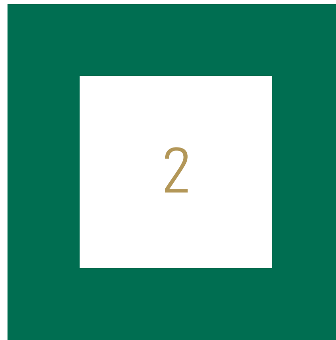

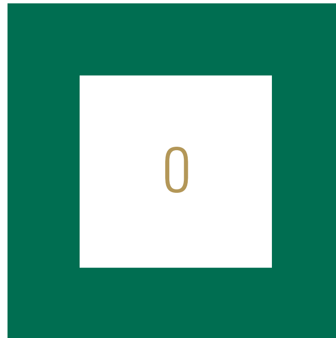

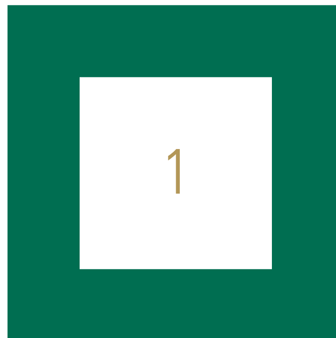

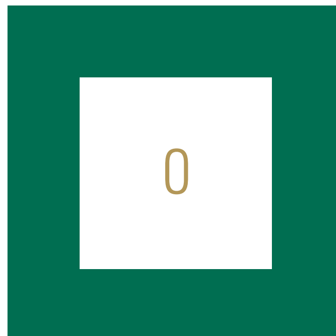

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AG GROWTH INTERNATIONAL

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ANNUAL REPORT 10/11
BUILDING ON A SOLID FOUNDATION

From Left to Right:

Bill Lambert
Board of Directors Chairman and Director

Bill Maslechko
Governance Committee Chairman and Director

Gary Anderson
President, Chief Executive Officer and Director

Steve Sommerfeld
CA, Chief Financial Officer

John R. Brodie
FCA, Audit Committee Chairman and Director

David White
CA, Director

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www.aggrowth.com

Investor Relations: Steve Sommerfeld
Telephone: 204.489.1855
Email: steve@aggrowth.com

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

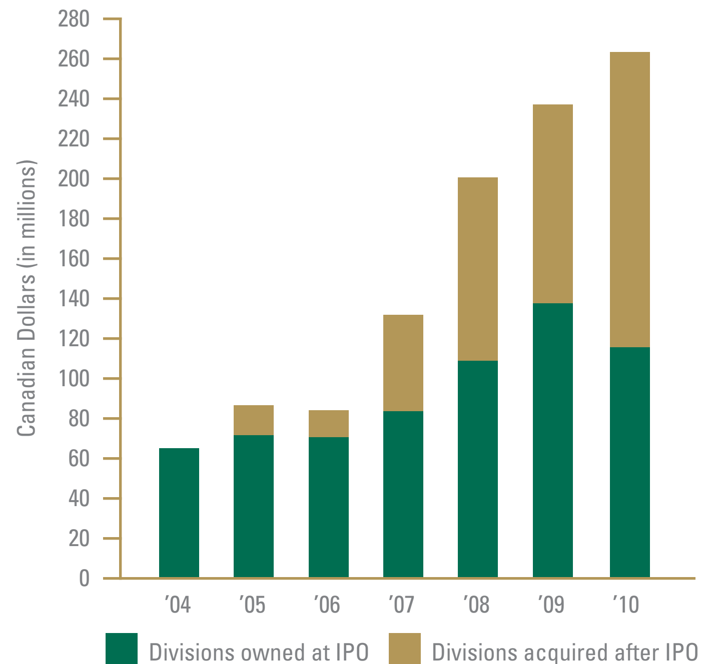
Shares Listed: Toronto Stock Exchange
Stock Symbol: AFN

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)
Mepu Oy, Acquired: 2010 (Founded 1952)
Franklin Enterprises, Acquired: 2010 (Founded 1979)
Tramco Inc., Acquired: 2010 (Founded 1967)

CEO MESSAGE

On behalf of our Board of Directors, Management and Staff, we are pleased to present our 2010 Annual Report. Going into 2010 our overall goals were to sustain the significant growth we had achieved in 2009 and to lay the groundwork for the next stage of development in 2011 and beyond. On both counts we can claim success.

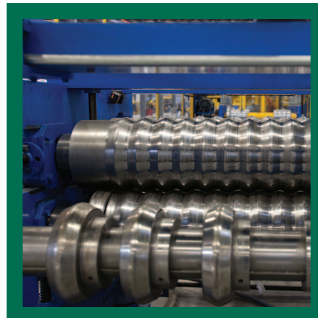
Our adjusted EBITDA is directly in line with 2009 despite significant challenges. In 2009 we had enjoyed a record and very drawn out harvest season in North America, as well as a stronger US dollar. In 2010 we had to back fill for a somewhat smaller US harvest, one that came off much quicker than 2009. We also experienced a market decline in Western Canada due to unprecedented flooding, primarily in Saskatchewan. And of course we had to back fill yet again for a strengthening CDN dollar. The offsets came largely from our Commercial Divisions which benefited from growth internationally as well as from strong domestic demand. Our long term strategies of catalogue expansion and geographic diversification have certainly paid off.



In 2010 we added some significant building blocks to our business:

1. TWISTER GREENFIELD EXPANSION

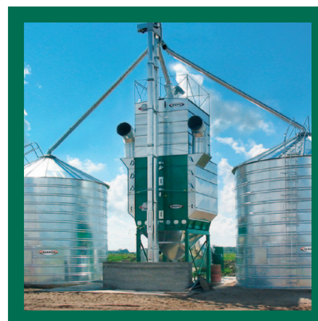
For years we have recognized the importance of larger storage bins as a catalyst for new market development in emerging countries. After years of looking for the right acquisition, we decided to take the organic route. In rough terms we invested $20 million in plant and equipment. There were multiple components to this project: new product design, new plant construction, addition to the Nobleford plant, leaning up Lethbridge production before moving, consolidation of Lethbridge and Nobleford operations, procurement of all new production equipment, and development of a human resource plan to manage the transition risk and downsizing of the consolidated workforce, as well as the recruitment of new industry experienced personnel. We accomplished all of this while delivering a record year on the aeration side of the business and meeting our 2010 Division EBITDA objective. Both building projects were successfully completed within acceptable timelines and budget variances. Lean work cells were highly successful. Transition to Nobleford has been virtually without employee turnover. Recruitment of relevant expertise for the new bin plant has landed several key individuals with extensive industry experience as well as third party engineering firms specializing in the storage bin sector. And while the production equipment will not be fully commissioned until early Q-2, the end result will be well worth the wait. We expect detail work to continue over the next few years as we move the operation to world class status. In the meantime we would like to acknowledge the superb efforts of our team in Nobleford for their exemplary execution of these initiatives. Well done everyone.



2. MEPU

On April 29th, 2010 we acquired Mepu, a Finnish manufacturer of mobile and stationary grain dryers. The immediate impact on our bottom line has been limited, primarily the result of last summer's drought in Northern and Eastern Europe. However, we remain optimistic about the strategic value of the acquisition, both as a welcome addition to our AGI catalogue and as a beachhead for market development in the region. We have made considerable progress with our transition and integration plans to date, including the establishment of interim warehousing facilities to house AGI product for the region, and the development of a higher capacity mobile dryer to better complement our AGI catalogue. We believe Mepu presents a strategic opportunity to develop as an AGI regional business hub.

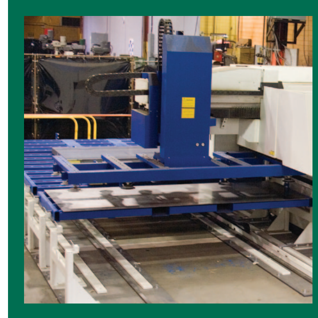
Location	Yläne and Pyhäranta, Finland
Founded	1952
Acquired	April, 2010
Employees	80
Facilities (sq. ft.)	79,000
Products	Grain dryers, heaters, environmental
Acquisition Price	CAD $11.9 million



3. FRANKLIN

On October 1st, 2010 we acquired Franklin Enterprises of Winnipeg, Manitoba. The acquisition improves our manufacturing capabilities and creates swing plant opportunities in support of our other divisions. With considerable laser, CNC and robotics capabilities, we expect this facility to provide a number of intercompany manufacturing opportunities. On January 31st, 2011 we announced plans to transfer fabrication and welding of our Wheatheart livestock equipment to Franklin. This will allow us to limit Saskatoon operations to assembly, warehousing and field support functions, thus reducing overheads and minimizing our exposure to an often overheated labour market.

Location	Winnipeg, MB, Canada
Founded	1979
Acquired	October, 2010
Employees	117
Facilities (sq. ft.)	100,000
Products	Custom manufacturing
Acquisition Price	CAD $9.2 million



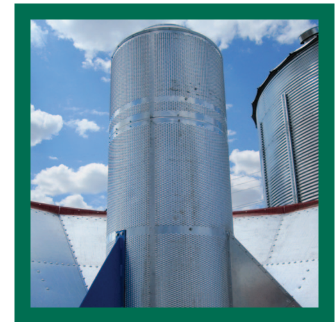
4. TRAMCO

On December 20th, 2010 we acquired Tramco Inc. of Wichita Kansas, a highly regarded manufacturer of robust handling equipment primarily used in the food processing sector. Tramco provides us with an excellent platform for entry into this sector of our industry. Just as importantly it adds considerable strength to our international marketing prowess. Tramco's brand reputation rivals that of Hi Roller while their international contacts and global market intelligence add considerable strength to our sales force.

Location	Kansas, USA and Hull, England
Founded	1967
Acquired	December, 2010
Employees	Kansas – 112, England – 31
Facilities (sq. ft.)	Kansas – 100,000, England – 21,000
Products	Premier bulk material handling equipment primarily for the grain and oilseed processing industry
Acquisition Price	USD $20.7 million

Combined, these four strategic initiatives represent capital deployment of nearly $60 million. With the exception of Tramco, the payback on the investments will start off choppy as their full value is directly correlated to our success in developing international markets. In 2010 we continued to place a great deal of focus on developing these markets with a heavy emphasis on Eastern Europe. The financial constraints that devastated emerging markets in 2009 showed only modest improvement during 2010.

Our biggest single success was the EFKO project in Russia, a two plus kilometer long Hi Roller conveyor stretching out into the Black Sea. We also generated further activity in Kazakhstan, where we sold Twister bins complete with chef montage services. Considerable progress has been made integrating Mepu into the International Sales catalogue and cross training AGI and Mepu personnel. We are currently in the process of creating a beachhead in Finland for the sales and service of our on-farm products. We will also pursue further coordination of our commercial products business through Tramco's UK operations and Netherland sales office.



In general, market trends remain favourable, execution of our strategies has been effective and acquisitions have been disciplined. Several critical success factors contribute to our competitive advantage. These include: the breadth of our AGI catalogue, our specialized expertise/focused production at Division levels, the breadth of our market geography, our production capacity in core business units, multiple distribution channels, the strength of our balance sheet and our entrepreneurial culture which we refuse to outgrow.

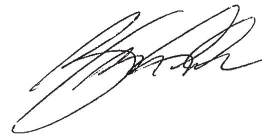
The global fundamentals that support our investments have been well documented. They are also becoming more widely accepted and self evident in the public markets. Two years after major food price related tensions erupted in many parts of the world, supply and demand pressures are once again among the principal root causes of geopolitical unrest in much of the underdeveloped world. Food security is gaining greater prominence on the world stage. There is an incredible need to improve the world's food supply chain and infrastructure. North America's storage and handling practices offer the best solutions. Financial constraints continue to challenge local players in Emerging Markets. As multi-national players of the grain industry become more vertically integrated and globally positioned, they will help drive the infrastructure build. It is incumbent upon our International Sales team to effectively penetrate the multiple entry points of these large corporations to ensure that we take full advantage of our preferred status back in North America. Subsidized interest rates in certain countries encourage support of local manufacturing. North American competitors share our view of the potential for a major global grain infrastructure build and are doing what they can to participate. The end result is a very competitive landscape despite the enormous potential size of market opportunities.

Meanwhile we can expect another record or near record US corn planting this spring. Farms continue to consolidate, driving further demand for larger equipment as well as technological improvements in a quest for optimal efficiencies. In North America dealers also continue to consolidate. With recent natural disasters in Australia affecting short term coke supply, steel prices have spiked. At the time of this writing we anticipate prices should normalize by the end of Q-2/early Q-3, but then again steel mills will try to extend them for as long as possible.

