AG GROWTH INTERNATIONAL

2012 Quarterly Report

For the three-month period ended March 31, 2012

On behalf of our Board of Directors, management and staff, we are pleased to provide you with our Q1, 2012 quarterly report. Sales in the first quarter of 2012 were $72.3 million, an increase of 9.5% over sales of $66.0 million in the first quarter of 2011. Adjusted EBITDA increased from $11.8 million in Q1 2011 to $12.2 million in the current period and profit per fully diluted common share increased to $0.42, up from $0.38 in Q1, 2011.

Results were substantially in line with expectations due largely to strength in both portable and commercial grain handling equipment. The timing of some international storage business was pushed forward into Q2, however, in order to realize the benefits of the manufacturing process and design initiative which was completed in April 2012. Production of these orders is now underway with no change in the delivery dates required by our customers. We were encouraged to see the greenfield bin plant generate a positive contribution in Q1, albeit modest.

International market development continues to gain traction and our order backlog is roughly twice the level experienced last year at this time. We have made good progress with our new regional sales force based in Finland and Latvia allowing our Winnipeg based team to focus more of their efforts toward larger projects in Eastern Europe and elsewhere. Mepu operations have normalized nicely and should return to historic performance as a result. It is important to remember that Mepu's business is highly seasonal with the emphasis on the second and third quarters of the fiscal year.

Our commercial divisions continued to experience strong demand, particularly at Hi Roller where we generated record results. A mild winter in most parts of North America allowed some contractors to work through what is typically a slow period and as a result the urgency to pack a lot of business into the summer months appears to have moderated. While we expect commercial business to remain strong, driven by long-term global fundamentals, we may be challenged to exceed the record results achieved in North America in 2011.

Portable grain handling equipment sales continue to show strength. We are encouraged by the huge number of acres planted in corn this year. We have always said our biggest business driver is volume of grain grown and certainly live by the motto that corn is king. In western Canada seeded acreage is expected to return to normal levels after two years of very wet conditions. There are a lot of variables yet to play out in the crop year but we are certainly off to a good start.

In closing I would like to once again thank everyone for their continued support throughout our recent developmental period. It is great to be moving on to a new year with so many of our past challenges addressed. We are well positioned to experience the optimism that comes with spring. We look forward to the challenges and opportunities of 2012 knowing that our team is strong and ready.

Sincerely,

Gary Anderson
President/CEO

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: May 11, 2012

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. ("Ag Growth", the "Company", "we", "our" or "us") for the year ended December 31, 2011 and the unaudited interim condensed consolidated financial statements of the Company for the three month period ended March 31, 2012. Results are reported in Canadian dollars unless otherwise stated.

The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian currency, unless otherwise noted.

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

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

SUMMARY OF RESULTS

(thousands of dollars)	**Three Months Ended March 31**	
	2012	**2011**
Trade sales (1)(2)	$72,291	$66,008
Adjusted EBITDA (2)	12,162	$11,811
Net Profit	$5,299	$4,706
Diluted profit per share	$0.42	$0.38

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

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

Trade Sales (see non-IFRS Measures)

Trade sales in the first quarter of 2012 increased $6.3 million or 10% compared to the same period in the prior year. Excluding results from Airlanco which was acquired in the fourth quarter of 2011, trade sales increased $4.3 million or 7% compared to the first quarter of 2011. The increase is due largely to strong demand for commercial handling equipment, which continues to be driven by agricultural fundamentals and an expanding grain handling infrastructure, and higher preseason sales of portable handling equipment as the Company's distribution network builds inventory levels in response to positive on-farm economics and an anticipated increase in planted acres in North America.

Gross Margin (see non-IFRS Measures)

The Company's gross margin percentage for the quarter ended March 31, 2012 was 35.2% (2011 – 35.6%). The Company was able to maintain strong gross margins due to high throughput levels and continued investment in manufacturing through capital expenditures and lean manufacturing practices.

The Company's Twister greenfield storage bin facility commenced production in June 2011 and the start-up issues and related gross margin compression primarily impacted the second half of 2011. The Company's Finland-based Mepu division experienced gross margin pressures in 2011 as a result of regional market issues which became most pronounced subsequent to a spike in steel costs that occurred late in first quarter of 2011. Accordingly, the gross margin challenges experienced at Twister and Mepu in 2011 did not impact the comparison of the first quarter of 2012 to that of the prior year. Gross margin percentages at Twister and Mepu have improved significantly compared to the levels experienced in the second half of 2011.

Adjusted EBITDA (see non-IFRS Measures)

Adjusted EBITDA in the first quarter of 2012 increased $0.4 million over the same period in the prior year as an increase in sales and gross margin contribution was partially offset by higher SG&A costs that resulted primarily from the Company's continued investment in it international sales development.

Diluted profit per share

Diluted profit per share in the first quarter of 2012 was $0.42 (2011 - $0.38). The increase compared to 2011 is primarily the result of an increase in adjusted EBITDA and a lower effective income tax rate partially offset by a lower gain on foreign exchange.

CORPORATE OVERVIEW

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

We manufacture in Canada, the US and Europe and we sell products globally, with most of our sales in the US. The following table sets forth our geographic concentration of sales for the periods indicated.

Trade Sales by Geographic Region

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
Canada	$19,437	$15,926
US	44,602	38,787
Overseas	8,252	11,295
Total	**$72,291**	**$66,008**

Our business is sensitive to fluctuations in the value of the Canadian and US dollars as a result of our exports from Canada to the US and as a result of earnings derived from our US based divisions. Fluctuations in currency impact our results even though we engage in currency hedging with the objective of partially mitigating our exposure to these fluctuations. The Company's average rate of foreign exchange in the three months ended March 31, 2012 was $1.00 USD = CAD $1.00 (2011 - $1.00 USD = CAD $0.99).

Our business is also sensitive to fluctuations in input costs, especially steel, a principal raw material in our products. Steel represented approximately 30% of production costs in fiscal 2011. Short-term fluctuations in the price of steel impact our financial results even though we strive to partially mitigate our exposure to such fluctuations through the use of long-term purchase contracts, bidding commercial projects based on current input costs and passing input costs on to customers through sales price increases.

The inclusion of the assets, liabilities and operating results of acquisitions can significantly impact comparisons between periods. Acquisitions that impact the comparison between the first quarters of 2012 and 2011 are as follows:

Acquisitions in Fiscal 2011

Airlanco - On October 4, 2011, the Company acquired the operating assets of Airlanco, a manufacturer of aeration products and filtration systems that are sold primarily into the commercial grain handling and processing sectors. The purchase price of $11.5 million was financed primarily from Ag Growth's acquisition line of credit while costs related to the acquisition of $0.2 million and a working capital adjustment of $0.4 million were financed by cash on hand. The purchase price represents a valuation of approximately five times Airlanco's normalized fiscal 2010 EBITDA. Airlanco is located in Falls City, Nebraska and has traditionally served customers headquartered or located in North America. The Company had sales of approximately $12.5 million in 2011, operating out of an 80,000 square foot facility with 65 employees.

OUTLOOK

Management expects demand for portable grain handling equipment in 2012 will benefit from positive on-farm economics, the potential for a large number of corn acres in the U.S. and an expected return to normalized conditions in western Canada. The USDA's prospective plantings report released on March 30, 2012 forecasts U.S. farmers will plant 95.9 million acres of corn in 2012 (2011 – 91.9 million acres), the highest planting level since 1937. Based on previous USDA yield estimates this may result in a corn crop in excess of 14 billion bushels (2011 – 12.4 billion bushels). The number of seeded acres in Canada, based on Statistics Canada's planting intentions survey released April 24, 2012, is expected to increase by approximately eight million acres or over 10% compared to 2011 as farmers seed many of the acres lost to flooding in the previous year.

Sales of commercial equipment in North America were at record levels in 2011 due to positive agricultural economics and a commercial infrastructure which is expanding its capacity to accommodate the growing number of total bushels of grain in the system. Based on current conditions management anticipates continued high levels of North American demand in 2012, however North American sales may not match the record sales achieved in 2011. Offshore commercial grain handling sales are expected to increase compared to 2011 as the Company remains very encouraged with the outlook for offshore markets and the potential of product bundling with storage bins and other Ag Growth products.

