ANNUAL REPORT '09

AGI
AG GROWTH INTERNATIONAL

INTRODUCTION TO THE AG GROWTH ANNUAL REPORT 2009

Ag Growth IPO: May 18, 2004 (Founded 1996)
Batco Manufacturing, Acquired: 1997 (Founded 1992)
Wheatheart Manufacturing, Acquired: 1998 (Founded 1973)
Westfield Industries, Acquired: 2000 (Founded 1950)
Edwards Group, Acquired: 2005 (Founded 1964)
Hi Roller Conveyors, Acquired: 2006 (Founded 1982)
Twister Pipe Ltd., Acquired: 2007 (Founded 1976)
Union Iron, Inc., Acquired: 2007 (Founded 1852)
Applegate Steel Inc., Acquired: 2008 (Founded 1955)

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Auditors: Ernst & Young LLP (Winnipeg)
Transfer Agent: Computershare Investor
Services Inc.

Shares Listed: Toronto Stock Exchange
Stock Symbol: AFN

From Left to Right:

Bill Maslechko, Governance Committee Chairman and Director
John R. Brodie, FCA, Audit Committee Chairman and Director
Bill Lambert, Board of Directors Chairman and Director
Rob Stenson, Chief Executive Officer and Director
David White, CA, Director
Gary Anderson, President, Chief Operating Officer and Director
Steve Sommerfeld, CA, Chief Financial Officer

Established in 1996, Ag Growth International (AGI) is a leading manufacturer of portable and stationary grain handling, storage and conditioning equipment with approximately 1,400 dealers and distributors in 48 states, nine provinces, and overseas. Our corporate divisions represent some of the most recognized brands servicing the global agricultural industry, in some cases with more than 150 years of experience.

Russia
Ukraine
Kazakhstan
China
India
Australia
New Zealand

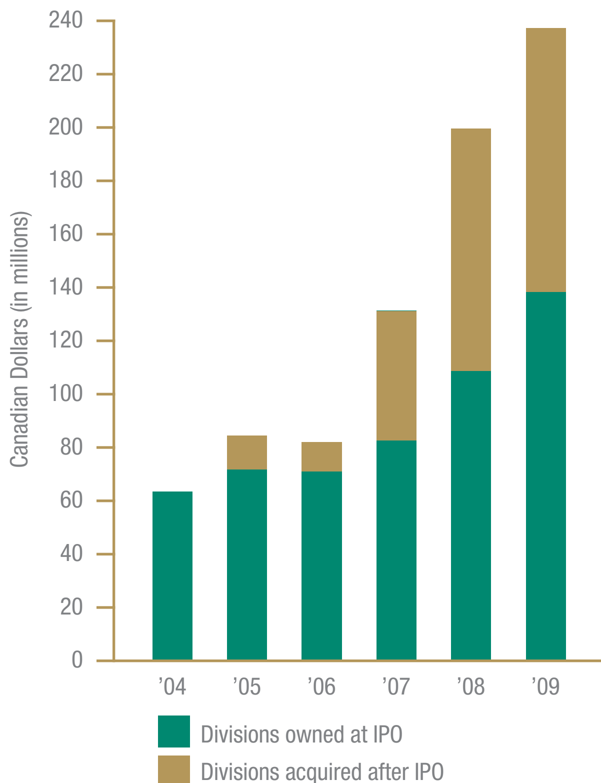
CEO MESSAGE

I welcome existing and prospective shareholders to our 2009 annual report. We are approaching our sixth anniversary as a public company in May of 2010. In 2004, our first year as a public company, AGI brought revenue of $63 million with corresponding EBITDA of about $19 million.

As we exit 2009 we are proud to report revenue of $237 million with EBITDA of $60.7 million, essentially matching our top line in 2004. This performance has been very rewarding for those who participated in our IPO. Our market cap at IPO was approximately $100 million with a share price of $10. At the writing of this report we enjoy a market capitalization of $470 million. In addition, we have distributed over $10 per share since our IPO which exceeds the initial value of a trust unit. The combination of capital appreciation and dividends has brought a return on investment that greatly exceeds that of the TSX Index during the same period.

We recognize that we are a young company in the context of the public markets. Despite our success, we are still a small capitalization company and have a lot of work ahead of us to realize the full potential that this company and industry present to shareholders in the years ahead.

SALES HISTORY

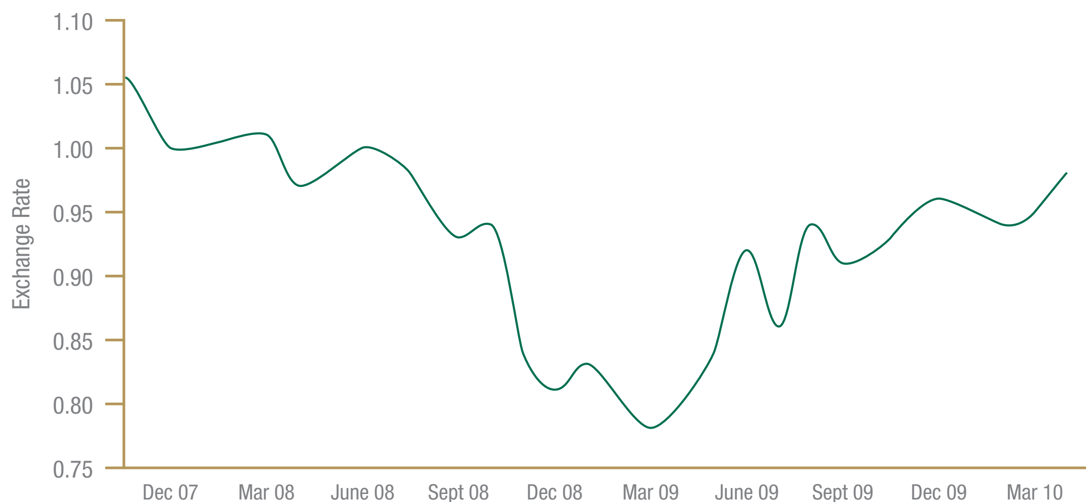


2009 was a solid year for the company. Our revenue increased 19% over 2008 and our EBITDA (normalized for foreign exchange impact) increased approximately 45%. In June of 2009 we successfully converted from an income trust to a corporation through a plan of arrangement with Benachee Resources. This was in response to the October 31, 2007 announcement by the Canadian government that a trust tax will be imposed on Canadian income trusts effective January 1, 2011. We felt our decision to convert early was in the best interest of our shareholders. Uncertainty was removed as to our future structure and the effect on distributions. Our successful completion of the conversion combined with our ability to maintain distribution levels was received well by our shareholder base. The corporate structure has also expanded our shareholder base which we hope will improve our liquidity and ultimately our cost of capital.

On October 27, 2009 we successfully completed a $115 million convertible debenture offering with a group of underwriters led by TD Securities. We are excited with the flexibility and certainty that this financing provides AGI. After the illiquidity that faced both the debt and equity capital markets in the last couple of years, we felt it was prudent to proceed with the financing. Given the opportunities that we anticipate in the years ahead, we are now able to execute on our medium-term business plan without consideration for short-term volatility in the capital markets. The funds will be targeted at strategic capital investments and acquisition opportunities.

As we entered 2009 we faced both optimism and uncertainty. We were confident that the headwinds we faced in 2008 as a result of capacity constraints and volatile currency and steel markets were

CAD–USD EXCHANGE RATE



behind us for the time being. However, a dramatic redirection in fertilizer application and a collapse in international credit markets presented a lack of transparency for market fundamentals. Credit tightening did negatively impact both our international expansion efforts as well as domestic demand for commercial equipment.

However, this weakness was offset by continued strength in our core market. The very strong balance sheets of North American farmers minimized the impact on demand as a result of the credit crisis. Also, favourable weather conditions propelled the U.S. to another record corn crop and record soybean crop. It is of particular interest that the corn crop edged out the 2007 record with almost a 7 million acre reduction in planting and reduced fertilizer application. This is a testament to the strength of the trend in yield and volume increases. Grain volume is the primary driver for our business model and this trend continues to have solid legs.

Despite another large crop commodity prices remain solid. This is a reflection of our belief that the world is continually challenged to meet growing demand. In particular, we believe that increased storage, handling and conditioning infrastructure will be an integral part of the solution to future shortfalls. Outside of North America 10–20% of the world grain crop is lost due to spoilage and transportation. This is low hanging fruit for producers worldwide. However, most emerging countries only have the ability to efficiently store 20–50% of the annual grain production. This compares to on farm storage penetration of approximately 80% in North America.

If emerging markets want to emulate North American sophistication in storage, handling and conditioning, billions of dollars of incremental investment has to be deployed over the next couple of decades. We are focusing our business plan to capitalize on what we believe to be an inevitable progression.

2010 is another year of investment in the future of AGI. In 2007, we aggressively pursued capacity and human resource expansion as well as investment in acquisition to expand our product offering. Since then we have been solely focused on execution to maximize the return on these investments. We are extremely pleased with the results.

We are expecting only marginal growth in 2010 given the strong domestics tailwinds we experienced in 2009. We are confident that headwinds resulting from credit constraints are easing and we see positive developments in our commercial equipment markets as well as international markets.

In preparation for our next leg of growth, we have continued to expand our resources in our international marketing and support teams.

We are aggressively continuing the rollout of our lean manufacturing initiatives at the divisions. By the end of 2010 we expect that over 70% of our revenue base will be at various stages of implementation of lean practices. We were on a totally mass production, batch production philosophy only three years ago.

Our strengthened balance sheet as a result of our recent debenture offering positions us well for opportunities presented to us. Our first substantial investment is underway at our Twister division. We have ordered a new bin line for delivery in the second half of the year. This line will fill substantial gaps in our product line. The expansion will provide us with approximately $70 million of new capacity in economic terms. It will also enable us to produce the full spectrum of bin sizes which will allow us to lever the rest of our products off of our expanded catalogue. This expansion will approximate $15 million, plus increased working capital investment, as we bring it into production.

We continue to look for opportunities focused on both product line expansion as well as geographical expansion. As we climb the learning curve in the international sphere we have continuously been expanding the scope of our search as it relates to both our catalogue and geography.

It has been a dynamic time during our first handful of years as a public company. We have experienced strong growth over these years. It has not come without challenges.

We have effectively expanded our catalogue to redefine our market space while remaining focused in the grain industry.

We have expanded our management team substantially to provide a new level of depth and greater resources to capitalize on opportunities. I am pleased to say that this team has really gelled in the last year. We have a young, experienced, dynamic management group with the energy and experience to compete with anyone in our market.

We have added substantial production capacity to position ourselves for future growth not only with bricks and mortar, but also building a core competency in lean manufacturing techniques. Although a work in progress, we are well underway with a transformation from a solely market driven company to a well-rounded organization with complementary manufacturing competency.

Finally we have restructured and refinanced to position AGI for what we believe are tremendous opportunities in the years ahead.

We believe the tipping point has been crossed for our industry segment. The pursuit of food security for nations around the world will trigger investment in agriculture that we haven't seen since the green revolution a half century ago.

The management, employees and board of directors of AGI are committed to focused, long-term value creation for our shareholders. We thank all of those who have supported us through the trials, tribulations and opportunities in the past six years. We hope it has been as rewarding for you as it has been for us. We also hope to have your continued support as we sustain and build a world-class leader in grain handling, storage and conditioning.

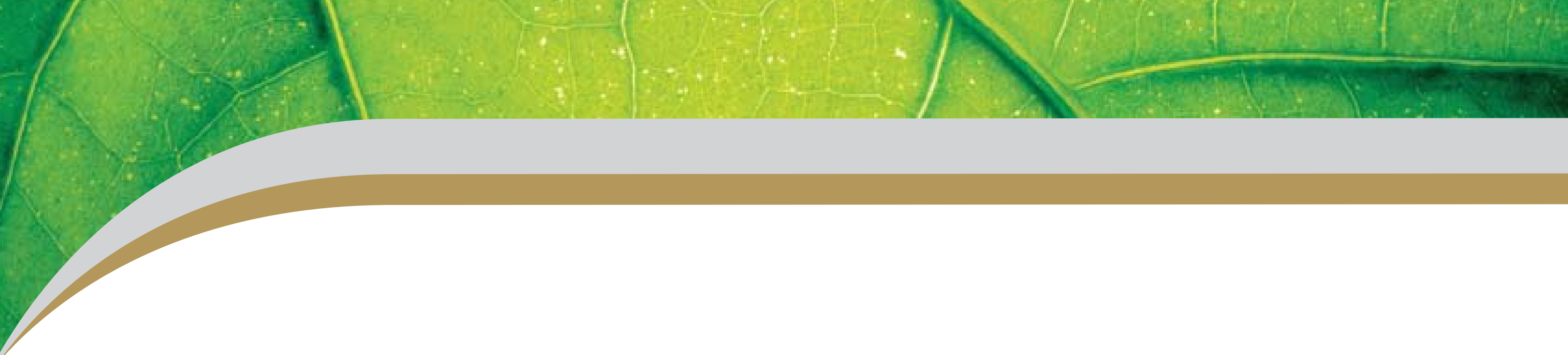
Rob Stenson
Chief Executive Officer

Nobleford, Alberta

AGI's existing Twister business has provided us with an opportunity to explore and learn the bin manufacturing landscape. We have developed internal expertise and confidence through the successful execution of major lean initiatives over the last year. Our shop floor is now lean – building today what we ship tomorrow.

With this experience and confidence, we are now equipped to enter the large bin manufacturing industry. We are moving forward with a major investment in the development of our own large bin manufacturing capabilities. We have ordered state of the art bin line manufacturing equipment and have broken ground on a brand new facility in Nobleford, Alberta to house the operation.

This product line extension will position AGI for international market share development and leverage our entire product catalogue by allowing us to offer a full spectrum of bin sizes. The bin line expansion will approximate $15 million and will result in $70 million of new capacity in economic terms. We will be ready for business in 2011.



MANAGEMENT'S DISCUSSION AND ANALYSIS
March 11, 2010

Ag Growth International Inc. ("Ag Growth" or the "Company") acquired its predecessor, Ag Growth Income Fund (the "Fund"), on June 3, 2009 pursuant to a statutory plan of arrangement under the Canada Business Corporations Act. Pursuant to the arrangement, Ag Growth acquired all of the trust units of the Fund in exchange for common shares of Ag Growth, and the Fund was "converted" from an open-ended limited purpose trust to a publicly listed corporation (the "Conversion"). See "Conversion to a Corporation." Ag Growth continues to conduct business in the grain handling, storage and conditioning market.