All said, the tension between market opportunities and market constraints will continue to drive our passion to create greater value for our customers and in turn for our investors. Recently I had occasion to have dinner with a business group from Ukraine. Our discussions were fueled by the excitement of the potential for agriculture in their region, while at the same time tempered by the economic realities of a still emerging market. When I asked for a perspective on the timing of when economic conditions might improve, one young man offered, "If not tomorrow, then maybe the day after." It's a reminder that while we have to deliver results for today and build for tomorrow, we should not lose sight of the real prize the day after tomorrow. We will continue to hold our sights high.

We want to sincerely thank all of our investors for the support you have shown us over the years and in particular these past few months as we adjust to the loss of our dear friend and leader, Rob Stenson.

Sincerely,



Gary Anderson
President and CEO

"Our long-term strategies of catalogue expansion and geographic diversification have certainly paid off."

MANAGEMENT'S DISCUSSION AND ANALYSIS March 14, 2011

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 conducts 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, 2010. 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, the benefits of the acquisitions of Mepu Oy, Franklin Enterprises Ltd. and Tramco Inc. (see "Acquisitions"), 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 and macroeconomic trends on the demand for our products, expectations regarding pricing for agricultural commodities, our working capital and capital expenditure requirements, capital resources and the payment of dividends. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, foreign exchange rates and the cost of materials, labour and services. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, crop yields, crop conditions, seasonality, industry cyclicality, volatility of production costs, commodity prices, foreign exchange rates, and competition. In addition, actual results may be materially impacted by the pace of recovery from the recent global economic crisis, including the cost and availability of capital. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form. 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

Sales, EBITDA and Adjusted EBITDA for the year ended December 31, 2010 exceeded the record levels established in 2009 despite significant foreign exchange headwinds. Continuing positive agricultural fundamentals in the U.S. have resulted in strong demand for portable grain handling equipment and a significant increase in sales of commercial equipment. Sales of commercial grain handling equipment also increased internationally as strong agricultural fundamentals were augmented by a large contract to deliver equipment to a Russian port facility. Sales in Canada decreased compared to the prior year, largely due to poor crop conditions that resulted from excessive moisture.

Sales for the year ended December 31, 2010 were $262.1 million (2009 – $237.3 million). Excluding the results of companies acquired in 2010 (see "Acquisitions"), sales were $247.5 million, a 4% increase over the record sales in 2009. Sales in 2010 were negatively impacted by the stronger Canadian dollar (see "Sales"). Had the foreign exchange rates experienced in 2009 been in effect in 2010, sales in 2010, net of acquisitions, would have increased from $247.5 million to $266.5 million, representing a significant increase of 12% over the record sales of $237.3 million reported in 2009.

Gross margin as a percentage of sales for the year ended December 31, 2010, excluding acquisitions, was 40% (2009 – 41%). Gross margin percentages in 2010 continued to benefit from manufacturing efficiencies realized through the impact of lean manufacturing and the advantages of high production volumes. Gross margin was negatively impacted by the stronger Canadian dollar and the Company's consolidated gross margin percentage decreased in part due to changes in sales mix compared to the prior year.

Adjusted EBITDA (see "non-GAAP measures") for the year ended December 31, 2010 was $59.5 million (2009 – $59.3 million). Results in 2010 were consistent with management expectations as the Company was able to consolidate the significant growth achieved in 2009. Adjusted EBITDA in 2010 benefited from strong demand for commercial grain handling equipment and continued operating efficiencies, partially offset by the negative impact of the stronger Canadian dollar.

ACQUISITIONS

The inclusion of the assets, liabilities and operating results of the following acquisitions significantly impacts comparisons to 2009.

Mepu Oy – Ag Growth acquired 100% of the outstanding shares of Mepu Oy ("Mepu"), on April 29, 2010, for cash consideration of $11.3 million, plus costs related to the acquisition of $0.6 million and the assumption of a $1.0 million operating line. The acquisition was funded from cash on hand. Mepu is a Finland based manufacturer of grain drying systems and other agricultural equipment. The acquisition of Mepu provided the Company with a complementary product line, distribution in a region where the company previously had only limited representation and a corporate footprint near the growth markets of Russia and Eastern Europe.

Franklin Enterprises Ltd. – Effective October 1, 2010, the Company acquired the assets of Franklin Enterprises Ltd., a custom manufacturer, for cash consideration of $7.1 million, plus costs related to the acquisition estimated to be $0.4 million and a working capital adjustment of $1.7 million. The acquisition and related transaction costs were funded from cash on hand. The Company acquired Franklin to enhance its manufacturing capabilities and to increase production capacity in periods of high in-season demand.

Tramco Inc. – Ag Growth acquired 100% of the outstanding shares of Tramco Inc. ("Tramco"), on December 20, 2010, for cash consideration of $21.5 million, less a working capital adjustment of $1.4 million. Costs related to the acquisition were $0.6 million. The acquisition was funded from cash on hand. Tramco is a manufacturer of heavy duty chain conveyors and related handling products, grain drying systems and other agricultural equipment. Tramco is an industry leader with a premier brand name and strong market share and as such provides the Company with an excellent entry point into a new segment of the chain, the grain processing sector.

OPERATING RESULTS

(thousands of dollars)	Year Ended December 31	
	2010	**2009**
Sales	**$ 262,077**	$ 237,294
Cost of goods sold	**160,504**	139,156
Gross margin (1)	**101,573**	98,138
General and administration	**35,505**	31,949
Other expenses (2)	**150**	421
Stock based compensation	**6,394**	6,491
Accelerated vesting and death benefits (3)	**2,549**	0
Corporate conversion (4)	**0**	2,113
Gain on foreign exchange	**(8,428)**	(1,403)
Interest expense	**12,485**	4,803
Amortization	**8,844**	8,354
Earnings before tax	**44,074**	45,410
Current income taxes	**5,627**	774
Future income taxes	**2,291**	(667)
Net earnings for the period	**$ 36,156**	$ 45,303
Net earnings per share		
Basic	**$ 2.85**	$ 3.53
Fully diluted	**$ 2.78**	$ 3.45
EBITDA (1)(6)	**$ 67,952**	$ 60,680
Adjusted EBITDA (1)(5)(6)	**$ 59,524**	$ 59,277

(1) See “non-GAAP Measures”.

(2) Research and development, capital taxes and other expense (income).

(3) Rob Stenson, Ag Growth’s founder and Chief Executive Officer, passed away on October 15, 2010. Upon his passing all previously unvested share based compensation vested immediately and certain death benefits became payable to his estate.

(4) See “Conversion to a Corporation”.

(5) Excludes the loss (gain) on foreign exchange.

(6) Excludes Accelerated vesting and death benefits and Conversion costs.

ASSETS AND LIABILITIES

(thousands of dollars)		December 31
	2010	**2009**
Total assets	**$ 391,563**	$ 387,850
Total liabilities	**$ 230,847**	$ 211,051

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, 2010 and 2009. The Company's dividend policy is described in the "Dividends" section of this MD&A. The Company increased its annual dividend rate from $2.04 per share to $2.40 per share in November 2010.

DIVIDENDS

(thousands of dollars)		Year Ended December 31
	2010	**2009**
Trust units	**$ 0**	$ 10,726
Class B units (1)	**0**	116
Preferred shares	**0**	9
Common shares	**26,854**	15,465
Total	**$ 26,854**	$ 26,316

(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". The holder of the preferred shares exercised the conversion option in 2009 and no preferred shares were outstanding at December 31, 2009 and 2010.

Sales

Sales for the year ended December 31, 2010 were $262.1 million (2009 – $237.3 million). Sales excluding acquisitions were $247.5 million, representing an increase of 4% over the record sales levels reported in 2009.

A large proportion of Ag Growth's sales are denominated in U.S. dollars and as a result the rate of foreign exchange ("FX") between the Canadian and U.S. dollars is a significant factor when comparing financial results to the prior year. The movement in the Company's average FX rate to $1.04 in 2010 (2009 – $1.15) resulted in lower sales for financial reporting purposes. To illustrate, in 2009 a $100,000 sale denominated in U.S. dollars would have been reported as CAD $115,000, while the same sale would have been reported as CAD $104,000 in 2010.

Had the foreign exchange rates experienced in 2009 been in effect in 2010, reported sales in 2010, net of acquisitions, would have been approximately $266.5 million, representing a significant increase of $29.2 million or 12% over the record sales reported in 2009.

The increase in sales over 2009 was largely the result of the following:

- Sales to the U.S. market are denominated in U.S. dollars. In the year ended December 31, 2010, sales in the U.S. (net of acquisitions) measured in U.S. dollars increased 13% compared to 2009. The significant increase is primarily the result of strong sales of commercial equipment as reduced macro-economic concerns and positive agricultural fundamentals stimulated demand. Sales of portable grain handling equipment decreased compared to the prior year in part because the late and wet harvest that benefited 2009 sales was not repeated in 2010. Management anticipates demand in the U.S. will remain strong in 2011 due to positive agricultural fundamentals including consecutive large harvests and higher than historical commodity prices.

- Total international sales in 2010 were $38.5 million and excluding acquisitions were $27.4 million (2009 – $16.5 million), representing an increase of 66% over the prior year. Sales to developing markets in 2010 were $16.6 million (2009 – $3.6 million). The increase over 2009 is largely due to a contract to supply equipment to a port facility on the Black Sea and increased sales to Kazakhstan. Although sales to developing markets remain constrained by unfavourable credit conditions, the Company continues to strengthen its international sales team and remains very positive with respect to the outlook for these markets.

- Canadian sales, net of acquisitions, decreased 8% from 2009 due largely to the poor agricultural conditions in western Canada that were caused by excessive moisture. The poor conditions experienced in 2010 have resulted in higher than normal inventory levels in the Company's Canadian distribution network which is expected to negatively impact demand in the first half of fiscal 2011. Canadian sales represented 22% and 26% of the Company's total sales in 2010 and 2009, respectively.

Gross Margin

Gross margin as a percentage of sales for the year ended December 31, 2010 was 39% (2009 – 41%). The decrease compared to 2009 is primarily the result of the following:

- A stronger Canadian dollar negatively impacts the Company's gross margin percentage. Had the foreign exchange rates experienced in 2009 been in effect in 2010, the Company's gross margin percentage would have increased to approximately 40%.
- Ag Growth made three acquisitions in 2010 and as expected the gross margin percentages at the newly acquired divisions were lower than Ag Growth's historical consolidated percentage. The inclusion of results from 2010 acquisitions resulted in a decrease to the Company's consolidated gross margin of approximately 0.7%.
- The Company's consolidated gross margin percentage decreased from 2009 in part due to the sales mix amongst Ag Growth's divisions compared to the prior year.
- The negative impact of foreign exchange and sales mix was partially offset by the continued benefits of high throughput and production efficiencies that resulted from the implementation of lean manufacturing practices at several of the Company's divisions.
- Material input costs did not significantly impact the gross margin percentage compared to 2009. The costs of steel and other inputs increased significantly in the fourth quarter of 2010 and have continued to increase in 2011. Accordingly, the increased costs may impact gross margin percentages in 2011.

Gain on Foreign Exchange

The Company's gain on foreign exchange is primarily related to gains on its foreign exchange contracts. In the year ended December 31, 2010, the gain on these contracts was approximately $7.0 million (2009 – loss of $3.9 million). The 2010 gains increased due to more favourable contract rates compared to 2009, and because the Canadian dollar was stronger at the date of maturity of the 2010 contracts.

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 for the year ended December 31, 2010 was $1.3 million (2009 – $6.4 million).

The remainder of the gain on foreign exchange is primarily comprised of the impact of translating U.S. dollar denominated working capital at Canadian divisions to Canadian dollars at the balance sheet date, the impact of translating self-sustaining U.S. based subsidiaries to Canadian dollars, and in 2009 an unrealized gain of $1.7 million on the Company's call and put options (see "Foreign exchange contracts").