Ag Growth remains very optimistic with respect to its international potential. The Company has continued to invest in its international development with additions to its sales and support team and the establishment of sales offices in Colombia, Argentina and Latvia. Ag Growth's international sales backlog for 2012 is significantly higher than the backlog at this time in 2011. Internationally, the Company's sales and sales backorder is geographically diverse and includes Russia, Eastern Europe, Latin America, Southeast Asia, the Middle East and Africa.

Management believes start-up challenges at the Twister greenfield storage bin facility are largely resolved. Twister contributed a positive gross margin in the first quarter of 2012 and management expects margin improvements to continue throughout the year. Regional conditions at Finland-based Mepu appear to have normalized and management expects improved results from Mepu in 2012 compared to 2011. Mepu has historically been very seasonal, with negative EBITDA in the first and fourth quarters, and this trend continued in the first quarter of 2012 and is expected to continue going forward.

Management expects gross margins in portable and commercial handling equipment to remain strong in 2012 and expects margin improvements at the Mepu and Twister divisions. The Company's gross margin expectations for storage products in 2012 are significantly higher than those achieved in 2011. However, storage sales are expected to comprise a higher proportion of total sales in 2012 and this change in sales mix is expected to reduce gross margin percentages on a consolidated basis. As a result of these offsetting factors, Ag Growth's consolidated gross margin percentage in 2012 is expected to remain relatively consistent with 2011.

Consistent with prior years, demand in 2012, particularly in the second half, will be influenced by crop conditions, the timing of harvest and conditions during harvest. Changes in global macro-economic factors, including the availability of credit in new markets, also may influence demand, primarily for commercial grain handling and storage products. Results may be also be impacted by changes in steel costs and other material inputs. The rate of exchange between the Canadian and US dollars may impact the comparison of results between 2012 and 2011. The Company's average rate of exchange in 2011 was $1.00 USD = CAD $0.97.

DETAILED OPERATING RESULTS

(thousands of dollars)	Three Months Ended March 31	
	2012	2011
Trade sales [1]	$72,291	$66,008
Gain on foreign exchange [2]	64	1,057
Sales	72,355	67,065
Cost of inventories	46,859	42,535
Depreciation & amortization	1,435	1,416
Cost of sales	48,294	43,951
General and administrative	13,344	11,886
Depreciation & amortization	1,040	857
Other operating loss (income)	(72)	120
Finance costs	3,249	3,118
Finance loss (income)	(640)	(794)
Profit before income taxes	7,140	7,927
Current income taxes	639	541
Deferred income taxes	1,202	2,680
Profit for the period	$5,299	$4,706
Net profit per share		
Basic	$0.42	$0.38
Diluted	$0.42	$0.38

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

EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
Profit before income taxes	7,140	$7,927
Finance costs	3,249	3,118
Depreciation and amortization in cost of sales	1,435	1,416
Depreciation and amortization in G&A expenses	1,040	857
EBITDA [(1)]	**$12,864**	**$13,318**
Gain on foreign exchange in sales [(2)]	(64)	(1,057)
Gain on foreign exchange in finance income	(636)	(432)
Gain on sale of property, plant & equipment	(2)	(18)
Adjusted EBITDA [(1)]	**$12,162**	**$11,811**

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

ASSETS AND LIABILITIES

(thousands of dollars)	March 31 2012	December 31 2011	March 31 2011
Total assets	$397,005	$394,566	$380,009
Total liabilities	$197,438	$192,407	$175,752

EXPLANATION OF OPERATING RESULTS

Trade sales

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
Trade sales	$72,291	$66,008
Trade sales excluding acquisitions (1)	$70,316	$66,008

(1) Excluding the results of Airlanco which was acquired on October 4, 2011.

Trade sales excluding acquisitions increased $4.3 million or 7% over the comparable period in the prior year. The increase is primarily due to the following:

- Canada – the increase of $3.5 million over 2011 is due largely to higher preseason sales of portable grain handling equipment as the Company's distribution network builds inventory levels in advance of an anticipated increase in planted acres. Planted acres are expected to increase over 10% compared to the prior year primarily due to the recovery of acres that were lost due to flooding in 2011.
- United States - the increase of $3.8 million over 2011 is due to higher sales of commercial grain handling equipment that resulted from positive agricultural economics and a commercial infrastructure which is expanding its capacity to accommodate higher levels of grain in the system. Demand for portable equipment remained robust due to strong on-farm fundamentals including a projected record planting of corn acres.
- International – sales decreased $3.0 million from 2011 largely because the Company's production schedule focused on North American deliveries. In addition, certain partial product shipments to Ukraine have not yet been recognized as revenue. The Company's international sales backlog remains significantly higher than at this time in 2011.

Gross Profit and Gross Margin

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
Trade sales	$72,291	$66,008
Cost of inventories (1)	46,859	42,535
Gross Margin	$25,432	$23,473
Gross Margin (1) (as a % of trade sales)	35.2%	35.6%

(1) Excluding depreciation and amortization included in cost of sales.

The Company's gross margin percentage in the first quarter of 2012 was similar to the prior year as divisional gross margin percentages and the Company's sales mix remained roughly consistent with the first quarter of 2011.

General and Administrative Expenses

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
G&A	$13,344	$11,886
G&A (as a % of trade sales)	18.5%	18.0%
G&A excluding acquisitions	$12,936	$11,886

G&A expenses excluding acquisitions increased $1.0 million compared to 2011, largely due to the following:

- Sales & Marketing – increased $0.9 million as the Company continued to invest in its international sales development. The increased expense is largely due to salaries and travel for sales and support personnel added throughout fiscal 2011.
- Research and development – increased $0.4 million due largely to an increasing focus on new product development.
- Stock-based compensation – decreased $0.4 million as the Company no longer has any awards outstanding under its share award incentive plan (”SAIP”) and there was no LTIP expense related to a fiscal 2012 award. The Company is currently considering the adoption of a new share award incentive plan and a plan to replace the LTIP.
- The remaining variance is the result of a number of offsetting factors with no individual variance larger than $200,000.

EBITDA and Adjusted EBITDA

(thousands of dollars)	**Three Months Ended March 31**	
	2012	**2011**
EBITDA (1)	$12,864	$13,318
Adjusted EBITDA (1)	$12,162	$11,811

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

Adjusted EBITDA in the first quarter of 2012 increased over the prior year as an increase in sales and gross margin contribution was partially offset by higher SG&A costs. EBITDA decreased compared to the prior year as the increase in adjusted EBITDA was more than offset by a lower gain on foreign exchange compared to 2011.

Finance Costs

The Company’s bank indebtedness as at March 31, 2012 was $3.1 million (2011 - $nil) and its outstanding long-term debt and obligations under capital leases including the current portion was $35.1 million (2011 - $24.2 million). Long-term debt at March 31, 2012 is primarily comprised of US $25.0 million aggregate principal amount of non-amortizing secured notes that bear interest at 6.80% and mature October 29, 2016 and US $10.5 million of non-amortizing term debt, net of all deferred financing costs of $0.6 million. The increase compared to March 31, 2011 is primarily due to long-term debt drawn to finance the October 4, 2011 acquisition of Airlanco. See “Capital Resources" for a description of the Company's credit facilities.

Obligations under capital lease of $0.1 million include a number of equipment leases with an average interest rate of 6.5%. The lease end dates are in 2012.

Finance costs for the three months ended March 31, 2012 were $3.2 million (2011 - $3.1 million). At March 31, 2012 the Company had outstanding $114.9 million aggregate principal amount of convertible unsecured subordinated debentures (2011 - $114.9 million). The Debentures bear interest at an annual rate of 7.0% and mature December 31, 2014. See “Capital Resources”.

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

Finance Income

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

Depreciation and amortization

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

Depreciation (thousands of dollars)	**Three Months Ended March 31**	
	2012	**2011**
Depreciation in cost of sales	$1,376	$1,108
Depreciation in G&A	143	115
Total Depreciation	$1,519	$1,223

Amortization (thousands of dollars)	**Three Months Ended March 31**	
	2012	**2011**
Amortization in cost of sales	$ 59	$ 308
Amortization in G&A	897	742
Total Amortization	$956	$1,050

Current income tax expense

For the three months ended March 31, 2012, the Company recorded current tax expense of $0.6 million (2011 – $0.5 million). Current tax expense relates primarily to certain subsidiary corporations of Ag Growth, including its U.S. and Finland based divisions.