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 for the year ended December 31, 2009. Results are reported in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles. Throughout this MD&A references are made to "EBITDA," "adjusted EBITDA," "gross margin," "funds from operations" and "payout ratio." A description of these measures and their limitations are discussed below under "Non-GAAP Measures." See also "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form, and "Forward-Looking Statements" below.

Information in this MD&A reflects Ag Growth as a corporation on and subsequent to June 3, 2009 and as the Fund prior thereto. All references to "common shares" refer collectively to Ag Growth's common shares on and subsequent to June 3, 2009 and to the Fund's trust units prior to the Conversion. All references to "dividends" refer to dividends paid or payable to holders of Ag Growth common shares on and subsequent to June 3, 2009 and to distributions paid or payable to Fund unitholders prior to Conversion. All references to "shareholders" or "security holders" refer collectively to holders of Ag Growth's common shares on and subsequent to June 3, 2009 and to Fund unitholders prior to the Conversion. References to the "Share Award Incentive Plan" should be read as references to the "Unit Award Incentive Plan" for all periods prior to the Conversion.

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 Conversion, our business and strategy, including growth in sales to developing markets, the impact of crop conditions in our market areas, the impact of current economic conditions on the demand for our products, 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 impacted by the pace of recovery from the recent global economic crisis, including the cost and availability of capital and the possibility of deterioration in the Company's working capital position. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form. Although the forward-looking statements contained in this MD&A are based on what we believe to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

OPERATING RESULTS

Ag Growth reported record sales and EBITDA for the year ended December 31, 2009. Demand for portable grain handling and aeration equipment remained strong due to the size of the crop in the U.S., a late and wet harvest season in most areas of North America, as well as positive agricultural fundamentals including successive large harvests and continued high levels of on-farm storage. Sustained capacity gains at the Westfield division played a major role in allowing Ag Growth to capitalize on these positive market drivers.

Sales for the year ended December 31, 2009 were $237.3 million, an increase of 19% over 2008. In addition to positive demand drivers and an increase in capacity at Westfield, sales benefited from the sales price increases announced in 2008 and a weaker Canadian dollar. Product prices in 2010 are expected to approximate the levels experienced in 2009.

Gross margin as a percentage of sales for the year ended December 31, 2009 was 41.4% (2008 – 35.7%). The significant increase in the gross margin percentage was largely the result of sales price increases, the impact of foreign exchange and an increase in capacity and efficiency at Westfield (the Westfield capacity improvement initiative was completed in March 2008) and Edwards/Twister.

Adjusted EBITDA for the year ended December 31, 2009 was $59.3 million (2008 – $41.0 million). The 45% increase over 2008 was due primarily to significant increases in sales and gross margin of portable grain handling and aeration equipment, improved results at Edwards/Twister, and the impact of foreign exchange, offset by a decrease in commercial sales activity.

For financial statement reporting purposes, Ag Growth translates its U.S. dollar denominated debt to Canadian dollars at the rate of exchange in effect on the balance sheet date. The gain on translating U.S. dollar debt into Canadian dollars was $6.4 million in 2009, compared to a loss of $8.7 million in 2008. For the year ended December 31, 2009, EBITDA was $60.7 million (2008 – $34.6 million). The increase in EBITDA in 2009 is due to a significant increase in operating income and foreign exchange gains.

OPERATING RESULTS

(thousands of dollars)	Year Ended December 31	
	2009	**2008**
Sales	**$ 237,294**	$ 199,341
Cost of goods sold	**139,156**	128,264
Gross margin	**98,138**	71,077
Selling, general and administrative expenses	**31,949**	27,751
Other expenses (1)	**421**	855
Stock based compensation	**6,491**	1,520
Corporate conversion (2)	**2,113**	0
Loss (gain) on foreign exchange	**(1,403)**	6,389
Interest expense	**4,803**	2,733
Amortization	**8,354**	8,525
Earnings before tax	**45,410**	23,304
Current income taxes	**774**	1,552
Future income taxes	**(667)**	540
Net earnings for the period	**$ 45,303**	$ 21,212
Net earnings per share		
Basic	**$ 3.53**	$ 1.64
Fully diluted	**$ 3.45**	$ 1.64
EBITDA (3)(4)	**$ 60,680**	$ 34,562
Adjusted EBITDA (3)(4)(5)	**$ 59,277**	$ 40,951

(1) Research and development, capital taxes and other expense (income).
(2) See "Conversion to a Corporation."
(3) See "non-GAAP Measures."
(4) Excludes Conversion costs.
(5) Excludes the gain (loss) on foreign exchange.

ASSETS AND LIABILITIES

(thousands of dollars)	Year Ended December 31	
	2009	**2008**
Total assets	**$ 387,850**	$ 228,464
Total liabilities	**$ 211,051**	$ 102,928

Dividends Declared

The table below summarizes dividends and distributions declared to security holders of Ag Growth and the Fund for the years ended December 31, 2009 and 2008. The Company's dividend policy is described in the "Dividends" section of this MD&A.

DIVIDENDS

(thousands of dollars)	Year Ended December 31	
	2009	**2008**
Trust units	**$ 10,726**	$ 26,419
Class B units (1)	**116**	282
Preferred shares (2)	**9**	0
Common shares	**15,465**	0
Total	**$ 26,316**	$ 26,701

(1) Prior to Conversion, there were 136,085 Class B Exchangeable units outstanding in a subsidiary of the Fund that were exchangeable for Fund Trust units at the option of the holder on a one-for-one basis at any time.

(2) Pursuant to the Plan of Arrangement (see "Conversion to a Corporation"), Ag Growth issued 4,000,000 redeemable preferred shares that were entitled to receive cash dividends at a rate of $0.05 per share per annum. The preferred shares were also convertible at the holder's option into 140,452 common shares. On October 15, 2009, the holder of the redeemable preferred shares exercised the conversion option and there are now no redeemable preferred shares outstanding.

Sales

Sales for the year ended December 31, 2009 were $237.3 million, compared to $199.3 million in 2008. The increase in sales over 2008 is largely due to the following:

- Strong demand for portable grain handling and aeration equipment that resulted from the size of the crop in the U.S., a late and wet harvest season in most areas of North America, as well as to positive agricultural fundamentals including successive large harvests and continued high levels of on-farm storage.
- Sales levels benefited from sales price increases, a more favourable rate of foreign exchange and higher capacity at Westfield (the Westfield capacity improvement initiative was completed in March 2008). Product prices in 2010 are expected to approximate the levels experienced in 2009.
- Total international sales in 2009 were $16.5 million (2008 – $17.4 million). Sales to developing markets were $3.6 million in 2009 (2008 – $6.5 million). The decrease in 2009 was in line with management expectations as macro-economic factors including the availability of credit negatively impacted developing markets. Early indicators appear to suggest an improving credit situation in emerging markets which may result in increased international sales in 2010.
- The Company's financial statements translate U.S. dollar denominated sales into Canadian dollars based on the actual foreign exchange rate in the month of the sale. For the year ended December 31, 2009, the more favourable exchange rate compared to 2008 resulted in an increase in reported sales of $15.2 million, compared to the sales that would have been reported using the exchange rates in effect in 2008.

Gross Margin

Gross margin as a percentage of sales for the year ended December 31, 2009 was 41.4%, compared to 35.7% in 2008. The increase in gross margin percentages compared to 2008 was largely due to the following:

- Gross margin at most divisions in 2009 has benefited from lower input costs compared to 2008, particularly a decrease in steel costs in the latter portion of the year. Based on existing conditions, management currently anticipates materials input costs in 2010 to approximate the levels experienced in the second half of 2009.
- The positive impact of foreign exchange added approximately 1% to the 2009 gross margin percentage, compared to the gross margin that would have been reported using the exchange rates in effect in 2008.
- Gross margin on the Twister product line has improved significantly in 2009 due to production improvements that resulted largely from the implementation of lean manufacturing practices.
- Gross margin percentages on portable grain handling, storage and aeration equipment benefited from the realization of price increases announced in 2008.
- Completion of the capacity improvement initiative at Westfield increased throughput and efficiency, however gross margin was negatively impacted while the project was implemented in the first quarter of 2008.

Rate of Foreign Exchange

The rate of exchange between the Canadian and U.S. dollars may be a significant factor when comparing financial results to prior periods. A weaker Canadian dollar will result in higher sales and higher expenses as transactions denominated in U.S. dollars are translated to Canadian dollars at a higher rate. For the year ended December 31, 2009, sales denominated in U.S. dollars accounted for 72% of total sales (2008 – 74%) and U.S. dollar denominated expenses equated to 33% of sales (2008 – 36%).

Ag Growth's sales denominated in U.S. dollars significantly exceed its purchases denominated in U.S. dollars and as a result a weaker Canadian dollar benefits the Company's financial results. Ag Growth's average rate of exchange per U.S. dollar for the year ended December 31, 2009 was $1.15, compared to $1.04 in 2008. Accordingly, the weaker Canadian dollar in 2009 positively impacted Ag Growth's financial results compared to 2008. The Canadian dollar has strengthened recently, and accordingly the favourable impact of foreign exchange realized in 2009 may not be realized going forward.

Expenses

Selling, general and administrative expenses for the year ended December 31, 2009 were $31.9 million or 13.4% of sales (2008 – $27.8 million or 13.9%). The increase of $4.1 million over 2008 is primarily due to the following:

- A number of Ag Growth's selling, general and administrative expenses are denominated in U.S. dollars. Due to a weaker Canadian dollar these expenses were translated to Canadian dollars at a higher rate. The impact of the weaker Canadian dollar was to increase these expenses by $1.0 million compared to 2008.

- Sales and marketing expense increased $1.7 million due largely to the development of an international sales group, wage adjustments, and increased expenditures related to advertising and brochure development.

- Salary expense increased $1.3 million due to personnel additions to facilitate growth and acquisition integration, wage adjustments, an increase in performance related and other bonuses, and a number of smaller items.

- Costs of $0.7 million were incurred with respect to the implementation of lean manufacturing at Edwards and Union Iron.

- A number of miscellaneous items with variances of $0.3 million or less accounted for the remaining change.

Other significant items include the following:

- Calculation of the share award incentive plan ("SAIP") expense is based on the trading price of the Company's common shares at the balance sheet date and the vesting provisions of the SAIP. For the year ended December 31, 2009, Ag Growth recorded an expense related to the SAIP of $3.8 million (2008 – $0.7 million).

- Ag Growth's long-term incentive plan ("LTIP") provides for annual awards based on distributable cash generated. The awards are expensed over the term of the participant's vesting period and as a result the expense in 2009 also includes a component related to fiscal 2007 and 2008. For the year ended December 31, 2009, Ag Growth recorded an expense related to the LTIP of $2.7 million (2008 – $0.9 million).

- For financial statement reporting purposes, Ag Growth translates its U.S. dollar denominated debt to Canadian dollars at the rate of exchange in effect on the balance sheet date. For the year ended December 31, 2009, the Company recorded a gain on the translation of its U.S. dollar debt of $6.4 million (2008 – loss of $8.7 million). The significant unrealized loss in 2008 was largely the result of the depreciation of the Canadian dollar in the fourth quarter of 2008. Also included in "gain (loss) on foreign exchange" are gains or losses on foreign exchange derivative contracts and the gains or losses on the translation of U.S. dollar denominated working capital.

EBITDA and Net Earnings

(see discussion of non-GAAP measures)

Adjusted EBITDA for the year ended December 31, 2009 was $59.3 million (2008 – $41.0 million). The increase over 2008 is due primarily to significant increases in sales and gross margin at Westfield and at Edwards and the impact of foreign exchange on U.S dollar denominated sales and expenses.

EBITDA for the year ended December 31, 2009 was $60.7 million, compared to $34.6 million in 2008. The increase in EBITDA is the result of a significant increase in operating income and the gain on foreign exchange.

The Company's bank indebtedness as at December 31, 2009 was $nil (2008 – $nil) and its outstanding long-term debt was CAD $25.4 million (2008 – $52.8 million), comprised of USD $25.0 million aggregate principal amount of non-amortizing secured notes that bear interest at 6.80% and mature October 29, 2016. The Company is also party to a credit facility with three Canadian chartered banks that includes CAD $10.0 million and USD $2.0 million available for working capital purposes, and provides for non-amortizing long-term debt of up to CAD $38.0 million and USD $20.5 million. These facilities were fully repaid in October 2009 and

no amounts were drawn as at December 31, 2009. 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. For financial reporting purposes long-term debt is shown net of the related deferred financing costs of $0.8 million. For the year ended December 31, 2009, the Company's effective interest rate on its U.S. dollar term debt was 4.2% (2008 – 5.1%), and after consideration of the effect of its interest rate swaps was 4.5% (2008 – 5.2%). For the year ended December 31, 2009, Ag Growth's effective interest rate on its Canadian dollar term debt was 3.4% (2008 – 4.8%). See "Financial Instruments."

At December 31, 2009 the Company has outstanding $115 million aggregate principal amount of convertible unsecured subordinated debentures (2008 – $nil). The Debentures bear interest at an annual rate of 7.0% and mature December 31, 2014. See "Capital Resources."

Amortization of capital assets for the year ended December 31, 2009 was $5.4 million (2008 – $5.5 million), and the amortization of intangibles in 2009 was $3.0 million (2008 – $3.0 million).

For the year ended December 31, 2009, the Company recorded a current tax expense of $0.8 million (2008 – $1.6 million). The current tax expense relates to certain subsidiary corporations of Ag Growth, including its U.S. based divisions. Ag Growth converted from an income trust to a taxable corporation on June 3, 2009 (see "Conversion to a Corporation"). As at June 3, 2009, Ag Growth had Canadian future tax assets of approximately $69.8 million available to offset the impact of Canadian taxable income on a go-forward basis. For the year ended December 31, 2009, the Company reduced its Canadian tax liability to zero through the utilization of $10.4 million of its future tax assets.

For the year ended December 31, 2009, the Company recorded a future tax recovery of $0.7 million (2008 – expense of $0.5 million). The future tax recovery in 2009 is comprised of a net expense of $1.8 million related to the utilization of future tax assets, offset by a $1.6 million recovery that resulted from the Conversion, and a recovery of $0.9 million 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.