Expenses

Selling, general and administrative expenses for the year ended December 31, 2010 were $35.5 million or 13.5% of sales. Excluding acquisitions, selling, general and administrative expenses were $33.4 million or 13.5% of sales (2009 – $31.9 million and 13.4% of sales), representing an increase of $1.5 million over 2009. The increase was primarily the result of the following:

- Salary expense increased $0.7 million due to wage adjustments, performance based bonuses at certain divisions, and additions to the Company's management team.
- Sales and marketing expenses increased $0.6 million largely due to wage adjustments, the expansion of the Company's international sales team and sales bonuses.
- Professional fees increased $0.4 million largely due to expenses related to the Company's conversion to International Financial Reporting Standards.
- Insurance expense increased $0.3 million due to an increase in insured values and increases in certain insurance coverage.
- Due to a stronger Canadian dollar expenses denominated in U.S. dollars were translated to Canadian dollars at a lower rate. The impact of the stronger Canadian dollar was to decrease these expenses by $1.1 million compared to 2009.
- Commission expense decreased $0.5 million primarily as a result of a change in sales mix compared to the prior year.
- A number of miscellaneous items with variances of $0.2 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, 2010, Ag Growth recorded an expense related to the SAIP of $2.7 million (2009 – $3.8 million).

- Ag Growth's long-term incentive plan ("LTIP") provides for annual awards based on a predetermined formula. The awards are expensed over the term of the participant's service period and as a result the expense in 2010 includes a component related to the LTIP awards from fiscal years 2007 – 2010. For the year ended December 31, 2010, Ag Growth recorded an expense related to the LTIP of $3.6 million (2009 – $2.7 million).

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

Adjusted EBITDA for the year ended December 31, 2010 was $59.5 million (2009 – $59.3 million). The increase over 2009 is largely due to strong demand for commercial equipment offset by the negative impact of the stronger Canadian dollar. EBITDA for the year ended December 31, 2010 was $68.0 million (2009 – $60.7 million). The increase in EBITDA over 2009 was more significant than the increase in Adjusted EBITDA due to an increase in the Company's gain on foreign exchange.

The Company's bank indebtedness as at December 31, 2010 was $nil (2009 – $nil) and its outstanding long-term debt including the current portion was $25.2 million (2009 – $26.2 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, net of deferred financing costs of $0.6 million, an equipment loan of $0.3 million bearing interest at 2% that was assumed as part of the Mepu transaction and $0.1 million of 0% GMAC financing. 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. The facilities bear interest at rates of prime plus 0.50 % to prime plus 1.50% based on performance calculations and matures on October 29, 2012. See "Financial Instruments".

Obligations under capital lease of $0.6 million include a number of equipment leases and a forklift lease with interest rates ranging from 5.3% to 7.2 %. The lease end dates are in 2011 and 2012.

Interest expense for the year ended December 31, 2010 was $12.5 million (2009 – $4.8 million). Interest expense has increased as the Company raised $115 million pursuant to a debenture offering on October 27, 2009 to fund organic growth and acquisition opportunities. As a result, interest expense related to the debentures is included in 2009 results only for the period from issuance until December 31, 2009, while the related expense in 2010 is for the entire fiscal year. At December 31, 2010 the Company has outstanding $115 million aggregate principal amount of convertible unsecured subordinated debentures (2009 – $115 million). 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, 2010 was $5.4 million (2009 – $5.4) and the amortization of intangibles in the year then ended was $3.4 million (2009 – $3.0 million).

For the year ended December 31, 2010, the Company recorded current tax expense of $5.6 million (2009 – $0.8 million). Current tax expense relates to certain subsidiary corporations of Ag Growth, including its U.S. and Finnish based divisions. Ag Growth converted from an income trust to a taxable corporation on June 3, 2009 (see "Conversion to a Corporation"). As at December 31, 2010, Ag Growth had net Canadian future tax assets of approximately $45.7 million, comprised of $56.2 million of future tax assets available to offset the impact of Canadian taxable income on a go-forward basis less $10.5 million of future tax liabilities related to temporary differences between accounting and tax values. The Company also has a future tax liability of approximately $7.0 million related to timing differences with its foreign subsidiaries. For the year ended December 31, 2010, the Company reduced its Canadian tax liability to zero through the utilization of approximately $6.7 million of its future tax assets.

For the year ended December 31, 2010, the Company recorded future tax expense of $2.3 million (2009 – recovery of $0.7 million). The future tax expense in 2010 relates to the utilization of future tax assets, net of future tax recoveries related to the decrease in the deferred credit, plus a decrease in future tax liabilities that related to the application of corporate tax rates to reversals of temporary differences between the accounting and tax treatment of depreciable assets, intangibles, reserves, deferred compensation plans and deferred financing fees. The future tax recoveries in 2009 related to a decrease in the provincial SIFT tax factor, the Fund's conversion to a corporation, the treatment of the Fund's long-term incentive plan and unit award incentive plan, net of an expense derived primarily from the utilization of future tax assets.

For the year ended December 31, 2010, the Company reported net earnings of $36.2 million (2009 – $45.3 million), basic net earnings per share of $2.85 (2009 – $3.53), and fully diluted net earnings per share of $2.78 (2009 – $3.45). The decrease in net earnings and earnings per share compared to the prior year is primarily due to the impact of interest expense in 2010 and an income tax recovery in 2009. Ag Growth's interest expense increased in 2010 as it raised $115 million pursuant to a debenture offering in October 2009 to fund future organic growth and acquisition opportunities. Non-cash future tax recoveries of $2.3 million were recorded in the first six months of 2009 related to the conversion to a corporation and to a change in effective tax rates. These tax recoveries were not expected to reoccur in 2010.

SELECTED ANNUAL INFORMATION

(thousands of dollars, other than per share data)			Twelve Months Ended December 31
	2010	2009	2008
Sales	**$ 262,077**	$ 237,294	$ 199,341
EBITDA (1)	**$ 67,952**	$ 60,680	$ 34,562
Adjusted EBITDA (1)	**$ 59,524**	$ 59,277	$ 40,951
Net income	**$ 36,156**	$ 45,303	$ 21,212
Earnings per share – basic	**$ 2.85**	$ 3.53	$ 1.64
Earnings per share – fully diluted	**$ 2.78**	$ 3.45	$ 1.64
Funds from operations (1)	**$ 54,030**	$ 52,165	$ 38,554
Payout ratio (1)	**50%**	51%	69%
Dividends declared per share (2)			
Fund trust units	**N/A**	$ 0.85	$ 2.07
Class B units	**N/A**	$ 0.85	$ 2.07
Common shares	**$ 2.07**	$ 1.19	N/A
Total assets	**$ 391,563**	$ 387,850	$ 228,464
Total long-term liabilities	**$ 171,989**	$ 174,024	$ 65,216

(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.
- On June 3, 2009, the Company converted from an income trust to a corporation. In conjunction with the conversion transaction all Trust Units and Class B units of the Fund were exchanged for common shares of the corporation (see "Conversion to a Corporation").
- 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.
- The inclusion of the assets, liabilities and operating results of the following acquisitions significantly impacts comparisons in the table above:
  - January 15, 2008 – Applegate
  - April 29, 2010 – Mepu
  - October 1, 2010 – Franklin
  - December 20, 2010 – Tramco

QUARTERLY FINANCIAL INFORMATION

(thousands of dollars)

2010	Average Rate of FX	Sales	Gain (Loss) on FX	Net Earnings (Loss)	Diluted Earnings per Share
Q1	$ 1.05	$ 51,639	$ 2,180	$ 6,425	$ 0.48
Q2	1.03	72,358	779	12,443	0.90
Q3	1.05	83,112	2,961	15,410	1.13
Q4	1.02	54,968	2,508	1,878	0.15
Fiscal 2010	**$ 1.04**	**$ 262,077**	**$ 8,428**	**$ 36,156**	**$ 2.78**

2009	Average Rate of FX	Sales	Gain (Loss) on FX	Net Earnings (Loss)	Diluted Earnings per Share
Q1	$ 1.25	$ 55,289	$ (2,028)	$ 10,127	$ 0.79
Q2	1.18	66,840	1,722	16,431	1.27
Q3	1.11	68,316	2,228	15,126	1.16
Q4	1.07	46,849	(519)	3,619	0.27
Fiscal 2009	**$ 1.15**	**$ 237,294**	**$ 1,403**	**$ 45,303**	**$ 3.45**

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

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

- Sales, gain (loss) on foreign exchange, net earnings, and net earnings per share in all periods are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.
- Net earnings and earnings per share in the first and second quarters of 2009 benefited from non-recurring future income tax recoveries related to Ag Growth's conversion to a corporation and a change in effective tax rates.
- Net earnings and earnings per share subsequent to October 27, 2009 are impacted by interest expense related to the Debentures (see "Capital Resources").
- The acquisitions of Mepu and Tramco will have a minor effect on seasonality as sales and EBITDA at these companies has historically been weighted to the second and third quarters.

FOURTH QUARTER

Sales and EBITDA in the fourth quarter of 2010 exceeded the record levels achieved in 2009 as strong commercial grain handling sales and an increase in sales of aeration equipment in Canada were partially offset by a decrease in portable grain handling sales and the negative impact of foreign exchange.

Sales

Sales for the three months ended December 31, 2010 were $55.0 million (2009 – $46.8 million). Excluding acquisitions, sales in the fourth quarter of 2010 were $49.0 million, an increase of $2.2 million or 5% over 2009.

Compared to 2009, sales in the fourth quarter of 2010 were negatively impacted by the stronger Canadian dollar. Had the foreign exchange rates experienced in 2009 been in effect in 2010, reported sales in 2010, net of acquisitions, would have been approximately $50.8 million, representing an increase of $4.0 million or 9% over 2009.

The increase in sales over the fourth quarter of 2009 is largely the result of the following:

- Sales of commercial grain handling equipment increased significantly in the fourth quarterly due largely to a contract to supply equipment to a port facility on the Black Sea.

- Sales of portable grain handling equipment decreased compared to the prior year as the late and wet harvest that benefited 2009 sales in the U.S. was not repeated in 2010, and due to the negative impact of excessive moisture in western Canada.

- Sales of aeration equipment in western Canada increased as demand rose in response to a very late harvest that resulted from the excessive moisture received earlier in the year.

Gross Margin

Gross margin as a percentage of sales for the three months ended December 31, 2010 was 37%, and excluding acquisitions the gross margin in the fourth quarter of 2010 was 39% (2009 – 39%). Gross margin percentages in the fourth quarter of 2010 benefited from manufacturing efficiencies realized through the impact of lean manufacturing and the advantages of high production volumes, partially offset by the negative impact of the stronger Canadian dollar.

Expenses

For the three months ended December 31, 2010, selling, general and administrative expenses were $9.4 million or 17.1% of sales. Excluding acquisitions, selling, general and administrative expenses were $8.2 million or 16.7% of sales (2009 – $7.6 million or 16.2%). The increase of $0.6 million over 2009 was primarily the result of the following:

- Commission expense increased $0.3 million compared to 2009 due to sales mix.

- A number of miscellaneous items with variances of $0.2 million or less 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, 2010, Ag Growth recorded an expense related to the SAIP of $1.1 million (2009 – $0.7 million).

- The LTIP awards are expensed over the term of the participant's vesting period and as a result the expense in 2010 also includes a component related to awards from 2007, 2008 and 2009. For the three months ended December 31, 2010, Ag Growth recorded an expense related to the LTIP of $0.6 million (2009 – $0.6 million).

- Ag Growth recorded a gain on foreign exchange of $2.5 million in the fourth quarter of 2010, compared to a loss of $0.5 million in the same period in 2009. The 2010 gains increased due to more favourable contract rates compared to 2009, and because the Canadian dollar was stronger at the date of maturity of the 2010 contracts.

Adjusted EBITDA for the three months ended December 31, 2010 was $9.4 million (2009 – $9.2 million). The increase is due primarily to increased sales of commercial grain handling equipment and aeration equipment. EBITDA for the three months ended December 31, 2010 was $12.0 million, compared to $8.7 million in 2009. The increase in EBITDA is the result of increased sales and a significant increase in the gain on foreign exchange.

For the three months ended December 31, 2010, the Company reported net earnings of $1.9 million (2009 – $3.6 million), basic net earnings per share of $0.15 (2009 – $0.28), and fully diluted net earnings per share of $0.15 (2009 – $0.27).