Deferred income tax expense

For the three months ended March 31, 2012, the Company recorded deferred tax expense of $1.2 million (2011 – $2.7 million). The deferred tax expense in 2012 relates to the utilization of deferred tax assets plus a decrease in deferred tax liabilities that related to the application of corporate tax rates to reversals of temporary differences between the accounting and tax treatment of depreciable assets, intangibles, reserves, deferred compensation plans and deferred financing fees.

Effective tax rate (thousands of dollars)	**Three Months Ended March 31**	
	2012	**2011**
Current tax expense	$ 639	$ 541
Deferred tax expense	1,202	2,680
Total tax	$1,841	$3,221
Profit before taxes	$7,140	$7,927
Total tax %	26%	41%

Profit and profit per share

For the three months ended March 31, 2012, the Company reported net profit of $5.3 million (2011 - $4.7 million), basic net profit per share of $0.42 (2011 - $0.38), and fully diluted net profit per share of $0.42 (2011 - $0.38). Profit per share for the quarter ended March 31, 2012 increased compared to the prior year primarily as higher adjusted EBITDA and a lower effective tax rate were partially offset by a lower gain on foreign exchange compared to 2011.

QUARTERLY FINANCIAL INFORMATION (thousands of dollars):

2012					
	Average USD/CAD Exchange Rate	**Sales**	**Profit**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	$1.00	$72,355	$5,299	$0.42	$0.42
Fiscal 2012	**$1.00**	**$72,355**	**$5,299**	**$0.42**	**$0.42**

2011					
	Average USD/CAD Exchange Rate	**Sales**	**Profit**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	$0.99	$67,065	$4,706	$0.38	$0.38
Q2	$0.96	$88,111	$11,994	$0.97	$0.91
Q3	$0.97	$83,341	$4,570	$0.37	$0.36
Q4	$0.96	$67,415	$3,253	$0.26	$0.26
Fiscal 2011	**$0.97**	**$305,932**	**$24,523**	**$1.97**	**$1.95**

2010					
	Average USD/CAD Exchange Rate	**Sales**	**Profit (Loss)**	**Basic Profit (Loss) per Share**	**Diluted Profit (Loss) per Share**
Q1	$1.05	$ 52,430	$ 4,351	$0.33	$0.33
Q2	$1.03	76,727	11,626	$0.90	$0.85
Q3	$1.05	88,703	15,164	$1.23	$1.12
Q4	$1.02	51,407	(380)	$(0.03)	$(0.03)
Fiscal 2010	**$1.04**	**$269,267**	**$30,761**	**$2.43**	**$2.40**

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

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

- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.
- Sales, net profit and profit per share are significantly impacted by the acquisitions of Mepu (April 29, 2010), Franklin (October 1, 2010), Tramco (December 20, 2010) and Airlanco (October 2011).

CASH FLOW AND LIQUIDITY

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
Profit before income taxes for the period	$7,140	$7,927
Add charges (deduct credits) to operations not requiring a current cash payment:		
Depreciation and amortization	2,475	2,273
Translation gain on foreign exchange	(1,292)	(1,475)
Non-cash interest expense	600	589
Stock based compensation	293	714
Gain on sale of assets	(2)	(18)
	9,214	10,010
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(10,015)	(5,409)
Inventory	(5,277)	(3,785)
Prepaid expenses and other assets	480	2,522
Accounts payable and accruals	3,840	(369)
Customer deposits	3,069	671
Provisions	(10)	41
	(7,913)	(6,329)
Settlement of SAIP obligation	(1,495)	(1,998)
Income tax paid	(488)	(1,707)
Cash used in operations	$(682)	$ (24)

For the quarter ended March 31, 2012, cash used in operations was $0.7 million (2011 – $0.0 million). The increase in cash used in operations compared to 2011 is largely the result of higher negative net change in accounts receivable as the three months period in 2011 included the collection of a large international receivable and there was no similar receivable collected in 2012.

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 higher sales in the third quarter that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, Ag Growth begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. Ag Growth has typically fully repaid its operating line balance by early in the fourth quarter.

Working capital requirements in 2012 are expected to be generally consistent with historical patterns, however growth in the Company's storage bin sales and increasing international sales with extended payment terms may result in higher than historical inventory levels and an increase in the number of days accounts receivable remain outstanding. In addition, payment terms related to certain preseason ordering programs changed compared to the prior year which increased the Company's December 31, 2011 and March 31, 2012 accounts receivable balances and is expected to result in increased receivable collections in the second quarter of 2012.

Capital Expenditures

Ag Growth had maintenance capital expenditures of $1.0 million in the three month period ended March 31, 2012 (2011 - $0.6 million), representing 1.5% of trade sales (2011 – 1.0%). Maintenance capital expenditures in 2012 relate primarily to purchases of manufacturing equipment and leasehold improvements and were funded through cash on hand, cash from operations and bank indebtedness.

Ag Growth defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. Ag Growth had no non-maintenance capital expenditures in the three months ended March 31, 2012 (2011 - $1.8 million).

Capital expenditures in 2012 are expected to decrease modestly compared to 2011 and are expected to be financed through a combination of cash on hand, bank indebtedness and term debt.

Cash Balance

The Company's cash balance in the first quarter of 2012 decreased $9.9 million (2011 – $24.2 million). The decrease in cash in both periods is in part attributable to seasonality. The decrease in the current year was lower than in 2011 largely because the first quarter of the prior year included payments of $9.9 million related to the acquisition of Tramco and $3.3 million related to the purchase of shares under the Company's LTIP.

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	2012	2013	2014	2015	2016+
Debentures	114,885	0	0	114,885	0	0
Long-term debt	35,515	7	0	10,530	0	24,978
Capital leases	109	109	0	0	0	0
Operating leases	3,479	662	810	785	565	657
Total obligations	$153,988	$778	$810	$126,200	$565	$25,635

Debentures relate to the aggregate principal amount of debentures issued by the Company in October 2009 (see "Convertible Debentures" below). Long-term debt at March 31, 2012 is comprised of US $25.0 million aggregate principal amount of secured notes issued through a note purchase and private shelf agreement and US $10.5 million non-amortizing term debt, net of deferred financing costs. Capital lease obligations relate to a number of leases for equipment. The operating leases relate primarily to vehicle, equipment, warehousing, and facility leases and were entered into in the normal course of business.

As at May 11, 2012, the Company had outstanding commitments of $0.3 million in relation to capital expenditures for property, plant and equipment.

CAPITAL RESOURCES

Cash

The Company had bank indebtedness of $3.1 million as at March 31, 2012 (2011 – cash balance of $10.8 million). The Company's cash balance is lower than at the same time in 2011 due largely to an increase in working capital to accommodate growth and sales programming.

Long-term debt

On October 29, 2009, the Company issued US $25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement. The notes are non-amortizing, bear interest at 6.80% and mature October 29, 2016. The note purchase agreement also provides for a possible future issuance and sale of notes of up to an additional US $75.0 million aggregate principal amount, with maturity dates no longer than ten years from the date of issuance. Under the note purchase agreement, 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 March 9, 2012, the Company renewed its credit facility with its existing lenders. The facility continues to include CAD $10.0 million and US $2.0 million available for working capital purposes, and non-amortizing long-term debt of up to CAD $38.0 million and US $20.5 million. As at March 31, 2012, US $10.5 million was drawn under this facility (2011 - $nil).The renewed credit includes lender approval to expand the facility by an additional $25 million, bears interest at rates of prime plus 0.0% to prime plus 1.0% (superseded facility – prime plus 0.50% to prime plus 1.50%) based on performance calculations and matures on the earlier of March 8, 2016 or three months prior to maturity date of the Debentures, unless refinanced on terms acceptable to the lenders. 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.

Obligation under capital leases

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

Convertible Debentures

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

Net proceeds of the offering of approximately $109.9 million were used by Ag Growth for general corporate purposes, to repay indebtedness, to fund acquisitions and to finance the expansion of the Company's storage bin product line.

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

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

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

COMMON SHARES

The following common shares were issued and outstanding at the dates indicated:

	# Common Shares
December 31, 2010	12,543,440
Conversion of Debentures	2,556
December 31, 2011, March 31, 2012 and May 11, 2012	12,545,996

On November 17, 2011, Ag Growth commenced a normal course issuer bid for up to 994,508 common shares, representing 10% of the Company's "public float" of common shares at that time. As of May 11, 2012, no common shares have been purchased under the normal course issuer bid.

