. $10.5 million to finance its acquisition of Airlanco. See “Acquisitions in Fiscal 2011”.

Obligation under capital leases

Upon the acquisition of Franklin the Company assumed a number of capital leases for manufacturing equipment. The leases bear interest at rates averaging 6.5% and mature in 2011 and 2012. The Company expects to exercise the buyout option upon maturity of the equipment leases.

Convertible Debentures

In the fourth quarter of 2009, the Company issued $115 million aggregate principal amount of convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture. The Debentures bear interest at an annual rate of 7.0% payable semi-annually on June 30 and December 31. Each Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $44.98 per common share. The maturity date of the Debentures is December 31, 2014.

Net proceeds of the offering of approximately $109.9 million were used by Ag Growth for general corporate purposes and to repay existing indebtedness of approximately US $37.6 million and CAD $11.9 million under the Company’s credit facility. In 2010, the Company used proceeds from the Debentures to fund the acquisitions of Mepu, Franklin and Tramco (see “Acquisitions in Fiscal 2010”) and to finance the expansion of the Company’s storage bin product line (see “capital expenditures”).

The Debentures are not redeemable before December 31, 2012. On and after December 31, 2012 and prior to December 31, 2013, the Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2013, the Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the Debentures, in whole or in part, by issuing and delivering for each $100 due that number of freely tradeable common shares obtained by dividing $100 by 95% of the volume weighted average trading price of the common shares on the Toronto Stock Exchange (“TSX”) for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred, to satisfy all or part of its obligation to pay interest on the Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The Debentures trade on the TSX under the symbol AFN.DB.

COMMON SHARES

The following common shares were issued and outstanding and participated pro rata in dividends during the periods indicated:

	# Common Shares
December 31, 2009	13,078,040
Normal course issuer bid	(674,600)
Share award incentive plan issuance	140,000
December 31, 2010	12,543,440
Conversion of subordinated debentures	2,556
September 30, 2011 and November 14, 2011	12,545,996

On December 10, 2009, Ag Growth commenced a normal course issuer bid for up to 1,272,423 common shares, representing 10% of the Company’s public float at that time. In the year ended December 31, 2010, the Company purchased 674,600 common shares for $23.4 million under the normal course issuer bid. The normal course issuer bid terminated on December 9, 2010.

During the nine month period ended September 30, 2011, 2,556 common shares were issued on conversion of $115,000 principal amount of Debentures. Ag Growth has reserved 2,554,136 common shares for issuance upon conversion of the Debentures as at September 30, 2011.

Ag Growth has granted 220,000 share awards under its share award incentive plan. Effective January 1, 2010, a total of 73,333 awards vested and the equivalent number of common shares were issued to the participants. On October 15, 2010, an additional 66,667 share awards vested and the equivalent number of common shares were issued to the participant. Effective January 1, 2011, 40,000 share awards vested however no common shares were issued as the participants were compensated in cash rather than common shares. As at November 14, 2011, 40,000 share awards remain outstanding and subject to vesting and payment of the exercise price are each exercisable for one common share.

The administrator of the LTIP has acquired 317,304 common shares to satisfy its obligations with respect to awards under the LTIP for fiscal 2007, 2008, 2009 and 2010. These common shares are not cancelled but rather are held by the administrator until such time as they vest to the LTIP participants. As at September 30, 2011, a total of 182,928 common shares related to the LTIP had vested to the participants.

A total of 20,741 deferred grants of common shares are outstanding under the Company's Director's Deferred Compensation Plan.

Ag Growth's common shares trade on the TSX under the symbol AFN.

DIVIDENDS

In the three and nine month periods ended September 30, 2011, Ag Growth declared dividends to security holders of $7.5 million and $22.6 million, respectively (2010 - $6.4 million and $19.7 million). Ag Growth increased its dividend rate from $0.17 per common share to $0.20 per common share in November 2010. Ag Growth's policy is to pay monthly dividends. The Company's Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be in the best interest of the Company and its shareholders.

FUNDS FROM OPERATIONS

Funds from operations, defined under "Non-IFRS Measures" is cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for the gain or loss on the sale of property, plant & equipment. The objective of presenting this measure is to provide a measure of free cash flow. The definition excludes changes in working capital as they are necessary to drive organic growth and have historically been financed by the Company's operating facility (See "Capital Resources"). Funds from operations should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

(thousands of dollars)	**Three Months Ended September 30**		**Nine months Ended September 30**	
	2011	**2010**	**2011**	**2010**
EBITDA	$12,681	$25,607	$46,351	$57,775
Stock based compensation	345	2,001	1,463	4,696
Non-cash interest expense	611	569	1,800	1,696
Translation loss (gain) on foreign exchange	5,232	(331)	3,156	400
Interest expense	(3,152)	(3,110)	(9,384)	(9,346)
Income taxes paid	(1,818)	(2,255)	(4,707)	(2,935)
Maintenance capital expenditures	(553)	(770)	(2,682)	(2,849)
Funds from operations (1)	$13,346	$21,711	$35,997	$49,437

Funds from operations can be reconciled to cash provided by operating activities as follows:

(thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	**2010**	**2011**	**2010**
Cash provided by (used in) operating activities	$11,797	$24,865	$10,335	$28,286
Change in non-cash working capital	2,167	(2,424)	26,414	24,003
Settlement of SAIP option	0	0	1,998	0
Maintenance capital expenditures	(553)	(770)	(2,682)	(2,849)
Gain (loss) on sale of assets	(65)	40	(67)	(3)
Funds from operations (1)	$13,346	$21,711	$35,997	$49,437
Shares outstanding (2)	12,562,997	12,565,747	12,560,893	12,926,474
Funds from operations per share	$1.06	$1.73	$2.87	$3.82
Dividends declared per share	$0.60	$0.51	$1.80	$1.53
Payout ratio (1)	57%	29%	63%	40%

(1) See “Non-IFRS Measures”.
(2) Fully diluted weighted average, excluding the potential dilution of the convertible debentures as the calculation includes the interest expense related to the convertible debentures.

Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company’s operating lines. Dividends in the nine months ended September 30, 2011 were funded through cash on hand, cash from operations and bank indebtedness. The Company expects dividends in the remainder of 2011 will be funded through bank indebtedness and cash from operations.

Ag Growth’s Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be in the best interest of the Company and its shareholders. The Company increased its dividend from $2.04 per annum to $2.40 per annum in November 2010.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. Ag Growth has entered into foreign exchange contracts with two Canadian chartered banks to partially hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and as at November 14, 2011, had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
Oct – Nov 2011	$12,000	$1.0723	$12,867
Jan – Dec 2012	$60,000	$0.9905	$59,430

The fair value of the outstanding forward foreign exchange contracts in place as at September 30, 2011 was a loss of $3.3 million. Consistent with prior periods, the Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income for the period ended September 30, 2011.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS 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. By their nature, these estimates are subject to a degree of uncertainty and are based on historical experience and trends in the industry. Management reviews these estimates on an ongoing basis. 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.

Ag Growth believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, goodwill, convertible debentures and deferred income taxes. Ag Growth's accounting policies are described in Note 3 to the unaudited financial statements for the three month period ended March 31, 2011.

Allowance for Doubtful Accounts

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. Ag Growth maintains an allowance for doubtful accounts to reflect expected credit losses. A considerable amount of judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously evaluated and updated. Ag Growth is not able to predict changes in the financial conditions of its customers, and the Company's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company's customers deteriorates.

Valuation of Inventory

Assessments and judgments are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are slow moving, damaged, obsolete, or if the selling price of the inventory is less than its cost. Ag Growth regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Judgment related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Goodwill and Intangible Assets

Assessments and judgments are inherent in the determination of the fair value of goodwill and intangible assets. Goodwill and indefinite life intangible assets are recorded at cost and finite life intangibles are recorded at cost less accumulated amortization. Goodwill and intangible assets are tested for impairment at least annually. Assessing goodwill and intangible assets for impairment requires considerable judgment and is based in part on current expectations regarding future performance. Changes in circumstances including market conditions may materially impact the assessment of the fair value of goodwill and intangible assets.

Deferred Income Taxes

Deferred income taxes are calculated based on assumptions related to the future interpretation of tax legislation, future income tax rates, and future operating results, acquisitions and dispositions of assets and liabilities. Ag Growth periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant. A significant change in any of the Company's assumptions could materially affect Ag Growth's estimate of deferred tax assets and liabilities.

Future Benefit of Tax-loss Carryforwards

Ag Growth should only recognize the future benefit of tax-loss carryforwards where it is more likely than not that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. We are required to make significant estimates and assumptions regarding future revenues and profit, and our ability to implement certain tax planning strategies, in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to significant uncertainty and if changed could materially affect our assessment of the ability to fully realize the benefit of the deferred income tax assets. Deferred tax asset balances would be reduced and additional income tax expense recorded in the applicable accounting period in the event that circumstances change and we, based on revised estimates and assumptions, determined that it was no longer more likely than not that those deferred tax assets would be fully realized.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider 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 dividends could be materially adversely affected.

Industry Cyclicality and General Economic Conditions

The performance of the agricultural industry is cyclical. To the extent that the agricultural sector declines or experiences a downturn, this is likely to have a negative impact on the grain handling, storage and conditioning industry, and the business of Ag Growth. Among other things, the agricultural sector has benefited from the expansion of the ethanol industry, and to the extent the ethanol industry declines or experiences a downturn, this is likely to have a negative impact on the grain handling, storage and conditioning industry, and the business of Ag Growth.

Future developments in the domestic and global economies may negatively impact the demand for our products. Management cannot estimate the level of growth or contraction of the economy as a whole or of the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of negative economic conditions, declines in stock markets, contraction of credit availability or other factors affecting economic conditions generally.

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, storage and conditioning 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 seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and endeavours to pass 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.

Foreign Exchange Risk

Ag Growth generates the majority of its sales in U.S. dollars, but a materially smaller proportion of its expenses are denominated in U.S. dollars. In addition, Ag Growth may denominate its long term borrowings in U.S. dollars. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and the U.S. dollar may significantly impact the Company's financial results. Management has implemented a foreign currency hedging strategy and the Company has entered into a series of hedging arrangements to partially mitigate the potential effect of fluctuating exchange rates. 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 U.S. dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Acquisition and Expansion Risk

Ag Growth may expand its operations by increasing the scope or changing the nature of operations at existing facilities or by acquiring or developing additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire, develop or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. The Company's ability to increase the scope or change the nature of its operations or acquire or develop additional businesses may be impacted by its cost of capital and access to credit. Acquisitions and expansions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on Ag Growth's performance. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired or newly developed businesses, products, or technologies will achieve anticipated revenues and income. The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on Ag Growth's results of operations and financial condition.

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. A decrease in commodity prices could negatively impact the agricultural sector, and the business of Ag Growth. New legislation or amendments to existing legislation, including the Energy Independence and Security Act in the U.S., may ultimately impact demand for the Company's products. 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 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, storage and conditioning 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.

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 Company to make cash dividends to shareholders, or the quantum of such dividends, if any. No assurance can be given that Ag Growth's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

Business Interruption

The operation of Ag Growth's manufacturing facilities 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 is often subject to widespread flooding, 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, storage and conditioning equipment used on farms or in commercial applications may result in product liability claims that require insuring of risk and management of the legal process.

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.

Labour Costs and Shortages and Labour Relations

The success of Ag Growth's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of Ag Growth to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on the Company's results of operations. There is no assurance that some or all of the employees of Ag Growth will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse affect on Ag Growth's results of operations.

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.

Availability of Credit

Ag Growth's credit facility expires October 29, 2012, and is renewable at the option of the lenders. There can be no guarantee the Company will be able to obtain alternate financing and no guarantee that future credit facilities will have the same terms and conditions as the existing facility. This may have an adverse effect on the Company, its ability to pay dividends and the market value of its common shares. In addition, the business of the Company may be adversely impacted in the event that the Company's customer base does not have access to sufficient financing. Sales related to the construction of commercial grain handling facilities, sales to developing markets, and sales to North American farmers may be impacted.