For the year ended December 31, 2009, the Company reported net earnings of $45.3 million (2008 – $21.2 million), basic net earnings per share of $3.53 (2008 – $1.64), and fully diluted net earnings per share of $3.45 (2008 – $1.64).

SELECTED ANNUAL INFORMATION

(thousands of dollars, other than per share data)	**Twelve Months Ended December 31**		
	2009	2008	2007
Sales	**$ 237,294**	$ 199,341	$ 130,371
EBITDA (1)	**$ 60,680**	$ 34,562	$ 32,368
Adjusted EBITDA (1)	**$ 59,277**	$ 40,951	$ 28,250
Net income	**$ 45,303**	$ 21,212	$ 12,366
Earnings per share – basic	**$ 3.53**	$ 1.64	$ 1.06
Earnings per share – fully diluted	**$ 3.45**	$ 1.64	$ 1.06
Funds from operations (1)	**$ 52,165**	$ 38,554	$ 25,553
Payout ratio (1)	**50%**	69%	77%
Dividends declared per share (2)			
Fund trust units	**$ 0.85**	$ 2.07	$ 1.68
Class B units	**$ 0.85**	$ 2.07	$ 1.68
Common shares	**$ 1.19**	$ N/A	$ N/A
Total assets	**$ 387,850**	$ 228,464	$ 210,683
Total long-term liabilities	**$ 174,024**	$ 65,216	$ 37,399

(1) See "non-GAAP Measures"

(2) Effective June 3, 2009, the Company converted from an open-ended limited purpose trust to a publicly listed corporation (see "Conversion to a Corporation"). Accordingly, Fund trust units and Class B units received distributions for the first five months of 2009, and common shareholders of the publicly listed corporation received dividends thereafter.

The following factors impact comparability between years in the table above:

- Sales, gain (loss) on foreign exchange, net earnings, and net earnings per share are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.
- Total assets and long-term liabilities were impacted by financing activities in 2009 as the Company issued $115 million face value of convertible debentures, repaid its long-term debt, and issued new long-term debt. Cash provided by financing activities in 2009, excluding dividend payments of $29.3 million, was $88.3 million. On the date of issuance of the debentures, long-term liabilities increased $107.5 million as the fair value of the conversion option was estimated at $7.5 million and included in shareholders' equity.
- Subsequent to January 15, 2008, results reflect the acquisition of Applegate.
- Subsequent to November 19, 2007, results reflect the acquisition of Union Iron.
- Subsequent to May 31, 2007, results reflect the acquisition of Twister.
- Fiscal 2007 includes a non-cash future tax expense of $9.5 million related to the enactment of taxation laws related to income trusts.

QUARTERLY FINANCIAL INFORMATION

(thousands of dollars)

	2009			
	Sales	**Gain (Loss) on FX**	**Net Earnings (Loss)**	**Diluted Earnings per Share**
Q1	$ 55,289	$ (2,028)	$ 10,127	$ 0.79
Q2	66,840	1,722	16,431	1.27
Q3	68,316	2,228	15,126	1.16
Q4	46,849	(519)	3,619	0.27
Fiscal 2009	**$ 237,294**	**$ 1,403**	**$ 45,303**	**$ 3.45**

	2008			
	Sales	**Gain (Loss) on FX**	**Net Earnings (Loss)**	**Diluted Earnings per Share**
Q1	$ 35,138	$ (586)	$ 1,889	$ 0.14
Q2	55,950	291	7,460	0.58
Q3	60,012	(1,242)	9,753	0.75
Q4	48,241	(4,852)	2,110	0.17
Fiscal 2008	**$ 199,341**	**$ (6,389)**	**$ 21,212**	**$ 1.64**

Interim period revenues and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. 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 comparability between quarters in the table above:

- Sales, gain (loss) on foreign exchange, net earnings, and net earnings per share are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.
- The second quarter of 2009 includes an expense of $1.7 million related to the Conversion and a future tax recovery of $1.8 million.

FOURTH QUARTER

Ag Growth reported record EBITDA in the fourth quarter of 2009, due largely to continued high demand for portable grain handling equipment and strong gross margin percentages. The fourth quarter of 2009, compared to the same period in 2008, was positively impacted by a late harvest and the resulting extension of in-season sales, offset by the impact of a stronger Canadian dollar.

Sales

Sales for the three months ended December 31, 2009 were $46.8 million (2008 – $48.2 million). The decrease of $1.4 million or 3% from the fourth quarter of 2008 is largely due to the following:

- Sales of portable grain handling equipment increased as a late harvest extended the in-season sales period for grain augers.
- Sales were negatively impacted by foreign exchange. For the fourth quarter of 2009, the stronger Canadian dollar resulted in a decrease in reported sales of $2.9 million compared to the sales that would have been reported using the exchange rates in effect in the fourth quarter of 2008.
- Sales of aeration equipment decreased compared to the fourth quarter of 2008. In 2008, Edwards was not able to fill a significant number of in-season orders until the fourth quarter, whereas in 2009 Edwards' production was sufficient to fill these orders in the third quarter.

Gross Margin

Gross margin as a percentage of sales for the quarter ended December 31, 2009 was 38.6%, compared to 35.9% in 2008. The increase in gross margin percentages compared to 2008 was largely due to the following:

- The fourth quarter of 2009 was negatively impacted by foreign exchange. The negative impact of a stronger Canadian dollar compared to the fourth quarter of 2008 reduced the gross margin percentage by approximately 1%, compared to gross margins that would have been reported using the exchange rates in effect in those periods in 2008.
- Sales in the fourth quarter of 2009 were more heavily weighted towards higher margin portable grain handling equipment.
- Gross margin at Union Iron improved compared to 2008 as a result of higher sales volume and sales mix.

Expenses

For the three months ended December 31, 2009, selling, general and administrative expenses were $7.8 million or 16.6% of sales (2008 – $7.9 million or 16.4%). The decrease of $0.1 million from 2008 is primarily due to the following:

- A number of Ag Growth's selling, general and administrative expenses are denominated in U.S. dollars. Due to a stronger Canadian dollar in Q4 these expenses were translated to Canadian dollars at a lower rate. The impact of the stronger Canadian dollar was to decrease these expenses by $0.2 million compared to 2008.
- Sales and marketing expense increased $0.3 million due largely to the development of an international sales group and investment in offshore territory development.
- A number of miscellaneous items with variances of $0.2 million or less and certain reclassifications of comparative figures accounted for the remaining change.

Other significant items include the following:

- Calculation of the SAIP expense is based on the trading price of the Company's common shares at the balance sheet date and the vesting provisions of the plan. For the three months ended December 31, 2009, Ag Growth recorded an expense related to the SAIP of $0.7 million (2008 – $0.1 million).
- The LTIP awards are expensed over the term of the participant's vesting period and as a result the expense in 2009 also includes a component related to awards from both 2007 and 2008. For the three months ended December 31, 2009, Ag Growth recorded an expense related to the LTIP of $0.6 million (2008 – $0.2 million).
- Ag Growth recorded a loss on foreign exchange of $0.5 million in the fourth quarter of 2009, compared to a loss of $4.9 million in the same period in 2008. The significant loss in 2008 was largely due to the unrealized loss on translating U.S. dollar debt that resulted from the depreciation of the Canadian dollar.

Adjusted EBITDA for the three months ended December 31, 2009 was $9.2 million (2008 – $8.9 million). The increase is due primarily to an increase in gross margin percentages compared to 2008. EBITDA for the three months ended December 31, 2009 was $8.7 million, compared to $4.1 million in 2008. The increase in EBITDA is the result of higher gross margins and a significant increase in the gain on foreign exchange.

For the three months ended December 31, 2009, the Company reported net earnings of $3.6 million (2008 – $2.1 million), basic net earnings per share of $0.28 (2008 – $0.17), and fully diluted net earnings per share of $0.27 (2008 – $0.17).

CASH FLOW AND LIQUIDITY

The table below reconciles net earnings to cash provided by operations for the years ended December 31, 2009 and 2008:

(thousands of dollars)	Year Ended December 31	
	2009	**2008**
Net earnings for the period	**$ 45,303**	$ 21,212
Add charges (deduct credits) to operations not requiring a current cash payment:		
Amortization	**8,354**	8,525
Future income taxes	**(667)**	540
Translation loss (gain) on foreign exchange	**(8,029)**	8,745
Non-cash interest expense	**778**	349
Stock based compensation	**6,491**	1,520
	52,230	40,891
Net change in non-cash working capital balances related to operations:		
Accounts receivable	**310**	(14,182)
Inventory	**3,900**	(13,155)
Prepaid expenses and other assets	**(671)**	304
Accounts payable and accruals	**2,141**	(359)
Customer deposits	**(3,775)**	(1,444)
LTIP	**(20)**	91
Income taxes payable	**275**	(1,242)
	2,160	(29,987)
Cash provided by operations	**$ 54,390**	$ 10,904

For the year ended December 31, 2009, cash provided by operations was $54.4 million (2008 –$10.9 million). The significant improvement in cash flow from operations was achieved largely because sales and net earnings increased without a proportionate investment in working capital. In fiscal 2008 significant cash resources were required to increase inventory levels, primarily to support increased demand and production capacity. The required increase in inventory levels was achieved by the end of 2008 and accordingly a similar investment in inventory levels in fiscal 2009 was not required. Increased capacity and demand in 2008 also resulted in a significant increase in fourth quarter sales and a higher than historical accounts receivable balance at year-end. Accounts receivable at December 31, 2009 were not significantly different from the prior year largely because fourth quarter sales in 2009 approximated the sales levels of 2008. A number of smaller changes account for the remaining variance.

In fiscal 2010 we expect that non-cash working capital requirements will approximate the patterns experienced in 2009. Ag Growth's working capital requirements in 2010 will be impacted by sales demand as well as certain risk factors including foreign exchange rates and fluctuations in input costs.

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.

Results in 2009 generally reflected these expectations, however due to proceeds received from its debenture offering (see "Convertible Debentures") and a significant increase in cash provided by operations, the Company did not draw on its operating lines to the same extent as in prior years. Working capital requirements in 2010 are expected to approximate historical patterns, with the exception that the Company expects its cash on hand will be sufficient to finance seasonal working capital requirements and as a result does not expect to utilize its operating line balance.

Investment in One Earth Farms

On December 22, 2009, the Company purchased two million common shares at $1.00 per share in the private company One Earth Farms Corp. ("One Earth"), a Canadian corporate farming organization. The Company's investment represents approximately 4.4% of the outstanding shares of One Earth. One Earth's objective is to become Canada's largest, most efficient operating farm through partnerships with First Nations and other key strategic agricultural companies. One Earth has deposited $2 million with Ag Growth as a prepayment for future purchases of Ag Growth equipment.

Capital Expenditures

Ag Growth had maintenance capital expenditures of $2.2 million for the year ended December 31, 2009 (2008 – $2.3 million). Maintenance capital expenditures in 2009 relate primarily to purchases of manufacturing equipment and were funded through cash from operations.

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 of $2.6 million in 2009 (2008 – $8.9 million). The following capital expenditures were classified as non-maintenance in 2009 and were financed through cash from operations:

i. Union City, Indiana – a manufacturing facility was acquired to allow for the transfer of certain production from western Canada as well as to provide a more efficient facility for Applegate. Ag Growth expended $0.8 million on this project in 2009 and additional expenditures are not expected to be significant.

ii. Westfield warehousing facility – Westfield invested $1.3 million towards constructing a new warehousing facility in Fargo, ND. Additional expenditures in 2010 are not expected to be significant and the Company expects to sell its existing facility in 2010.

iii. Westfield robotics – Westfield invested $0.2 million in additional robotic manufacturing to increase capacity. Additional expenditures are not expected to be significant.

iv. Completion of projects from 2008 – an additional $0.3 million was expended with respect to capacity initiatives at Batco and Westfield. Additional expenditures are not expected to be significant.

Maintenance capital expenditures are expected to increase to over $3.0 million in 2010 and it is anticipated that these expenditures will be financed from operations. Non-maintenance capital expenditures in 2010 are expected to increase significantly and are expected to be financed from the proceeds of the Company's October 2009 debenture offering (See "Capital Resources – Convertible Debentures"). The Company expects to invest in the following non-maintenance projects in 2010:

i. Grain storage bin capacity – the Company expects to invest approximately $15 million to increase its grain storage bin production capacity and to expand the breadth of its storage bin product line to include larger bins. The capital expenditure relates to a stand-alone bin manufacturing facility in Nobleford, AB, 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 addition, the investment should greatly increase the Company's storage bin production efficiencies. The project is expected to be completed in the fourth quarter of 2010.

ii. Consolidation of Edwards' production facilities – Edwards currently operates out of facilities in Lethbridge, AB and Nobleford, AB. In 2010 the Company expects to invest approximately $4 million to expand the existing facility in Nobleford and subsequently transfer production from Lethbridge to the newly expanded plant. Consolidation of the facilities is expected to result in lower operating costs. The project is expected to be completed in the fourth quarter of 2010. The Company expects to sell the existing Lethbridge facility in 2011 and proceeds from the sale are expected to approximate the $4 million initial investment.

iii. Westfield facility expansion – Westfield's primary facility in Rosenort, MB is currently supported by a leased facility in Winnipeg, MB. In 2010 the Company expects to invest approximately $3.5 million to expand the Rosenort facility and transfer production from Winnipeg to the main plant in Rosenort. The investment is expected to lower operating costs, improve the coordination of production activities and provide Westfield with increased space to perform research and development. The project is expected to be completed in the fourth quarter of 2010.

iv. A number of less significant growth capital expenditures are expected to total approximately $2.0 million in 2010.

Cash Balance

For the year ended December 31, 2009, the Company's cash balance increased $104.7 million (2008 – decreased $16.0 million), and as at December 31, 2009, the Company had a cash balance of $109.1 million (2008 – $4.4 million).

Cash provided by financing activities in 2009, excluding dividend payments of $29.3 million, was $88.3 million (2008 – $13.5 million). Net proceeds from the Company's October 2009 debenture offering were approximately $109.9 million, the proceeds of which were used in part to repay existing long-term debt. The Company also entered a new credit facility in October 2009. The net effect of these transactions was to increase the Company's cash balance by $83.7 million.