In the year ended December 31, 2011, 2,556 common shares were issued on conversion of $115,000 principal amount of Debentures. Ag Growth has reserved 2,554,136 common shares for issuance upon conversion of the Debentures as at March 31, 2012.

Ag Growth has granted 220,000 share awards under its share award incentive plan. In fiscal 2010 a total of 140,000 share awards vested and the equivalent number of common shares was issued to the participants. The remaining share awards vested as to 40,000 each on January 1, 2011 and January 1, 2012, however no common shares were issued on these vesting dates as the participants were compensated in cash rather than common shares.

The administrator of the LTIP has acquired 317,304 common shares to satisfy its obligations with respect to awards under the LTIP for fiscal 2007, 2008, 2009 and 2010. There was no LTIP award related to fiscal 2011. The common shares purchased are held by the administrator until such time as they vest to the LTIP participants. As at March 31, 2012, a total of 242,956 common shares related to the LTIP had vested to the participants.

A total of 25,186 deferred grants of common shares are outstanding under the Company's Director's Deferred Compensation Plan.

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

DIVIDENDS

In the three months ended March 31, 2012, Ag Growth declared dividends to shareholders of $7.5 million (2011 - $7.5 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.

Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company's operating lines. Dividends in the three months ended March 31, 2012 were funded through cash on hand, cash from operations and bank indebtedness. The Company expects dividends in 2012 will be funded through cash on hand, cash from operations and bank indebtedness.

FUNDS FROM OPERATIONS

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

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
EBITDA	$12,864	$13,318
Stock based compensation	293	714
Non-cash interest expense	600	589
Translation gain on foreign exchange	(1,292)	(1,475)
Interest expense	(3,249)	(3,118)
Income taxes paid	(488)	(1,707)
Maintenance capital expenditures	(1,049)	(643)
Funds from operations (1)	$7,679	$7,678

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

(thousands of dollars)	Three Months Ended March 31	
	2012	**2011**
Cash used in operating activities	$(682)	$(24)
Change in non-cash working capital	7,913	6,329
Settlement of SAIP option	1,495	1,998
Maintenance capital expenditures	(1,049)	(643)
Gain on sale of assets	2	18
Funds from operations (1)	$7,679	$7,678
Shares outstanding (2)	12,569,162	12,498,023
Funds from operations per share	$0.61	$0.61
Dividends declared per share	$0.60	$0.60
Payout ratio (1)	98%	98%

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

Payout Ratio (see non-IFRS Measures)

The Company's payout ratio for the quarter ended March 31, 2012 was 98% (2011 – 98%). Due to seasonality the Company's payout ratio in the first quarter of a fiscal year is typically higher than the ratio achieved over an entire twelve month period.

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 three Canadian chartered banks to partially hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and as at March 31, 2012, had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
April – Dec 2012	$52,000	$0.9908	$51,523

The fair value of the outstanding forward foreign exchange contracts in place as at March 31, 2012 was a loss of $0.5 million. Consistent with prior periods, the Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income for the period ended March 31, 2012.

The Company periodically enters short-term foreign exchange swap contracts to assist in the management of its cash positions. As at March 31, 2012 the Company had foreign exchange swaps outstanding of USD $5.0 million with a maturity date of April 27, 2012. The fair value of the swaps was equal to their face amount and as a result no gain or loss was recorded in the three month period ended March 31, 2012. The Company's foreign exchange swaps are not considered to be effective hedge contracts for accounting purposes and accordingly any future gains or losses would be recognized as a foreign exchange gain or loss on the statement of income.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. By their nature, these estimates are subject to a degree of uncertainty and are based on historical experience and trends in the industry. Management reviews these estimates on an ongoing basis. While management has applied judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

Ag Growth believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, goodwill, convertible debentures and deferred income taxes. Ag Growth's accounting policies are described in the notes to its December 31, 2011 audited financial statements.

Allowance for Doubtful Accounts

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

Valuation of Inventory

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

Goodwill and Intangible Assets

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

Deferred Income Taxes

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

Future Benefit of Tax-loss Carryforwards

Ag Growth should only recognize the future benefit of tax-loss carryforwards where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. We are required to make significant estimates and assumptions regarding future revenues and profit, and our ability to implement certain tax planning strategies, in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to significant uncertainty and if changed could materially affect our assessment of the ability to fully realize the benefit of the deferred income tax assets. Deferred tax asset balances would be reduced and additional income tax expense recorded in the applicable accounting period in the event that circumstances change and we, based on revised estimates and assumptions, determined that it was no longer probable that those deferred tax assets would be fully realized.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected.

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

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

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

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

Foreign Exchange Risk
Ag Growth generates the majority of its sales in U.S. dollars, but a materially smaller proportion of its expenses are denominated in U.S. dollars. In addition, Ag Growth may denominate its long term borrowings in U.S. dollars. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and the U.S. dollar may significantly impact the Company's financial results. Management has implemented a foreign currency hedging strategy and the Company has entered into a series of hedging arrangements to partially mitigate the potential effect of fluctuating exchange rates. To the extent that Ag Growth does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Acquisition and Expansion Risk
Ag Growth may expand its operations by increasing the scope or changing the nature of operations at existing facilities or by acquiring or developing additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire, develop or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. The Company's ability to increase the scope or change the nature of its operations or acquire or develop additional businesses may be impacted by its cost of capital and

access to credit. Acquisitions and expansions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on Ag Growth's performance. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired or newly developed businesses, products, or technologies will achieve anticipated revenues and income. The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on Ag Growth's results of operations and financial condition.

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 North American 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.

Commodity Prices, International Trade and Political Uncertainty

Prices of commodities are influenced by a variety of unpredictable factors that are beyond the control of Ag Growth, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. A decrease in commodity prices could negatively impact the agricultural sector, and the business of Ag Growth. New legislation or amendments to existing legislation, including the Energy Independence and Security Act in the U.S., may ultimately impact demand for the Company's products. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

Competition

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

Seasonality of Business

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

Business Interruption

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

Litigation

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

Dependence on Key Personnel

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

Labour Costs and Shortages and Labour Relations

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

Distribution, Sales Representative and Supply Contracts

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

Availability of Credit

Ag Growth's credit facility matures on the earlier of March 8, 2016 or three months prior to the maturity of the Debentures 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 negatively impacted.

Interest Rates

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

Uninsured and Underinsured Losses

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

Cash Dividends are not Guaranteed

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

Income Tax Matters

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to Ag Growth's specific situation. The amount and timing of reversals of temporary differences will also depend on Ag Growth's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of Ag Growth are complex and Ag Growth has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history including the Conversion. The computation of income taxes payable as a result of these transactions involves many complex factors as well as Ag Growth's interpretation of and compliance with relevant tax legislation and regulations. While Ag Growth believes that its existing and proposed tax filing positions are probable to be sustained, there are a number of existing and proposed tax filing positions including in respect of the Conversion that are or may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by Ag Growth and the ultimate value of Ag Growth's income tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on Ag Growth's consolidated financial statements and financial position.

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

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

Leverage, Restrictive Covenants

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

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

NEW ACCOUNTING PRONOUNCEMENTS

Presentation of financial statements [amendments to IAS 1]

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

Financial instruments: classification and measurement ["IFRS 9"]

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of the existing standard for financial instruments ["IAS 39"] and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, the IASB will address classification and measurement of hedge accounting. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Ag Growth's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Employee benefits ["IAS 19"]

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

Offsetting Financial Assets and Liabilities

In December 2011, the IASB issued amendments to IAS 32 *Financial Instruments: Presentation*. The amendments are intended to clarify certain aspects of the existing guidance on offsetting financial assets and financial liabilities due to the diversity in application of the requirements on offsetting. The IASB also amended IFRS 7 to require information about all recognized financial instruments that are set off in accordance with IAS 32. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2012. However, the new offsetting disclosure requirements are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendments need to be provided retrospectively to all comparative periods. The Company is currently assessing the impact of adopting these amendments on the consolidated financial statements.