Interest Rates

Ag Growth's term and operating credit facilities bear interest at rates that are in part dependant on performance based financial ratios. The Company's cost of borrowing may be impacted to the extent that the ratio calculation results in an increase in the performance based component of the interest rate. To the extent that the Company has term and operating loans where the fluctuations in the cost of borrowing are not mitigated by interest rate swaps, the Company's cost of borrowing may be impacted by fluctuations in market interest rates.

Uninsured and Underinsured Losses

Ag Growth uses 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.

Cash Dividends are not Guaranteed

Future dividend payments by Ag Growth and the level thereof is uncertain, as Ag Growth's dividend policy and the funds available for the payment of dividends from time to time are dependent upon, among other things, operating cash flow generated by Ag Growth and its subsidiaries, financial requirements for Ag Growth's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond Ag Growth's control.

Income Tax Matters

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to Ag Growth's specific situation. The amount and timing of reversals of temporary differences will also depend on Ag Growth's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of Ag Growth are complex and Ag Growth has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history including the Conversion. The computation of income taxes payable as a result of these transactions involves many complex factors as well as Ag Growth's interpretation of and compliance with relevant tax legislation and regulations. While Ag Growth believes that its existing and proposed tax filing positions are more likely than not to be sustained, there are a number of existing and proposed tax filing positions including in respect of the Conversion that are or may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by Ag Growth and the ultimate value of Ag Growth's income tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on Ag Growth's consolidated financial statements and financial position.

Ag Growth May Issue Additional Common Shares Diluting Existing Shareholders' Interests

The Company is authorized to issue an unlimited number of common shares for such consideration and on such terms and conditions as shall be established by the Directors without the approval of any shareholders, except as required by the TSX. In addition, the Company may, at its option, satisfy its obligations with respect to the interest payable on the Debentures and the repayment of the face value of the Debentures through the issuance of common shares.

Leverage, Restrictive Covenants

The degree to which Ag Growth is leveraged could have important consequences to the shareholders, including: (i) the ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a material portion of Ag Growth's cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations and to pay dividends; (iii) certain of the borrowings under the Company's credit facility may be at variable rates of interest, which exposes Ag Growth to the risk of increased interest rates; and (iv) Ag Growth may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. Ag Growth's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The ability of Ag Growth to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing its indebtedness, including the Company's credit facility and note purchase agreement. Ag Growth's credit facility and note purchase agreement contain restrictive covenants customary for agreements of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Ag Growth to incur additional indebtedness, to pay dividends or make certain other payments and to sell or otherwise dispose of material assets. In addition, the credit facility and note purchase agreement contain a number of financial covenants that will require Ag Growth to meet certain financial ratios and financial tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and trigger financial penalties including a make-whole provision in the note purchase agreement. If the indebtedness under the credit facility and note purchase agreement were to be accelerated, there can be no assurance that the assets of Ag Growth would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facility or any other credit facility will be able to be refinanced.

International Sales and Operations
A portion of Ag Growth's sales are generated in overseas markets and Ag Growth anticipates increasing its offshore sales and operations in the future. Sales and operations outside of North America, particularly in emerging markets, are subject to various risks, including: currency exchange rate fluctuations; foreign economic conditions; trade barriers; competition with domestic and international manufacturers and suppliers; exchange controls; national and regional labour strikes; political risks and risks of increases in duties; taxes and changes in tax laws; expropriation of property, cancellation or modification of contract rights, unfavourable legal climate for the collection of unpaid accounts; changes in laws and policies governing operations of foreign-based companies, as well as risks of loss due to civil strife and acts of war. There is no guarantee that one or more of these factors will not materially adversely affect Ag Growth's offshore sales and operations in the future.

RECENT ACCOUNTING CHANGES

For all periods up to and including the year ended December 31, 2010, Ag Growth presented its consolidated financial statements in accordance with CGAAP. The Company's financial statements for the three-month period ended March 31, 2011 and the three and nine month periods ended September 30, 2011, and this MD&A, have been prepared in accordance with IFRS.

Transition to IFRS

For the majority of accounting policy choices, the Company did not change the accounting policies it applied under CGAAP if it was not required to do so under IFRS. In preparing its consolidated financial statements in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company availed itself of certain of the optional exemptions from full retrospective application of IFRS. A comprehensive summary of the optional exemptions applied by the Company is included in Note 23 in the Company's June 30, 2011 unaudited interim condensed consolidated financial statements.

The transition to IFRS did result in a number of changes to the Company's Statements of Financial Position as at January 1, 2010, its IFRS transition date, and to its Statements of Income, Comprehensive Income, Cash Flows and Equity for its 2010 reporting periods. A comprehensive summary of all of the significant changes including the various reconciliations of CGAAP financial statements to those prepared under IFRS is included in Note 23 in the Company's March 31, 2011 unaudited interim consolidated financial statements. Although the adoption of IFRS resulted in adjustments to the Company's financial statements, it did not materially impact the underlying cash flows or profitability trends of the Company.

INCOME STATEMENT PRESENTATION

The Company has elected to categorize its income and expenses by their function which is one of the two alternatives available under IFRS. Under this methodology revenues and expenses are categorized according to their underlying activity or asset. Accordingly, amortization and foreign-exchange gains (losses), which were previously disclosed separately under CGAAP, have now been allocated to sales, cost of sales or general and administrative expenses. The most significant presentation differences impacting EBITDA, compared to the Company's income statement presentation under CGAAP for the three and nine month periods ended September 30, 2010 and year ended December 31, 2010, are as follows:

1. **Sales**

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
Trade sales per CGAAP	$83,112	$207,109	$262,077
Reclassify - gain on foreign exchange	1,831	4,970	6,691
Adoption of IFRS – revenue recognition	3,763	5,782	183
Sales per IFRS	$88,706	$217,861	$268,951

2. **Cost of sales**

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
Cost of sales per CGAAP	$50,865	$125,849	$160,504
Adoption of IFRS – inventory overhead	37	26	(8)
Adoption of IFRS – revenue recognition	1,752	2,691	85
Reclassify - depreciation and amortization	921	2,441	3,377
Cost of sales per IFRS	$53,575	$131,007	$163,958

3. **General and administrative expenses**

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Year Ended December 31, 2010
General and administrative per CGAAP	$9,011	$26,117	$35,505
Reclassify - stock based compensation	2,009	4,620	6,394
Reclassify - research & development	414	1,079	1,444
Adoption of IFRS - acquisition costs (C)	40	733	1,696
Adoption of IFRS - other	25	76	117
Reclassify – depreciation and amortization	860	2,492	3,353
Total general and administrative	$12,359	$35,117	$48,509

NEW ACCOUNTING PRONOUNCEMENTS

Presentation of Financial Statements [amendments to IAS 1]

On June 16, 2011, the International Accounting Standards Board ("IASB") issued amendments to IAS 1, *Presentation of Financial Statements*. The amendments enhance the presentation of other comprehensive income ["OCI"] in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after January 1, 2012. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Financial Instruments: Classification and Measurement ["IFRS 9"]

IFRS 9 as issued reflects the first phase of the IASB` work on the replacement of the existing standard for financial instruments ["IAS 39"] and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of hedge accounting. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Ag Growth's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Employee Benefits ["IAS 19"]

On June 16, 2011, the IASB revised IAS 19, Employee Benefits. The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance respecting measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation - Special Purpose Entities*. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IFRS 10 establishes a single control model that applies to all entities [including 'special purpose entities,' or 'structured entity' as they are now referred to in the new standards, or 'variable interest entities' as they are referred to in US GAAP]. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities.

IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 uses some of the terms that were used by IAS 31, but with different meanings. Whereas IAS 31 identified three forms of joint ventures [i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities], IFRS 11 addresses only two forms of joint arrangements [joint operations and joint ventures] where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities ["JCEs"] using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations [which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs], an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, IAS 31 focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement.

IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity.

IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The disclosure requirements are substantial and could present additional challenges.

IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard.

Deferred Tax: Recovery of Underlying Assets [amendments to IAS 12]

On December 20, 2010, the IASB issued *Deferred Tax: Recovery of Underlying Assets* [amendments to IAS 12] concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate SIC-21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment.* The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 *Investment Property*. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have an impact on the Company.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

The Company acquired the assets of Franklin and the shares of Tramco in fiscal 2010 (see "Acquisitions"). Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for these newly acquired operations. Since the acquisitions occurred within the 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of these two 2010 acquisitions, as permitted under Section 3.3 of National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the acquired operations' financial information. The following is the summary financial information pertaining to the acquisitions that were included in Ag Growth's consolidated financial statements for the nine months ended September30, 2011:

(thousands of dollars)	**Franklin**[1]	**Tramco**[1]
Revenue	9,583	22,942
Profit (loss)	(1,008)	2,194
Current assets[2]	1,685	14,528
Non-current assets[2]	8,250	21,006
Current liabilities[2]	1,143	7,016
Non-current liabilities[2]	132	4,398

1 Results from January 1, 2011 to September 30, 2011
2 Balance sheets as at September 30, 2011

There have been no material changes in Ag Growth's internal controls over financial reporting that occurred in the three month period ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. On October 3, 2011, subsequent to the end of the three month period, the Company acquired the assets of Airlanco. As of the date of this MD&A, management has not completed its review of internal controls over financial reporting for this newly acquired operation or its impact, if any, on Ag Growth's internal controls over financial reporting.

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS, with a number of non-IFRS financial measures including "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio" and "trade sales". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-IFRS financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-IFRS financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

In the MD&A, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in the MD&A.

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. This measurement is a non-IFRS measurement. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to "EBITDA" are to profit before income taxes, finance costs, amortization and depreciation. References to "adjusted EBITDA" are to EBITDA before the gain (loss) on foreign exchange, gains or losses on the sale of property, plant & equipment, expenses related to corporate acquisition activity and other operating expenses. Management believes that, in addition to profit or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the Company's performance. Management cautions investors that EBITDA and Adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

References to "trade sales" are to sales net of the gain or loss on foreign exchange. References to "gross margin" are to trade sales less cost of inventories net of the depreciation and amortization included in cost of sales. Management cautions investors that trade sales should not replace sales as an indicator of performance.

References to "funds from operations" are to cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for the gain or loss on the sale of property, plant & equipment. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance.

References to "payout ratio" are to dividends declared as a percentage of funds from operations.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as "anticipate", "believe", "continue", "could", "expects", "intend", "plans", "will" or similar expressions suggesting future conditions or events. In particular, the forward looking statements in this MD&A include statements relating to the benefits of the acquisitions of Mepu, Franklin and Tramco (see "Acquisitions"), our business and strategy, including our outlook for our financial and operating performance through the balance of 2011 and in future years, growth in sales to developing markets, the benefits of the expansion of the Company's grain storage product line including the anticipated resolution of start up issues at our Twister bin plant and the future contribution of that plant to our operating and financial performance, the effect of crop conditions in our market areas, the effect of current economic conditions and macroeconomic trends on the demand for our products, expectations regarding pricing for agricultural commodities, our working capital and capital expenditure requirements, capital resources and the payment of dividends. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, foreign exchange rates and the cost of materials, labour and services. 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 changes in international, national and local business conditions, crop yields, crop conditions, seasonality, industry cyclicality, volatility of production costs, commodity prices, foreign exchange rates, and competition. In addition, actual results may be materially affected by the pace of recovery from the global economic crisis in 2008-2009 and continuing economic uncertainty, including the cost and availability of capital. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

ADDITIONAL INFORMATION

Additional information relating to Ag Growth, including Ag Growth's most recent Annual Information Form, is available on SEDAR (www.sedar.com).

Unaudited Interim Condensed Consolidated Financial Statements

Ag Growth International Inc.