CONTRACTUAL OBLIGATIONS

(thousands of dollars)	Total	2010	2011	2012	2013	2014 +
Debentures	$ 115,000	$ 0	$ 0	$ 0	$ 0	$ 115,000
Long-term debt	26,212	16	16	15	0	26,165
Operating leases	2,412	1,305	680	208	114	105
Total obligations	$ 143,624	$ 1,321	$ 696	$ 223	$ 114	$ 141,270

Debentures relate to the aggregate principal amount of debentures issued by the Company in October 2009 (see "Convertible Debentures"). Long-term debt at December 31, 2009 is comprised of USD $25.0 million aggregate principal amount of secured notes issued through a note purchase and private shelf agreement. The remaining long-term debt relates to GMAC financed vehicle loans. The operating leases relate primarily to vehicle, equipment, warehousing, and facility leases and were entered into in the normal course of business.

As at March 11, 2010, the Company had outstanding commitments of $12.2 million in relation to capital expenditures for building and equipment.

CAPITAL RESOURCES

Cash

The Company had a cash balance of $109.1 million as at December 31, 2009 (2008 – $4.4 million).

Long-term Debt

On October 29, 2009, the Company authorized the issue and sale of USD $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 USD $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, and 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 USD $2.0 million available for working capital purposes, and provides for non-amortizing long-term debt of up to CAD $38.0 million and USD $20.5 million. No amounts were drawn under these facilities as at December 31, 2009. 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.

For the year ended December 31, 2009, the Company's effective interest rate on its U.S. dollar term debt was 4.2% (2008 – 5.1%), and after consideration of the effect of its interest rate swaps was 4.5% (2008 – 5.2%). For the year ended December 31, 2009, Ag Growth's effective interest rate on its Canadian dollar term debt was 3.4% (2008 – 4.8%). See "Financial Instruments."

Convertible Debentures

On October 27, 2009, the Company issued $100 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 in each year, commencing June 30, 2010. The maturity date of the Debentures is December 31, 2014.

Ag Growth granted the underwriters an over-allotment option to purchase up to 15% of the principal amount of the Debentures on the same terms and conditions as the offering of the Debentures.

The underwriters exercised the over-allotment option in full on November 6, 2009 resulting in the issue of an additional $15 million principal amount of Debentures.

Including the over-allotment option, 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 net proceeds of the offering will be used by Ag Growth for general corporate purposes and were used to repay existing indebtedness of approximately USD $37.6 million and CAD $11.9 million under the Company's credit facility.

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. A total of 2,556,692 common shares are reserved for issue on 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.

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.

Ag Growth's convertible 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:

	# Fund Trust Units	# Class B Units (1)	# Common Shares
December 31, 2007	12,818,915	136,085	0
Purchased under normal course issuer bid	(200,000)	0	0
Outstanding at December 31, 2008	12,618,915	136,085	0
Conversion (2)	(12,618,915)	(136,085)	12,755,000
Common shares issued upon Conversion (2)(3)	0	0	182,588
Conversion of redeemable preferred shares	0	0	140,452
Outstanding at December 31, 2009	0	0	13,078,040
Share award incentive plan issuance	0	0	73,333
Outstanding at March 11, 2010	0	0	13,151,373

(1) Prior to Conversion, there were 136,085 Class B Exchangeable units outstanding in a subsidiary of the Fund that were exchangeable for Fund Trust units at the option of the holder on a one-for-one basis at any time.

(2) See "Conversion to a Corporation."

(3) Pursuant to the Plan of Arrangement, consideration included 182,588 common shares.

On October 22, 2008, Ag Growth commenced a normal course issuer bid for up to 1,262,090 common shares, representing 10% of its public float at that time. The normal course issuer bid terminated on October 21, 2009 and was not renewed. Common shares purchased under the normal course issuer bid were cancelled. Common shares were purchased at market price and in accordance with TSX requirements. For the period ending December 31, 2008, Ag Growth purchased and cancelled 200,000 common shares at an average share price of $19.47 for total cash consideration of $3.9 million. No common shares were purchased under the normal course issuer bid in the year ended December 31, 2009.

On December 10, 2009, Ag Growth commenced a new 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 will terminate on December 9, 2010 unless terminated earlier by Ag Growth. The Company did not purchase any common shares under the normal course issuer bid in the periods ended December 31, 2009 and March 11, 2010.

The Company has issued $115 million aggregate principal amount of convertible unsecured subordinated debentures. Ag Growth has reserved 2,556,692 common shares for issuance upon conversion of the Debentures. See "Convertible Debentures."

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. The remaining 146,667 share awards remain outstanding at March 11, 2010 and, subject to vesting and payment of the exercise price, are each exercisable for one common share.

In April 2009, the administrator of the LTIP acquired 11,008 common shares to satisfy its obligations with respect to awards under the LTIP for fiscal 2008. In April 2008, the administrator of the LTIP acquired 70,400 common shares to satisfy its obligations with respect to fiscal 2007. 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 December 31, 2009, a total of 23,467 common shares related to the LTIP had vested to the participants. On January 1, 2010, an additional 27,136 common shares vested to the participants.

A total of 8,419 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.

REDEEMABLE PREFERRED SHARES

Pursuant to the Plan of Arrangement (see "Conversion to a Corporation"), Ag Growth issued 4,000,000 redeemable preferred shares with a stated value of $1.00 per share. The preferred shares were entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board, out of monies properly applicable to the payment of dividends at a rate $0.05 per share per annum. Each preferred share was also convertible at the holder's option into 0.035113 of a common share, for a total of 140,452 common shares, at any time up to three years from the date of issuance. Each preferred share was redeemable at any time from the date of issuance until June 30, 2010 at the option of Ag Growth, and retractable at the holder's option at any time on or after June 30, 2010, in each case for $1.00 cash per preferred share plus accrued and unpaid cumulative dividends thereon. The redeemable preferred shares were not publicly traded. On October 15, 2009, the holder of the redeemable preferred shares exercised the conversion option and there are now no redeemable preferred shares outstanding.

DIVIDENDS

Ag Growth declared dividends to security holders of $26.3 million for the year ended December 31, 2009 (2008 – $26.7 million). The amount decreased from the prior year as 2008 included a special distribution of $3.1 million as was required under the Fund's income trust structure. The Company converted to a corporation on June 3, 2009 (see "Conversion to a Corporation"). Excluding the 2008 special distribution, dividends in 2009 increased $2.7 million, due to an increase in the monthly dividend level by $0.03 per share to $0.17 per share effective August 2008, and to an increase in the outstanding number of common shares.

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-GAAP measures," is the equivalent of EBITDA (1), less interest expense, current cash taxes and maintenance capital expenditures, plus the non-cash component of interest expense and stock based compensation and adjusted for the translation gain or loss on foreign exchange. 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)	Year Ended December 31	
	2009	**2008**
EBITDA	**$ 60,680**	$ 34,562
Stock based compensation	**6,491**	1,520
Non-cash interest expense	**778**	349
Translation loss (gain) on foreign exchange	**(8,029)**	8,745
Interest expense	**(4,803)**	(2,733)
Current income tax	**(774)**	(1,552)
Maintenance capital expenditures	**(2,178)**	(2,337)
Funds from operations (2)	**$ 52,165**	$ 38,554

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

(thousands of dollars)	Year Ended December 31	
	2009	**2008**
Cash provided by operating activities	**$ 54,390**	$ 10,904
Change in non-cash working capital	**(2,160)**	29,987
Conversion costs	**2,113**	0
Maintenance capital expenditures	**(2,178)**	(2,337)
Funds from operations (2)	**$ 52,165**	$ 38,554
Basic weighted average shares outstanding	**12,835,166**	12,923,988
Dividends declared per share	**$ 2.04**	$ 2.07
Funds from operations per share (2)	**$ 4.06**	$ 2.98
Payout ratio (2)	**50%**	69%

(1) See "EBITDA and Net Earnings."
(2) See "non-GAAP Measures."

The following table displays total funds from operations and total dividends declared since Ag Growth's 2004 initial public offering:

FUNDS FROM OPERATIONS

(in thousands of dollars)	Generated	Dividends Declared (1)	Payout Ratio
Period Ended December 31, 2004	$ 9,887	$ 9,109	92%
Year Ended December 31, 2005	22,676	18,918	83%
Year Ended December 31, 2006	21,974	18,858	86%
Year Ended December 31, 2007	25,553	19,585	77%
Year Ended December 31, 2008	38,554	26,701	69%
Year Ended December 30, 2009	52,165	26,307	50%
Cumulative since inception	$ 170,809	$ 119,478	70%

(1) Includes special distributions of the Fund of $1,329 in 2004, $3,368 in 2005, and $3,061 in 2008. Excludes $9 dividend paid to holders of preferred shares in 2009.

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. In 2008, due to increased working capital investments required to maintain growth, total dividends exceeded cash provided by operations. As a result, a portion of 2008 dividends were financed from the Company's opening cash balance. In fiscal 2009 dividends were funded entirely through cash from operations and the Company expects dividends in 2010 will also be funded through 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.

CONVERSION TO A CORPORATION

The Fund's decision to convert to a corporation arose from the federal government's October 31, 2006 announcement and subsequent legislation (the "SIFT legislation") to impose additional income taxes on publicly traded income trusts, including the Fund, effective January 1, 2011. In addition, in order to qualify under new legislation for a tax-free conversion, it was necessary to convert to a corporation before the end of 2013. Management and the Fund's Board of Trustees had been proactively assessing several options available to provide long-term stability of distributions for unitholders while mitigating the impact of the trust taxation legislated by the Federal Government in June 2007. As the tax enhancement value related to the income trust structure diminished, it was determined that the benefits of an early conversion to a corporation outweighed the value of remaining under the trust structure.

The Conversion was completed pursuant to a Plan of Arrangement that was approved at a special meeting (the "Special Meeting") of the Fund's unitholders and holders of exchangeable limited partnership units of AGX Holdings Limited Partnership held on June 3, 2009. Under the Plan of Arrangement, the Fund's unitholders received one common share of Benachee Resources Inc. ("Benachee") in exchange for each Fund unit and/or exchangeable unit held, resulting in the Fund unitholders becoming shareholders of Benachee. Benachee then changed its name to "Ag Growth International Inc." and the existing trustees and management of the Fund became the board and management of Ag Growth. The Conversion was accounted for as a continuity of interests of the Fund since there was no change of control and since Ag Growth continues to operate the business of the Fund. Ag Growth did not retain the business previously carried on by Benachee. Costs incurred with respect to the Conversion in 2009 were $2.1 million.

Pursuant to the Plan of Arrangement, Ag Growth also issued consideration in the form of $5.0 million cash, an additional 182,588 common shares, and stated value $4.0 million redeemable preferred shares which are convertible into 140,452 common shares. On October 15, 2009, the holder exercised the conversion option on the redeemable preferred shares.

Complete details of the terms of the Plan of Arrangement are set out in the Arrangement Agreement and the Management Information Circular for the Special Meeting that have been filed by Ag Growth on SEDAR (www.sedar.com).

RELATED PARTY TRANSACTIONS

Burnet, Duckworth & Palmer LLP provide 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 the Conversion and the debenture offering during the year ended December 31, 2009 was $0.9 million. 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. 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 future income taxes. Ag Growth's accounting policies are described in Note 2 to the audited financial statements for the year ended December 31, 2009.

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 ongoing 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.

Future Income Taxes

Future 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 future 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 earnings, 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 future income tax assets. Future 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 future tax assets would be fully realized.

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 the collection of the related accounts receivable. As at December 31, 2009, the Company had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts

Settlement Dates	Face Amount USD (000s)	Average Rate CAD	CAD Amount (000s)
January – December 2010	$ 50,000	$ 1.1722	$ 58,610
January – November 2011	$ 45,000	$ 1.0955	$ 49,298

At December 31, 2009, the fair value of the outstanding forward foreign exchange contracts was a gain of $7.8 million. Consistent with prior periods, the Company has elected to apply hedge accounting for these contracts and the unrealized gain has been recognized in other comprehensive income for the year ended December 31, 2009.

As at December 31, 2009, the Company also had outstanding a series of call and put options as follows:

Buyer: Ag Growth

Expiration Date	Call Amount CAD (000s)	Put Amount USD (000s)
March 30, 2010	$ 2,440	$ 2,000
October 28, 2010	$ 6,100	$ 5,000
December 31, 2010	$ 3,660	$ 3,000

Seller: Ag Growth

Expiration Date	Call Amount USD (000s)	Put Amount CAD (000s)
March 30, 2010	$ 4,000	$ 5,220
October 28, 2010	$ 10,000	$ 13,050
December 31, 2010	$ 6,000	$ 7,830

At December 31, 2009, the fair value of the outstanding call and put options was a gain of $1.6 million. These call and put options are not considered to be an effective hedge for accounting purposes and the unrealized gain has been included in the Company's foreign exchange gain for the year ended December 31, 2009.

Interest Rate Swap Transactions

Ag Growth's term debt is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Company had three interest rate swap transactions with a Canadian chartered bank with a total notional amount of USD $26.5 million that resulted in interest charges to the Company of 2.88% plus a variable rate based on performance calculations. The swap transactions expired August 29, 2009. At December 31, 2009 there were no interest rate swap transactions outstanding. See "Capital Resources."

OUTLOOK

The primary demand drivers for portable grain handling and aeration equipment are volume of grains grown, storage practices and commodity prices, and management believes these factors will continue to be supportive of high levels of demand in 2010:

- The 2009 harvest in the U.S. resulted in record production of both corn and soybeans. The United States Department of Agriculture estimates 2009 corn production at 13.2 billion bushels (2008 – 12.1 billion) and soybean production at 3.4 billion bushels (2008 – 3.0 billion). The large U.S. crop resulted in strong sales in 2009, a large amount of grain to be handled in 2010, and low levels of ending inventory throughout Ag Growth's distribution network, which is supportive of demand in the first half of 2010.
- The 2009 U.S. harvest also resulted in record yields per acre, with corn yielding 165.2 bushels per acre (2008 – 153.9) and soybean yielding 44.0 bushels per acre (2008 – 39.6). Management expects the long-term trend towards increased yields to continue due to the increasing prevalence of larger and more sophisticated farming operations, improved land management and enhanced seed technology.
- On-farm grain storage in the U.S. has increased significantly in recent years and the increase in on-farm storage infrastructure has increased the size of the market for portable grain handling and aeration equipment as U.S. farmers handle more grain at the farm level compared to prior years.
- Agricultural commodity prices have retracted from record highs however they remain well above historical averages. Management believes that current commodity prices should be supportive of higher than historical levels of corn and soybean plantings in 2010.