IFRS 10 Consolidated financial statements

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

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

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 3l, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* IFRS 11 uses some of the terms that were used by IAS 31, but with different meanings. Whereas IAS 31 identified three forms of joint ventures [i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities], IFRS 11 addresses only two forms of joint arrangements [joint operations and joint ventures] where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement that exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

IFRS 12 Disclosure of interests in other entities

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

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

IFRS 13 Fair Value Measurement

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including Ag Growth's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of Ag Growth is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The Company acquired the assets of Airlanco on October 4, 2011 (see "Acquisitions in Fiscal 2011"). Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this newly acquired operation. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, 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 acquisition that was included in Ag Growth's consolidated financial statements for the three months ended March 31, 2012:

(thousands of dollars)	**Airlanco**
Revenue	$1,975
Profit (loss)	$105
Current assets[1]	$3,329
Non-current assets[1]	$9,227
Current liabilities[1]	$1,136
Non-current liabilities[1]	$0

1 Balance sheet as at March 31, 2012

There have been no material changes in Ag Growth's internal controls over financial reporting that occurred in the three month period ended March 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

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

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

ADDITIONAL INFORMATION

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

Unaudited Interim Condensed Consolidated Financial Statements

Ag Growth International Inc.

March 31, 2012

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in thousands of Canadian dollars]

	As at March 31, 2012 $	As at December 31, 2011 $
ASSETS *[note 13]*		
Current assets		
Cash and cash equivalents	**—**	6,839
Restricted cash	**947**	2,439
Accounts receivable *[note 10]*	**59,706**	49,691
Inventory	**69,835**	64,558
Prepaid expenses and other assets	**2,240**	2,720
Income taxes recoverable	**1,179**	1,506
	133,907	127,753
Non-current assets		
Property, plant and equipment, net	**82,511**	83,434
Goodwill *[note 8]*	**65,485**	65,876
Intangible assets, net *[note 7]*	**74,655**	75,510
Available-for-sale investment	**2,800**	2,800
Deferred tax asset *[note 15]*	**36,546**	38,092
	261,997	265,712
Assets held for sale	**1,101**	1,101
Total assets	**397,005**	394,566
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness *[notes 4 and 13[a]]*	**3,058**	—
Accounts payable and accrued liabilities	**26,104**	22,264
Customer deposits	**11,087**	8,018
Dividends payable *[note 11[e]]*	**2,509**	2,509
Transaction and financing costs payable	**500**	1,938
Current portion of long-term debt *[note 13]*	**7**	16
Current portion of obligations under finance leases *[note 13]*	**109**	131
Current portion of derivative instruments *[note 16]*	**533**	1,828
Current portion of share award incentive plan *[note 12[e]]*	**—**	1,495
Provisions	**2,212**	2,222
	46,119	40,421
Non-current liabilities		
Long-term debt *[note 13]*	**34,948**	35,824
Convertible unsecured subordinated debentures *[note 14]*	**107,775**	107,202
Deferred tax liability *[note 15]*	**8,596**	8,960
	151,319	151,986
Total liabilities	**197,438**	192,407
Shareholders' equity *[note 11]*		
Common shares	**153,394**	151,039
Accumulated other comprehensive loss	**(2,587)**	(1,875)
Equity component of convertible debentures	**5,105**	5,105
Contributed surplus	**3,334**	5,341
Retained earnings	**40,321**	42,549
Total shareholders' equity	**199,567**	202,159
Total liabilities and shareholders' equity	**397,005**	394,566
Commitments and contingencies *[note 21]*		

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

(signed) John R. Brodie, FCA
Director

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

	Three-month period ended	
	March 31, 2012	**March 31, 2011**
	$	$
Sales	**72,355**	67,065
Cost of goods sold *[note 6[d]]*	**48,294**	43,951
Gross profit	**24,061**	23,114
Expenses		
Selling, general and administrative *[note 6[e]]*	**14,384**	12,743
Other operating expense (income) *[note 6[a]]*	**(72)**	120
Finance costs *[note 6[c]]*	**3,249**	3,118
Finance income *[note 6[b]]*	**(640)**	(794)
	16,921	15,187
Profit before income taxes	**7,140**	7,927
Income tax expense *[note 15]*		
Current	**639**	541
Deferred	**1,202**	2,680
	1,841	3,221
Profit for the period	**5,299**	4,706
Profit per share - basic *[note 19]*	**0.42**	0.38
Profit per share - diluted *[note 19]*	**0.42**	0.38

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

Three-month period ended March 31, 2012

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Retained earnings $	Cash flow hedge reserve $	Foreign currency reserve $	Available-for-sale reserve $	Total equity $
As at January 1, 2012	**151,039**	**5,105**	**5,341**	**42,549**	**(1,340)**	**(1,123)**	**588**	**202,159**
Profit for the period	—	—	—	5,299	—	—	—	5,299
Other comprehensive income (loss)	—	—	—	—	940	(1,758)	106	(712)
Share-based payment transactions *[note 12]*	2,355	—	(2,007)	—	—	—	—	348
Dividends to shareholders *[note 11[e]]*	—	—	—	(7,527)	—	—	—	(7,527)
As at March 31, 2012	**153,394**	**5,105**	**3,334**	**40,321**	**(400)**	**(2,881)**	**694**	**199,567**

See accompanying notes

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

Three-month period ended March 31, 2011

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Retained earnings $	Cash flow hedge reserve $	Foreign currency reserve $	Available-for-sale reserve $	Total equity $
As at January 1, 2011	151,376	5,105	6,121	48,135	2,966	(3,409)	—	210,294
Profit for the period	—	—	—	4,706	—	—	—	4,706
Other comprehensive income (loss)	—	—	—	—	217	(1,552)	588	(747)
Conversion of subordinated debentures	115	—	—	—	—	—	—	115
Share-based payment transactions	(1,289)	—	(1,295)	—	—	—	—	(2,584)
Dividends to shareholders *[note 11[e]]*	—	—	—	(7,527)	—	—	—	(7,527)
As at March 31, 2011	150,202	5,105	4,826	45,314	3,183	(4,961)	588	204,257

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2012	**March 31, 2011**
	$	$
Profit for the period	**5,299**	4,706
Other comprehensive loss		
Change in fair value of derivatives designated as cash flow hedges	**1,044**	1,043
Loss (gains) on derivatives designated as cash flow hedges recognized in net earnings in the current period	**236**	(798)
Income tax effect on cash flow hedges	**(340)**	(28)
Exchange differences on translation of foreign operations	**(1,758)**	(1,552)
Gain on available-for-sale financial assets	**—**	800
Income tax effect on available-for-sale financial assets	**106**	(212)
Other comprehensive loss for the period	**(712)**	(747)
Total comprehensive income for the period	**4,587**	3,959

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three-month period ended	
	March 31, 2012	**March 31, 2011**
	$	$
OPERATING ACTIVITIES		
Profit before income taxes for the period	**7,140**	7,927
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**1,519**	1,223
Amortization of intangible assets	**956**	1,050
Translation gain on foreign exchange	**(1,292)**	(1,475)
Non-cash component of interest expense	**600**	589
Stock-based compensation	**293**	714
Gain on sale of property, plant and equipment	**(2)**	(18)
Net change in non-cash working capital balances related to operations *[note 9]*	**(7,913)**	(6,329)
Settlement of SAIP obligation	**(1,495)**	(1,998)
Income tax paid	**(488)**	(1,707)
Cash used in operating activities	**(682)**	(24)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(1,049)**	(2,403)
Acquisition of shares of Tramco, Inc. *[note 5],* net of cash acquired	**—**	(9,946)
Transfer from cash held in trust and restricted cash	**1,492**	—
Proceeds from sale of property, plant and equipment	**34**	29
Development of intangible assets	**(428)**	(306)
Transaction and financing costs paid	**(1,438)**	(134)
Cash used in investing activities	**(1,389)**	(12,760)
FINANCING ACTIVITIES		
Increase of bank indebtedness	**3,058**	—
Repayment of long-term debt	**(2)**	(312)
Repayment of obligations under finance leases	**(22)**	(204)
Finance costs incurred	**(275)**	—
Dividends paid	**(7,527)**	(7,527)
Purchase of shares in the market under the long-term incentive plan	**—**	(3,348)
Cash used in financing activities	**(4,768)**	(11,391)
Net decrease in cash and cash equivalents during the period	**(6,839)**	(24,175)
Cash and cash equivalents, beginning of period	**6,839**	34,981
Cash and cash equivalents, end of period	**—**	10,806
Supplemental cash flow information		
Interest paid	**617**	521

See accompanying notes

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2012

1. ORGANIZATION

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three-month period ended March 31, 2012 were authorized for issuance in accordance with a resolution of the directors on May 10, 2012. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded at the Toronto Stock Exchange. The registered office is located at 1301 Kenaston Blvd., Winnipeg, Manitoba, Canada.