September 30, 2011

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in thousands of Canadian dollars]

	As at September 30, 2011	As at December 31, 2010	As at January 1, 2010
	$	$	$
ASSETS *[note 14]*			
Current assets			
Cash and cash equivalents	**2,352**	34,981	109,094
Cash held in trust	**1,499**	1,817	—
Restricted cash	**904**	865	—
Accounts receivable *[notes 11 and 17]*	**60,265**	38,535	25,072
Inventory	**65,306**	52,574	39,621
Prepaid expenses and other assets *[note 6]*	**4,701**	7,628	1,772
Income taxes recoverable	**614**	—	598
Derivative instruments	**—**	4,200	7,652
	135,641	140,600	183,809
Non-current assets			
Property, plant and equipment, net	**82,246**	79,022	37,873
Goodwill *[note 9]*	**63,579**	62,355	52,187
Intangible assets, net *[note 8]*	**71,693**	72,345	68,441
Available-for-sale investment	**2,800**	2,000	2,000
Derivative instruments	**—**	—	1,848
Deferred tax assets *[note 16]*	**39,422**	42,063	47,356
	259,740	257,785	209,705
Assets held for sale	**1,101**	—	—
Total assets	**396,482**	398,385	393,514
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	**27,513**	22,623	12,736
Customer deposits	**6,814**	6,573	8,340
Dividends payable *[note 12[e]]*	**2,509**	2,509	2,224
Acquisition price, transaction and financing costs payable	**3,180**	11,994	1,028
Income taxes payable	**—**	56	—
Current portion of long-term debt *[note 14]*	**16**	128	16
Current portion of obligations under finance leases *[note 14]*	**41**	432	—
Current portion of derivative instruments *[note 17]*	**2,169**	—	—
Current portion of share award incentive plan *[note 13[e]]*	**1,410**	2,003	—
Provisions	**1,932**	1,942	1,194
	45,584	48,260	25,538
Non-current liabilities			
Long-term debt *[note 14]*	**25,603**	24,518	25,403
Obligations under finance leases *[note 14]*	**133**	138	—
Convertible unsecured subordinated debentures *[note 15]*	**106,641**	105,140	103,107
Deferred tax liabilities *[note 16]*	**9,081**	8,464	2,214
Derivative instruments *[note 17]*	**1,217**	—	—
Share award incentive plan *[note 13[e]]*	**—**	1,571	5,857
	142,675	139,831	136,581
Total liabilities	**188,259**	188,091	162,119
Shareholders' equity *[note 12]*			
Common shares	**151,039**	151,376	157,279
Accumulated other comprehensive income (loss)	**607**	(6)	5,590
Equity component of convertible debentures	**5,105**	5,105	5,105
Contributed surplus	**5,086**	6,121	3,859
Retained earnings	**46,386**	47,698	59,562
Total shareholders' equity	**208,223**	210,294	231,395
Total liabilities and shareholders' equity	**396,482**	398,385	393,514

Commitments and contingencies *[note 21]*

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

(signed) John R. Brodie, FCA
Director

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

[in thousands of Canadian dollars, except per share amounts]

	Three-month period ended		Nine-month period ended	
	September 30, 2011	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
	$	$	$	$
Sales	**83,341**	88,706	**238,517**	217,861
Cost of goods sold *[note 7[d]]*	**56,425**	53,575	**157,838**	131,007
Gross margin	**26,916**	35,131	**80,679**	86,854
Expenses				
Selling, general and administrative *[note 7[e]]*	**14,576**	12,359	**40,102**	35,117
Other operating expenses (income) *[note 7[a]]*	**19**	(63)	**92**	(240)
	14,595	12,296	**40,194**	34,877
Operating profit	**12,321**	22,835	**40,485**	51,977
Finance costs *[note 7[c]]*	**3,152**	3,110	**9,384**	9,346
Finance income (loss) *[note 7[b]]*	**(1,857)**	991	**(870)**	865
Profit before income taxes	**7,312**	20,716	**30,231**	43,496
Income tax expense (recovery) *[note 16]*				
Current	**1,155**	2,108	**4,029**	3,829
Deferred	**1,587**	3,449	**4,932**	8,527
	2,742	5,557	**8,961**	12,356
Profit for the period	**4,570**	15,159	**21,270**	31,140
Profit per share - basic *[note 19]*	**0.37**	1.23	**1.71**	2.44
Profit per share - diluted *[note 19]*	**0.36**	1.12	**1.69**	2.35

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2011

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Retained earnings $	Cash flow hedge and foreign currency reserve $	Available-for-sale reserve $	Total equity $
As at January 1, 2011	**151,376**	**5,105**	**6,121**	**47,698**	**(6)**	**—**	**210,294**
Profit for the period	—	—	—	**21,270**	—	—	**21,270**
Other comprehensive income (loss)	—	—	—	—	**25**	**588**	**613**
Total comprehensive income	**151,376**	**5,105**	**6,121**	**68,968**	**19**	**588**	**232,177**
Conversion of subordinated debentures *[note 12]*	**115**	—	—	—	—	—	**115**
Share-based payment transactions *[note 12]*	**(452)**	—	**(1,035)**	—	—	—	**(1,487)**
Dividends to shareholders *[note 12]*	—	—	—	**(22,582)**	—	—	**(22,582)**
As at September 30, 2011	**151,039**	**5,105**	**5,086**	**46,386**	**19**	**588**	**208,223**

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2010

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Retained earnings $	Cash flow hedge and foreign currency reserve $	Total equity $
As at January 1, 2010	157,279	5,105	3,859	59,562	5,590	231,395
Profit for the period	—	—	—	31,140	—	31,140
Other comprehensive loss	—	—	—	—	(2,562)	(2,562)
Total comprehensive income	157,279	5,105	3,859	90,702	3,028	259,973
Share-based payment transactions *[note 12]*	(2,628)	—	2,412	—	—	(216)
Common shares purchased under normal course issuer bid *[note 12]*	(8,057)	—	—	(15,334)	—	(23,391)
Dividends to shareholders *[note 12]*	—	—	—	(19,703)	—	(19,703)
As at September 30, 2010 *[note 25]*	146,594	5,105	6,271	55,665	3,028	216,663

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

Year ended December 31, 2010

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Retained earnings $	Cash flow hedge and foreign currency reserve $	Total equity $
As at January 1, 2010	157,279	5,105	3,859	59,562	5,590	231,395
Profit for the year	—	—	—	30,324	—	30,324
Other comprehensive loss	—	—	—	—	(5,596)	(5,596)
Total comprehensive income	157,279	5,105	3,859	89,886	(6)	256,123
Share-based payment transactions *[note 12]*	2,154	—	2,262	—	—	4,416
Common shares purchased under normal course issuer bid *[note 12]*	(8,057)	—	—	(15,334)	—	(23,391)
Dividends to shareholders *[note 12]*	—	—	—	(26,854)	—	(26,854)
As at December 31, 2010	151,376	5,105	6,121	47,698	(6)	210,294

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2011	**September 30, 2010**	**September 30, 2011**	**September 30, 2010**
	$	$	$	$
Profit for the period	**4,570**	15,159	**21,270**	31,140
Other comprehensive income (loss)				
Change in fair value of derivatives designated as cash flow hedges	**(4,829)**	1,860	**(3,404)**	1,398
Income tax effect on cash flow hedges	**1,663**	(333)	**1,990**	1,014
Gain on derivatives designated as cash flow hedges recognized in net earnings in the current period	**(1,651)**	(1,190)	**(4,185)**	(5,023)
Exchange differences on translation of foreign operations	**7,472**	(1,115)	**5,624**	49
Gain on available-for-sale financial assets	**—**	—	**800**	—
Income tax effect on available-for-sale financial assets	**—**	—	**(212)**	—
Other comprehensive income (loss) for the period	**2,655**	(778)	**613**	(2,562)
Total comprehensive income for the period	**7,225**	14,381	**21,883**	28,578

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	$	$	$	$
OPERATING ACTIVITIES				
Profit before income taxes	**7,312**	20,716	**30,231**	43,496
Add (deduct) items not affecting cash				
Depreciation and impairment of property, plant and equipment	**1,359**	816	**3,939**	2,359
Amortization and impairment of intangible assets	**858**	965	**2,798**	2,574
Translation (gain) loss on foreign exchange	**5,232**	(331)	**3,156**	400
Non-cash component of interest expense	**611**	569	**1,800**	1,696
Stock-based compensation *[note 13[e]]*	**345**	2,001	**1,463**	4,696
Loss (gain) on sale of property, plant and equipment	**65**	(40)	**67**	3
Net change in non-cash working capital balances related to operations *[note 10]*	**(2,167)**	2,424	**(26,414)**	(24,003)
Settlement of SAIP obligation *[note 13[b]]*	**—**	—	**(1,998)**	—
Income taxes paid	**(1,818)**	(2,255)	**(4,707)**	(2,935)
Cash provided by operating activities	**11,797**	24,865	**10,335**	28,286
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(1,509)**	(6,290)	**(7,524)**	(19,178)
Acquisition of shares of Tramco, Inc., net of cash acquired *[note 6]*	**—**	—	**(9,946)**	—
Acquisition of shares of Mepu Oy, including bank indebtedness assumed *[note 6]*	**—**	(4)	**—**	(12,952)
Transfer from (to) cash held in trust	**—**	(7,529)	**592**	(8,180)
Proceeds from sale of property, plant and equipment	**143**	44	**437**	142
Development of intangible assets	**(200)**	—	**(1,011)**	—
Transaction costs	**1,965**	(166)	**1,130**	(178)
Cash provided by (used in) investing activities	**399**	(13,945)	**(16,322)**	(40,346)
FINANCING ACTIVITIES				
Decrease in bank indebtedness	**(2,174)**	—	**—**	—
Repayment of long-term debt	**(2)**	(33)	**(318)**	(56)
Repayment of obligations under finance leases	**(141)**	—	**(396)**	—
Dividends paid	**(7,527)**	(6,432)	**(22,582)**	(19,807)
Decrease in financing costs payable	**—**	—	**—**	(150)
Purchase of common shares under the normal course issuer bid	**—**	(11,691)	**—**	(23,391)
Purchase of shares in the market under the long-term incentive plan *[note 13[a]]*	**—**	—	**(3,346)**	(6,032)
Cash used in financing activities	**(9,844)**	(18,156)	**(26,642)**	(49,436)
Net increase (decrease) in cash and cash equivalents during the period	**2,352**	(7,236)	**(32,629)**	(61,496)
Cash and cash equivalents, beginning of period	**—**	54,834	**34,981**	109,094
Cash and cash equivalents, end of period	**2,352**	47,598	**2,352**	47,598

See accompanying notes

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2011

1. ORGANIZATION

The interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three-month and nine-month periods ended September 30, 2011 were authorized for issuance in accordance with a resolution of the directors on November 13, 2011. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada whose shares are publicly traded at the Toronto Stock Exchange. The registered office is located at 1301 Kenaston Blvd., Winnipeg, Manitoba, Canada.

2. OPERATIONS

Ag Growth Inc. conducts business in the grain handling, storage and conditioning markets.

Included in these interim condensed consolidated financial statements are the accounts of Ag Growth Inc. and all of its subsidiary partnerships and incorporated companies; together, Ag Growth Inc. and its subsidiaries are referred to as "Ag Growth" or the "Company".

3. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2011 were prepared in accordance with IAS 34, *Interim Financial Reporting.* The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the interim consolidated financial statements for the three-month period ended March 31, 2011. In addition, the interim consolidated financial statements for the three-month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian generally accepted accounting principles ["GAAP"]. Accordingly, these interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the interim consolidated financial statements for the three-month period ended March 31, 2011.

Accounting measurements at interim dates inherently involve a greater reliance on estimates than at year end. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly the consolidated financial position of the Company as at September 30, 2011.