Demand for grain storage and stationary grain handling equipment is expected to increase slightly in 2010. Based on existing conditions, management currently anticipates domestic sales activity to increase slightly compared to 2009, and early indicators appear to suggest an improving credit situation in emerging markets which may result in increased international sales. Management remains confident that demand in international markets is poised to increase, and in 2010 will continue to lay the foundation for growth in these markets through further development of its international sales team and a $15 million investment to expand its storage bin manufacturing capabilities. Demand in 2010 is contingent on a number of macro-economic factors, including the availability of credit, particularly in new international markets.

Ag Growth's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars. A stronger Canadian dollar negatively impacts sales and gross margin percentages compared to prior periods. For the year ended December 31, 2009, Ag Growth's average rate of exchange was $1.15. The Canadian dollar strengthened in the latter portion of 2009 and accordingly the favourable impact of foreign exchange realized in 2009 may not be realized in 2010. However, the potential negative impact of a stronger Canadian dollar in 2010 would be mitigated as a large portion of the Company's 2010 foreign exchange exposure has been hedged with contracts at an average rate of $1.18.

Overall, management expects sales levels in 2010 to approximate the record activity experienced in 2009, however a return to more historical seasonality may result in a higher proportion of 2010 sales being recorded in the second half compared to 2009. Gross margin percentages at the divisional level are expected to approximate 2009 actual margins, as lower input costs and production efficiencies are expected to offset the negative impact of foreign exchange. On a consolidated basis, gross margin is expected to decrease slightly as 2010 sales are expected to be slightly more heavily weighted towards lower margin grain storage and commercial grain handling. Based on prevailing exchange rates, Ag Growth's gain on foreign exchange is expected to increase compared to 2009 due to a higher average rate on its foreign exchange hedging contracts. Consistent with prior years, demand in 2010, particularly in the second half, will be influenced by crop conditions. On balance, management expects to consolidate the gains achieved in 2009 and through facility expansion, international development and potentially M&A, build a foundation for substantial growth in 2011 and beyond.

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 deem immaterial also may impair operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

Industry Cyclicality and General Economic Conditions

The performance of the agricultural industry is cyclical, and 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. 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 continuing 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 a 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 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 of operations at existing facilities or by acquiring additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire, or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business, or increase the scope of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. The Company's ability to increase its scope of operations or acquire 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 of operations at existing facilities or that acquired 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 may have greater financial and capital resources than Ag Growth. Ag Growth could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on Ag Growth's primary markets. As the grain handling, 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 the Ag Growth's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

Business Interruption

The operation of the manufacturing facilities of Ag Growth are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, labour disruptions and weather conditions/natural disasters. Ag Growth may suffer damages associated with such events that it cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. For instance, Ag Growth's Rosenort facility is located in an area that was affected by widespread floods experienced in Manitoba in 1997 and 2009, 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 may result in product liability claims that require not only proper insuring of risk, but management of the legal process as well.

Dependence on Key Personnel

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

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

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 will be 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 the control of Ag Growth.

Income Tax Matters

In the ordinary course of business, Ag Growth may be subject to audits by tax authorities. While management anticipates that Ag Growth's tax filing positions will be appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. If such challenge were to succeed, it could have a material adverse effect on Ag Growth's tax position. Further, the interpretation of and changes in tax laws, whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could materially adversely affect Ag Growth's tax position.

Possible Failure to Realize Anticipated Benefits of the Conversion

Achieving the anticipated benefits of the Conversion will depend in part on Ag Growth's ability to realize the anticipated growth opportunities from reorganizing the Fund into a corporate structure. Management expects that the corporate structure will allow Ag Growth to adopt similar policies with respect to capital expenditures as were in place with the trust structure. In addition, the Conversion is expected to simplify the operations of the continuing entity. The realization of the anticipated benefits of the Conversion will require the dedication of substantial management effort, time and resources. There can be no assurance that management will be successful in refocusing the continuing entity into a growth-oriented entity.

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 make 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.

ACCOUNTING POLICY CHANGES

On January 1, 2009, Ag Growth adopted the CICA Handbook Section 3064, "Goodwill and Intangible Assets," which replaced the existing "Goodwill and Intangible Assets" standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

On January 1, 2009, Ag growth adopted Emerging Issues Committee ("EIC") Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments – Recognition and Measurement." It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The adoption of EIC-173 did not have a have a material impact on the Company's consolidated financial statements.

Amendments to 3862, "Financial Instruments – Disclosures," establish a fair value hierarchy which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. The Section describes three levels of inputs that may be used to measure fair value:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability in a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The amended section is to be applied prospectively and is effective for Ag Growth's annual financial statements for the year ended December 31, 2009. This amended accounting policy did not have a significant impact on Ag Growth's annual financial statements.

NEW ACCOUNTING STANDARDS

Section 1582, "Business Combinations"

In January 2009, the CICA issued the new Handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with U.S. GAAP and International Financial Reporting Standards ("IFRS") and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Ag Growth is considering the impact of the adoption of this pronouncement on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests"

In January 2009, the CICA issued the new Handbook Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-Controlling Interests," effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with U.S. GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. Ag Growth is currently considering the impact of the adoption of these pronouncements on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

Conversion to International Financial Reporting Standards

In February 2008, the AcSB confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. Ag Growth will be required to report its results in accordance with IFRS starting in 2011. Under IFRS, the primary audience is capital markets and as a result there may be significantly more disclosure required, particularly for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there may be significant differences in accounting policy that must be addressed.

The Company formally commenced an IFRS conversion project in the third quarter of 2008 and engaged the services of an external advisor with IFRS expertise to work with management. Regular reporting is provided to Ag Growth's senior management and to the Audit Committee of the Board of Directors. An assessment was initiated to examine the extent of the impact that the conversion may have on financial reporting, business processes, internal controls and information systems. The Company's plan is aimed in particular at identifying the differences between IFRS and the Company's current accounting policies, as well as assessing the impact of various accounting alternatives offered pursuant to IFRS. Ag Growth's assessment of key areas including Income Taxes, Foreign Exchange, and Property Plant and Equipment continued in 2009. The Company will continue to evaluate these and other key areas in the coming quarters. The financial impact of the transition to IFRS cannot be reasonably estimated at this time, however, there will likely be changes in accounting policies and these may materially impact the Company's financial statements.

CERTIFICATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and operation of disclosure controls and procedures and internal control over financial reporting and is required to evaluate the effectiveness of these controls on an annual basis.

An effective system of disclosure controls and procedures and internal control over financial reporting is highly dependent upon adequate policies and procedures, human resources and information technology. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud.

In addition, changes in business conditions or changes in the nature of the Company's operations may render existing controls inadequate or affect the degree of compliance with policies and procedures. Accordingly, even disclosure controls and procedures and internal control over financial reporting determined to be effective can only provide reasonable assurance of achieving their control objectives.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to: (a) provide reasonable assurance that material information required to be disclosed by us is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) ensure that information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2009. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures, as defined by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings,* are effective for the purposes set out above.

Internal Control over Financial Reporting

Our management is responsible for designing, establishing and maintaining an adequate system of internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting using the framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as at December 31, 2009. Based on that evaluation, management concluded that our internal control over financial reporting, as defined by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings,* is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated changes in internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2009 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

The Company's Board of Directors and Audit Committee reviewed and approved the 2009 audited consolidated financial statements and this MD&A prior to its release.

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation, amortization and Conversion costs. References to "Adjusted EBITDA" are to EBITDA before the gain (loss) on foreign exchange. Management believes that, in addition to net income or loss, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the Company's performance. EBITDA and Adjusted EBITDA are not financial measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Management cautions investors that EBITDA and Adjusted EBITDA should not replace net income 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. Ag Growth's method of calculating EBITDA and Adjusted EBITDA may differ from the methods used by other issuers.

References to "gross margin" are to sales less cost of goods sold. Management believes that, in addition to net income or loss, gross margin provides a useful supplemental measure in evaluating Ag Growth's performance. Gross margin is not a financial measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Management cautions investors that gross margin should not replace net income or loss as an indicator of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. Ag Growth's method of calculating gross margin may differ from the methods used by other issuers.

References to "funds from operations" are to cash flow from operating activities, before Conversion costs and before the net change in non-cash working capital balances related to operations, less maintenance capital expenditures. 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. Funds from operations is not a financial measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. The method of calculating funds from operations may differ from similar computations as reported by similar entities. Management cautions investors that funds from operations should not replace net income or loss as an indicator of performance, or cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows.

References to "payout ratio" are to dividends declared as a percentage of funds from operations. Payout ratio is not a financial measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. The method of calculating the Company's payout ratio may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to the payout ratio as reported by such entities.

ADDITIONAL INFORMATION

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

INVESTOR RELATIONS

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Russia
Ukraine
Kazakhstan

AGI Senior Management and International Team members at a tradeshow in Hannover, Germany.

At the time of our IPO in 2004, AGI was primarily a North American company. Overseas business was limited to minor distribution of portable handling equipment in Australia, New Zealand and a handful of Western European countries.

Since then we have expanded our strategic focus to capitalize on the growing international demand for grain handling infrastructure. Through acquisitions and research and development, we have added commercial and industrial equipment to our portfolio of products. AGI can now offer a spectrum of solutions for the smallest farm producer to the highest throughput commercial grain port in the world. This ability will be further enhanced by the expansion of our storage bin line in Nobleford, Alberta.

Our export initiative is being driven by our qualified International Marketing team, boasting eight languages spoken. Most dramatic is our progress in the highest potential market in Eastern Europe, where we increased our presence in such key areas as the Black Soil region of Ukraine, new and expanded port facilities in the Black Sea of Russia, and the Steppes of Kazakhstan.

AUDITORS' REPORT

To the Shareholders of Ag Growth International Inc.

We have audited the consolidated balance sheets of Ag Growth International Inc. as at December 31, 2009 and 2008 and the consolidated statements of earnings and retained earnings (accumulated deficit), comprehensive income (loss) and cash flows for the years then ended. These financial statements are the responsibility of Ag Growth's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ag Growth as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

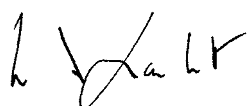
Winnipeg, Canada
March 5, 2010

CONSOLIDATED BALANCE SHEETS (See Corporate Conversion – note 2)

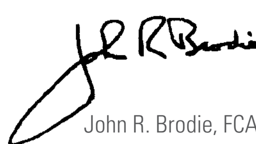
	As at December 31	
	2009 $ (000s)	**2008 $ (000s)**
ASSETS (notes 12 and 13)		
Current		
Cash and cash equivalents	**109,094**	4,391
Accounts receivable	**25,072**	25,382
Inventory (note 8)	**39,432**	43,332
Prepaid expenses and other assets	**1,858**	1,187
Income taxes recoverable	**598**	873
Derivative instruments (note 19)	**7,652**	–
Future income taxes (note 18)	**10,103**	–
Total current assets	**193,809**	75,165
Property, plant and equipment, net (note 9)	**27,779**	28,973
Goodwill	**52,337**	52,337
Intangible assets, net (note 11)	**69,023**	71,989
Other investment (note 10)	**2,000**	–
Derivative instruments (note 19)	**1,848**	–
Future income taxes (note 18)	**41,054**	–
	387,850	228,464
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**13,930**	11,789
Customer deposits	**8,340**	10,115
Dividends payable	**2,224**	5,230
Transaction and financing costs payable (note 25)	**1,028**	–
Long-term incentive plan (note 21)	**2,184**	191
Derivative instruments (note 19)	**–**	9,519
Current portion of deferred credit (note 18)	**9,305**	–
Current portion of long-term debt (note 13)	**16**	18
Total current liabilities	**37,027**	36,862
Long-term debt (note 13)	**25,403**	52,791
Convertible unsecured subordinated debentures (note 15)	**103,107**	–
Deferred credit (note 18)	**38,601**	–
Future income taxes (note 18)	**1,047**	10,162
Derivative instruments (note 19)	**–**	1,041
Share award incentive plan (note 22)	**5,866**	2,072
Total liabilities	**211,051**	102,928
Commitments (note 24)		
Shareholders' equity (notes 14, 15 and 16)		
Common shares	**157,279**	148,255
Accumulated other comprehensive income (loss) (note 14)	**5,590**	(10,560)
Contributed surplus (note 14)	**8,653**	1,551
Retained earnings (accumulated deficit)	**5,277**	(13,710)
Total shareholders' equity	**176,799**	125,536
	387,850	228,464

See accompanying notes

On behalf of the Board of Directors:



Bill Lambert
Director



John R. Brodie, FCA
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (ACCUMULATED DEFICIT)

	Year Ended December 31	
	2009 $ (000s)	**2008 $ (000s)**
Sales	**237,294**	199,341
Cost of goods sold	**139,156**	128,264
Gross margin	**98,138**	71,077
Expenses		
Selling, general and administrative	**31,949**	27,751
Stock-based compensation (notes 21, 22 and 23)	**6,491**	1,520
Research and development	**1,144**	1,139
Other income	**(723)**	(284)
Loss (gain) on foreign exchange	**(1,403)**	6,389
Corporate conversion (note 6)	**2,113**	–
Interest (note 27)	**4,803**	2,733
Amortization (note 27)	**8,354**	8,525
	52,728	47,773
Earnings before income taxes	**45,410**	23,304
Provision for (recovery of) income taxes (note 18)		
Current	**774**	1,552
Future	**(667)**	540
	107	2,092
Net earnings for the year	**45,303**	21,212
Accumulated deficit, beginning of year	**(13,710)**	(6,685)
Dividends to shareholders	**(26,316)**	(26,701)
Common shares purchased in the market under normal course issuer bid (note 14)	–	(1,536)
Net earnings for the year	**45,303**	21,212
Retained earnings (accumulated deficit), end of year	**5,277**	(13,710)
Net earnings per share – basic (note 28)	**$3.53**	$1.64
Net earnings per share – diluted (note 28)	**$3.45**	$1.64