2. OPERATIONS

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

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

3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

[a] Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ["IAS"] 34 – *Interim Financial Reporting* on a basis consistent with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. All significant accounting policies and standards have been applied on a basis consistent with those followed in the most recent audited annual consolidated financial statements.

These unaudited interim condensed consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2011, which are available on SEDAR at www.sedar.com.

[b] Basis of preparation

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value.

Accounting measurements at interim dates, rather than at year-end, inherently involve a greater reliance on estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly the consolidated financial position of the Company as at March 31, 2012.

4. SEASONALITY OF BUSINESS

Interim period sales and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. Ag Growth's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the third quarter, result in accounts receivable levels increasing throughout the year and normally peaking in the third quarter. As a result of these working capital movements, historically, Ag Growth's use of its bank revolver is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

5. BUSINESS COMBINATIONS

[a] Airlanco Inc. ["Airlanco"]

Effective October 4, 2011, the Company acquired substantially all of the operating assets of Airlanco, a manufacturer of grain drying systems. The Company acquired Airlanco to expand its catalogue of aeration and dust collection products. The purchase has been accounted for using the acquisition method with the results of Airlanco's operations included in the Company's net earnings from the date of acquisition. As at March 31, 2012, the Company had restricted cash of $500 relating to the acquisition of Airlanco.

[b] Tramco, Inc. ["Tramco"]

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

The purchase has been accounted for using the acquisition method with the results of Tramco's operations included in the Company's net earnings from the date of acquisition.

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. Transaction costs of the acquisition are included in cash flows from investing activities. In the three-month period ended March 31, 2012, the conditions related to the cash holdback were met and the Company transferred $1,005 from cash held in trust to the vendors. As at March 31, 2012, there are no remaining funds held in trust.

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

6. OTHER EXPENSES (INCOME)

		Three-month period ended	
		March 31, 2012	**March 31, 2011**
		$	$
[a]	**Other operating expense (income)**		
	Cash flow hedge accounting	**—**	138
	Net gain on disposal of property, plant and equipment	**(2)**	(18)
	Other	**(70)**	—
		(72)	120
[b]	**Finance income**		
	Interest income from banks	**(4)**	(224)
	Gain on foreign exchange	**(636)**	(570)
		(640)	(794)
[c]	**Finance costs**		
	Interest on overdrafts and other finance costs	**46**	11
	Interest, including non-cash interest, on debts and borrowings	**618**	559
	Interest, including non-cash interest, on convertible debentures *[note 14]*	**2,583**	2,541
	Finance charges payable under finance lease contracts	**2**	7
		3,249	3,118
[d]	**Cost of goods sold**		
	Depreciation	**1,376**	1,108
	Amortization of intangible assets	**59**	308
	Warranty provision	**(10)**	(57)
	Cost of inventories recognized as an expense	**46,869**	42,592
		48,294	43,951
[e]	**Selling, general and administrative expenses**		
	Depreciation	**143**	115
	Amortization of intangible assets	**897**	742
	Minimum lease payments recognized as an operating lease expense	**246**	255
	Selling, general and administrative	**13,098**	11,631
		14,384	12,743
[f]	**Employee benefits expense**		
	Wages and salaries	**18,997**	18,110
	Share-based payment transaction expense *[note 12]*	**293**	548
	Pension costs	**535**	485
		19,825	19,143
	Included in cost of goods sold	**12,929**	13,086
	Included in selling general and administrative expense	**6,896**	6,057
		19,825	19,143

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

7. INTANGIBLE ASSETS

	$
Balance, January 1, 2011	72,345
Internal development	629
Amortization	(1,050)
Exchange differences	(331)
Balance, March 31, 2011	71,593
Internal development	1,382
Amortization	(2,726)
Exchange differences	538
Acquisition of subsidiaries	4,723
Balance, December 31, 2011	75,510
Internal development	428
Amortization	(956)
Exchange differences	(327)
Balance, March 31, 2012	74,655

8. GOODWILL

	March 31, 2012 $	**December 31, 2011** $
COST		
Balance, beginning of period	**65,876**	62,355
Additions - acquisition of subsidiary	**—**	3,087
Exchange differences	**(391)**	434
Balance, end of period	**65,485**	65,876

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

9. CHANGES IN NON-CASH WORKING CAPITAL

The change in the non-cash working capital balances related to operations is calculated as follows:

	March 31, 2012 $	**March 31, 2011** $
Accounts receivable	**(10,015)**	(5,409)
Inventory	**(5,277)**	(3,785)
Prepaid expenses and other assets	**480**	2,522
Accounts payable and accrued liabilities	**3,840**	(369)
Customer deposits	**3,069**	671
Provisions	**(10)**	41
	(7,913)	(6,329)

10. ACCOUNTS RECEIVABLE

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

	March 31, 2012 $	**December 31, 2011** $
Total accounts receivable	**60,201**	50,188
Less allowance for doubtful accounts	**(495)**	(497)
Total accounts receivable, net	**59,706**	49,691
Of which		
Neither impaired nor past due	**41,724**	33,412
Not impaired and past the due date as follows:		
Within 30 days	**10,579**	9,356
31 to 60 days	**1,849**	2,761
61 to 90 days	**370**	957
Over 90 days	**5,679**	3,702
Less allowance for doubtful accounts	**(495)**	(497)
Total accounts receivable, net	**59,706**	49,691

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

11. EQUITY

[a] Common shares

Authorized
Unlimited number of voting common shares without par value

Issued
12,471,648 common shares

	Number \#	Amount $
Balance, January 1, 2011	12,399,550	151,376
Purchase of common shares under LTIP	(67,996)	(3,346)
Conversion of subordinated debentures	2,556	115
Settlement of SAIP obligation - vested shares	77,510	2,894
Balance, December 31, 2011	12,411,620	151,039
Settlement of LTIP obligation - vested shares *[note 12[e]]*	60,028	2,355
Balance, March 31, 2012	**12,471,648**	**153,394**

The 12,471,648 common shares as at March 31, 2012 are net of 74,348 common shares with a stated value of $3,072 that are being held by the Company under the terms of the LTIP until vesting conditions are met.

The 12,394,621 common shares as at March 31, 2011 are net of 151,375 common shares with a stated value of $6,264 that are being held by the Company under the terms of the LTIP until vesting conditions are met.

[b] Normal course issuer bid

On November 17, 2011, Ag Growth commenced a normal course issuer bid for up to 994,508 common shares, representing 10% of the Company's public float at the time. The normal course issuer bid will terminate on November 20, 2012 unless terminated earlier by Ag Growth. In the year ended December 31, 2011 and the three months ended March 31, 2012, no common shares were purchased under the normal course issuer bid.

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

[c] Contributed surplus

	Three-month period ended March 31, 2012 $	Year ended December 31, 2011 $
Balance, beginning of period	**5,341**	6,121
Equity-settled director compensation	**80**	345
Obligation under LTIP	**213**	1,769
Settlement of LTIP obligation - vested shares	**(2,300)**	(2,894)
Balance, end of period	**3,334**	5,341

[d] Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the following:

Cash flow hedge reserve

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

Foreign currency translation reserve

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

Available-for-sale reserve

The available-for-sale reserve contains the cumulative change in the fair value of available-for-sale investment. Gains and losses are reclassified to the unaudited interim condensed consolidated statement of income when the available-for-sale investment is impaired or derecognized.

[e] Dividends paid and proposed

In the three-month period ended March 31, 2012, the Company declared dividends of $7,527 or $0.60 per common share [2011 - $7,527 or $0.60 per common share]. Ag Growth's 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 and the Company's current monthly dividend rate is $0.20 per common share. Subsequent to March 31, 2012, the Company declared dividends of $0.20 per common share on April 30, 2012.

12. SHARE-BASED COMPENSATION PLANS

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

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

The amount owing to participants is recorded as an equity award in contributed surplus as the award is settled with participants with treasury shares purchased in the open market. The expense is recorded in the different unaudited interim condensed consolidated statement of income lines by function depending on the role of the respective management member. During the three-month period ended March 31, 2012, Ag Growth expensed $213 [2011 - $688] for the LTIP. Additionally, there is $98 in restricted cash related to the LTIP.