4. SEASONALITY OF BUSINESS

Interim period sales and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. Ag Growth'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. 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, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Presentation of Financial Statements [amendments to IAS 1]

On June 16, 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. The amendments enhance the presentation of other comprehensive income ["OCI"] in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after January 1, 2012. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Financial Instruments: Classification and Measurement ["IFRS 9"]

IFRS 9 as issued reflects the first phase of the International Accounting Standards Board's ["IASB"] work on the replacement of the existing standard for financial instruments ["IAS 39"] and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of hedge accounting. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Ag Growth's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Employee Benefits ["IAS 19"]

On June 16, 2011, the IASB revised IAS 19, *Employee Benefits*. The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IFRS 10 establishes a single control model that applies to all entities [including 'special purpose entities' or 'structured entity' as they are now referred to in the new standards, or 'variable interest entities' as they are referred to in US GAAP]. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities.

IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 uses some of the terms that were used by IAS 31, but with different meanings. Whereas IAS 31 identified three forms of joint ventures [i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities], IFRS 11 addresses only two forms of joint arrangements [joint operations and joint ventures] where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities ["JCEs"] using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations [which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs], an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, IAS 31 focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement.

IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28, *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity.

IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The disclosure requirements are substantial and could present additional challenges.

IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard.

Deferred Tax: Recovery of Underlying Assets [amendments to IAS 12]

On December 20, 2010, the IASB issued *Deferred Tax: Recovery of Underlying Assets* [amendments to IAS 12] concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate SIC-21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into IAS 12, *Income Taxes* for non-depreciable assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment.* The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40, *Investment Property*. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have an impact on the Company.

6. BUSINESS COMBINATIONS

Acquisitions in 2010

[a] Mepu Oy ["Mepu"]

Effective April 29, 2010, the Company acquired 100% of the outstanding shares of Mepu, a manufacturer of grain drying systems. The acquisition of Mepu provides the Company with a complementary product line, distribution in a region where the Company previously had only limited representation and a corporate footprint near the growth markets of Russia and Eastern Europe.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The purchase has been accounted for by the acquisition method with the results of Mepu's operations included in the Company's net earnings from the date of acquisition. The assets and liabilities of Mepu as at the date of acquisition have been recorded in the interim condensed consolidated financial statements at their fair values as follows:

	$
Accounts receivable	1,208
Inventory	4,465
Prepaid expenses and other assets	396
Deferred tax asset	330
Property, plant and equipment	4,084
Intangible assets	
Distribution network	1,562
Brand name	743
Order backlog	363
Goodwill	3,614
Bank indebtedness	(1,035)
Long-term debt	(382)
Accounts payable and accrued liabilities	(2,752)
Customer deposits	(134)
Deferred tax liability	(1,188)
Purchase consideration transferred	11,274

The goodwill of $3,614 comprises the value of expected synergies arising from the acquisition and the values included in the workforce of the new subsidiary. The goodwill balance is allocated to Mepu and certain North American divisions' cash-generating units ["CGUs"] because management is expecting sales synergies from a wider product line and complementary distribution networks. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Mepu has contributed to the 2010 results $11,089 of revenue and $850 to the net profit before tax of the Company. If the combination had taken place as at January 1, 2010, revenue from continuing operations in 2010 would have increased by $2,378 and the profit from continuing operations for the Company in 2010 would decrease by $1,631.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The purchase consideration in the amount of $11,274 was paid in cash. The impacts on the cash flow on the acquisition of Mepu are as follows:

	$
Transaction costs of the acquisition	643
Purchase consideration transferred	11,274
Net cash flow on acquisition	11,917

Transaction costs of the acquisition are included in cash flows from investing activities. In the three-month period ended June 30, 2011, the conditions related to the cash holdback were met and the Company transferred $592 from cash held in trust to the vendors. As at September 30, 2011, there are no remaining funds held in trust.

[b] Franklin Enterprises Ltd. ["Franklin"]

Effective October 1, 2010, the Company acquired substantially all of the operating assets of Franklin, a custom manufacturer. The Company acquired Franklin to enhance its manufacturing capabilities and to increase production capacity in periods of high in-season demand. The acquisition has been accounted for by the acquisition method with the results of Franklin's operations included in the Company's net earnings from the date of acquisition. As at September 30, 2011, the Company had cash held in trust of $250 relating to the acquisition of Franklin.

[c] Tramco, Inc. ["Tramco"]

Effective December 20, 2010, the Company acquired 100% of the outstanding shares of Tramco, a manufacturer of chain conveyors. Tramco is an industry leader and provides the Company with an entry point into the grain processing sector of the food supply chain.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The purchase has been accounted for by the acquisition method with the results of Tramco's operations included in the Company's net earnings from the date of acquisition. The assets and liabilities of Tramco on the date of acquisition have been recorded in the interim condensed consolidated financial statements at their estimated fair values as follows:

	$
Accounts receivable	4,211
Inventory	4,162
Prepaid expenses and other assets	208
Deferred tax asset	340
Property, plant and equipment	8,495
Intangible assets	
Distribution network	1,701
Brand name	2,361
Software	1,118
Order backlog	272
Goodwill	7,343
Accounts payable and accrued liabilities	(4,458)
Customer deposits	(967)
Income taxes payable	(143)
Deferred tax liability	(4,550)
Purchase consideration transferred	20,093

The allocation of the consideration transferred to acquired assets and liabilities and the calculation of the working capital adjustment are preliminary, utilizing information available at the time the interim condensed consolidated financial statements were prepared. The allocation of the consideration transferred is preliminary. The final allocation of the consideration transferred and the working capital adjustment may change when more information becomes available.

Included in prepaid expenses and other assets in the interim condensed consolidated statement of financial position as at September 30, 2011 is $1,340 [December 31, 2010 - $1,403] related to the working capital adjustment owing from the vendor.

The goodwill of $7,335 comprises the value of expected synergies arising from the acquisition and the values included in the workforce of the new subsidiary. The goodwill balance is expected to be allocated to Tramco as a CGU and certain other North American CGUs because management expects sales synergies to result from complementary product lines and an enhanced distribution network. The allocation has not been finalized as of the current reporting date. Under IFRS, a one-year window is available subsequent to the acquisition date to finalize the allocation.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

Goodwill at the time of the transaction is not deductible for tax purposes.

From the date of acquisition of December 20, 2010, Tramco contributed $184 of revenue and a net loss before income taxes of $78 to the 2010 results of the Company. Tramco has operations in the U.S. and the U.K. and their results were not consolidated on a regular basis. As a result, the Company is not able to quantify the impact Tramco would have had on the Company's financial results if the acquisition had been made on January 1, 2010.

The impacts on the cash flow on acquisition of Tramco are as follows:

	$
Purchase consideration paid in 2010	9,168
Purchase consideration paid in 2011	9,930
Transferred to cash held in trust	995
Transaction costs of the acquisition paid in 2010	339
Transaction costs of the acquisition paid in 2011	164
Net cash flow on acquisition	20,596

Transaction costs of the acquisition are included in cash flows from investing activities. At the request of the vendor, the purchase price was paid in two installments. As at September 30, 2011, the Company had cash held in trust of $1,039 relating to the acquisition of Tramco.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

7. OTHER EXPENSES (INCOME)

	Three-month period ended		Nine-month period ended	
	September 30, 2011 $	**September 30, 2010** $	**September 30, 2011** $	**September 30, 2010** $
[a] Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment	**65**	40	**67**	(3)
Other	**(38)**	17	**(101)**	(144)
Cash flow hedging	**(8)**	(120)	**126**	(93)
	19	(63)	**92**	(240)
[b] Finance income (loss)				
Interest income from banks	**8**	221	**237**	445
Gain (loss) on foreign exchange	**(1,865)**	770	**(1,107)**	420
	(1,857)	991	**(870)**	865
[c] Finance costs				
Interest on overdrafts and other finance costs	**18**	21	**40**	45
Interest, including non-cash interest, on debts and borrowings	**569**	569	**1,679**	1,748
Interest, including non-cash interest, on convertible debentures *[note 15]*	**2,561**	2,520	**7,648**	7,553
Finance charges payable under finance lease contracts	**4**	—	**17**	—
	3,152	3,110	**9,384**	9,346
[d] Cost of goods sold				
Depreciation	**1,254**	717	**3,589**	2,074
Amortization of intangible assets	**163**	204	**532**	367
Warranty provision	**57**	368	**3**	710
Cost of inventories recognized as an expense	**54,951**	52,286	**153,714**	127,856
	56,425	53,575	**157,838**	131,007

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[e] Selling, general and administrative expenses				
Selling, general and administrative	**11,812**	11,112	**35,048**	30,851
Amortization of intangible assets	**695**	761	**2,266**	2,207
Depreciation	**105**	99	**350**	285
Minimum lease payments recognized as an operating lease expense	**243**	347	**717**	1,041
Transaction costs	**1,721**	40	**1,721**	733
	14,576	12,359	**40,102**	35,117

[f] Employee benefits expense				
Wages and salaries	**19,612**	15,355	**55,346**	42,307
Share-based payment transaction expense	**345**	2,001	**1,517**	4,696
Pension costs	**534**	510	**1,460**	1,064
	20,491	17,866	**58,323**	48,067
Included in cost of goods sold	**14,356**	11,195	**40,597**	30,630
Included in general and administrative expenses	**6,135**	6,671	**17,726**	17,437
	20,491	17,866	**58,323**	48,067

8. INTANGIBLE ASSETS

	$
Balance, January 1, 2010	68,441
Amortization for the nine-month period ended	(2,574)
Effect of foreign exchange rates	(598)
Acquisition of subsidiaries	2,668
Balance, September 30, 2010	67,937
Amortization for the three-month period ended	(844)
Effect of foreign currency exchange rates	(242)
Acquisition of subsidiaries	5,494
Balance, December 31, 2010	72,345
Amortization for the nine-month period ended	(2,798)
Effect of foreign currency exchange rates	812
Additions of internally developed intangible assets	1,334
Balance, September 30, 2011	**71,693**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

9. GOODWILL

	September 30, 2011 $	December 31, 2010 $
Balance, beginning of period	**62,355**	52,187
Acquisition of subsidiaries	**99**	11,073
Exchange differences	**1,125**	(905)
Balance, end of period	**63,579**	62,355

10. CHANGES IN NON-CASH WORKING CAPITAL

The changes in the non-cash working capital balances are calculated as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2011 $	September 30, 2010 $	September 30, 2011 $	September 30, 2010 $
Accounts receivable	**809**	(1,829)	**(21,730)**	(27,341)
Inventory	**(2,793)**	5,038	**(12,732)**	(163)
Prepaid expenses and other assets	**528**	322	**2,927**	(22)
Accounts payable and accrued liabilities	**(62)**	(8)	**4,890**	5,541
Customer deposits	**(652)**	(1,468)	**241**	(2,728)
Provisions	**3**	369	**(10)**	710
	(2,167)	2,424	**(26,414)**	(24,003)

[in thousands of Canadian dollars, except where otherwise noted and per share data]

11. ACCOUNTS RECEIVABLE

As is typical in the agriculture sector, Ag Growth may offer extended terms on its accounts receivable to match the cash flow cycle of its customer. The following table sets forth details of the age of trade accounts receivable that are not overdue as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	September 30, 2011 $	**December 31, 2010** $	**January 1, 2010** $
Total accounts receivable	**60,759**	39,019	25,571
Less allowance for doubtful accounts	**(494)**	(484)	(499)
Total accounts receivable, net	**60,265**	38,535	25,072
Of which			
Neither impaired nor past due	**44,551**	17,661	17,552
Not impaired and past the due date as follows:			
Within 30 days	**7,280**	7,231	3,457
31 to 60 days	**5,474**	7,044	927
61 to 90 days	**1,697**	3,295	795
Over 90 days	**1,757**	3,788	2,840
Less allowance for doubtful accounts	**(494)**	(484)	(499)
Total accounts receivable, net	**60,265**	38,535	25,072

[in thousands of Canadian dollars, except where otherwise noted and per share data]

12. SHAREHOLDERS' EQUITY

[a] Common shares

Authorized

Unlimited voting common shares without par value

Issued

12,411,620 common shares

	Number #	Amount $
Balance, January 1, 2010	13,020,099	157,279
Purchase of common shares under LTIP	(167,900)	(6,032)
Purchase of common shares under normal course issuer bid	(674,600)	(8,057)
Settlement of LTIP obligation - vested shares	27,136	818
Settlement of SAIP obligation - vested shares	73,333	2,586
Balance, September 30, 2010	12,278,068	146,594
Settlement of LTIP obligation	54,815	1,919
Settlement of SAIP obligation	66,667	2,863
Balance, December 31, 2010	12,399,550	151,376
Purchase of common shares under LTIP *[note 13[a]]*	(67,996)	(3,346)
Conversion of subordinated debentures *[note 15]*	2,556	115
Settlement of LTIP obligation - vested shares	77,510	2,894
Balance, September 30, 2011	**12,411,620**	**151,039**

The 12,411,620 common shares at September 30, 2011 are net of 134,376 common shares with a stated value of $5,428 that are being held by the Company under the terms of the LTIP until vesting conditions are met.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[b] Normal course issuer bid

On December 10, 2009, Ag Growth commenced a normal course issuer bid for up to 1,272,423 common shares, representing 10% of the Company's public float at that time. The normal course issuer bid terminated on December 9, 2010. In the year ended December 31, 2010, Ag Growth purchased and cancelled 674,600 common shares under the normal course issuer bid for $23,391.