CASH FLOW AND LIQUIDITY

The table below reconciles net earnings to cash provided by operations for the years ended December 31, 2010 and 2009:

(thousands of dollars)	Year Ended December 31	
	2010	**2009**
Net earnings for the period	**$ 36,156**	$ 45,303
Add charges (deduct credits) to operations not requiring a current cash payment:		
Amortization	**8,844**	8,354
Future income taxes	**2,291**	(667)
Translation loss (gain) on foreign exchange	**(1,129)**	(8,029)
Non-cash interest expense	**2,274**	778
Non-cash accelerated vesting and death benefits	**1,703**	0
Stock based compensation	**6,394**	6,491
Gain on sale of property, plant &equipment	**(307)**	0
	56,226	52,230
Net change in non-cash working capital balances related to operations:		
Accounts receivable	**(7,979)**	310
Inventory	**(2,516)**	3,900
Prepaid expenses and other assets	**(5,373)**	(671)
Accounts payable and accruals	**2,667**	2,141
Customer deposits	**(2,866)**	(3,775)
LTIP	**(64)**	(20)
Income taxes receivable	**652**	275
Cash provided by operations	**$ 40,747**	$ 54,390

For the year ended December 31, 2010, cash provided by operations was $40.7 million (2009 – $54.4 million). The decrease from 2009 is primarily the result of extended accounts receivable terms offered by the Company, primarily to offshore markets. The Company has accounts receivable insurance for the majority of its offshore accounts receivable. Non-cash working capital movements in 2011 are expected to approximate the patterns experienced in 2009. Ag Growth's working capital requirements in 2011 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 2010 generally approximated historical patterns, however due to proceeds received from its debenture offering (see "Convertible Debentures") the Company did not draw on its operating lines to the same extent as in prior years. Results in 2011 are generally expected to approximate historical patterns. Acquisitions completed in 2010 will have a minor effect on seasonal working capital requirements in 2011 as sales and EBITDA at Mepu and Tramco have historically been weighted to the second and third quarters.

Capital Expenditures

Ag Growth had maintenance capital expenditures of $3.3 million in 2010, representing 1.3% of sales (2009 – $2.2 million or 0.9% of sales). Maintenance capital expenditures in 2010 relate primarily to purchases of manufacturing equipment, trucks, trailers, and forklifts and were funded through cash from operations. Maintenance capital expenditures in 2011 are expected to approximate 2010 levels and are expected to be 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 in the year ended December 31, 2010 of $21.7 million (2009 – $2.6 million). As expected, non-maintenance capital expenditures in 2010 have increased significantly over 2009 and have been largely financed from the proceeds of the Company's October 2009 debenture offering (See "Convertible Debentures"). Non-maintenance capital expenditures in 2011, excluding approximately $3.5 million to complete the storage bin capacity project as discussed below, are expected to return to 2009 levels and are expected to be financed through cash from operations. The following capital expenditures were classified as non-maintenance in 2010:

i. Grain storage bin capacity – the Company invested $15.9 million towards a grain storage bin manufacturing facility and automated storage bin production equipment. The investment is expected to allow the Company to capitalize on international sales opportunities and to increase sales in North America. The total project cost is estimated at $19.4 million and the project is expected to be completed late in the first quarter of 2011, with production beginning early in the second quarter.

ii. Consolidation of Edwards' production facilities – Edwards operates out of facilities in Lethbridge, AB and Nobleford, AB. In 2010, the Company invested approximately $1.5 million to expand the existing facility in Nobleford and transfer production from Lethbridge to the newly expanded plant. Consolidation of the facilities is expected to result in lower operating costs. The project was completed in the fourth quarter of 2010.

iii. Westfield facility expansion – Throughout most of 2010 Westfield's primary facility in Rosenort, MB was supported by a leased facility in Winnipeg, MB. In 2010 the Company expanded the Rosenort facility and transferred 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 was completed in 2010 with a total investment of $2.9 million.

iv. Manufacturing equipment – the Company invested $1.3 million to upgrade certain equipment to allow for increased capacity, primarily at Westfield and Hi Roller.

Cash Balance

For the year ended December 31, 2010, the Company's cash balance decreased $74.1 million (2009 – increased $104.7 million). The decrease in the cash balance in 2010 was largely due to acquisitions, the Company's normal course issuer bid and large non-maintenance capital expenditures. The significant increase in cash in 2009 was largely related to the Company's October 2009 convertible debenture offering. At December 31, 2010, the Company had a cash balance of $35.0 million (2009 – $109.1 million).

CONTRACTUAL OBLIGATIONS

(thousands of dollars)	Total	2011	2012	2013	2014	2015+
Debentures	$ 115,000	$ 0	$ 0	$ 0	$ 115,000	$ 0
Long-term debt	25,204	128	127	84	0	24,865
Capital leases	570	432	138	0	0	0
Operating leases	1,082	742	220	75	33	12
Total obligations	$ 141,856	$ 1,302	$ 485	$ 159	$ 115,033	$ 24,877

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, 2010 is comprised of USD $25.0 million aggregate principal amount of secured notes issued through a note purchase and private shelf agreement, net of deferred financing costs, and a $0.3 million equipment loan assumed as part of the Mepu transaction. The remaining long-term debt relates to GMAC financed vehicle loans. Capital lease obligations relate to a number of leases for equipment and a forklift. 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 14, 2011, the Company had outstanding commitments of $2.0 million in relation to capital expenditures for building and equipment.

CAPITAL RESOURCES

Cash

The Company had a cash balance of $35.0 million as at December 31, 2010 (2009 – $109.1 million). The Company's cash balance at December 31, 2009 included the majority of the net proceeds received from an October 2009 debenture offering (see "Convertible Debentures"). The debenture proceeds were largely deployed in fiscal 2010.

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. The Company is in compliance with all financial covenants.

On October 29, 2009, the Company also entered a credit facility with three Canadian chartered banks that includes CAD $10.0 million and 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, 2010. 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, 2010, the Company's effective interest rate on its U.S. dollar term debt was 4.2% (2009 – 4.2%, and after consideration of the effect of interest rate swaps was 4.5%). For the year ended December 31, 2010, Ag Growth's effective interest rate on its Canadian dollar term debt was 3.4% (2009 – 3.4%). See "Financial Instruments".

Obligation under Capital Leases

In conjunction with the Franklin acquisition the Company assumed a number of capital leases for manufacturing equipment and a forklift. The leases bear interest at rates ranging from 5.2% to 7.2% and mature in 2011 and 2012.

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 issuance 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. In 2010, the Company used proceeds from the Debentures to fund the acquisitions of Mepu, Franklin and Tramco (see "Acquisitions") and to finance the expansion of the Company's storage bin product line (See "capital expenditures").

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
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 (3)	0	0	140,452
Outstanding at December 31, 2009	0	0	13,078,040
Normal course issuer bid	0	0	(674,600)
Share award incentive plan issuance	0	0	140,000
December 31, 2010 and March 14, 2011	0	0	12,543,440

(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 and four million preferred shares that were convertible into 140,452 common shares.

On December 10, 2009, Ag Growth commenced a normal course issuer bid for up to 1,272,423 common shares, representing 10% of the Company's public float at that time. In the year ended December 31, 2010, the Company purchased 674,600 common shares for $23.4 million under the normal course issuer bid. The normal course issuer bid was terminated on December 9, 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. On October 15, 2010, an additional 66,667 share awards vested and the equivalent number of common shares were issued to the participant. Of the remaining 80,000 share awards outstanding at December 31, 2010, 40,000 vested on January 1, 2011 however no common shares were issued as the participants were compensated in cash rather than common shares. 40,000 share awards remain outstanding on March 14, 2011 and subject to vesting and payment of the exercise price, are each exercisable for one common share.

The administrator of the LTIP has acquired 249,308 common shares to satisfy its obligations with respect to awards under the LTIP for fiscal 2007, 2008 and 2009. 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, 2010, a total of 105,418 common shares related to the LTIP had vested to the participants.

A total of 13,983 deferred grants of common shares are outstanding under the Company's Director's Deferred Compensation Plan.

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

DIVIDENDS

Ag Growth declared dividends to security holders of $26.9 million for the year ended December 31, 2010 (2009 – $26.3 million). 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 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**	
	2010	**2009**
EBITDA	**$ 67,952**	$ 60,680
Stock based compensation	**6,394**	6,491
Non-cash interest expense	**2,274**	778
Translation loss (gain) on foreign exchange	**(1,129)**	(8,029)
Interest expense	**(12,485)**	(4,803)
Current income tax	**(5,627)**	(774)
Maintenance capital expenditures	**(3,349)**	(2,178)
Funds from operations (2)	**$ 54,030**	$ 52,165

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

(thousands of dollars)	Year ended December 31	
	2010	**2009**
Cash provided by operating activities	**$ 40,747**	$ 54,390
Change in non-cash working capital	**15,479**	(2,160)
Cash portion of accelerated vesting and death benefits	**846**	0
Conversion costs	**0**	2,113
Maintenance capital expenditures	**(3,349)**	(2,178)
Gain on sale of assets	**307**	0
Funds from operations (2)	**$ 54,030**	$ 52,165
Shares outstanding (3)	**12,963,549**	12,997,415
Dividends declared per share	**$ 2.07**	$ 2.04
Funds from operations per share (2)	**$ 4.17**	$ 4.01
Payout ratio (2)	**50%**	51%

(1) See "EBITDA and Net Earnings".
(2) See "non-GAAP Measures".
(3) Fully diluted weighted average, excluding the potential dilution of the convertible debentures as the calculation includes the interest expense related to the convertible debentures.

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%
Year Ended December 30, 2010	54,030	26,854	50%
Cumulative since inception	$ 224,839	$ 146,332	65%

(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. Dividends in 2010 were funded through cash from operations and the Company expects dividends in 2011 will 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. The Company increased its dividend from $2.04 per annum to $2.40 per annum in November 2010.

OUTLOOK

The primary demand drivers for portable grain handling 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 2011. In addition, higher than historic U.S. farm net income and strong commodity prices are expected to encourage high levels of corn and soybean planting in 2011. After a successful but relatively early 2010 harvest, management believes inventory levels throughout the Company's U.S. distribution network approximate historical averages, but generally are higher than the exceptionally low levels of early 2010 which resulted from the very late harvest of 2009. As a result, compared to the prior year, sales of portable grain handling equipment in the U.S. may return to more traditional seasonal patterns with a heavier weighting of sales in the third quarter.

Crop production in western Canada in 2010 was negatively impacted by unprecedented moisture and as a result Canadian sales of portable grain handling, storage and conditioning equipment in 2010, net of acquisitions, decreased 8% compared to 2009. The poor conditions experienced in 2010 are expected to negatively impact the first and second quarters of 2011 due to higher than normal inventory levels in the Company's Canadian distribution network. Sales in Canada in 2009 and 2010 represented 26% and 22% of the Company's total sales, respectively.

North American sales of commercial equipment increased in 2010 as reduced macro-economic concerns and positive agricultural fundamentals stimulated demand. The Company's order backlog remains strong and based on current conditions management anticipates continued high levels of domestic demand in 2011. International commercial sales increased significantly in 2010 largely as a result of a contract to supply equipment to a port facility on the Black Sea. The Company continues to strengthen its international sales team and remains very positive with respect to the outlook for developing markets, however sales in 2011 will in part be contingent on a number of macro-economic factors, including the availability of credit in developing markets.

On April 29, 2010, the Company acquired Mepu, a manufacturer of portable and stationary grain drying systems based in Ylane, Finland. Sales and EBITDA at Mepu in 2010 were negatively impacted by poor crop conditions in its regional market. In the three fiscal years prior to acquisition, sales at Mepu averaged approximately 14 million Euros, which equates to CAD $18.6 million based on the December 31, 2010 exchange rate of $1.3319. Sales and EBITDA at Mepu have historically been heavily weighted towards the second and third quarters.

On October 1, 2010, the Company acquired custom manufacturer Franklin to enhance Ag Growth's manufacturing capabilities and to increase production capacity in periods of high in-season demand. Franklin's existing custom manufacturing business is expected to generate monthly sales of approximately $1 million and to roughly break-even on an EBITDA basis.

On December 20, 2010, the Company acquired Tramco, a manufacturer of heavy duty chain conveyors and related handling products. As a result of the timing of the acquisition the operations of Tramco had an insignificant effect on Ag Growth's results in 2010. Sales at Tramco averaged approximately U.S. $30 million in the two fiscal years prior to acquisition.

In 2010 the Company initiated a project to increase its storage bin production capacity and expand the breadth of its storage bin product offering. The project is nearing completion and the new storage bin line is expected to commence production early in the second quarter. The investment is expected to allow the Company to capitalize on international sales opportunities and to increase domestic sales. The magnitude of incremental sales realized in 2011 may be impacted by a number of factors including the agricultural environment in western Canada and the availability of credit in developing markets.