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31	
	2009 **$ (000s)**	**2008** **$ (000s)**
Net earnings for the year	**45,303**	21,212
Other comprehensive income (loss)		
Change in fair value of derivatives designated as cash flow hedges	**12,511**	(11,410)
Losses on derivatives designated as cash flow hedges recognized in net earnings in the current year	**5,894**	311
Income tax effect on items enumerated above	**(2,255)**	–
Other comprehensive income (loss) for the year	**16,150**	(11,099)
Comprehensive income	**61,453**	10,113

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2009 $ (000s)	**2008 $ (000s)**
OPERATING ACTIVITIES		
Net earnings for the year	**45,303**	21,212
Add (deduct) items not affecting cash		
Amortization	**8,354**	8,525
Future income taxes	**(667)**	540
Translation loss (gain) on foreign exchange	**(8,029)**	8,745
Non-cash component of interest expense	**778**	349
Stock-based compensation	**6,491**	1,520
	52,230	40,891
Net change in non-cash working capital balances related to operations (note 29)	**2,160**	(29,987)
Cash provided by operating activities	**54,390**	10,904
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(4,771)**	(11,197)
Acquisition of assets of Benachee Resources Inc. (note 6)	**(5,000)**	–
Acquisition of assets of Applegate Steel Inc., net of cash acquired (note 7)	**–**	(3,324)
Proceeds from sale of property, plant and equipment	**123**	38
Transaction and financing costs payable	**1,028**	–
Payments in current period with respect to acquisitions in prior periods	**–**	(2,692)
Cash used in investing activities	**(8,620)**	(17,175)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(52,281)**	(12)
Dividends paid	**(29,322)**	(23,285)
Issuance of convertible unsecured subordinated debentures, net of issuance costs	**109,936**	–
Common share issuance costs	**(50)**	(12)
Issuance of long-term debt, net of expenses	**30,936**	18,141
Transfer from cash held in trust	**–**	1,488
Purchase of shares in the market under the long-term incentive plan	**(286)**	(2,170)
Purchase of shares in the market under the normal course issuer bid	**–**	(3,899)
Cash provided by (used in) financing activities	**58,933**	(9,749)
Net increase (decrease) in cash and cash equivalents during the year	**104,703**	(16,020)
Cash and cash equivalents, beginning of year	**4,391**	20,411
Cash and cash equivalents, end of year	**109,094**	4,391
Supplemental cash flow information		
Interest paid	**2,813**	2,733
Income taxes paid	**353**	2,775

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 (in thousands of dollars, except where otherwise noted and per share data)

1. DESCRIPTION OF BUSINESS

Ag Growth International Inc. ("Ag Growth" or the "Company") acquired all of the trust units of its predecessor, Ag Growth Income Fund (the "Fund") in exchange for common shares of Ag Growth pursuant to an arrangement completed under Section 192 of the Canada Business Corporations Act effective June 3, 2009. Ag Growth subsequently reorganized its corporate structure through a series of wind-ups and a corporate amalgamation (the "Conversion") (note 2). Ag Growth conducts business in the grain handling, storage and conditioning market.

Included in these consolidated financial statements are the accounts of Ag Growth and its predecessor, the Fund, (collectively hereinafter referred to as "Ag Growth" or the "Company") and all of its subsidiary limited partnerships and incorporated companies.

2. CORPORATE CONVERSION

The Conversion was completed pursuant to a Plan of Arrangement with, among others, Ag Growth (then known as Benachee Resources Inc. ("Benachee")) (note 6). As a result of the Conversion, holders of Fund trust units and Class B exchangeable units of a subsidiary of the Fund received one common share of Benachee in exchange for every unit held on the effective date of the Conversion, and Benachee changed its name to Ag Growth International Inc.

The Conversion was accounted for as a continuity of interests of the Fund since there was no change of control and since Ag Growth continues to operate the business of the Fund. These consolidated financial statements reflect Ag Growth as a corporation on and subsequent to June 3, 2009 and as Ag Growth Income Fund prior thereto. All references to "common shares" refer collectively to Ag Growth's common shares on and subsequent to June 3, 2009 and to Fund units prior to the Conversion. All references to "dividends" refer to dividends paid or payable to holders of Ag Growth common shares on and subsequent to June 3, 2009 and to distributions paid or payable to Fund unitholders prior to the Conversion. All references to "shareholders" refer collectively to holders of Ag Growth's common shares on and subsequent to June 3, 2009 and to Fund unitholders prior to the Conversion. References to the "Share Award Incentive Plan" should be read as references to the "Unit Award Incentive Plan" for all periods prior to the Conversion.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are summarized below:

Principles of Consolidation

The consolidated financial statements include the accounts of Ag Growth and its wholly-owned subsidiaries Ag Growth Income Fund, Ag Growth Operating Trust, AGX Holdings Inc., AGX Holdings Limited Partnership ("AGHLP"), Ag Growth Industries Limited Partnership, Ag Growth Industries Partnership, Ag Growth Industries Inc., Westfield Distributing Ltd., Westfield Distributing (North Dakota) Inc., Hansen Manufacturing Corp. ("Hansen"), Union Iron Inc. ("Union Iron"), Applegate Trucking Inc. and Applegate Livestock Equipment, Inc. ("Applegate") on consolidation. All material intercompany balances and transactions have been eliminated.

As at December 31, 2009, as a result of an internal reorganization which comprised of a series of wind-ups and a corporate amalgamation, the consolidated balance sheets include the accounts of Ag Growth and its wholly-owned subsidiaries AGX Holdings Inc., Ag Growth Industries Partnership, Westfield Distributing (North Dakota) Inc., Hansen, Union Iron, Applegate and Applegate Trucking Inc.

Cash and Cash Equivalents

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

Inventory

Inventory is comprised of raw materials and finished goods. Ag Growth values inventory at the lower of cost and net realizable value. The cost of finished goods includes direct costs and an allocation of fixed manufacturing overhead. Cost is determined on a first-in, first-out basis. Net realizable value for finished goods and raw materials is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. A review of inventory is performed at each quarter end to determine if a write-down or reversal of previously recorded write-downs in carrying value is required. The write-down and/or reversal of write-down is recorded in cost of goods sold as recognized.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated amortization. Amortization is provided over the estimated useful lives of the assets on a declining balance basis using the following annual rates:

Buildings	4% – 5%
Furniture and fixtures	20%
Automotive equipment	30%
Computer equipment	30%
Manufacturing equipment	30%

Leasehold improvements are amortized over the term of the lease.

Other Investment

The Company accounts for long-term investments where it has the ability to exercise significant influence using the equity method of accounting. In situations where the Company does not exercise significant influence over a long-term investee that is not quoted for trading in an active market, the investments are recorded at cost. In the event there is a loss in value that is other than temporary in nature, the investment will be written down to its estimated fair value and the Company will recognize a loss in its consolidated statement of earnings.

Goodwill

Goodwill represents the amounts paid to acquire Ag Growth, the Edwards Group, Applegate (note 7 (a)), Union Iron, Twister Pipe Ltd. and Hansen in excess of the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization. Goodwill is tested for impairment annually or when an event or change in circumstances that indicate the carrying value may not be recoverable by comparing the estimated fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to estimated fair value if the carrying value of the reporting unit's goodwill exceeds its estimated fair value.

Intangible Assets

Intangible assets are comprised of brand names, which are considered to have an indefinite life, distribution networks, which are being amortized over 8, 10 and 25 years on a straight-line basis and patents acquired from Hansen which are being amortized over their remaining lives of 11 years. Indefinite life intangible assets are tested for impairment annually or when an event or change in circumstances that indicate the carrying value may not be recoverable by comparing their estimated fair values to their carrying values. The carrying value of an indefinite life intangible asset is written down to its estimated fair value if its carrying value exceeds its estimated fair value.

Impairment of Property, Plant and Equipment and Finite Life Intangible Assets

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

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. They are measured using enacted and substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered in income.

In June 2007, the Government of Canada enacted new legislation imposing additional income taxes upon publicly traded income trusts (specified investment flow-through "SIFT" entities), including Ag Growth, effective January 1, 2011. Prior to June 2007, Ag Growth estimated the future income taxes on certain temporary differences between amounts recorded on its consolidated balance sheets for book and tax purposes at a nil effective tax rate. Under the legislation for periods prior to the Conversion, Ag Growth estimated the effective tax rates on the post 2010 reversal of these temporary differences to be 29.5% in 2011 and 28% thereafter. Temporary differences reversing before 2011 will still give rise to nil future income taxes. Subsequent to the Conversion, Ag Growth is no longer an income trust and, accordingly, is required to estimate its future income taxes on the reversals of all temporary differences, including those reversing before 2011. As a result, an additional future income tax recovery of $1,598 was recorded as of the effective date of the Conversion.

Foreign Currency Translation

Ag Growth follows the temporal method of accounting for the translation of its integrated foreign subsidiaries and foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at their historical exchange rates. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the monthly

rate of exchange except for amortization which is translated at the historical rates of the related assets. Gains and losses on translation are reflected in net earnings for the year.

Revenue Recognition

Ag Growth recognizes revenue at the time product is shipped, free on board shipping point, title passes and there is evidence a sales arrangement exists, the sales price is fixed and determinable and collectibility is reasonably assured. A provision is made at the time revenue is recognized for estimated product returns and warranties based on historical experience. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time product is shipped as noted above.

Research and Development

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

Investment Tax Credits

Federal and provincial investment tax credits are accounted for as a reduction of the cost of the related assets or expenditures in the year in which the credits are earned and when there is reasonable assurance that the credits can be used to recover taxes.

Leases

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

Net Earnings per Share

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

Long-term Incentive Plan

Under the terms of the long-term incentive plan ("LTIP"), as described in note 21, Ag Growth establishes an amount to be allocated to eligible participants based on 10% to 20% of distributable cash in excess of an established threshold. The cost is charged against earnings over the period of time to which the award vests. The liability is recorded over the period of time the award vests and is reclassified to contributed surplus at such time the shares are purchased. When the award vests and shares are released, the contributed surplus is credited to common shares.

Share Award Incentive Plan

Ag Growth has a share award incentive plan (the " Share Award Plan") as described in note 22. The Share Award Plan will be recognized as a direct award of shares, resulting in an expense to be charged against earnings over the period of time to which the award vests. The expense and related liability are based on the market price of Ag Growth's shares at the end of the year and, as such, could increase or decrease from one period to the next in relation to the market price.

Directors' Deferred Compensation Plan

As described in note 23, the Directors of Ag Growth participate in the Directors' Deferred Compensation Plan whereby they are required to receive a minimum of 20% of their remuneration in the form of common shares that vest over a period of three years. The cost is charged against earnings over the period of time to which the award vests, and a corresponding amount is recorded to contributed surplus. When the award vests and shares are released, the contributed surplus is credited to common shares.

Convertible Unsecured Subordinated Debentures

The carrying value of convertible unsecured subordinated debentures is being accreted to its maturity value through charges to income over the term of the debentures based on the effective interest rate method.

Financial Instruments, Hedges and Comprehensive Income

Recognition and Measurement

Ag Growth has made the following classifications:

- Cash and cash equivalents are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in net earnings.
- Accounts receivable are classified as "loans and receivables" and are recorded at fair value upon initial measurement. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, dividends payable, and transaction and financing costs payable are classified as "other financial liabilities" and are measured at their fair value upon initial measurement. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

- Long-term debt is classified as an "other financial liability" and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. Financing costs are netted against the carrying value of the related debt and amortized to interest expense using the effective interest rate method.
- Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. All changes in fair value are recorded in earnings unless cash flow hedge accounting is used, in which case the effective portion of the changes in fair value is recorded in other comprehensive income until the hedged item is settled, at which time gains or losses are recorded in earnings.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as held-to-maturity, loans and receivables, or other financial liabilities are included in the initial carrying value of such instruments and amortized using the effective interest rate method.

Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles.

Hedges

Ag Growth elected to apply hedge accounting for certain of its foreign exchange forward contracts and interest rate swaps. The foreign exchange forward contracts and swaps are designated as cash flow hedges. They are measured at fair value at the end of each period and the effective portion of the gain or loss resulting from remeasurement is recognized in other comprehensive income and ineffectiveness is recognized in net earnings. Gains and losses on derivatives are reclassified immediately to net earnings when the hedged item is sold or early terminated, or the hedged anticipated transaction is probable of not occurring. Accumulated gains or losses in other comprehensive income related to the foreign exchange forward contracts and swaps are subsequently recognized in earnings when the hedged item affects earnings. When hedge accounting is discontinued, the accumulated gain or loss in other comprehensive income is deferred and recognized when the gain or loss on the item hedged is recognized, unless the hedged item is no longer probable of occurring, then, the accumulated gain or loss is recognized in current earnings immediately.

Comprehensive income

Comprehensive income is comprised of net earnings and other comprehensive income or loss. Other comprehensive income includes changes in the fair value of derivative instruments designated as cash flow hedges, all net of applicable income taxes.

Employee benefit plans

Ag Growth contributes to group retirement savings plans subject to maximum limits per employee. Ag Growth accounts for such defined contributions as an expense in the period in which the contributions are required to be made. The expense recorded in 2009 was $1,038 (2008 – $781).

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the consolidated balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Key areas where management has made complex or subjective judgements, as a result of matters that are inherently uncertain, include among others, the fair value of certain assets including indefinite life intangible assets, goodwill, convertible unsecured subordinated debentures, assessment of foreign exchange unit of measure, valuation of accounts receivable, inventory, income taxes, derivatives, stock-based compensation, and the estimated useful life of long-lived assets. By their nature, these estimates are subject to measurement uncertainty and may impact the consolidated financial statements of Ag Growth in future periods. Actual results could differ from these estimates.

4. CHANGES IN ACCOUNTING POLICIES

On January 1, 2009, Ag Growth adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Section 3064, "Goodwill and Intangible Assets"

On January 1, 2009, Ag Growth adopted the CICA Handbook Section 3064, "Goodwill and Intangible Assets," which replaced the existing "Goodwill and Intangible Assets" standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard did not have a material impact on Ag Growth's consolidated financial statements.

EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"

On January 1, 2009, Ag Growth adopted Emerging Issues Committee ("EIC") Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under CICA Handbook Section 3855, "Financial Instruments– Recognition and Measurement." It states

that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The adoption of EIC-173 did not have a material impact on Ag Growth's consolidated financial statements.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2009, the CICA issued the new Handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with U.S. GAAP and International Financial Reporting Standards ("IFRS") and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Ag Growth is considering the impact of the adoption of this pronouncement on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

In January 2009, the CICA issued the new Handbook Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-Controlling Interests," effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with U.S. GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statements of cash flows within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statements of earnings. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. Ag Growth is currently considering the impact of the adoption of these pronouncements on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

6. PLAN OF ARRANGEMENT

The Conversion was completed effective June 3, 2009 pursuant to a Plan of Arrangement with, among others, Benachee. As a result of the Plan of Arrangement, holders of Fund trust units and Class B exchangeable units of the Fund received one common share of Benachee in exchange for every unit held on the effective date of the Conversion, and Benachee changed its name to Ag Growth International Inc. Pursuant to the Plan of Arrangement, consideration in the form of $5.0 million cash, 182,588 common shares at an estimated fair value of $24.65 per share and par value $4.0 million of redeemable preferred shares, convertible into 140,452 common shares, was issued to the parent corporation of Benachee, a participant in the Plan of Arrangement. Immediately prior to June 3, 2009, Benachee transferred substantially all of its assets and all of its liabilities to a related company. Ag Growth recorded its acquisition of Benachee as an acquisition of assets.

The Conversion was accounted for as a continuity of interests of the Fund since there was no change of control and since Ag Growth continues to operate the business of the Fund. Transaction costs related to the Conversion of $2.1 million have been expensed in the year ended December 31, 2009.

On June 3, 2009, the effective date of the Plan of Arrangement, the following Benachee assets and liabilities have been recorded in the consolidated financial statements:

	$ (000s)
Future income tax asset	69,800
Deferred credit (note 18)	56,300
Total consideration	13,500

Total consideration is comprised of:

	$ (000s)
Cash	5,000
Common shares	4,500
Redeemable preferred shares (note 16)	4,000
Total consideration	13,500

7. ACQUISITIONS

(a) Applegate Steel Inc.

Effective January 15, 2008, Ag Growth acquired substantially all of the operating assets of Applegate, a manufacturer of livestock equipment, for cash consideration of $3,441, which includes transaction costs of $392.

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

	$
Net assets acquired	
Cash	117
Accounts receivable	1,276
Inventory	1,218
Prepaid expenses and other assets	56
Property, plant and equipment	2,328
Accounts payable and accrued liabilities	(1,837)
Goodwill	283
Cash consideration, including transaction costs	3,441

Goodwill at the time of acquisition is deductible for income taxes over a period of 15 years.

(b) Prior Year Acquisitions

As described in the December 31, 2008 audited consolidated financial statements, subsequent to December 31, 2007, transaction costs related to the acquisitions made in prior years were paid from cash and cash held in trust. As at December 31, 2007, Ag Growth had cash held in trust in the amount of $1,488. The cash held in trust was released in 2008.

8. INVENTORY

	2009 $	2008 $
Raw materials	**21,580**	20,050
Finished goods	**17,852**	23,282
	39,432	43,332

During the year ended December 31, 2009, inventories of $139,156 (2008 – $128,264) were expensed through cost of goods sold. Inventory is recorded at the lower of cost and net realizable value. There were no write-downs of finished goods and no reversals of write-downs included in cost of goods sold during the year.

9. PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Land	**2,504**	–	**2,504**	2,504	–	2,504
Buildings	**14,558**	**1,762**	**12,796**	12,785	1,211	11,574
Leasehold improvements	**427**	**422**	**5**	427	217	210
Furniture and fixtures	**937**	**390**	**547**	845	241	604
Automotive equipment	**3,843**	**2,192**	**1,651**	3,227	1,660	1,567
Computer equipment	**1,411**	**907**	**504**	1,269	702	567
Manufacturing equipment	**22,798**	**13,026**	**9,772**	21,227	9,280	11,947
	46,478	**18,699**	**27,779**	42,284	13,311	28,973

Included in manufacturing equipment above is approximately $206 (2008 – $885) of construction-in-progress, the cost of which has not been amortized as this asset was not placed in use as of December 31, 2009.

10. OTHER INVESTMENT

On December 22, 2009, the Company purchased two million common shares at $1.00 per share in the private company One Earth Farms Corp. ("One Earth"), a Canadian corporate farming organization. In conjunction with the Company's investment, One Earth provided Ag Growth with a non-refundable deposit of $2,000 for future purchases of grain handling, storage and conditioning equipment. As the purchase and the deposit were conditional upon each other the transaction has been recorded as a non-monetary exchange. The exchange of non-monetary assets was recorded at $2,000 representing the fair value of the common shares at the time of issuance based on the share price paid by other third parties at that time. The Company's investment represents approximately 4.4% of the outstanding shares of One Earth.

11. INTANGIBLE ASSETS

	2009			2008		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Distribution networks	**50,114**	**11,889**	**38,225**	50,114	9,016	41,098
Brand names	**30,038**	**–**	**30,038**	30,038	–	30,038
Patents	**1,289**	**529**	**760**	1,289	436	853
	81,441	**12,418**	**69,023**	81,441	9,452	71,989

12. BANK INDEBTEDNESS

Ag Growth has operating facilities of Cdn. $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 year ended December 31, 2009 on Ag Growth's Canadian dollar term debt was 3.4% (2008 – 4.8%), and on its U.S. dollar term debt was 4.2% (2008 – 5.1%). At December 31, 2009 and 2008, there were no amounts outstanding under these facilities. The facilities mature October 29, 2012. Collateral for the operating facilities rank pari passu with the Series A secured notes (note 13) and include a general security agreement over all assets, first position collateral mortgages on land and buildings and assignments of rents and leases and security agreements for patents and trademarks.

13. LONG-TERM DEBT

	2009 $	2008 $
Series A secured notes	**26,165**	–
Term loans	**–**	53,002
GMAC loans	**47**	61
	26,212	53,063
Less current portion	**16**	18
Less deferred financing costs	**793**	254
	25,403	52,791

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8%, payable quarterly beginning January 31, 2010, and mature October 29, 2016.

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 December 31, 2009 (2008 – $6,920 and U.S. $37,630). The effective interest rate on Canadian dollar term loans in 2009 was 3.4% and on U.S. dollar term loans was 4.2%. During the year, the Company settled interest rate swap contracts of U.S. $26,500 that were used to fix a portion of its U.S. dollar denominated debt, and the effective interest rate on the U.S. term loans after consideration of the interest rate swaps was 4.5%. Ag Growth's credit facility provides for term loans of up to Cdn $38,000 and U.S. $20,500, and matures October 29, 2012.

GMAC loans bear interest at 0% and mature in 2011 and 2014. The vehicles financed are pledged as collateral.

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.

Principal repayments due within the next five fiscal years and thereafter are as follows:

	$
2010	16
2011	16
2012	15
2013	–
2014 and thereafter	26,165
	26,212

14. SHAREHOLDERS' EQUITY

(a) Common Shares

Authorized – Unlimited number of voting common shares without par value
Issued – 13,020,099 common shares

	Fund Trust units $	Class B units $	Total Fund Trust and Class B units $	Common shares $
				(notes 2 and 6)
Balance, December 31, 2007	151,439	1,361	152,800	–
Purchase of units under LTIP (note 21)	(2,170)	–	(2,170)	–
Purchase of units under normal course issuer bid	(2,363)	–	(2,363)	–
Issuance costs	(12)	–	(12)	–
Balance, December 31, 2008	146,894	1,361	148,255	–
Purchase of units under LTIP (note 21)	(286)	–	(286)	–
Settlement of LTIP obligation (note 21)	723	–	723	–
Balance prior to Conversion	147,331	1,361	148,692	–
Conversion	(147,331)	(1,361)	(148,692)	148,692
Issuance of common shares pursuant to Plan of Arrangement	–	–	–	4,500
Preferred shares conversion to common shares (note 16)	–	–	–	4,137
Issuance costs	–	–	–	(50)
Balance, December 31, 2009	–	–	–	157,279

	Fund Trust units #	Class B units #	Common shares #
			(notes 2 and 6)
Balance, December 31, 2007	12,818,915	136,085	–
Purchase of units under LTIP	(70,400)	–	–
Purchase of units under normal course issuer bid	(200,000)	–	–
Balance, December 31, 2008	12,548,515	136,085	–
Purchase of units under LTIP (note 21)	(11,008)	–	–
Settlement of LTIP obligation (note 21)	23,467	–	–
Balance prior to Conversion	12,560,974	136,085	–
Conversion	(12,560,974)	(136,085)	12,697,059
Issuance of common shares pursuant to Plan of Arrangement	–	–	182,588
Preferred shares conversion to common shares (note 16)	–	–	140,452
Balance, December 31, 2009	–	–	13,020,099

The 13,020,099 common shares as at December 31, 2009 are net of 57,941 common shares being held by the Company under the terms of the LTIP until vesting conditions are met.

Prior to the Conversion, there were 136,085 Class B Exchangeable units outstanding in a subsidiary of the Fund that were exchangeable for Fund Trust units at the option of the holder on a one-for-one basis at any time. In conjunction with the Conversion, these Class B units were exchanged for common shares of Ag Growth.

Issuance of Common Shares

In conjunction with the Conversion, Ag Growth issued 182,588 common shares from treasury to the sole shareholder of Benachee. The fair value of the common shares of $24.65 per common share was based on the average trading price of the Fund's units on the two days before and the two days after April 19, 2009, the date the Fund's Trustees approved and announced the terms of the transaction.

Normal Course Issuer Bid

On October 22, 2008, Ag Growth commenced a normal course issuer bid for up to 1,262,090 common shares, representing 10% of the Company's public float at that time. The normal course issuer bid terminated on October 21, 2009 and was not renewed. For the year ended December 31, 2008, Ag Growth purchased and cancelled 200,000 shares for total cash consideration of $3,899. Ag Growth did not purchase any common shares under the normal course issuer bid during the year ended December 31, 2009.

On December 10, 2009, Ag Growth commenced a new 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 will terminate on December 9, 2010 unless terminated earlier by Ag Growth. The Company did not purchase any common shares under the normal course issuer bid during the year ended December 31, 2009.

(b) Contributed Surplus

	$
Balance, December 31, 2007	–
Settlement of LTIP obligation	1,551
Balance, December 31, 2008	1,551
Equity settled director compensation (note 23)	47
Settlement of LTIP obligation (note 21)	(723)
Shares vested under LTIP	632
Equity component of convertible unsecured subordinated debentures (note 15)	7,146
Equity component of preferred shares (note 16)	400
Conversion of preferred shares (note 16)	(400)
Balance, December 31, 2009	8,653

(c) Accumulated Other Comprehensive Income (Loss)

	$
Balance, December 31, 2007	539
Other comprehensive loss in year	(11,099)
Balance, December 31, 2008	(10,560)
Other comprehensive income in year	16,150
Balance, December 31, 2009	5,590

15. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	2009 $	2008 $
Principal amount	**115,000**	–
Equity component	**(7,475)**	–
Accretion	**185**	–
Financing fees, net of amortization	**(4,603)**	–
Convertible unsecured subordinated debentures	**103,107**	–

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. Ag Growth has reserved 2,556,692 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.

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 this option and as a result the potentially dilutive impact has been excluded from the calculation of fully diluted earnings per share (note 28). 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 in the year ended December 31, 2009 the Company recorded accretion of $185 and related interest expense of $1,456. 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. REDEEMABLE PREFERRED SHARES

Pursuant to the Plan of Arrangement completed on June 3, 2009, Ag Growth issued 4,000,000 redeemable preferred shares with a stated value of $1.00 per share. The preferred shares were entitled to receive fixed cumulative preferential cash dividends, as and when declared by the Board of Directors, out of monies properly applicable to the payment of dividends at a rate of $0.05 per share per annum. Each redeemable preferred share was also convertible at the holder's option into 0.035113 of a common share, and effective October 15, 2009, the redeemable preferred shares were converted to 140,452 common shares.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, on the effective date of the Conversion, $3.6 million of the Company's redeemable preferred shares were classified as a liability since the Company was obligated to pay cash to redeem these preferred shares. The liability component has been accreted using the effective interest rate method until October 15, 2009 when the liability was settled for common shares, and in the year ended December 31, 2009, the Company recorded accretion of $137 and related interest expense of $58. The estimated fair value of the holder's option to convert the Class A preferred shares to common shares in the amount of $400 has been separated from the fair value of the liability and was recorded to contributed surplus. Upon conversion to common shares, the accreted value of the preferred share liability of $3,737 and the equity component of preferred shares of $400 were transferred to common shares.

17. CAPITAL STRUCTURE

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.

Ag Growth monitors its capital structure using non-GAAP financial metrics including net debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") and corporate conversion costs for the immediately preceding 12-month period and net debt to shareholders' equity. Ag Growth defines net debt as long-term debt plus the liability component of Debentures, less cash and cash equivalents.

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:

		2009		2008
Net debt	**$**	**19,416**	$	48,400
EBITDA	**$**	**60,680**	$	34,562
Ratio		**0.32 times**		1.40 times

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:

		2009		2008
Net debt	**$**	**19,416**	$	48,400
Shareholders' equity	**$**	**176,799**	$	125,536
Ratio		**0.11 times**		0.39 times

Ag Growth's capital management objectives, evaluation measures, definitions and targets have changed over the periods presented to incorporate the issuance of its Debentures. Ag Growth is subject to certain financial covenants in its credit facility agreement which must be maintained to avoid acceleration of the termination of the agreement. Ag Growth is in compliance with all financial covenants.

18. INCOME TAXES

Ag Growth converted from a publicly traded income trust to a publicly traded corporation on June 3, 2009 (notes 2 and 6). Accordingly, Ag Growth's calculation of current and future income taxes for the year ended December 31, 2009 is based on the conversion to a corporate structure, whereas the calculation of current and future income taxes for the year ended December 31, 2008 is based on Ag Growth being a publicly traded income trust.