[c] Contributed surplus

	Nine-month period ended September 30, 2011 $	Nine-month period ended September 30, 2010 $	Year ended December 31, 2010 $
Balance, beginning of period	**6,121**	3,859	3,859
Equity-settled director compensation	**351**	157	227
Obligation under LTIP	**1,327**	3,074	4,279
Exercise price on vested SAIP awards	—	—	18
Settlement of LTIP obligation - vested shares	**(2,713)**	(819)	(2,262)
Balance, end of period	**5,086**	6,271	6,121

[d] Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) is comprised of the following:

Cash flow hedge reserve
The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

Available-for-sale reserve
The available-for-sale reserve contains the cumulative change in the fair value of available-for-sale investments. Gains and losses are reclassified to the interim consolidated statements of income when the available-for-sale investments are impaired or derecognized.

[e] Dividends paid and proposed

In the three-month period ended September 30, 2011, the Company declared dividends of $7.5 million or $0.20 per common share [2010 - $6.4 million or $0.17 per common share]. In the nine-month period ended September 30, 2011, the Company declared dividends of $22.6 million or $0.20 per common share [2010 - $19.8 million or $0.17 per common share]. Ag Growth's dividend policy is to pay cash dividends on or about the 30th day of each month to shareholders of record on the last business day of the previous month and the Company's current monthly dividend rate is $0.20 per common share. Subsequent to September 30, 2011, the Company declared dividends of $0.20 per common share to shareholders of record on October 28, 2011. Total dividends declared in the year ended December 31, 2010 were $26,854 or $2.12 per common share.

[f] Shareholder protection rights plan

On December 20, 2010, the Company's Board of Directors adopted a Shareholders' Protection Rights Plan [the "Rights Plan"]. Specifically, the Board of Directors has implemented the Rights Plan by authorizing the issuance of one right [a "Right"] in respect of each common share [the "Common Shares"] of the Company outstanding at the close of business on December 20, 2010 [the "Record Time"]. In addition, the Board of Directors authorized the issuance of one Right in respect of each additional Common Share issued from treasury after the Record Time.

If a person, or a company acting jointly or in concert, acquires [other than pursuant to an exemption available under the Rights Plan] beneficial ownership of 20 percent or more of the Common Shares, Rights [other than those held by such acquiring person which will become void] will separate from the Common Shares and permit the holder thereof to purchase that number of Common Shares having an aggregate market price [as determined in accordance with the Rights Plan] on the date of consummation or occurrence of such acquisition of Common Shares equal to four times the exercise price of the Rights for an amount in cash equal to the exercise price. The exercise price of the Rights pursuant to the Rights Plan is $150.00 per Right.

13. SHARE-BASED COMPENSATION PLANS

[a] Long-term incentive plan ["LTIP"]

The LTIP is a compensation plan that awards common shares to key management based on the Company's operating performance. Pursuant to the LTIP, the Company establishes the amount to be allocated to management based upon the amount by which distributable cash, as defined in the LTIP, exceeds a predetermined threshold. The service period commences January 1st of the year the award is generated and ends at the end of the fiscal year. The award vests on a graded scale over an additional three-year period from the end of the respective performance year. The LTIP provides for immediate vesting in the event of retirement, death, termination without cause or in the event the participant becomes disabled. The cash awarded under the plan formula is used to purchase Ag Growth common shares at market prices. All vested awards are settled with participants in common shares purchased by the administrator of the plan and there is no cash settlement alternative.

The amount owing to participants is recorded as an equity award in contributed surplus as the award is settled with participants with treasury shares purchased in the open market. The expense is recorded in the interim condensed consolidated statement of income items by function depending on the role of the respective management member. During the three-month and nine-month periods ended September 30, 2011, $425 and $1,327 [2010 - $1,055 and $2,928] were expensed in the LTIP.

During the nine-month period ended September 30, 2011, the administrator purchased 67,996 common shares [2010 - 167,900 common shares] in the market for $3,346 [2010 - $6,032]. The fair value of this share-based payment equals the share price as of the respective measurement date as dividends related to the shares in the administrated fund are paid annually to the LTIP participants.

[b] Share award incentive plan ["SAIP"]

The Company has a SAIP which authorizes the Directors to grant awards ["Share Awards"] to employees or officers of Ag Growth or any affiliates of the Company or consultants or other service providers to the Company and its affiliates ["Service Providers"]. Share Awards may not be granted to non-management Directors.

Under the terms of the SAIP, any Service Provider may be granted Share Awards. Each Share Award will entitle the holder to be issued the number of common shares designated in the Share Award, upon payment of an exercise price of $0.10 per common share and the common shares will vest and may be issued as to one-third on each of January 1, 2010, January 1, 2011 and January 1, 2012, or such earlier or later dates as may be determined by the Directors. In lieu of receiving common shares, the holder, with the consent of Ag Growth, may elect to be paid cash for the market value of the common shares in excess of the exercise price of the common shares. The SAIP provides for immediate vesting of the Share Awards in the event of retirement, death, termination without cause or in the event the Service Provider becomes disabled.

The shareholders reserved for issuance 220,000 common shares, subject to adjustment in lieu of dividends, if applicable, and no additional awards may be granted without shareholder approval. The aggregate number of Share Awards granted to any single Service Provider shall not exceed 5% of the issued and outstanding common shares of Ag Growth.

In addition:

[i] The number of common shares issuable to insiders at any time, under all security-based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding common shares of Ag Growth; and

[ii] The number of common shares issued to insiders within any one-year period, under all security-based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding common shares of Ag Growth.

As at September 30, 2011, 220,000 [December 31, 2010 - 220,000] Share Awards have been granted and 40,000 [December 31, 2010 - 80,000] remain outstanding. During the nine-month period ended September 30, 2011, 40,000 Share Awards vested and were exercised, at which time the participants received a cash payment of $1,998. On January 1, 2010, 73,333 Share Awards vested and were exercised, at which time common shares of the Company were issued for $2,586. On October 15, 2010, the Company announced the passing of its Chief Executive Officer. Upon his passing, 66,667 Share Awards vested and were exercised, at which time common shares of the Company were issued for $2,863 of which $2,411 had been expensed prior to October 15, 2010 and included in the SAIP liability. For the three-month and nine-month periods ended September 30, 2011, Ag Growth recorded income of $221 and $161 [2010 - expense of $928 and $1,616] for the Share Awards, respectively.

[c] Directors' Deferred Compensation Plan ["DDCP"]

On May 8, 2008, the shareholders of Ag Growth approved the adoption by the Company of the DDCP, which provides that a minimum of 20% of the remuneration of non-management Directors be payable in common shares of the Company. The principal purpose of the DDCP is to encourage non-management Director ownership of common shares. According to the DDCP, every Director receives a fixed base retainer fee, an attendance fee for meetings and a committee chair fee, if applicable, and a minimum of 20% of the total compensation must be taken in common shares. A Director will not be entitled to receive the common shares he or she has been granted until a period of three years has passed since the date of grant or until the Director ceases to be a Director, whichever is earlier. The Directors' common shares are fixed based on the fees eligible to him for the respective period and his decision to elect for cash payments for dividends related to the common shares; therefore, the Director's remuneration under the DDCP vests directly in the respective service period. The three-year period [or any shorter period until a Director ceases to be a Director] qualifies only as a waiting period to receive the vested common shares.

For the periods ended September 30, 2011 and 2010, the Directors elected to receive the majority of their remuneration in common shares. For the three-month and nine-month periods ended September 30, 2011, an expense of $141 and $351 [2010 - $17 and $152] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 35,000, subject to adjustment in lieu of dividends, if applicable. For the three-month and nine-month periods ended September 30, 2011, 3,781 and 6,758 common shares were granted under the DDCP and as at September 30, 2011, a total of 20,741 common shares had been granted under the DDCP and no common shares had been issued.

[d] Stock option plan

On June 3, 2009, the shareholders of Ag Growth approved a stock option plan [the "Option Plan"] under which options may be granted to officers, employees and other eligible service providers in order to provide an opportunity for these individuals to increase their proprietary interest in Ag Growth's long-term success.

The Company's Board of Directors or a Committee thereof shall administer the Option Plan and designate the individuals to whom options may be granted and the number of common shares to be optioned to each. The maximum number of common shares issuable on exercise of outstanding options at any time may not exceed 7.5% of the aggregate number of issued and outstanding common shares, less the number of common shares issuable pursuant to all other security-based compensation agreements. The number of common shares reserved for issuance to any one individual may not exceed 5% of the issued and outstanding common shares.

Options will vest and be exercisable as to one-third of the total number of common shares subject to the options on each of the first, second and third anniversaries of the date of the grant. The exercise price of the options shall be fixed by the Board of Directors or a Committee thereof on the date of the grant and may not be less than the market price of the common shares on the date of the grant. The options must be exercised within five years of the date of the grant.

As at September 30, 2011, a total of 935,325 options [December 31, 2010 - 970,319] are available for grant. No options have been granted as at September 30, 2011.

[e] Summary of expenses recognized under share-based payment plans

For the three-month and nine-month periods ended September 30, 2011, an expense of $345 and $1,517 [2010 - $2,001 and $4,696] was recognized for employee and Director services rendered.

The total carrying amount of the liability for the SAIP as at September 30, 2011 was $1,410 [December 31, 2010 - $3,574]. There have been no cancellations or modifications to any of the plans during the nine-month period ended September 30, 2011 or the year ended December 31, 2010.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

A summary of the status of the options under the SAIP is presented below:

	Nine-month period ended September 30, 2011	**Year ended December 31, 2010**
	Shares \#	**Shares** \#
Outstanding, beginning of period	**80,000**	220,000
Exercised	**(40,000)**	(140,000)
Outstanding, end of period	**40,000**	80,000

The exercise price on all SAIP awards is $0.10 per common share. All outstanding options under the SAIP as at September 30, 2011 have a remaining contractual life until January 1, 2012.