The Company's consolidated gross margin percentage is expected to decrease slightly compared to 2010, primarily as a result of the impact of 2010 acquisitions and sales mix amongst the Company's divisions. In addition, gross margin percentages may be pressured by the rising cost of steel and other material inputs. Although the Company honours the pricing on existing sales orders it has historically been able to ultimately pass through the impact of rising input costs through sales price increases. The impact of rising steel costs has been partially mitigated through the use of steel contracts and the ability of the Company's commercial divisions to quote on projects based on current input costs.

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. The Company's average rate of exchange in 2010 was $1.04 (2009 – $1.15). The Canadian

dollar has strengthened subsequent to year-end and accordingly, based on prevailing exchange rates, may have a negative impact when comparing 2011 financial results to those reported in 2010. In addition, based on prevailing exchange rates, the Company expects its gain on foreign exchange to decrease compared to the prior year.

On balance, management anticipates continued strong domestic demand will be complemented by increased sales and EBITDA from newly acquired divisions and the expansion of the Company's storage bin product offering. Management remains enthusiastic with respect to long-term growth in developing markets however demand in 2011 may be impacted by a number of macro-economic factors, including the availability of credit. Consistent with prior years, demand in 2011, particularly in the second half, will be influenced by crop conditions.

MANAGEMENT

Rob Stenson, Ag Growth's founder and Chief Executive Officer, passed away on October 15, 2010. Gary Anderson, President and COO, was appointed Chief Executive Officer on December 12, 2010.

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 were 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).

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, 2010.

Allowance for Doubtful Accounts

Due to the nature of Ag Growth's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. Ag Growth maintains an allowance for doubtful accounts to reflect expected credit losses. A considerable amount of judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously

evaluated and updated. Ag Growth is not able to predict changes in the financial conditions of its customers, and the Company's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company's customers deteriorates.

Valuation of Inventory

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

Goodwill and Intangible Assets

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

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 a Canadian chartered bank to partially hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and the collection of the related accounts receivable and as at December 31, 2010, had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts

Settlement Dates	Face Amount USD (000s)	Average Rate CAD	CAD Amount (000s)
January – November 2011	$ 45,000	$ 1.10	$ 49,299

At December 31, 2010, the fair value of the outstanding forward foreign exchange contracts was a gain of $4.2 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 period ended December 31, 2010.

As at December 31, 2010, transaction and financing costs payable included U.S. $10.0 million payable to the vendor of Tramco. To mitigate exposure to fluctuating foreign exchange rates, the Company entered a foreign exchange contract to buy $10.0 million U.S. dollars at a rate of $1.0012. As at December 31, 2010, an unrealized loss of $66 was recorded on this contract and the amount is included in the Company's gain on foreign exchange.

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 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

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

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.

CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Policies

EIC-175 "Revenue Arrangements with Multiple Deliverables"

In December 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Emerging Issues Committee ("EIC") 175 "Revenue Arrangements with Multiple Deliverables". EIC-175 is effective prospectively, for revenue arrangements entered into or materially modified in fiscal years beginning on or after January 1, 2011. Early adoption is also permitted and on January 1, 2010, the Company adopted EIC-175, which provides guidance on certain aspects of the accounting for arrangements under which the Company will perform multiple revenue-generating activities. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method.

Estimates

Foreign Currency Translation

As at January 1, 2010, the Company determined that its foreign operations Hansen Manufacturing Corp., Union Iron Works, Inc. and Applegate Livestock Equipment, Inc. had more characteristics of self-sustaining foreign operations than integrated foreign operations. Accordingly, the Company adopted the current rate method of foreign currency translation for these self-sustaining foreign operations. The Company has prospectively adopted the current rate method of foreign currency translation in accordance with Section 1651 of the CICA Handbook. The reporting currency of the foreign operations remains as the Canadian dollar. Under the current rate method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and all income and expenses are translated at the monthly rate of exchange. Unrealized foreign currency translation gains and losses on the Company's net investment in its self-sustaining foreign operations

are presented separately as a component of other comprehensive income. As a result of the reclassification of foreign operations to self-sustaining, the exchange amount attributable to the current rate translation of non-monetary items as of the date of change is included as part of the foreign currency translation component of accumulated other comprehensive income.

NEW ACCOUNTING STANDARDS

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 directed 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 expects that the adoption of IFRS will not have significant impact on the Company's operations or strategic decisions.

The adoption of IFRS on January 1, 2011 will require the restatement, for comparative purposes, of the 2010 amounts reported by Ag Growth, including the opening balance sheet as at January 1, 2010.

Since Ag Growth's financial statements for the year ending December 31, 2011 must use the standards that are in effect on December 31, 2011, management will continue to monitor new amendments to IFRS that may impact the adoption of IFRS in 2011.

Management has not yet finalized the quantification of the impact on Ag Growth's 2010 financial statements. Ag Growth will draft IFRS compliant financial statements and develop the corresponding accounting entries to comply with the proposed IFRS accounting policies. The various accounting policy choices and results remain subject to further review by management. The IFRS implementation will continue into 2011 and will conclude with the issuance of the first quarter financial statements of 2011. The draft IFRS accounting policies and the IFRS 2010 comparative periods are still subject to review by the Company's external auditors and are therefore subjected to change.

The following highlights a number of areas where IFRS differs from Canadian GAAP:

First-Time Adoption of IFRS – IFRS 1 provides that when an entity initially adopts IFRS it shall apply all of the standards retrospectively, and the adjustments that arise from the retrospective conversion to IFRS from an entity's prior GAAP should be directly recognized in retained earnings. The entity is required to explain the effects of the transition from its prior GAAP by providing a reconciliation of its equity reported under the previous GAAP to the equity balance in its opening statement of financial position under IFRS. IFRS 1 also provides a number of optional exemptions to the full retrospective application of IFRS on the opening statement of financial position. These optional exemptions are intended to assist first-time adopters in restating their opening statement of financial position in compliance with IFRS in a cost effective manner. Ag Growth is currently considering the following IFRS 1 exemptions:

- IFRS 1 allows an entity to use fair value as deemed cost for all assets under Property, Plant, & Equipment as well as intangible assets that meets the recognition criteria under IAS 38 – Intangible Assets;
- IFRS 1 permits the application of IFRS 3 on a prospective basis where an entity can elect not to restate business combinations that occurred before January 1, 2010; and
- IFRS 1 provides an option to the entity to deem cumulative translation difference on all foreign operations as zero at the date of the transition.

Presentation of Financial Statements – IFRS requires significantly more extensive disclosure than existing Canadian GAAP. Disclosures under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. Ag Growth will continue to assess the level of presentation and disclosures required to its consolidated financial statements.

Deferred Tax Credit – Ag Growth recognized a deferred tax credit related to acquired tax benefits in accordance with EIC 110 of Canadian GAAP as a result of its conversion to a corporation in 2009. Deferred tax credits are

not generally recognized under IFRS as it is not consistent with the IFRS conceptual framework. Management has determined an adjustment of $47.9 million to remove the deferred credit and increase retained earnings on the opening balance sheet (as at January 1, 2010).

Stock-based Compensation – Ag Growth utilizes a number of stock-based payment plans as part its overall compensation strategy. While there are some similarities between IFRS and Canadian GAAP, there are a number of valuation and disclosure differences that may have a financial statement impact. The accounting treatments of its stock-based compensation plans under IFRS are still subject to review by the Company's external auditors and are therefore subjected to change.

Property, Plant and Equipment – Assets under property, plant and equipment can be measured using the historical cost model or the revaluation model under IFRS while Canadian GAAP does not allow such revaluation subsequent to the initial recognition. Ag Growth has determined that it will continue to use the historical cost model to value assets under property, plant and equipment.

Although both IFRS as well as Canadian GAAP require an entity to identify the significant components of its assets under property, plant and equipment in order for these components to be depreciated separately based on each component's useful life, the componentization concept under Canadian GAAP has often not been applied to the same extent due to practicality and/or materiality. The accounting treatments of the Company's assets under property, plant, and equipment are still subject to review by the Company's external auditors and are therefore subjected to change.

Business Combination – Under IFRS 3R – Business Combinations, only certain transaction costs directly related to debt or equity issuances are eligible to be capitalized. All other transaction costs arising during a business combination must be expensed as incurred as opposed to being capitalized to the purchase price of the business combination as allowed under Canadian GAAP. An exemption under IFRS 1 provides the entity with relief on the restatement of business combinations prior to the transition date. Under IFRS 3R – "Business Combinations", the determination of the fair value of share consideration differs from the determination under current Canadian accounting standards. Any difference in the fair value calculation would have a resulting impact on the carrying amount of net assets acquired and any goodwill. Ag Growth plans to make the election under IFRS 1 in order to be exempt from restating business combinations. Therefore there will be no financial impact from the transaction costs that have been expensed under Canadian GAAP prior to the transition date. However, Ag Growth has also capitalized transaction costs under Canadian GAAP subsequent to the transition date related to its three business acquisitions in 2010 (see "Acquisitions"). The Company has determined that these transaction costs (totalling $1.6 million) are required to be expensed under IFRS and therefore adjustments will be made to reduce the net income reported in its 2010 Annual Financial Statements by $1.6 million.

Provisions, Contingent Liabilities and Contingent Assets – IFRS requires the recognition of a provision in instances where a liability is "more likely than not" to exist, which can be dictated by the past and confirmed in the future. As this is a lower threshold than GAAP, liabilities may increase as provisions may be recorded earlier or where they may not have been recorded at all. Ag Growth has continued to analyze the impact of this standard on its financial statements and to date, has not identified any circumstances for which a material impact is expected. Should any additional liabilities arise, this would result in an increase in operating expenses, reducing net income.

Impairment of Assets – Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. IFRS uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. Although Ag Growth currently does not anticipate any write-down as a result of the adoption of IAS – 36 Impairment of Assets, management will continue to assess whether or not impairment indicators are present on a regular basis in order to determine whether an asset should be tested for impairment based on criteria established in IAS 36.

The Company will continue to evaluate these and other key areas in the coming quarters. Although most of the financial impact of the transition to IFRS cannot be reasonably estimated at this time, there will likely be changes in accounting policies and these may materially impact the Company's financial statements. The Company will continue to quantify the impact of any potential changes, and will disclose its findings subsequent to the review of its external auditors.

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.

Except for the limitation on scope of design of disclosure controls and procedures as noted below, 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, 2010. 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").

Except for the limitation on scope of the internal controls over financial reporting as noted below, 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, 2010. 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, 2010 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 2010 audited consolidated financial statements and this MD&A prior to its release.

Limitation on scope of design

The Company acquired the shares of Mepu, the assets of Franklin and the shares of Tramco in fiscal 2010 (see "Acquisitions"). Management has not fully completed its review of internal controls over financial reporting for these newly acquired operations. Since the acquisitions occurred within the 365 days of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the 2010 acquisitions, as permitted under Section 3.3 of National Instrument

52-109, Certification of Disclosure in Issuer's Annual and Interim Filings. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of the acquired operations' financial information. The following is the summary financial information pertaining to the acquisitions that were included in Ag Growth's consolidated financial statements for the year ended December 31, 2010:

(thousands of dollars)	**Mepu**[1]	**Franklin**[2]	**Tramco**[3]
Revenue	11,089	3,261	184
Net income	886	(548)	(25)
Current assets[4]	9,011	2,909	8,497
Non-current assets[4]	10,250	8,335	22,839
Current liabilities[4]	2,914	1,660	4,769
Non-current liabilities[4]	1,157	136	4,210

1 Results from April 29, 2010 to December 31, 2010
2 Results from October 1, 2010 to December 31, 2010
3 Results from December 20, 2010 to December 31, 2010
4 Balance sheet as at December 31, 2010

NON-GAAP MEASURES

References to "EBITDA" are to earnings before interest, income taxes, depreciation, amortization, accelerated vesting and death benefits 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 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

Steve Sommerfeld
1301 Kenaston Blvd., Winnipeg, MB R3P 2P2
Phone: (204) 489-1855
Email: steve@aggrowth.com

"In general, market trends remain favourable, execution of our strategies has been effective and acquisitions have been disciplined."

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
To the Shareholders of Ag Growth International Inc.