The administrator is not required to purchase common shares in 2012 as there was no LTIP award related to fiscal 2011. During the three months ended March 31, 2011, the administrator purchased 67,996 common shares in the market for $3,346. The fair value of this share-based payment equals the share price as of the respective measurement date, as dividends related to the shares in the administrated fund are paid annually to the LTIP participants.

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

The Company has a share award incentive plan that authorizes the Directors to grant awards ["Share Awards"] to employees or officers of Ag Growth. The shareholders reserved for issuance 220,000 common shares and the Directors have granted 220,000 Share Awards under the SAIP. In the year ended December 31, 2010, 140,000 Share Awards vested and were exercised and the Company issued 140,000 common shares to the participants. The remaining Share Awards vested and were exercised as to 40,000 on each of January 1, 2011 and January 1, 2012, at which time the participants received cash payments of $1,998 and $1,490, respectively. There are no Share Awards outstanding as at March 31, 2012. For the three-month period ended March 31, 2012, Ag Growth recorded an expense of nil [2011 - income of $43].

[c] Directors' deferred compensation plan ["DDCP"]

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

For the periods ended March 31, 2012 and 2011, the Directors elected to receive the majority of their remuneration in common shares. For the three-month period ended March 31, 2012, an expense of $80 [2011 - $69] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 35,000, subject to adjustment in lieu of dividends, if applicable. For the three-month period ended March 31, 2012, 2,042 common shares were granted under the DDCP and as at March 31, 2012, a total of 25,186 common shares had been granted under the DDCP and no common shares had been issued.

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

[d] Stock option plan

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

As at March 31, 2012, a total of 905,950 options [December 31, 2011 - 935,325] are available for grant. No options have been granted as at March 31, 2012.

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

For the three-month period ended March 31, 2012, an expense of $293 [2011 - $714] was recognized for employee and Director services rendered.

The total carrying amount of the liability for the SAIP as of March 31, 2012 was nil [December 31, 2011 - $1,495]. There have been no cancellations or modifications to any of the plans during the three-month period ended March 31, 2012 or year ended December 31, 2011.

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

	Three-month period ended March 31, 2012	**Year ended December 31, 2011**
	Shares	**Shares**
	#	#
Outstanding, beginning of period	**40,000**	80,000
Exercised	**(40,000)**	(40,000)
Outstanding, end of period	**—**	40,000

The exercise price on all SAIP awards is $0.10 per common share. All outstanding options under the SAIP as of December 31, 2011 vested and were exercised on January 1, 2012.

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

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

	Three-month period ended March 31, 2012 Shares #	Year ended December 31, 2011 Shares #
Outstanding, beginning of period	**134,376**	143,890
Vested	**(60,028)**	(77,510)
Granted	**—**	67,996
Outstanding, end of period	**74,348**	134,376

13. LONG-TERM DEBT AND OBLIGATIONS FROM FINANCE LEASES

	Interest rate %	Maturity	March 31, 2012 $	December 31, 2011 $
Current portion of interest-bearing loans and borrowings				
Obligations under finance leases	6.5	2012	**109**	131
GMAC loans	0.0	2014	**7**	16
Total current portion of interest-bearing loans and borrowings			**116**	147
Non-current interest-bearing loans and borrowings				
Series A secured notes [U.S. dollar denominated]	6.8	2016	**24,978**	25,425
Term debt [U.S. dollar denominated]	3.8	2014	**10,521**	10,709
GMAC loans	0.0	2014	**9**	3
Total non-current interest-bearing loans and borrowings			**35,508**	36,137
			35,624	36,284
Less deferred financing costs			**560**	313
Total interest-bearing loans and borrowings			**35,064**	35,971

[a] Bank indebtedness

Ag Growth has operating facilities of $10 million and U.S. $2.0 million. The facilities bear interest at prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate during the three-month period ended March 31, 2012 on Ag Growth's Canadian dollar operating facility was 3.4% [2011 - 3.5%], and on its U.S. dollar operating facility was 3.6% [2011 - 3.8%]. As at March 31, 2012, there was $3.1 million outstanding under these facilities [December 31, 2011 - nil]. The facilities mature March 8, 2016 or three months prior to the maturity date of the convertible unsecured debentures, unless refinanced on terms acceptable to the lenders.

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

[b] Long-term debt

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

Term loans bear interest at prime to prime plus 1.0% based on performance calculations. As at March 31, 2012, term loans of U.S. $10,530 were outstanding [December 31, 2011 - U.S. $10,530]. Ag Growth's credit facility provides for term loans of up to $38,000 and U.S. $20,500 and includes lender approval to increase the size of the facility by $25 million.

The facilities mature on the earlier of March 8, 2016 or three months prior to maturity date of convertible unsecured subordinated debentures, unless refinanced on terms acceptable to the lenders.

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

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

[c] Covenants

Ag Growth is subject to certain financial covenants in its credit facility agreements, which must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require Ag Growth to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 2.5 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at March 31, 2012 and December 31, 2011, Ag Growth was in compliance with all financial covenants.

14. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	March 31, 2012	**December 31, 2011**
	$	$
Principal amount	**114,885**	114,885
Equity component	**(7,475)**	(7,475)
Accretion	**3,121**	2,770
Financing fees, net of amortization	**(2,756)**	(2,978)
Convertible unsecured subordinated debentures	**107,775**	107,202

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. 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. In the three-month period ended March 31, 2012, no Debentures were exercised [year ended December 31, 2011 - 115 Debentures were exercised and 2,556 common shares were issued]. As at March 31, 2012, Ag Growth has reserved 2,554,136 common shares for issuance upon conversion of the Debentures.

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

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

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the Debentures, the Company recorded a liability of $107,525, less related offering costs of $4,735. The liability component has been accreted using the effective interest rate method, and during the three-month period ended March 31, 2012, the Company recorded accretion of $351 [2011 - $323], non-cash interest expense related to financing costs of $222 [2011 - $205] and interest expense on the 7% coupon of $2,010 [2011 - $2,013]. 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 income tax of $2,041, and its pro rata share of financing costs of $329.

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

15. INCOME TAXES

The major components of income tax expense for the three-month periods ended March 31, 2012 and 2011 are as follows:

Interim unaudited condensed consolidated statement of income

	2012 $	2011 $
Current tax expense		
Current income tax charge	**639**	541
Deferred tax expense		
Origination and reversal of temporary differences	**1,202**	2,680
Income tax expense reported in the interim consolidated statement of income	**1,841**	3,221

Interim unaudited condensed consolidated statement of comprehensive income

	2012 $	2011 $
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized gain on derivatives and available-for-sale investment	**234**	212
Effective portion of fair value changes of cash flow hedges and net change in fair value of cash flow hedges transferred to income	**—**	28
Exchange differences on translation of foreign operations	**(254)**	(136)
Income tax charged directly to other comprehensive income	**(20)**	104

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

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

	As at March 31, 2012 $	**As at December 31, 2011** $
Inventories	**(197)**	(200)
Property, plant and equipment and other assets	**(10,342)**	(10,145)
Intangible assets	**(12,812)**	(12,900)
Deferred financing costs	**(82)**	(63)
Accruals and long-term provisions	**1,615**	1,642
Tax loss carryforwards expiring between 2016 to 2027	**16,967**	16,809
Investment tax credit carryforward expiring between 2025 and 2030	**4,627**	4,627
Canadian exploration expenses	**29,154**	29,157
Capitalized development expenditures	**(543)**	(465)
Convertible debentures	**(1,186)**	(1,279)
SAIP liability	**—**	397
Equity impact LTIP	**714**	1,283
Other comprehensive income	**35**	269
Net deferred tax assets	**27,950**	29,132
Reflected in the statement of financial position as follows		
Deferred tax assets	**36,546**	38,092
Deferred tax liabilities	**(8,596)**	(8,960)
Deferred tax assets, net	**27,950**	29,132

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences, loss carryforwards and investment tax credits become deductible. Based on the analysis of taxable temporary differences and future taxable income, the management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities. Accordingly, the Company has recorded a deferred tax asset for all deductible temporary differences as of the reporting date and as at December 31, 2011.

The Company has recorded accumulated tax losses related to its Finnish operations of $1,917 Euros. Based on historical results and an expectation of future profits, a deferred tax asset has been recognized for these losses as it is probable they will be utilized.