A summary of the status of the shares under the LTIP is presented below:

	Nine-month period ended September 30, 2011 \#	**Year ended December 31, 2010** \#
Outstanding, beginning of period	**143,890**	57,941
Vested	**(77,510)**	(81,951)
Granted	**67,996**	167,900
Outstanding, end of period	**134,376**	143,890

[in thousands of Canadian dollars, except where otherwise noted and per share data]

14. LONG-TERM DEBT AND OBLIGATIONS UNDER FINANCE LEASES

	Interest rate %	Maturity	September 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Current portion of interest-bearing loans and borrowings					
Obligations under finance leases	6.5	2011 - 2012	**41**	432	—
Nordea equipment loan [Euro denominated]	2.0	2013	**—**	112	—
GMAC loans	0.0	2014	**16**	16	16
Total current portion of interest-bearing loans and borrowings			**57**	560	16
Non-current interest-bearing loans and borrowings					
Series A secured notes [U.S. dollar denominated]	6.8	2016	**25,973**	24,865	26,165
Nordea equipment loan [Euro denominated]	2.0	2013	**—**	196	—
GMAC loans	0.0	2014	**5**	15	31
Obligations under finance leases	6.5	2011 - 2012	**133**	138	—
Total non-current interest-bearing loans and borrowings			**26,111**	25,214	26,196
			26,168	25,774	26,212
Less deferred financing costs			**375**	558	793
Total interest-bearing loans and borrowings			**25,793**	25,216	25,419

[a] Bank indebtedness

Ag Growth has operating facilities of $10 million and U.S. $2.0 million. The facilities bear interest at a rate of prime plus 0.5% to prime plus 1.5% per annum based on performance calculations. The effective interest rate during the nine-month period ended September 30, 2011 on Ag Growth's Canadian dollar operating facility was 3.5% [2010 - 2.9%] and on its U.S. dollar operating facility was 3.8% [2010 - 3.8%]. As at September 30, 2011, there was nil [2010 - nil] outstanding under these facilities. The facilities mature October 29, 2012.

Collateral for the operating facilities rank pari passu with the Series A secured notes and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

[b] Long-term debt

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8% payable quarterly and mature on October 29, 2016. The Series A secured notes are denominated in U.S. dollars. Collateral for the Series A secured notes and term loans rank pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

Ag Growth's credit facility provides for term loans of up to $38,000 and U.S. $20,500 and matures October 29, 2012. Term loans bear interest at rates of prime plus 0.5% to prime plus 1.5% based on performance calculations. There were no term loans outstanding at September 30, 2011 and December 31, 2010.

The Nordea equipment loan is denominated in Euros, bears interest at 2% and was fully repaid during the three-month period ended March 31, 2011.

GMAC loans bear interest at 0% and mature in 2014. The vehicles financed are pledged as collateral.

[c] Covenants

Ag Growth is subject to certain financial covenants in its credit facility agreements which must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require Ag Growth to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 2.0 and to provide debt service coverage of a minimum of 1.0. As at September 30, 2011 and December 31, 2010, Ag Growth was in compliance with all financial covenants.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

15. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	September 30, 2011 $	**December 31, 2010** $
Principal amount	**114,885**	115,000
Equity component	**(7,475)**	(7,475)
Accretion	**2,428**	1,438
Financing fees, net of amortization	**(3,197)**	(3,823)
Convertible unsecured subordinated debentures	**106,641**	105,140

On October 27, 2009, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of $100 million, and on November 6, 2009, the underwriters exercised in full their over-allotment option and the Company issued an additional $15 million of debentures [the "Debentures"]. The net proceeds of the offering, after payment of the underwriters' fee of $4.6 million and expenses of the offering of $0.5 million, were approximately $109.9 million. The Debentures were issued at a price of $1,000 per Debenture and bear interest at an annual rate of 7.0%, payable semi-annually on June 30 and December 31 in each year commencing June 30, 2010. The maturity date of the Debentures is December 31, 2014.

Each Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the Debenture, at a conversion price of $44.98 per common share, being a conversion rate of approximately 22.2321 common shares per $1,000 principal amount of Debentures. During the nine-month period ended September 30, 2011, holders of 115 Debentures exercised the conversion option and were issued 2,556 common shares. As at September 30, 2011, Ag Growth has reserved 2,554,136 common shares for issuance upon conversion of the Debentures.

The Debentures are not redeemable before December 31, 2012. On and after December 31, 2012 and prior to December 31, 2013, the Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2013, the Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligations to pay interest on the Debentures by delivering common shares. The Company does not expect to exercise the option to satisfy its obligations to pay interest by delivering common shares and as a result the potentially dilutive impact has been excluded from the calculation of fully diluted earnings per share *[note 19]*. The number of any shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the Debentures, the Company recorded a liability of $107,525, less related offering costs of $4,735. The liability component has been accreted using the effective interest rate method, and during the nine-month period ended September 30, 2011, the Company recorded an accretion expense of $990 [2010 - $936], non-cash interest expense related to financing costs of $626 [2010 - $579] and interest expense on the 7% coupon of $6,030 [2010 - $6,038]. The estimated fair value of the holder's option to convert Debentures to common shares in the amount of $7,475 has been separated from the fair value of the liability and is included in shareholders' equity, net of its pro rata share of financing costs of $329.

16. INCOME TAXES

The major components of income tax expense for the nine-month periods ended September 30, 2011 and September 30, 2010 are as follows:

Interim condensed consolidated statements of income

	2011 $	**2010** $
Current tax expense		
Current income tax charge	**4,029**	3,829
Deferred tax expense		
Origination and reversal of temporary differences	**4,932**	8,527
Income tax expense reported in the interim condensed consolidated statements of income	**8,961**	12,356

[in thousands of Canadian dollars, except where otherwise noted and per share data]

September 30, 2011

Interim condensed consolidated statements of comprehensive income

	2011 $	**2010** $
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized gain on derivatives and available-for-sale investment	**(1,778)**	(1,014)
Exchange differences on translation of foreign operations	**333**	17
Income tax charged directly to other comprehensive income	**(1,445)**	(997)

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	Consolidated statements of financial position		
	As at September 30, 2011	**As at December 31, 2010**	**As at January 1, 2010**
	$	$	$
Gross temporary differences			
Inventories	**—**	(192)	(120)
Property, plant and equipment and other assets	**18,633**	20,045	22,400
Intangible assets	**(13,080)**	(13,044)	(10,154)
Deferred financing costs	**281**	21	165
Accruals and long-term provisions	**613**	748	452
Tax loss carryforwards expiring between 2026 and 2029	**18,396**	21,871	29,736
Investment tax credit carryforwards expiring between 2025 and 2029	**4,763**	4,763	4,710
Capitalized development expenditures	**(354)**	—	—
Convertible debentures	**(1,370)**	(1,628)	(1,984)
SAIP liability	**354**	977	1,690
Equity impact LTIP	**1,153**	1,253	989
Foreign exchange gains	**—**	6	(487)
Other comprehensive income	**952**	(1,221)	(2,255)
Net deferred tax assets	**30,341**	33,599	45,142
Reflected in the consolidated statements of financial position as follows:			
Deferred tax assets	**39,422**	42,063	47,356
Deferred tax liabilities	**(9,081)**	(8,464)	(2,214)
Deferred tax assets, net	**30,341**	33,599	45,142

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences, loss carryforwards and investment tax credits become deductible. Based on the analysis of taxable temporary differences and future taxable income, the management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities. Accordingly, the Company has recorded a deferred tax asset for deductible temporary differences as of the reporting date and as at December 31, 2010.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

At September 30, 2011, there was no recognized deferred tax liability [December 31, 2010 - nil; January 1, 2010 - nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognized, aggregate to $622 [December 31, 2010 - $622; January 1, 2010 - nil].

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to Ag Growth's specific situation. The amount and timing of reversals of temporary differences will also depend on Ag Growth's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of Ag Growth are complex and Ag Growth has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history including the conversion to a corporate entity. The computation of income taxes payable as a result of these transactions involves many complex factors as well as Ag Growth's interpretation of and compliance with relevant tax legislation and regulations. While Ag Growth believes that its existing and proposed tax filing positions are more likely than not to be sustained, there are a number of existing and proposed tax filing positions including in respect of the conversion to a corporate entity that may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by Ag Growth and the ultimate value of Ag Growth's income tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on these consolidated financial statements.

There are no income tax consequences attached to the payment of dividends in either 2011 or 2010 by the Company to its shareholders.

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Management of risks arising from financial instruments

Ag Growth's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has deposits, trade and other receivables and cash and short-term deposits that are derived directly from its operations. The Company also holds an available-for-sale investment and enters into derivative transactions.

The Company's activities expose it to a variety of financial risks: market risk [including foreign exchange and interest rate], credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to mitigate certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes. Risk management is the responsibility of the corporate finance function, which has the appropriate skills, experience and supervision. The Company's domestic and foreign operations along with the corporate finance function identify, evaluate and, where appropriate, mitigate financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors. The Audit Committee reviews and monitors the Company's financial risk-taking activities and the policies and procedures that were implemented to ensure that financial risks are identified, measured and managed in accordance with Company policies.

The risks associated with the Company's financial instruments are as follows:

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which Ag Growth is exposed are discussed below. Financial instruments affected by market risk include trade accounts receivable and payable, available-for-sale investment and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at September 30, 2011, December 31, 2010 and January 1, 2010.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The interim condensed consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant interim condensed consolidated statements of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at September 30, 2011 and December 31, 2010, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at September 30, 2011 for the effects of the assumed underlying changes.

Foreign currency risk
The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts. Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure.

A significant part of the Company's sales are transacted in U.S. dollars and as a result fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, Ag Growth enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at September 30, 2011, Ag Growth's U.S. dollar denominated debt totalled U.S. $25 million [2010 - U.S. $25 million] and the Company has entered into the following foreign exchange forward contracts to sell U.S. dollars in order to hedge its foreign exchange risk:

Settlement dates	**Face value** U.S. $	**Average rate** Cdn. $
October - November 2011	12,000	$1.07
January - December 2012	60,000	$0.99

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The Company enters into foreign exchange forward contracts to mitigate foreign currency risk relating to certain cash flow exposures. The hedged transactions are expected to occur within a maximum 24-month period. The Company's foreign exchange forward contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset losses and gains on transactions being hedged. The Company's exposure to foreign currency changes for all other currencies is not material.

Ag Growth's sales denominated in U.S. dollars for the nine-month period ended September 30, 2011 were U.S. $169 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $107 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $16.9 million increase or decrease in sales and a total increase or decrease of $10.7 million in its cost of goods sold and its selling, general and administrative expenses. In relation to Ag Growth's foreign exchange hedging contracts, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in an increase or decrease in the foreign exchange gain of $3.2 million and an increase or decrease to other comprehensive income of $7.5 million.

The counterparties to the contracts are multinational commercial banks and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in net income for the period and for the three-month and nine-month periods ended September 30, 2011, the Company realized a gain on its foreign exchange contracts of $1,642 and $4,373 [2010 - $1,284 and $5,347], respectively.

The open foreign exchange forward contracts as at September 30, 2011 are as follows:

Notional amount of currency sold	Contract amount	Cdn $ equivalent	Unrealized loss
U.S. $	$	$	$
72,000	**1.0041**	**72,295**	**3,386**

The terms of the foreign exchange forward contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the unaudited interim condensed consolidated statements of income.

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of $3,386, with a deferred tax asset of $952 relating to the hedging instruments, is included in other comprehensive income (loss).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as Ag Growth regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. Ag Growth's Series A secured notes and convertible unsecured subordinated debentures outstanding at September 30, 2011, December 31, 2010 and January 1, 2010 are at a fixed rate of interest. As such, the Company is not currently exposed to interest rate risk.

Credit risk

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. A substantial portion of Ag Growth's accounts receivable are with customers in the agriculture industry and are subject to normal industry credit risks. This credit exposure is mitigated through the use of credit practices that limit transactions according to the customer's credit quality and due to the accounts receivable being spread over a large number of customers. Ag Growth establishes a reasonable allowance for non-collectible amounts with this allowance netted against the accounts receivable on the interim condensed consolidated statements of financial position.

Accounts receivable and long-term receivables are subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company regularly monitors customers for changes in credit risk. Trade receivables from international customers are often insured for events of non-payment through third-party export insurance. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit is received before goods are shipped.

At September 30, 2011, the Company had two customers [December 31, 2010 - two customers, January 1, 2010 - four customers] that accounted for approximately 17% [December 31, 2010 - 30%, January 1, 2010 - 32%] of all receivables owing. The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The Company does not believe that any single customer group represents a significant concentration of credit risk.