We have audited the accompanying consolidated financial statements of Ag Growth International Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of earnings and retained earnings (accumulated deficit), comprehensive income, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ag Growth International Inc. as at December 31, 2010 and 2009 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

Winnipeg, Canada
March 11, 2011

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

(See Corporate Conversion – note 2)

	As at December 31	
	2010 $ (000s)	**2009** $ (000s)
ASSETS (notes 13 and 14)		
Current		
Cash and cash equivalents	**34,981**	109,094
Cash held in trust (note 6)	**1,817**	–
Restricted cash (note 15)	**865**	–
Accounts receivable	**36,910**	25,072
Inventory (note 10)	**53,631**	39,432
Prepaid expenses and other assets (notes 6 and 35)	**7,840**	1,858
Income taxes recoverable	**–**	598
Derivative instruments (note 22)	**4,200**	7,652
Future income taxes (note 21)	**10,817**	10,103
Total current assets	**151,061**	193,809
Property, plant and equipment, net (note 11)	**67,206**	27,779
Goodwill (note 8)	**64,055**	52,337
Intangible assets, net (note 9)	**72,388**	69,023
Other investment (note 12)	**2,000**	2,000
Derivative instruments (note 22)	**–**	1,848
Future income taxes (note 21)	**34,853**	41,054
	391,563	387,850

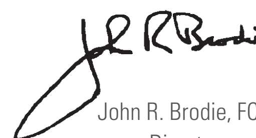
CONSOLIDATED BALANCE SHEETS (continued)

	As at December 31	
	2010 $ (000s)	**2009** $ (000s)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 28)	**24,565**	13,930
Customer deposits	**6,573**	8,340
Dividends payable	**2,509**	2,224
Acquisition price, transaction and financing costs payable (notes 6 and 28)	**11,994**	1,028
Income taxes payable	**56**	–
Long-term incentive plan (note 24)	**1,870**	2,184
Current portion of deferred credit (note 21)	**8,302**	9,305
Current portion of long-term debt (note 14)	**128**	16
Current portion of obligations under capital leases (note 16)	**432**	–
Current portion of share award incentive plan (note 25)	**2,003**	–
Future income taxes (note 21)	**426**	–
Total current liabilities	**58,858**	37,027
Long-term debt (note 14)	**24,518**	25,403
Obligations under capital leases (note 16)	**138**	–
Convertible unsecured subordinated debentures (note 18)	**105,140**	103,107
Deferred credit (note 21)	**34,018**	38,601
Future income taxes (note 21)	**6,602**	1,047
Share award incentive plan (note 25)	**1,573**	5,866
Total liabilities	**230,847**	211,051
Commitments (note 27)		
Shareholders' equity (notes 17, 18 and 19)		
Common shares (note 17)	**151,376**	157,279
Accumulated other comprehensive income (loss) (note 17)	**(1,026)**	5,590
Contributed surplus (note 17)	**11,121**	8,653
Retained earnings (accumulated deficit)	**(755)**	5,277
Total shareholders' equity	**160,716**	176,799
	391,563	387,850

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)

(in $ 000s except per share amounts)	Years Ended December 31	
	2010	**2009**
Sales	**262,077**	237,294
Cost of goods sold	**160,504**	139,156
Gross margin	**101,573**	98,138
Expenses		
Selling, general and administrative	**35,505**	31,949
Stock-based compensation (notes 24, 25 and 26)	**6,394**	6,491
Research and development	**1,444**	1,144
Other income	**(1,294)**	(723)
Gain on foreign exchange	**(8,428)**	(1,403)
Accelerated vesting and death benefits, net (note 35)	**2,549**	–
Corporate conversion (note 7)	**–**	2,113
Interest (note 31)	**12,485**	4,803
Amortization (note 31)	**8,844**	8,354
	57,499	52,728
Earnings before income taxes	**44,074**	45,410
Provision for (recovery of) income taxes (note 21)		
Current	**5,627**	774
Future	**2,291**	(667)
	7,918	107
Net earnings for the year	**36,156**	45,303
Retained earnings (accumulated deficit), beginning of year	**5,277**	(13,710)
Dividends to shareholders (note 34)	**(26,854)**	(26,316)
Common shares purchased in the market under normal course issuer bid (note 17)	**(15,334)**	–
Net earnings for the year	**36,156**	45,303
Retained earnings (accumulated deficit), end of year	**(755)**	5,277
Net earnings per share – basic (note 32)	**$2.85**	$3.53
Net earnings per share – diluted (note 32)	**$2.78**	$3.45

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2010 $ (000s)	**2009** $ (000s)
Net earnings for the year	**36,156**	45,303
Other comprehensive income (loss)		
Change in fair value of derivatives designated as cash flow hedges	**3,034**	12,511
Losses (gains) on derivatives designated as cash flow hedges recognized in net earnings in the current year	**(6,692)**	5,894
Unrealized loss on translation of self-sustaining operations	**(3,972)**	–
Income tax effect on items enumerated above	**1,014**	(2,255)
Other comprehensive income (loss) for the year	**(6,616)**	16,150
Comprehensive income	**29,540**	61,453

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2010 $ (000s)	**2009** $ (000s)
OPERATING ACTIVITIES		
Net earnings for the year	**36,156**	45,303
Add (deduct) items not affecting cash		
Amortization	**8,844**	8,354
Future income taxes	**2,291**	(667)
Translation gain on foreign exchange	**(1,129)**	(8,029)
Non-cash component of interest expense	**2,274**	778
Non-cash component of accelerated vesting and death benefits	**1,703**	–
Stock-based compensation	**6,394**	6,491
Gain on sale of property, plant and equipment	**(307)**	–
	56,226	52,230
Net change in non-cash working capital balances related to operations (note 33)	**(15,479)**	2,160
Cash provided by operating activities	**40,747**	54,390
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(25,021)**	(4,771)
Acquisition of assets of Benachee Resources Inc. (note 7)	**–**	(5,000)
Acquisition of shares of Mepu Oy, net of cash acquired (note 6a)	**(12,952)**	–
Acquisition of assets of Franklin Enterprises Ltd. (note 6b)	**(9,212)**	–
Acquisition of shares of Tramco, Inc. (note 6c), net of cash acquired	**(10,910)**	–
Proceeds from sale of property, plant and equipment	**648**	123
Transaction and financing costs paid	**1,484**	1,028
Cash used in investing activities	**(55,963)**	(8,620)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Years Ended December 31	
	2010 $ (000s)	**2009** $ (000s)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(89)**	(52,281)
Repayment of obligations under capital leases	**(135)**	–
Dividends paid	**(26,568)**	(29,322)
Issuance of convertible unsecured subordinated debentures, net of issuance costs	**–**	109,936
Common share issuance costs	**–**	(50)
Issuance of long-term debt, net of expenses	**–**	30,936
Transfer to cash held in trust and restricted cash	**(2,682)**	–
Purchase of shares in the market under the long-term incentive plan	**(6,032)**	(286)
Purchase of shares in the market under the normal course issuer bid	**(23,391)**	–
Cash provided by (used in) financing activities	**(58,897)**	58,933
Net increase (decrease) in cash and cash equivalents during the year	**(74,113)**	104,703
Cash and cash equivalents, beginning of year	**109,094**	4,391
Cash and cash equivalents, end of year	**34,981**	109,094
Supplemental cash flow information		
Interest paid	**11,694**	2,813
Income taxes paid	**5,063**	353

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 (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 7). 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 Industries Partnership, AGX Holdings Inc., Ag Growth Holdings Corp., Westfield Distributing Ltd., Westfield Distributing (North Dakota) Inc., Hansen Manufacturing Corp. ("Hansen"), Union Iron, Inc. ("Union Iron"), Applegate Trucking Inc., Applegate Livestock Equipment, Inc. ("Applegate"), Tramco, Inc. ("Tramco"), Tramco Europe Ltd., Euro-Tramco B.V., Ag Growth Suomi Oy and Mepu Oy ("Mepu") 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% – 7%
Furniture and fixtures	20% – 25%
Automotive equipment	25% – 30%
Computer equipment	25% – 30%
Manufacturing equipment	25% – 30%
Equipment under capital leases	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, Union Iron, Twister Pipe Ltd. Hansen, Mepu (note 6a), Franklin Enterprises Ltd. ("Franklin") (note 6b) and Tramco (note 6c) 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 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, patents which are being amortized over their remaining lives of eight years, inventory order backlog which is being amortized over a period of six months and proprietary software which is being amortized over eight years. Indefinite life intangible assets are tested for impairment annually or when an event or change in circumstances 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 (note 21) was recorded as of the effective date of the Conversion.

Foreign Currency Translation

Ag Growth follows the current rate method of accounting for the translation of its self-sustaining foreign subsidiaries and foreign currency transactions. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the consolidated balance sheet dates. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the monthly rate of exchange. Unrealized foreign currency translation, gains and losses on the Company's net investment in its self-sustaining foreign operations are presented separately as a component of comprehensive income.

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.

Revenue Recognition for Arrangement with Multiple Deliverables

The Company enters into revenue arrangements that may consist of multiple deliverables of grain handling, storage and conditioning equipment, installation advisory services, and commissioning services. Each deliverable within a multiple deliverable revenue arrangement is accounted for as a separate unit of accounting if both of the following criteria are met:

(a) the delivered item has value to the customer on a standalone basis, and

(b) if the arrangement includes a general right of return relative to the delivered element, and delivery or performance of the undelivered item is considered probable and substantially in the control of the Company.

For multiple delivery arrangements, the Company's customers typically purchase a combination of grain handling, storage and conditioning equipment. In addition, the Company's customers would normally request assistance on equipment installation as well as commissioning. Since each piece of grain handling, storage or conditioning equipment has a value to the customer on a standalone basis, each piece of equipment is considered as a separate unit of accounting. In addition, the Company's customer would typically request services related to installation advisory services as well as commissioning. Since an external third party can also provide these services, each of these services is also considered as a separate unit of accounting. The Company has used external third parties to assist with these services. Revenue recognition for sales of grain handling, storage and conditioning equipment under multiple delivery arrangements is the same as other products as noted above. For services such as equipment installation advisory and commissioning, revenue is recognized when each service is completed in accordance with the terms and conditions of the multiple delivery arrangement.

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. Obligations under capital leases 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 24, 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 service period of the award. The liability is recorded over the service period of the award and is reclassified to contributed surplus at such time the shares are

purchased. The LTIP provides for immediate vesting in the event of retirement, death, termination without cause or in the event the participant becomes disabled. 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 "SAIP") as described in note 25. The SAIP 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 SAIP provides for immediate vesting in the event of retirement, death, termination without cause or in the event the participant becomes disabled. 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 26, 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 related 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 acquisition price, 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 (loss) until the hedged item is settled, at which time gains or losses are recorded in net 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 interest rate 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 (loss) 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 (loss) related to the foreign exchange forward contracts and interest rate swaps are subsequently recognized in net earnings when the hedged item affects net

earnings. When hedge accounting is discontinued, the accumulated gain or loss in other comprehensive income (loss) 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 net earnings immediately.

Comprehensive Income

Comprehensive income is comprised of net earnings and other comprehensive income (loss). Other comprehensive income (loss) includes changes in the fair value of derivative instruments designated as cash flow hedges, all net of applicable income taxes, and unrealized loss on translation of self-sustaining operations.

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 2010 was $1,102 (2009 – $1,038).

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 judgments, 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 AND ESTIMATES

Policies

EIC-175, "Revenue Arrangements with Multiple Deliverables"

In December 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Emerging Issues Committee ("EIC"), 175 "Revenue Arrangements with Multiple Deliverables". EIC-175 is effective prospectively, for revenue arrangements entered into or materially modified in fiscal years beginning on or after January 1, 2011. Early adoption is also permitted and on January 1, 2010, the Company adopted EIC-175, which provides guidance on certain aspects of the accounting for arrangements under which the Company will perform multiple revenue-generating activities. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The adoption of this standard has had no material impact on the Company's financial position or results of operations.

Estimates

Foreign Currency Translation

As at January 1, 2010, the Company determined that its foreign operations Hansen, Union Iron and Applegate had more characteristics of self-sustaining foreign operations than integrated foreign operations. Accordingly, the Company adopted the current rate method of foreign currency translation for these self-sustaining foreign operations. The Company has prospectively adopted the current rate method of foreign currency translation in accordance with Section 1651 of the CICA Handbook. The reporting currency of the foreign operations remains as the Canadian dollar. Under the current rate method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the consolidated balance sheet date and all income and expenses are translated at the monthly rate of exchange. Unrealized foreign currency translation gains and losses on the Company's net investment in its self-sustaining foreign operations are presented separately as a component of other comprehensive income (loss). As a result of the reclassification of foreign operations to self-sustaining, the exchange amount attributable to the current rate translation of non-monetary items as of the date of change is included as part of the foreign currency translation component of accumulated other comprehensive income (loss).