The components of income tax expense are as follows:

	2009 $	2008 $
Current	**774**	1,552
Future	**(667)**	110
Future SIFT	**–**	430
Provision for income taxes	**107**	2,092

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

	2009 $	2008 $
Earnings before income taxes and other comprehensive income	**45,410**	23,304
SIFT temporary differences	**–**	8,117
Earnings subject to tax in the hands of unitholders/limited partners (note 2)	**(10,843)**	(26,701)
Corporate income subject to tax	**34,567**	4,720
Tax at statutory rate of 30.71% (2008 – 36.12%)	**10,616**	1,705
Charge against deferred credit	**(8,394)**	–
Establishment of future tax due to conversion to a corporation	**(1,598)**	–
Tax rate changes	**399**	–
Foreign rate differential	**180**	(43)
Permanent differences and other	**(1,096)**	–
Corporate income tax provision	**107**	1,662
Future SIFT income tax	**–**	430
Provision for income taxes	**107**	2,092

Ag Growth's future income tax asset and liability are comprised of the following components:

	2009 $	2008 $
Future tax liability related to derivatives included in other comprehensive income	**(1,765)**	–
Future tax asset related to property, plant and equipment, tangible assets, non-capital losses, exploration and development expenses, and investment tax credits	**11,868**	–
Future tax asset – current	**10,103**	–
Future tax liability related to derivatives included in other comprehensive income	**(490)**	–
Future tax asset related to property, plant and equipment, intangible assets, non-capital losses, exploration and development expenses, and investment tax credits	**62,984**	–
Valuation allowance – Canadian non-capital losses and exploration and development expenses	**(23,483)**	–
Future tax asset related to other temporary differences	**2,043**	–
Future tax asset – long-term	**41,054**	–
Future tax liability – U.S. Operations	**(1,047)**	(190)
Future tax liability related to property, plant and equipment, intangible assets, non-capital losses, exploration and development expenses, and investment tax credits	–	(10,588)
Future tax asset related to other temporary differences	–	616
Future tax liability – long-term	**(1,047)**	(10,162)
Net total	**50,110**	(10,162)

Ag Growth has available to carry forward the following as at December 31, 2009 and 2008:

	2009 $	2008 $
Canadian non-capital losses	**103,096**	–
Canadian federal and provincial investment tax credits	**4,711**	28
Canadian exploration and development expenses	**103,269**	–

As at December 31, 2009, the non-capital loss carryforwards available to reduce future years taxable income expire in 2027. The Canadian federal and provincial investment tax credits have an expiry period ranging from 2025 to 2029. The Canadian exploration and development expenses may be carried forward indefinitely.

Included in the $4,711 Canadian federal and provincial investment tax credits is $4,229 of investment tax credits related to assets acquired under the plan of arrangement. The remainder relate to manufacturing and processing tax credits.

The Company recorded a deferred credit relating to the difference between the future income tax asset and the amount of the consideration paid pursuant to the Plan of Arrangement. The credit is being amortized to income in proportion to the reversal of the future tax asset. As at December 31, 2009 the balance of the deferred credit is $47,906.

Income tax provisions, including current and future income tax assets and liabilities, 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. Therefore, it is possible that 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.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Ag Growth has the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, transaction and financing costs payable, long-term debt, convertible unsecured subordinated debentures, interest rate swap arrangements and foreign exchange contracts.

Ag Growth is exposed to financial risks arising from its financial assets and liabilities. Ag Growth's objectives in managing these risks are to protect from volatility in net earnings and to minimize exposure from fluctuations in market rates. The financial risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk as follows:

(a) Foreign Exchange Risk

Ag Growth operates primarily in North America and as a result fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on its cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, Ag Growth enters into foreign exchange contracts and denominates a portion of its debt in U.S. dollars. At December 31, 2009, Ag Growth's U.S. dollar denominated debt totalled U.S. $25.0 million and the Company has entered into the following foreign exchange contracts to sell U.S. dollars in order to hedge its foreign exchange risk:

Settlement dates	Face value U.S. $	Average rate Cdn. $
January 2010 to December 2010	50,000	1.1722
January 2011 to November 2011	45,000	1.0955

At December 31, 2009, Ag Growth had outstanding a series of foreign exchange call and put options not designated as a hedge instrument as follows:

CALLS Expiration date	Face value U.S. $	Strike price $
March 30, 2010	2,000	1.2200
October 28, 2010	5,000	1.2200
December 31, 2010	3,000	1.2200

PUTS Expiration date	Face value U.S. $	Strike price $
March 30, 2010	4,000	1.3050
October 28, 2010	10,000	1.3050
December 31, 2010	6,000	1.3050

Ag Growth's sales denominated in U.S. dollars for the year ended December 31, 2009 were U.S. $149.1 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $66.9 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $14.9 million increase or decrease in sales and a total increase or decrease of $6.7 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 loss of $7.2 million and an increase or decrease to other comprehensive income of $9.9 million.

(b) Interest Rate Exposures

Ag Growth has historically been subject to risks associated with fluctuating interest rates on its long-term debt and to manage this risk entered into interest rate swap transactions with a Canadian chartered bank. Ag Growth's long-term debt at December 31, 2009 consists of fixed rate debt and there were no interest rate swap transactions outstanding.

At December 31, 2009, if interest rates on debt were to fluctuate by 1%, and all other variables were held constant, the impact on Ag Growth's earnings before income taxes would be $241.

(c) 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 is with customers in the agriculture industry and is 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 consolidated balance sheets. Ag Growth does not hold collateral as security for these balances.

Ag Growth does not believe it has significant concentration risk. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

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 table below sets out the details of the accounts receivable balances outstanding as at December 31, 2009, based on the status of the receivable in relation to when the receivable is due and payable:

	$
Neither impaired nor past due	17,552
Not impaired and past the due date as follows:	
Within 30 days	3,457
31 to 60 days	927
61 to 90 days	795
Over 90 days	2,840
Allowance for doubtful accounts	(499)
Total accounts receivable	25,072

There were no accounts receivable deemed uncollectible. In the event that an amount is deemed uncollectible, the credit loss is charged against the allowance.

The following table represents a summary of the movement of the allowance for doubtful accounts:

	2009 $	2008 $
Balance, beginning of year	**528**	197
Allowance for doubtful accounts	**220**	361
Write-off of specific accounts receivable	**(249)**	(30)
Balance, end of year	**499**	528

(d) Liquidity Risk

Liquidity risk is the risk 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 following are the contractual maturities of non-derivative financial liabilities as at December 31, 2009:

	Carrying amount $	Contractual cash flows $	0 to 6 months $	6 – 12 months $	12 – 24 months $	After 24 months $
Accounts payable and accrued liabilities	13,930	13,930	13,930	–	–	–
Long-term debt, including the current portion	26,212	26,212	8	8	16	26,180
Dividends payable	2,224	2,224	2,224	–	–	–
Convertible unsecured subordinated debentures	103,107	103,107	–	–	–	103,107
Transaction and financing costs payable	1,028	1,028	1,028	–	–	–
	146,501	146,501	17,190	8	16	129,287

Fair value

Amendments to Section 3862, "Financial Instruments – Disclosures," establish a fair value hierarchy which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. The Section describes three levels of inputs that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability in a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2009 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value.

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash and cash equivalents	109,094	–	–	109,094
Derivative financial instruments	–	9,500	–	9,500

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the value of the consideration given or received.

At December 31, 2009, the carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and transaction and financing costs payable approximates their fair value due to the relatively short period to maturity. Long-term debt with a variable interest rate is carried at amortized cost, which approximates fair value. Derivatives are valued based on market quotations. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles. At December 31, 2009, the fair value and carrying value of the foreign exchange contracts was an unrealized gain of $9,500 (2008 – loss of $10,101) and there were no interest rate swaps outstanding (2008 – the fair value and carrying value of the interest rate swaps that were part of an effective hedging relationship was an unrealized loss of $459).

As at the issuance date, the fair value of the liability component of the debenture was estimated by discounting the future payments of interest and principal over the period to their maturity date of December 31, 2014. As at December 31, 2009, the fair value of the liability component of the debenture using the same valuation technique was approximately $106,400.

Over the next 12 months, Ag Growth expects to realize an estimated $6.0 million in net gains presently reported in accumulated other comprehensive income as unrealized gains as at December 31, 2009.

20. SEGMENTED DISCLOSURE

Ag Growth operates in one business segment related to the manufacturing and distributing of grain handling, storage and conditioning equipment. Geographic information about Ag Growth's revenues is based on the product shipment destination. Assets are based on their physical location as at the year end:

	Revenues		Property, plant and equipment, goodwill and intangible assets as at December 31	
	2009 $	2008 $	2009 $	2008 $
Canada	**61,246**	49,762	**106,313**	108,585
United States	**159,533**	132,222	**42,826**	44,714
International	**16,515**	17,357	**–**	–
	237,294	199,341	**149,139**	153,299

21. LONG-TERM INCENTIVE PLAN

Pursuant to the LTIP, the Company establishes the amount to be allocated to eligible participants based upon the amount by which distributable cash, as defined in the LTIP, exceeds a predetermined threshold. The amount owing to participants is recorded as a long-term incentive plan liability with the offset recorded to net earnings. At such time that the common shares are purchased the liability is reclassified to contributed surplus under shareholders' equity. In April 2009, the administrator purchased 11,008 common shares in the market for $286 to satisfy its obligation related to fiscal 2008. During the year ended December 31, 2009, $91 was reclassified from the long-term incentive plan liability to contributed surplus.

The common shares awarded vest over a three-year period commencing one year after the fiscal year of the award. As at December 31, 2009, 23,467 LTIP common shares have vested to the

participants. Cash dividends paid on common shares held by the administrator are payable to participants in the plan. The expense related to the LTIP is recorded in relation to the vesting period and accordingly, the total award will be expensed as to 36% in the initial fiscal year and 36%, 20% and 8% in the next three fiscal years, respectively, subsequent to the current year. For the year ended December 31, 2009, Ag Growth has recorded an expense with respect to the LTIP of $2,650 (2008 – $850). The amount to be expensed in future periods with respect to the LTIP is $4,037.

22. SHARE AWARD INCENTIVE PLAN

The Company has a share award incentive plan 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 Share Award Incentive Plan (the "Share Award Plan"), 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 Share Award Plan 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. 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:

(a) 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 common shares of Ag Growth; and

(b) 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.

220,000 Share Awards have been granted and remain outstanding as at December 31, 2009. For the year ended December 31, 2009, Ag Growth recorded an expense of $3,794 for the Share Awards (2008 – $670).

23. DIRECTORS' DEFERRED COMPENSATION PLAN

On May 8, 2008, the shareholders of Ag Growth approved the adoption by the Company of the Directors' Deferred Compensation Plan (the "Plan"), 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 Plan is to encourage non-management Director ownership of common shares. A Director will not be entitled to receive the common shares granted for three years from the date of grant or until the Director ceases to be a Director, whichever is earlier. Director remuneration under the Plan will be expensed over the three-year vesting period of the share grants. For the year ended December 31, 2009, Ag Growth recorded an expense of $47 (2008 – nil) for the share grants, and a corresponding amount has been recorded to contributed surplus.

The price to be used for determining the number of common shares to be granted will be the weighted average trading price of common shares for the ten trading days preceding the Company's financial quarter. The total number of common shares issuable pursuant to the Plan shall not exceed 35,000, subject to adjustment in lieu of dividends, if applicable. Mandatory participation in the Plan commenced January 1, 2009. As at December 31, 2009, a total of 8,419 common shares had been granted under the Plan and no common shares had been issued.

24. COMMITMENTS

Ag Growth has entered into various operating leases for office and manufacturing equipment, warehouse facilities and vehicles. Future minimum annual lease payments required in aggregate are as follows:

	$
2010	1,305
2011	680
2012	208
2013	114
2014	104
	2,411

The Company has entered into commitments of $16.2 million in relation to building and equipment which will be incurred throughout 2010.

25. 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 the Conversion and the debenture offering during the year ended December 31, 2009 was $0.9 million (2008 – nil) and are included in transaction and financing costs payable. 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.

26. 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 December 31, 2009, a total of 970,319 options are available for grant. No options have been granted as at December 31, 2009.

27. SUPPLEMENTAL EXPENSE INFORMATION

(a) Interest expense

	2009 $	2008 $
Interest on short-term debt	**116**	262
Interest on long-term debt	**2,719**	2,471
Interest on redeemable preferred shares	**195**	–
Interest on convertible unsecured subordinated debentures	**1,773**	–
	4,803	2,733

(b) Amortization

	2009 $	2008 $
Amortization of property, plant and equipment	**5,388**	5,545
Amortization of intangible assets	**2,966**	2,980
	8,354	8,525

(In thousands of dollars, except where otherwise noted and per share data)

28. NET EARNINGS PER SHARE

	2009 $	2008 $
Net earnings available to common shareholders	**45,303**	21,212
Add back: interest on convertible unsecured subordinated debentures	**1,137**	–
Numerator for diluted earnings per share	**46,440**	21,212
Basic weighted average number of shares	**12,835,166**	12,938,988
Dilutive effect of convertible unsecured subordinated debentures	**462,306**	–
Dilutive effect of directors' deferred compensation plan	**6,700**	–
Dilutive effect of share award incentive plan	**155,549**	–
Diluted weighted average number of shares	**13,459,721**	12,938,988
Basic earnings per share	**$3.53**	$1.64
Diluted earnings per share	**$3.45**	$1.64

29. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

The net change in non-cash working capital balances related to operations consists of the following:

	2009 $	2008 $
Decrease (increase) in current assets		
Accounts receivable	**310**	(14,182)
Inventory	**3,900**	(13,155)
Prepaid expenses and other assets	**(671)**	304
Income taxes recoverable	**275**	(873)
	3,814	(27,906)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**2,141**	(359)
Customer deposits	**(3,775)**	(1,444)
Income taxes payable	–	(369)
Long-term incentive plan	**(20)**	91
	(1,654)	(2,081)
	2,160	(29,987)

30. DIVIDENDS

Ag Growth's current dividend policy is to pay cash dividends on or about the 30th of each month to shareholders of record on the last business day of the previous month. Ag Growth's predecessor, Ag Growth Income Fund, was required by its Declaration of Trust to distribute all of its distributable cash in a fiscal year and as a result in the year ended December 31, 2008 declared a special distribution of $0.24 per trust unit.

For the year ended December 31, 2009, Ag Growth declared dividends to public security holders of $26,307, which equated to $2.05 basic weighted average per share (2008 – $26,701 and $2.07 basic weighted average per share). Dividends of $9 were declared to holders of the preferred shares.

31. COMPARATIVE FIGURES

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

Officers

Rob Stenson, Chief Executive Officer and Director
Gary Anderson, President, Chief Operating 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

Rob Stenson
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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