Liquidity risk
Liquidity risk is the risk that Ag Growth will encounter difficulties in meeting its financial liability obligations. Ag Growth manages its liquidity risk through cash and debt management. In managing liquidity risk, Ag Growth has access to committed short and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. Ag Growth believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

The table below summarizes the undiscounted contractual payments of the Company's financial liabilities as at September 30, 2011:

	Total $	**0 to 6 months** $	**6 - 12 months** $	**12 - 24 months** $	**2 - 4 years** $	**After 4 years** $
Bank debt [includes interest]	**34,970**	**891**	**891**	**1,771**	**3,532**	**27,885**
Trade and other payables	**29,445**	**29,445**	**—**	**—**	**—**	**—**
Finance lease obligations	**174**	**21**	**20**	**133**	**—**	**—**
Dividend payable	**2,509**	**2,509**	**—**	**—**	**—**	**—**
Convertible unsecured subordinated debentures [includes interest]	**141,021**	**4,021**	**4,021**	**8,042**	**124,937**	**—**
Acquisition price, transaction and financing costs payable	**3,180**	**3,180**	**—**	**—**	**—**	**—**

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[b] Fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the interim condensed consolidated financial statements:

	September 30, 2011		**December 31, 2010**		**January 1, 2010**	
	Carrying amount $	**Fair value** $	**Carrying amount** $	**Fair value** $	**Carrying amount** $	**Fair value** $
Financial assets						
Held-for-trading						
Cash and cash equivalents	**2,352**	**2,352**	34,981	34,981	109,094	109,094
Cash held in trust	**1,499**	**1,499**	1,817	1,817	—	—
Restricted cash	**904**	**904**	865	865	—	—
Derivative instruments	**—**	**—**	4,200	4,200	9,500	9,500
Available-for-sale equity investment	**2,800**	**2,800**	2,000	2,000	2,000	2,000
Loans and receivables						
Accounts receivable	**60,265**	**60,265**	38,535	38,535	25,072	25,072
Financial liabilities						
Other financial liabilities						
Interest-bearing loans and borrowings	**25,994**	**29,337**	25,204	28,171	26,212	26,338
Trade and other payables	**29,445**	**29,445**	24,565	24,565	13,930	13,930
Finance lease obligations	**174**	**174**	570	570	—	—
Dividends payable	**2,509**	**2,509**	2,509	2,509	2,224	2,224
Acquisition price, transaction and financing costs payable	**3,180**	**3,180**	11,994	11,994	1,028	1,028
Derivative instruments	**3,386**	**3,386**	—	—	—	—
Convertible unsecured subordinated debentures	**106,641**	**109,477**	105,140	116,231	103,107	106,400

The fair values of the financial assets and financial liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, cash held in trust, restricted cash, accounts receivable, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The fair value of the available-for-sale financial asset was estimated using the common share price from recently traded market transactions.

- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts. The valuation techniques applied include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot and forward rates.

[c] Fair value ["FV"] hierarchy

Ag Growth uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1
The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.

Level 2
Fair value measurements which require inputs other than quoted prices in Level 1, and for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, are classified as Level 2 in the FV hierarchy.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

Level 3
Fair value measurements which require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy.

The FV hierarchy of financial instruments measured at fair value on the interim condensed consolidated statements of financial position is as follows:

	September 30, 2011			**December 31, 2010**		
	Level 1 $	**Level 2** $	**Level 3** $	**Level 1** $	**Level 2** $	**Level 3** $
Financial assets						
Cash and cash equivalents	**2,352**	**—**	**—**	34,981	—	—
Cash held in trust	**1,499**	**—**	**—**	1,817	—	—
Derivative instruments	**—**	**3,386**	**—**	—	4,200	—
Restricted cash	**904**	**—**	**—**	865	—	—
Available-for-sale equity investment	**—**	**—**	**2,800**	—	—	2,000

During the reporting periods ended September 30, 2011 and December 31, 2010, there were no transfers between Level 1 and Level 2 fair value measurements.

At September 30, 2011, Ag Growth has $904 of restricted cash which is classified as a current asset. The restricted cash represents advances to Ag Growth as collateral for a receivable from an end user of Ag Growth products. The funds will be repaid when the related receivable is collected.

The Company's available-for-sale equity investment is carried at fair value. The fair value is estimated using the common share price from recently traded market transactions. During the current period, there were no traded market transactions and as such no change in the fair value measurement of the investment was recorded.

Interest from financial instruments is recognized in finance costs and finance income. Foreign currency and impairment and impairment reversal impacts for loans and receivables are reflected in other income (expense).

[in thousands of Canadian dollars, except where otherwise noted and per share data]

18. CAPITAL DISCLOSURE AND MANAGEMENT

Ag Growth's capital structure is comprised of shareholders' equity and long-term debt. Ag Growth's objectives when managing its capital structure are to maintain and preserve Ag Growth's access to capital markets, continue its ability to meet its financial obligations, including the payment of dividends, and finance organic growth and acquisitions.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's capital management objectives have remained unchanged from the prior year. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at September 30, 2011 and December 31, 2010, all of these covenants were complied with.

Ag Growth monitors its capital structure using non-IFRS financial metrics including net debt to EBITDA for the immediately preceding 12-month period and net debt to shareholders' equity. Net debt includes long-term debt plus the liability component of Debentures, cash and cash equivalents and bank indebtedness.

Ag Growth's optimal capital structure targets to maintain its net debt to EBITDA ratio at levels below 2.5, after taking into consideration the impacts of industry cyclicality and acquisitions. The table below calculates the ratio based on EBITDA achieved in the previous 12 months:

	September 30, 2011	**December 31, 2010**	**January 1, 2010**
	$	$	$
Net debt	**129,892**	94,677	19,416
EBITDA	**51,791**	65,763	60,680
Ratio	**2.5 times**	1.4 times	0.32 times

[in thousands of Canadian dollars, except where otherwise noted and per share data]

Ag Growth's optimal capital structure targets to maintain its net debt to shareholders' equity ratio at levels below 1.0, after taking into consideration the impacts of industry cyclicality and acquisitions:

	September 30, 2011 $	**December 31, 2010** $	**January 1, 2010** $
Net debt	**129,892**	94,677	19,416
Shareholders' equity	**208,223**	210,294	231,395
Ratio	**0.62 times**	0.45 times	0.08 times

19. EARNINGS PER SHARE

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

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Three-month period ended		Nine-month period ended	
	September 30, 2011 $	**September 30, 2010** $	**September 30, 2011** $	**September 30, 2010** $
Net profit attributable to shareholders for basic and diluted earnings per share	**4,570**	15,159	**21,270**	31,140
Add back: interest expense on convertible debentures	**—**	1,716	**—**	5,218
Numerator for diluted earnings per share	**4,570**	16,875	**21,270**	36,358
Basic weighted average number of shares	**12,411,620**	12,355,646	**12,427,067**	12,777,449
Dilutive effect of DDCP	**134,376**	198,705	**118,448**	139,136
Dilutive effect of LTIP	**17,001**	11,396	**15,378**	9,889
Dilutive effect of convertible debentures	**—**	2,556,692	**—**	2,556,692
Diluted weighted average number of shares	**12,562,997**	15,122,439	**12,560,893**	15,483,166
Basic earnings per share	**0.37**	1.23	**1.71**	2.44
Diluted earnings per share	**0.36**	1.12	**1.69**	2.35

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these interim condensed consolidated financial statements.

In the nine-month periods ended September 30, 2011 and 2010, the convertible unsecured subordinated debentures were excluded from the calculation of the above diluted net earnings per share because their effect was anti-dilutive.

20. REPORTABLE BUSINESS SEGMENT

The Company is managed as a single business segment that manufactures and distributes grain handling, storage and conditioning equipment. The Company determines and presents business segments based on the information that internally is provided to the Chief Executive Officer ["CEO"], who is Ag Growth's Chief Operating Decision Maker ["CODM"]. When making resource allocation decisions, the CODM evaluates the operating results of the consolidated entity.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, inter-segment revenue is zero.

	Revenues				Property, plant and equipment, goodwill and intangible assets	
	Three-month period ended		Nine-month period ended		As at	As at
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	September 30, 2011	December 31, 2010
	$	$	$	$	$	$
Canada	**17,129**	13,713	**52,302**	47,060	**139,068**	146,108
United States	**51,395**	59,266	**145,714**	141,504	**67,429**	57,166
International	**14,817**	15,727	**40,501**	29,297	**11,021**	10,448
	83,341	88,706	**238,517**	217,861	**217,518**	213,722

The revenue information above is based on the location of the customer. The Company has no single customer that represents 10% or more of the Company's revenues.

21. COMMITMENTS AND CONTINGENCIES

[a] Letters of credit

As at September 30, 2011, the Company has outstanding letters of credit in the amount of $567 [December 31, 2010 - $642].

[b] Operating leases

The Company leases office and manufacturing equipment, warehouse facilities and vehicles under operating leases with minimum aggregate rent payable in the future as follows:

	$
Within one year	647
After one year but not more than five years	1,178
More than five years	59
	1,884

These leases have a life of between one and six years with no renewal options included in the contracts.

During the three-month and nine-month periods ended September 30, 2011, the Company recognized an expense of $243 and $717 [2010 - $347 and $1,041] for leasing contracts. This amount relates only to minimum lease payments.

[c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

22. RELATED PARTY TRANSACTION

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of Ag Growth is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to a corporate acquisition activity and general matters was $0.4 million for the nine-month period ended September 30, 2011 [September 30, 2010 - nil] and are included in accounts payable and accrued liabilities. These transactions are measured at the exchange amount and were incurred during the normal course of business on similar terms and conditions to those entered into with unrelated parties.

23. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's presentation.

24. SUBSEQUENT EVENTS

Effective October 3, 2011, the Company acquired the operating assets of Airlanco, a manufacturer of aeration products and filtration systems, for cash consideration of U.S. $11.0 million plus a working capital adjustment. The acquisition and related transaction costs were funded from long-term debt and the Company's cash balance. Due to the timing of the acquisition, the allocation of the purchase price and the amount of the working capital adjustment has not yet been finalized.

25. EXPLANATION OF TRANSITION TO IFRS

For all periods to December 31, 2010, the Company prepared its consolidated financial statements in accordance with Canadian GAAP. The interim consolidated financial statements for the three-month period ended March 31, 2011 were the first interim consolidated financial statements that complied with IFRS standards in effect as at March 31, 2011. This note explains the principal adjustments made by the Company in restating its previous Canadian GAAP consolidated statement of shareholders' equity as at September 30, 2010 and its previously published Canadian GAAP consolidated income statements and comprehensive income for the three-month and nine-month periods ended September 30, 2010.

Elected exemptions from full retrospective application

In preparing the interim consolidated financial statements as at March 31, 2011 in accordance with IFRS 1 and the interim condensed consolidated financial statements in accordance with IAS 34, the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied by the Company are described below.

[a] Business combinations

The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

[b] Share-based payments

The Company has elected to retrospectively apply the provisions of IFRS 2, *Share-based Payments* ["IFRS 2"] only to [i] equity instruments granted after November 7, 2002 that are unvested at the transition date, and [ii] liability instruments arising from share-based payment transactions that are outstanding at the date of transition.

[c] Foreign exchange

Cumulative currency translation differences for all foreign operations are deemed to be zero as at January 1, 2010.