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. ACQUISITIONS

(a) Mepu Oy

Effective April 29, 2010, the Company acquired 100% of the outstanding shares of Mepu, a manufacturer of grain drying systems, for cash consideration of $11,917, which includes transaction costs of $643.

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

	$
Accounts receivable	1,208
Inventory	4,465
Prepaid expenses and other	396
Future income tax asset	330
Property, plant and equipment	4,084
Intangible assets – distribution network	1,562
Intangible assets – brand name	743
Intangible assets – order backlog	363
Goodwill	4,257
Bank indebtedness	(1,035)
Long-term debt	(382)
Accounts payable and accrued liabilities	(2,752)
Customer deposits	(134)
Future income tax liability	(1,188)
	11,917

During the year, the Company finalized the working capital adjustment and the purchase price allocation, resulting in a decrease in property, plant and equipment of $1,198, an increase in goodwill of $678, an increase in the distribution network intangible of $192 and a decrease in future income tax liability of $334 from the period previously reported. Goodwill at the time of the transaction is not deductible for tax purposes.

As at December 31, 2010, the Company had cash held in trust of $572 relating to the acquisition of Mepu.

(b) Franklin Enterprises Ltd.

Effective October 1, 2010, the Company acquired substantially all of the operating assets of Franklin, a custom manufacturer, for cash consideration of $9,212, which includes transaction costs of $356.

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

	$
Inventory	1,557
Prepaid expenses and other	8
Property, plant and equipment	8,171
Goodwill	424
Obligations under capital leases	(707)
Accounts payable and accrued liabilities	(241)
	9,212

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the consolidated financial statements were prepared and the final allocation of the purchase price may change when more information becomes available.

As at December 31, 2010, the Company had cash held in trust of $250 relating to the acquisition of Franklin.

(c) Tramco, Inc.

Effective December 20, 2010, the Company acquired 100% of the outstanding shares of Tramco, a manufacturer of chain conveyors, for cash consideration of $20,679, which includes transaction costs of $570.

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

	$
Accounts receivable	2,591
Inventory	5,613
Prepaid expenses and other	208
Future income tax asset	340
Property, plant and equipment	8,495
Intangible assets – distribution network	1,701
Intangible assets – brand name	2,361
Intangible assets – software	1,118
Intangible assets – order backlog	315
Goodwill	8,020
Accounts payable and accrued liabilities	(4,423)
Customer deposits	(967)
Income taxes payable	(143)
Future income tax liability	(4,550)
	20,679

	$
Consideration	
Cash	10,910
Acquisition price payable	10,941
Transaction costs payable	231
Working capital adjustment receivable	(1,403)
	20,679

The allocation of the purchase price to acquired assets and liabilities and the calculation of the working capital adjustment are preliminary, utilizing information available at the time the consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available. Included in prepaid expenses and other assets in the consolidated balance sheet as at December 31, 2010, is $1,403 related to the working capital adjustment owing from the vendor. Goodwill at the time of the transaction is not deductible for tax purposes.

At the request of the vendor, the purchase price was paid in two installments. The second installment of $9,946 was paid on January 5, 2011 and as at December 31, 2010 is included in acquisition price and transaction costs payable. As at December 31, 2010, the Company had cash held in trust of $995 relating to the acquisition of Tramco.

7. 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:

	$
Future income tax asset	69,800
Deferred credit (note 21)	56,300
Total consideration	13,500

Total consideration is comprised of:

	$
Cash	5,000
Common shares	4,500
Redeemable preferred shares (note 19)	4,000
Total consideration	13,500

8. GOODWILL

	$
Balance, December 31, 2008 and 2009	52,337
Effect of foreign currency exchange rate changes (note 4)	(983)
Acquisition of Mepu Oy (note 6a)	4,257
Acquisition of Franklin Enterprises Ltd. (note 6b)	424
Acquisition of Tramco, Inc. (note 6c)	8,020
Balance, December 31, 2010	64,055

9. INTANGIBLE ASSETS

	$
Balance, December 31, 2008	71,989
Amortization (note 31)	(2,966)
Balance, December 31, 2009	69,023
Amortization (note 31)	(3,417)
Effect of foreign currency exchange rate changes (note 4)	(1,381)
Acquisition of Mepu Oy (note 6a)	2,668
Acquisition of Tramco, Inc. (note 6c)	5,495
Balance, December 31, 2010	72,388

	2010			2009		
	Cost **$**	**Accumulated amortization** **$**	**Net book value** **$**	**Cost** **$**	**Accumulated amortization** **$**	**Net book value** **$**
Distribution networks	**53,377**	**14,851**	**38,526**	50,114	11,889	38,225
Brand names	**33,142**	**–**	**33,142**	30,038	–	30,038
Patents	**1,289**	**621**	**668**	1,289	529	760
Software	**1,118**	**–**	**1,118**	–	–	–
Order backlog	**678**	**363**	**315**	–	–	–
Effect of foreign currency exchange rate changes	**(1,381)**	**–**	**(1,381)**	–	–	–
	88,223	**15,835**	**72,388**	81,441	12,418	69,023

10. INVENTORY

	2010 **$**	**2009** **$**
Raw materials	**29,516**	21,580
Finished goods	**24,115**	17,852
	53,631	39,432

During the year, inventories of $160,504 (2009 – $139,156) 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.

11. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Land	**5,138**	–	**5,138**	2,504	–	2,504
Buildings	**27,732**	**2,496**	**25,236**	14,558	1,762	12,796
Leasehold improvements	**434**	**431**	**3**	427	422	5
Furniture and fixtures	**1,027**	**490**	**537**	937	390	547
Automotive equipment	**5,119**	**2,780**	**2,339**	3,843	2,192	1,651
Computer equipment	**1,906**	**1,162**	**744**	1,411	907	504
Manufacturing equipment	**30,858**	**16,037**	**14,821**	22,798	13,026	9,772
Construction in progress	**17,589**	–	**17,589**	–	–	–
Equipment under capital lease	**865**	**66**	**799**	–	–	–
	90,668	**23,462**	**67,206**	46,478	18,699	27,779

Construction-in-progress is comprised primarily of building and equipment the cost of which has not been amortized as the assets were not placed in use as of December 31, 2010.

12. 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.

13. 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, 2010 on Ag Growth's Canadian dollar term debt was 3.1% (2009 – 3.4%), and on its U.S. dollar term debt was 3.8% (2009 – 4.2%). As at December 31, 2010 and 2009, there were no amounts outstanding under these facilities. The facilities mature October 29, 2012.

Ag Growth assumed a U.S. $2.0 million operating facility from Tramco upon its December 20, 2010 acquisition. The facility bears interest at 4.75% and no amount was outstanding at December 31, 2010. The facility was terminated by Ag Growth subsequent to December 31, 2010.

Collateral for the operating facilities rank pari passu with the Series A secured notes (note 14) 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.

14. LONG-TERM DEBT

	2010 $	2009 $
Series A secured notes	**24,865**	26,165
Nordea equipment loan	**308**	–
GMAC loans	**31**	47
	25,204	26,212
Less current portion	**128**	16
Less deferred financing costs	**558**	793
	24,518	25,403

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8%, payable quarterly, 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, 2010 (2009 – nil). 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 2009, 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.

The Nordea equipment loan is denominated in Euros, bears interest at 2% and matures in 2013. The equipment financed is pledged as collateral.

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

The Series A secured notes are denominated in U.S. dollars. Collateral for the Series A secured notes and term loans rank pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

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

	$
2011	128
2012	127
2013	84
2014	–
2015 and thereafter	24,865
	25,204

15. RESTRICTED CASH

Restricted cash consists of funds advanced to Ag Growth as collateral for a receivable from an end user of Ag Growth products. The funds will be repaid when the related receivable is collected in 2011.

16. OBLIGATIONS UNDER CAPITAL LEASES

The Company has a number of capital leases for manufacturing equipment and a forklift that mature in 2011 and 2012. Future minimum payments, by year and in the aggregate, under capital leases are as follows:

	$
2011	452
2012	142
	594
Less amount representing interest (average rate of 6.5%)	24
	570
Less current portion	432
	138

The leased equipment is pledged as collateral. Interest expense related to obligations under capital leases was $8 for the year ended December 31, 2010 (2009 – nil).

17. SHAREHOLDERS' EQUITY

(a) Common Shares

Authorized – Unlimited number of voting common shares without par value

Issued – 12,399,550 common shares

	Fund Trust units $	Class B units $	Total Fund Trust and Class B units $	Common shares $
				(notes 2 and 7)
Balance, December 31, 2008	146,894	1,361	148,255	–
Purchase of units under LTIP (note 24)	(286)	–	(286)	–
Settlement of LTIP obligation (note 24)	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 19)	–	–	–	4,137
Issuance costs	–	–	–	(50)
Balance, December 31, 2009	–	–	–	157,279
Purchase of common shares under LTIP (note 24)	–	–	–	(6,032)
Purchase of common shares under normal course issuer bid	–	–	–	(8,057)
Settlement of LTIP obligation – vested shares (note 24)	–	–	–	2,737
Settlement of SAIP obligation (note 25)	–	–	–	5,449
Balance, December 31, 2010	–	–	–	151,376

	Fund Trust units #	Class B units #	Common shares #
			(notes 2 and 7)
Balance, December 31, 2008	12,548,515	136,085	–
Purchase of units under LTIP	(11,008)	–	–
Settlement of LTIP obligation	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 19)	–	–	140,452
Balance, December 31, 2009	–	–	13,020,099
Purchase of common shares under LTIP (note 24)	–	–	(167,900)
Purchase of common shares under normal course issuer bid	–	–	(674,600)
Settlement of LTIP obligation – vested shares (note 24)	–	–	81,951
Settlement of SAIP obligation (note 25)	–	–	140,000
Balance, December 31, 2010	–	–	12,399,550

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.

The 12,399,550 common shares at December 31, 2010 are net of 143,890 common shares with a stated value of $5,027 that are being held by the Company under the terms of the LTIP until vesting conditions are met.

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

(b) Contributed Surplus

	$
Balance, December 31, 2008	1,551
Settlement of LTIP obligation – vested shares	(723)
Equity settled director compensation (note 26)	47
Settlement of LTIP obligation – shares purchased under LTIP (note 24)	632
Equity component of convertible unsecured subordinated debentures (note 18)	7,146
Balance, December 31, 2009	8,653
Equity settled director compensation (note 26)	117
Settlement of LTIP obligation – vested shares (note 24)	(2,263)
Exercise price on vested SAIP awards	18
Settlement of LTIP obligation – shares purchased under LTIP	4,596
Balance, December 31, 2010	11,121

(c) Accumulated Other Comprehensive Income (Loss)

	$
Balance, December 31, 2008	(10,560)
Other comprehensive income in year	16,150
Balance, December 31, 2009	5,590
Other comprehensive loss for year	(6,616)
Balance, December 31, 2010	(1,026)

18. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	2010 $	2009 $
Principal amount	**115,000**	115,000
Equity component	**(7,475)**	(7,475)
Accretion	**1,438**	185
Financing fees, net of amortization	**(3,823)**	(4,603)
Convertible unsecured subordinated debentures	**105,140**	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 the option to satisfy its obligations to pay interest by delivering common shares and as a result the potentially dilutive impact has been excluded from the calculation of fully diluted earnings per share (note 32). 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, 2010 the Company recorded accretion of $1,253 (2009 – $185), non-cash interest expense of $780 (2009 – $132), and interest expense on the 7% coupon of

$8,050 (2009 – $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.

19. 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 was 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 was 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.

20. 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 accelerated vesting and death benefits 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 the EBITDA achieved in the previous 12 months:

	2010 **$**	**2009** **$**
Net debt	**94,677**	19,416
EBITDA	**67,952**	60,680
Ratio	**1.39 times**	0.32 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:

	2010 **$**	**2009** **$**
Net debt	**94,677**	19,416
Shareholders' equity	**160,716**	176,799
Ratio	**0.59 times**	0.11 times

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.

21. INCOME TAXES

The components of income tax expense are as follows:

	2010 **$**	**2009** **$**
Current	**5,627**	774
Future	**2,291**	(667)
Provision for income taxes	**7,918**	107

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:

	2010 $	2009 $
Earnings before income taxes and other comprehensive income	**44,074**	45,410
Earnings subject to tax in the hands of unitholders/limited partners (note 2)	**–**	(10,843)
Corporate income subject to tax	**44,074**	34,567
Tax at statutory rate of 29.54% (2009 – 30.71%)	**13,019**	10,616
Charge against deferred credit	**(5,586)**	(8,394)
Establishment of future tax due to conversion to a corporation	**–**	(1,598)
Tax rate changes	**(516)**	399
Foreign rate differential	**1,252**	180
Permanent differences and other	**(251)**	(1,096)
Corporate income tax provision	**7,918**	107
Provision for income taxes	**7,918**	107

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

	2010 $	2009 $
Future tax asset – U.S. operations	**340**	–
Future tax asset related to other temporary differences	**1,380**	–
Future tax liability related to derivatives included in other comprehensive income	**(1,196)**	(1,765)
Future tax asset related to property, plant and equipment, tangible assets, non-capital losses, exploration and development expenses, and investment tax credits	**10,293**	11,868
Future tax asset – current	**10,817**	10,103
Future tax liability related to derivatives included in other comprehensive income	**(45)**	(490)
Future tax asset related to property, plant and equipment, intangible assets, non-capital losses, exploration and development expenses, and investment tax credits	**51,905**	57,938
Valuation allowance – Canadian non-capital losses and exploration and development expenses	**(18,437)**	(18,437)
Future tax asset related to other temporary differences	**1,430**	2,043
Future tax asset – long-term	**34,853**	41,054
Future tax liability – Finnish operations	**(94)**	–
Future tax liability – U.S. operations	**(332)**	–
Future tax liability – current	**(426)**	–
Future tax liability – U.S. operations	**(5,735)**	(1,047)
Future tax liability – Finnish operations	**(867)**	–
Future tax liability – long-term	**(6,602)**	(1,047)
Net total	**38,642**	50,110

Ag Growth has available to carry forward the following as at December 31, 2010 and 2009:

	2010 $	2009 $
Canadian non-capital losses	**86,356**	103,096
Canadian federal and provincial investment tax credits	**4,711**	4,711
Canadian exploration and development expenses	**95,269**	103,269

As at December 31, 2010, 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, 2010, the balance of the deferred credit is $42,320.

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

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Ag Growth has the following financial instruments: cash and cash equivalents, cash held in trust, accounts receivable, accounts payable and accrued liabilities, acquisition price, transaction and financing costs payable, long-term debt, convertible unsecured subordinated debentures, interest rate swap arrangements and foreign exchange forward 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 forward contracts and denominates a portion of its debt in U.S. dollars. As at December 31, 2010, Ag Growth's U.S. dollar denominated debt totalled U.S. $25.0 million and the Company has entered into the following foreign exchange forward contracts to sell U.S. dollars in order to hedge its foreign exchange risk:

Settlement dates	Face value U.S. $	Average rate Cdn. $
January – December 2011	45,000	1.10

As at December 31, 2010, acquisition price, transaction and financing costs payable included U.S. $10.0 million payable to the vendor of Tramco (note 6c). To mitigate exposure to fluctuating foreign exchange rates, the Company entered into a foreign exchange contract to buy U.S. $10.0 million dollars at a rate of $1.0012. As at December 31, 2010, an unrealized loss of $66 was recorded on this contract and the amount is included in the Company's gain on foreign exchange.

Ag Growth's sales denominated in U.S. dollars for the year ended December 31, 2010 were U.S. $162.3 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $79.4 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $16.2 million increase or decrease in sales and a total increase or decrease of $7.9 million in its cost of goods sold and its selling, general and administrative expenses. In relation to Ag Growth's foreign exchange hedging contracts, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in an increase or decrease in the foreign exchange gain of $6.2 million and an increase or decrease to other comprehensive income of $4.5 million.

(b) Interest Rate Risk

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 and convertible unsecured subordinated debentures outstanding at December 31, 2010 are at a fixed rate of interest and there were no interest rate swap transactions outstanding.

(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, 2010, based on the status of the receivable in relation to when the receivable is due and payable:

	$
Neither impaired nor past due	16,036
Not impaired and past the due date as follows:	
Within 30 days	7,231
31 to 60 days	7,044
61 to 90 days	3,295
Over 90 days	3,788
Allowance for doubtful accounts	(484)
Total accounts receivable	36,910

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:

	2010 $	2009 $
Balance, beginning of year	**499**	528
Acquisition of Mepu	**196**	–
Acquisition of Tramco	**60**	–
Allowance for doubtful accounts	**(284)**	220
Recovery (write-off) of specific accounts receivable	**13**	(249)
Balance, end of year	**484**	499

(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, 2010:

	Carrying amount $	Contractual cash flows $	0 – 6 months $	6 – 12 months $	12 – 24 months $	After 24 months $
Accounts payable and accrued liabilities	24,565	24,565	24,565	–	–	–
Long-term debt, including current portion and deferred financing costs	25,204	25,204	64	64	127	24,949
Obligations under capital leases, including current portion	570	594	226	226	142	–
Dividends payable	2,509	2,509	2,509	–	–	–
Convertible unsecured subordinated debentures	105,140	115,000	–	–	–	115,000
Acquisition price, transaction and financing costs payable	11,994	11,994	11,994	–	–	–
	169,982	179,866	39,358	290	269	139,949

Fair Value

Section 3862, "Financial Instruments – Disclosures", establishes 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 at December 31, 2010 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	34,981	–	–	34,981
Cash held in trust	1,817	–	–	1,817
Derivative financial instruments	–	4,200	–	4,200
Restricted cash	865	–	–	865

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.

As at December 31, 2010, the carrying value of cash and cash equivalents, cash held in trust, accounts receivable, accounts payable and accrued liabilities, acquisition price, transaction and financing costs payable and dividends payable approximates their fair value due to the relatively short period to maturity. Long-term debt in the form of term loans with a variable interest rate are 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. The fair value of the Company's other investment is not determinable. As at December 31, 2010, the fair value and carrying value of the foreign exchange forward contracts was an unrealized gain of $4,200 (2009 – $9,500). For the year ended December 31, 2010, a gain of $75 (2009 – nil) arising from hedge ineffectiveness was recorded through net earnings in foreign exchange (gain) loss. As at December 31, 2010, the fair value of the Series A notes was approximately $28,171. The estimated fair value of the Series A secured notes has been determined based on discounting future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

As at the issuance date, the fair value of the liability component of the debentures was estimated by discounting future payments of interest and principal over the period to their maturity date of December 31, 2014. As at December 31, 2010, the fair value of the liability component of the debentures using the same valuation technique was approximately $116,231.

Over the next 12 months, Ag Growth expects to realize an estimated $4,200 million in net gains presently reported in accumulated other comprehensive income (loss) as unrealized gains as at December 31, 2010.

23. 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:

	Sales as at December 31		Property, plant and equipment, goodwill and intangible assets as at December 31	
	2010 $	**2009 $**	**2010 $**	**2009 $**
Canada	**57,971**	61,246	**131,826**	106,313
United States	**167,299**	159,533	**61,375**	42,826
International	**36,807**	16,515	**10,448**	–
	262,077	237,294	**203,649**	149,139

24. 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 2010, the administrator purchased 167,900 common shares in the market for $6,032 to satisfy its obligation related to fiscal 2009 (note 17a). During the year ended December 31, 2010, $4,596 (2009 – $632) was reclassified from the long-term incentive plan liability to contributed surplus (note 17b).

The common shares awarded vest over a three-year period commencing one year after the fiscal year of the award. The LTIP provides for immediate vesting in the event of retirement, death, termination without cause or in the event the participant becomes disabled. During the year, 81,951 LTIP common shares vested to participants at which time $2,263 (note 17a and b) was reclassified from contributed surplus to shareholders' equity. As at

December 31, 2010, an aggregate of 105,418 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 service period and accordingly, the total award will be expensed over a four-year period with 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, 2010, Ag Growth has recorded an expense with respect to the LTIP of $3,570 (2009 – $2,650). The amount to be expensed in future periods with respect to the LTIP for fiscal years 2007, 2008, 2009 and 2010 is $2,904.

25. 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, 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, and no additional awards may be granted without shareholder approval. The aggregate number of Share Awards granted to any single Service Provider shall not exceed 5% of the issued and outstanding common shares of Ag Growth.

In addition:

(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.

As at December 31, 2010, 220,000 Share Awards have been granted and 80,000 remain outstanding. During the year, 73,333 (2009 – nil) share awards vested and were exercised, at which time common shares of the Company were issued for $2,586 (note 17a). On October 15, 2010, the Company announced the passing of its Chief Executive Officer. Upon his passing 66,667 share awards vested and were exercised, at which time common shares of the Company were issued for $2,863 (note 17a), of which $2,411 had been expensed to October 15, 2010 and included in the SAIP liability. For the year ended December 31, 2010, Ag Growth recorded an expense of $2,707 for the Share Awards (2009 – $3,794).

26. 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, 2010, Ag Growth recorded an expense of $117 (2009 – $47) 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 10 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. For the year ended December 31, 2010, 5,564 common shares were granted under the plan and as at December 31, 2010, a total of 13,983 common shares had been granted under the Plan and no common shares had been issued.

27. 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:

	$
2011	742
2012	220
2013	75
2014	33
2015	12
	1,082

The Company has entered into commitments of $2.0 million in relation to building and equipment which will be incurred throughout 2011.

As at December 31, 2010, the Company has outstanding letters of credit in the amount of $642 (2009 – nil).

28. RELATED PARTY TRANSACTION

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of Ag Growth is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to a shareholders' rights plan and general matters was $0.1 million during the year ended December 31, 2010 (2009 – $0.9 million) and are included in accounts payable and accrued liabilities. These transactions are measured at the exchange amount and were incurred during the normal course of business on similar terms and conditions to those entered into with unrelated parties.

29. 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, 2010, a total of 970,319 options are available for grant. No options have been granted as at December 31, 2010.

30. SHAREHOLDER PROTECTION RIGHTS PLAN

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

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

The Rights Plan is subject to approval of the Toronto Stock Exchange, and requires approval by the Company's shareholders within six months of the Rights Plan's effective date. The Company will be seeking shareholder approval at its 2011 Annual Meeting.

31. SUPPLEMENTAL EXPENSE INFORMATION

(a) Interest Expense

	2010 $	2009 $
Interest on short-term debt	**57**	116
Interest on long-term debt	**2,345**	2,719
Interest on redeemable preferred shares	**–**	195
Interest, including non-cash interest, on convertible unsecured subordinated debentures	**10,083**	1,773
	12,485	4,803

(b) Amortization

	2010 $	2009 $
Amortization of property, plant and equipment	**5,427**	5,388
Amortization of intangible assets	**3,417**	2,966
	8,844	8,354

32. NET EARNINGS PER SHARE

	2010 $	2009 $
Net earnings available to common shareholders	**36,156**	45,303
Add back: interest on convertible unsecured subordinated debentures	**6,971**	1,137
Numerator for diluted earnings per share	**43,127**	46,440
Basic weighted average number of shares	**12,675,342**	12,835,166
Dilutive effect of convertible unsecured subordinated debentures	**2,556,692**	462,306
Dilutive effect of directors' deferred compensation plan	**10,593**	6,700
Dilutive effect of share award incentive plan	**135,177**	155,549
Dilutive effect of long-term incentive plan	**142,437**	–
Diluted weighted average number of shares	**15,520,241**	13,459,721
Basic earnings per share	**$2.85**	$3.53
Diluted earnings per share	**$2.78**	$3.45

33. 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:

	2010 $	2009 $
Decrease (increase) in current assets		
Accounts receivable	**(7,979)**	310
Inventory	**(2,516)**	3,900
Prepaid expenses and other assets	**(5,373)**	(671)
Income taxes recoverable	**596**	275
	(15,272)	3,814
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**2,667**	2,141
Customer deposits	**(2,866)**	(3,775)
Income taxes payable	**56**	–
Long-term incentive plan	**(64)**	(20)
	(207)	(1,654)
	(15,479)	2,160

34. 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. For the year ended December 31, 2010, Ag Growth declared dividends to public security holders of $26,854, which equated to $2.12 basic weighted average per share (2009 – $26,307 and $2.05 basic weighted average per share), and dividends of $9 were declared to holders of the preferred shares in 2009.

35. ACCELERATED VESTING AND DEATH BENEFITS

On October 15, 2010, Ag Growth announced the passing of its Chief Executive Officer. Upon his passing all previously unvested share based compensation vested immediately, certain death benefits became payable to his estate and the Company became entitled to proceeds of $3,000,000 related to a keyman insurance policy. The $3,000,000 of insurance proceeds have offset the accelerated vesting and death benefit expenses and are included in prepaid and other assets.

36. COMPARATIVE FIGURES

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

NOTES

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Officers

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

Directors

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

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

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