[d] Borrowing costs

The Company has elected only to capitalize borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the date of transition.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at September 30, 2010:

	Note	**Common shares** $	**Equity component of debentures** $	**Contributed surplus** $	**Retained earnings** $	**Accumulated other comprehensive income** $	**Total** $
As reported under Canadian GAAP - September 30, 2010		146,594		11,914	4,517	2,013	165,038
Reclassifications		—	—	—	—	—	—
Long-term incentive plan liability	*1*	—	—	1,258	—	—	1,258
Equity component of debenture	*9*	—	7,146	(7,146)	—	—	—
Differences increasing (decreasing) reported amounts:		—	—	—	—	—	—
DDCP	*1*	—	—	245	(245)	—	—
SAIP	*1*	—	—	—	11	—	11
Deferred income taxes - convertible debentures	*6b*	—	(2,041)	—	303	—	(1,738)
Transaction costs	*2*	—	—	—	(819)	—	(819)
Translation of foreign operations	*3*	—	—	—	(427)	427	—
Deferred income taxes - deferred credit	*6a*	—	—	—	41,483	—	41,483
Deferred income taxes - temporary differences	*8*	—	—	—	(3,183)	(49)	(3,232)
Revenue recognition	*5*	—	—	—	3,091	—	3,091
Hedge accounting	*4*	—	—	—	(437)	437	—
Property, plant and equipment	*8*	—	—	—	11,019	200	11,219
Inventory	*7*	—	—	—	352	—	352
As reported under IFRS - September 30, 2010		146,594	5,105	6,271	55,665	3,028	216,663

Notes to the reconciliations:

1. Share-Based Payments

The Company elected to retrospectively apply the provisions of IFRS 2 only to equity-settled awards that were unvested at the transition date and liability awards outstanding at the transition date.

The differences impacting the interim condensed consolidated statement of changes in shareholders' equity at September 30, 2010:

- LTIP was classified under Canadian GAAP as a liability plan, whereas under IFRS 2 due to the final settlement of the plan with treasury shares acquired by the administrator for the benefit of the management members, the plan qualifies as an equity-settled plan. Therefore, this change resulted in a reclassification of the balances from liability into shareholders' equity. As at September 30, 2010, the impact of this adjustment was to decrease the long-term incentive plan liability and increase contributed surplus by $1,258.
- Awards with graded vesting provisions are treated as a single award for both measurement and recognition purposes under Canadian GAAP. IFRS 2 requires such awards to be treated as a series of individual awards, with compensation measured and recognized separately for each tranche of options within a grant that has a different vesting date. This impacts the LTIP and the SAIP of the Company. As at September 30, 2010, the impact of this adjustment was to decrease the share award incentive plan liability and increase retained earnings by $11.
- For the DDCP, the share-based remuneration vests under IFRS 2 directly in the respective service period, whereas under Canadian GAAP the expense was allocated over the deferred compensation period of three years. As at September 30, 2010, the impact of this adjustment was to decrease retained earnings and increase contributed surplus by $245.

2. Transaction Costs

In accordance with IFRS 3 [revised in 2008], transaction costs incurred in the process of acquiring a business cannot be capitalized, but have to be immediately expensed. Under Canadian GAAP, these transaction costs were capitalized by Ag Growth. There is no impact in the first quarter of 2010 on the goodwill balance, as all business combinations in 2010 were completed subsequent to March 31, 2010. Transaction costs related to business combinations in the amount of $819 were recorded as an IFRS adjustment as at September 30, 2010, resulting in a decrease to retained earnings and an offsetting decrease to prepaid expenses of $178 and goodwill of $641.

3. Translation of Foreign Operations

Under Canadian GAAP, until December 31, 2009 the Company had classified all business units as integrated operations and therefore used the Canadian dollar as the functional currency for all foreign entities. As at January 1, 2010, the Company determined that its foreign operations Hi Roller, Union Iron and Applegate had more characteristics of self-sustaining operations than integrated foreign operations. Accordingly, the Company adopted the current rate method of foreign currency translation for these foreign operations, resulting in using the local currency of these foreign operations as their functional currency under Canadian GAAP, applied on a prospective basis. In accordance with IAS 21, for IFRS purposes every entity of the Company has to be individually reviewed for the determination of its functional currency and this has to be performed retrospectively as of the IFRS transition date. Therefore, for IFRS purposes, Hi Roller, Union Iron and Applegate were classified as U.S. dollar functional currency entities as of the transition date of January 1, 2010, whereas under Canadian GAAP they were still Canadian dollar functional currency entities. This change in the functional currency had the following impacts on the Company's assets, liabilities and retained earnings:

[1] Goodwill decrease of balance by $150
[2] Property, plant and equipment increase of balance by $177
[3] Intangible assets decrease of balance by $582
[4] Deferred tax liability decrease of balance by $128
[5] Retained earnings decrease of balance by $427

For the elective exemptions from the retrospective application of IFRS 1, the Company elected to recognize the cumulative translation adjustment existing at the transition date directly into retained earnings. Therefore, all the above listed impacts were directly recorded in the Company's retained earnings.

4. Hedge Accounting

Upon the adoption of IFRS, the Company redesignated its foreign currency hedge contracts. The adjustment had no impact as at the transition date. The adjustment resulted in an increase to accumulated other comprehensive income and a decrease to retained earnings at September 30, 2010 of $437.

5. Revenue Recognition

Under Canadian GAAP, all product deliveries were recorded when the risk of ownership was transferred. Similarly, for IFRS purposes, the majority of the revenues of Ag Growth are realized at the time of transfer of the risk of ownership. However, the Company has classified certain of its customer contracts as construction contracts resulting in the earlier recognition of revenues and gross margin with the application of the percentage-of-completion method of accounting.

6. Income Taxes

The accounting for income taxes under IAS 12 resulted in the following differences for the Company:

a. In 2009, the Company converted from an income fund into a corporate entity under a plan of arrangement with a previously unrelated company. As a result of this transaction, the Company received tax attributes for which deferred tax assets in the amount of $69,800 were recorded. The difference between this deferred tax asset and the purchase price of $13,500 for shares of the previously unrelated company was recorded under Canadian GAAP as a deferred credit. This deferred credit had a carrying amount under Canadian GAAP of $41,483 as at September 30, 2010. For IFRS purposes, the difference between the tax benefits and the purchase price cannot be deferred, but the benefit from the higher fair value of the tax benefits has to be retrospectively recorded as of the transition date. The adjustment results in an increase to retained earnings.

b. IFRS requires the bifurcation of convertible debt instruments into a liability and an equity component. IFRS further requires the recognition of a temporary difference based on the difference between the carrying amount of the liability at issuance and its underlying tax basis. All changes in the initial temporary difference for the liability component of the convertible debt are recognized in the consolidated statement of income.

   Under Canadian GAAP, the tax basis of the liability component of the convertible debenture is considered to be the same as its carrying amount, and therefore the recognition of a temporary difference is not required. This difference between IFRS and Canadian GAAP results in a decrease to the equity component of the convertible debenture of $2,041.

7. Inventories

Due to the remeasurement of property, plant and equipment and changes to the depreciation expense, Ag Growth was required to adjust the overhead allocation on the valuation of its inventory by $352.

8. Property, Plant and Equipment

For all items of property, plant and equipment, the provisions of IAS 16 were retrospectively applied. The assessment and annual review criteria of useful lives and depreciation methods are more explicit in IFRS, which required Ag Growth to adjust certain carrying amounts of its assets. Furthermore, the componentization requirements are more explicit in IFRS. Differences relating to the level of componentization, depreciation methods and useful lives resulted in the carrying value of these assets at September 30, 2010 to increase from the recorded amount under Canadian GAAP by $11,219. The related tax impact of the change in temporary differences resulted in additional deferred tax liability of $3,232 at September 30, 2010.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

9. Reclassifications

Certain balances have been reclassified between accounts to conform to IFRS.

Reconciliation of profit and loss for the three-month and nine-month periods ended September 30, 2010.

	Note	Three-month period ended September 30, 2010 $	Nine-month period ended September 30, 2010 $
Net income reported under Canadian GAAP			
Differences increasing (decreasing) net income		15,410	34,278
Depreciation expense	*1*	505	1,359
Cost of sales	*1*	(50)	(46)
Deferred income tax			
Deferred credit	*2a*	(2,419)	(6,422)
Convertible debentures	*2b*	67	246
Temporary differences	*2c*	(28)	(94)
Cost of sales	*3*	(39)	(26)
General and administrative	*4*	(40)	(733)
General and administrative	*5*	(18)	(75)
Loss on foreign exchange	*6*	(240)	(437)
Revenue recognition	*7*	2,011	3,090
Net profit recorded under IFRS		15,159	31,140

1. The componentization of property, plant, equipment and change in useful lives and depreciation methods resulted in a decrease to depreciation expense of $505 and $1,359, and a decrease to the gain on sale of property, plant and equipment of $50 and $46, respectively.

2. a. The Company converted from an income fund into a corporate entity in 2009 under a plan of arrangement that resulted in the Company receiving tax attributes and recording a deferred tax asset of $69,800 and a related deferred credit of $56,300. Under IFRS, deferred credits are generally not recognized, which ultimately results in an increase in the Company's non-cash future tax expense of $2,419 for the three-month and $6,422 for the nine-month periods ended September 30, 2010.

b. Under IFRS, a temporary difference is recorded related to the convertible debenture resulting in the recognition of a deferred tax liability on transition. Subsequent adjustments to the deferred tax liability resulted in a decrease to deferred income tax expense of $67 for the three-month and $246 for the nine-month periods ended September 30, 2010.
c. The temporary differences arising from changes in carrying values of inventories and property, plant and equipment on transition to IFRS result in an increase to deferred income tax expense of $28 for the three-month period and $94 for the nine-month period ended September 30, 2010.

3. The change in the Company's depreciation method impacted the Company's inventory overhead rate which resulted in a change in inventory values and change in inventories expensed through cost of goods sold.

4. Under IFRS, transaction costs incurred in the process of acquiring a business cannot be capitalized, but instead have to be immediately expensed resulting in an increase to selling, general and administrative expense of $40 for the three-month and $733 for the nine-month periods ended September 30, 2010.

5. Under IFRS, the calculation of the expense related to equity-settled compensation plans differs to reflect changes in the measurement and recognition of equity-settled awards that were outstanding and unvested at the transition date and those that were granted during the period. The impact of this adjustment was to increase the DDCP expense by $18 for the three-month and $75 for the nine-month periods ended September 30, 2010 and to decrease the SAIP expense by $1K for the three-month and $2K for the nine-month periods ended September 30, 2010.

6. Upon the adoption of IFRS, the Company redesignated its foreign currency hedge contracts which resulted in a loss on foreign exchange of $240 for the three-month and a loss of $437 for the nine-month periods ended September 30, 2010.

7. Under IFRS, the Company has identified a limited number of contracts as construction contracts and has recognized revenue based on the percentage-of-completion methodology which typically results in earlier recognition of revenues and costs. As a result, certain revenues and costs denominated in foreign currencies were recognized in different periods compared to Canadian GAAP and were translated to Canadian dollars at different rates of foreign exchange.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

Reconciliation of comprehensive income as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS for the three-month and nine-month periods ended September 30, 2010:

	Note	**Three-month period ended September 30, 2010** $	**Nine-month period ended September 30, 2010** $
Comprehensive income as reported under Canadian GAAP		**14,507**	30,701
Differences (decreasing) increasing reported amounts			
Differences in net income	*[i]*	**(251)**	(3,137)
Change in other comprehensive income			
Foreign currency translation	*[ii]*	**125**	1,014
		(126)	(2,123)
Comprehensive income as reported under IFRS		**14,381**	28,578

[i] Differences in net income

Reflects the differences in net income between Canadian GAAP and IFRS as described in note 25.

[ii] Foreign currency translation

Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. The increase in property, plant and equipment related to measurement at their revalued amounts creates increased foreign currency translation adjustments recorded in other comprehensive income (loss).

Officers

Gary Anderson, President, Chief Executive Officer and Director
Steve Sommerfeld, CA, Chief Financial Officer
Dan Donner, Vice President Sales and Marketing
Paul Franzmann, CA, Vice President Corporate Development, Southern Business Group
Doug Weinbender, Vice President Operations, Western Business Group
Ron Braun, Vice President and General Manager, Westfield Industries
Eric Lister, Q.C., Counsel

Directors

Gary Anderson
John R. Brodie, FCA, Audit Committee Chairman
Bill Lambert, Board of Directors Chairman
Bill Maslechko, Governance Committee Chairman
David White, CA

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

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