At March 31, 2012, there was no recognized deferred tax liability [December 31, 2011 - nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which a deferred tax asset has not been recognized, aggregate to $622 [December 31, 2011 - $622].

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to Ag Growth's specific situation. The amount and timing of reversals of temporary differences will also depend on Ag Growth's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of Ag Growth are complex and Ag Growth has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history including the conversion to a corporate entity. The computation of income taxes payable as a result of these transactions involves many complex factors, as well as Ag Growth's interpretation of and compliance with relevant tax legislation and regulations. While Ag Growth believes that its tax filing positions are probable to be sustained, there are a number of tax filing positions, including in respect of the conversion to a corporate entity, that may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by Ag Growth and the ultimate value of Ag Growth's income tax assets and liabilities could change in the future and that changes to these amounts could have a material effect on these unaudited interim condensed consolidated financial statements.

There are no income tax consequences to the Company attached to the payment of dividends in either 2012 or 2011 by the Company to its shareholders.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Management of risks arising from financial instruments

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

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

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

Market risk

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2012 and December 31, 2011.

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

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

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

- The unaudited interim condensed consolidated statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant unaudited interim condensed consolidated statement of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2012 and December 31, 2011, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at March 31, 2012 and December 31, 2011 for the effects of the assumed underlying changes.

Foreign currency risk

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

A significant part of the Company's sales are transacted in U.S. dollars and as a result fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, Ag Growth enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at March 31, 2012, Ag Growth's U.S. dollar denominated debt totalled U.S. $35.5 million [December 31, 2011 - $36.1 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 on revenue:

Settlement dates	**Face value** U.S. $	**Average rate** Cdn $
April - December 2012	52,000	0.99

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

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

The Company periodically enters short-term foreign exchange swap contracts to assist in the management of its cash positions. As at March 31, 2012, the Company had foreign exchange swaps outstanding of U.S. $5,000,000 [2011 - nil] with a maturity date of April 27, 2012. The fair value of the swaps was equal to their face amount and, as a result, no gain or loss was recorded in the three-month period ended March 31, 2012. The Company's foreign exchange swaps are not considered to be effective hedge contracts for accounting purposes and, accordingly, any future gains or losses would be recognized as a foreign exchange gain or loss on the unaudited interim condensed consolidated statement of income.

Ag Growth's sales denominated in U.S. dollars for the three-month period ended March 31, 2012 were U.S. $44.8 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $19.9 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $4.5 million increase or decrease in sales and a total increase or decrease of $2.0 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 a $0.8 million increase or decrease in the foreign exchange gain and a $6.4 million increase or decrease to other comprehensive income.

The counterparty to the contracts are three multinational commercial banks and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in net earnings, and for the three-month period ended March 31, 2012, the Company realized a loss on its foreign exchange contracts of $236 [2011 - gain of $798].

The open foreign exchange forward contracts as at March 31, 2012 are as follows:

	Notional Canadian dollar equivalent		
Notional amount of currency sold	**Contract amount**	**Cdn $ equivalent**	**Unrealized loss**
U.S. $	$	$	$
52,000	**0.99**	**51,480**	**533**

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

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of $533, with a deferred tax asset of $141 relating to the hedging instruments, is included in accumulated other comprehensive income.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as Ag Growth regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. Ag Growth's Series A secured notes and convertible unsecured subordinated debentures outstanding as at March 31, 2012 and December 31, 2011 are at a fixed rate of interest. As at March 31, 2012 and December 31, 2011, the Company had outstanding $10,530 of U.S. dollar term debt at a floating rate of interest. A 10% increase or decrease in the Company's interest rate would result in an increase or decrease of $10 to long-term interest expense.

Credit risk

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

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

At March 31, 2012, the Company had two customers [December 31, 2011 - two customers] that accounted for approximately 11% [December 31, 2011 - 14%] of all receivables owing. The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security.

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

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

Liquidity risk

Liquidity risk is the risk 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.

[b] Fair value

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

	March 31, 2012		December 31, 2011	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets				
Loans and receivables				
Cash and cash equivalents	**—**	**—**	6,839	6,839
Restricted cash	**947**	**947**	2,439	2,439
Accounts receivable	**59,706**	**59,706**	49,691	49,691
Financial liabilities				
Other financial liabilities				
Bank indebtedness	**3,058**	**3,058**		
Interest-bearing loans and borrowings	**35,515**	**38,734**	36,153	39,593
Accounts payable, accrued liabilities and provisions	**28,316**	**28,316**	24,486	24,486
Finance lease obligations	**109**	**109**	131	131
Dividends payable	**2,509**	**2,509**	2,509	2,509
Transaction and financing costs payable	**500**	**500**	1,938	1,938
Derivative instruments	**533**	**533**	1,828	1,828
Convertible unsecured subordinated debentures	**107,775**	**111,647**	107,202	107,671

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

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

- Cash and cash equivalents, restricted cash, accounts receivable, dividends payable, finance lease obligations, transaction and financing costs payable, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts and one option embedded in a convertible debt agreement. The most frequently applied valuation technique includes forward pricing, using present value calculations. The models incorporate various inputs, including the credit quality of counterparties and foreign exchange spot and forward rates.

17. CAPITAL DISCLOSURE AND MANAGEMENT

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's capital management objectives have remained unchanged from the prior year. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at March 31, 2012 and December 31, 2011, all of these covenants were complied with *[note 13]*.

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

Ag Growth monitors its capital structure using non-IFRS financial metrics, including net debt to EBITDA for the immediately preceding 12-month period and net debt to shareholders' equity. 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, subject to the impacts of seasonality, industry cyclicality and acquisitions. The table below calculates the ratio based on EBITDA achieved in the previous 12 months:

	March 31, 2012 $	**December 31, 2011** $
Net debt	**145,781**	136,187
EBITDA	**55,584**	56,038
Ratio	**2.62 times**	2.43 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 seasonality industry, cyclicality and acquisitions.

	March 31, 2012 $	**December 31, 2011** $
Net debt	**145,781**	136,187
Shareholders' equity	**199,567**	202,159
Ratio	**0.73 times**	0.67 times

18. RELATED PARTY DISCLOSURES

Relationship between parent and subsidiaries

The main transactions between the corporate entity of the Company and its subsidiaries is the providing of cash fundings based on the equity and convertible debt funds of Ag Growth International Inc. Furthermore, the corporate entity of the Company is responsible for the billing and supervision of major construction contracts with external customers and the allocation of sub-projects to the different subsidiaries of the Company. Finally, the parent company is providing management services to the Company entities. Between the subsidiaries there are limited intercompany sales of inventories and services. Because all subsidiaries are currently 100% owned by Ag Growth International Inc., these intercompany transactions are 100% eliminated on consolidation.

Other relationships

Burnet, Duckworth & Palmer LLP ["BDP"] provides legal services to the Company and a Director of Ag Growth is a partner of BDP. The total cost of these legal services in the three-month period ended March 31, 2012 was nil [2011 - nil]. There is no amount included in accounts payable and accrued liabilities as at March 31, 2012 [December 31, 2011 - $0.5 million] owing to BDP. These transactions are measured at the exchange amount and were incurred during the normal course of business.

19. EARNINGS PER SHARE

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

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

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

	March 31, 2012 $	**March 31, 2011** $
Net profit attributable to shareholders for basic and diluted earnings per share	**5,299**	4,706
Basic weighted average number of shares	**12,471,648**	12,395,887
Dilutive effect of DDCP	**23,166**	13,996
Dilutive effect of LTIP	**74,348**	88,140
Diluted weighted average number of shares	**12,569,162**	12,498,023
Basic earnings per share	**0.42**	0.38
Diluted earnings per share	**0.42**	0.38

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

The convertible unsecured subordinated debentures were excluded from the calculation of the above diluted net earnings per share because their effect is anti-dilutive.

20. REPORTABLE BUSINESS SEGMENT

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

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

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

	Revenue		Property, plant and equipment, goodwill, intangible assets and available-for-sale investment	
	Three-month period ended March 31, 2012 $	**Three-month period ended March 31, 2011** $	**As at March 31, 2012** $	**As at December 31, 2011** $
Canada	**19,437**	15,926	**152,272**	152,411
United States	**44,666**	39,844	**62,646**	64,787
International	**8,252**	11,295	**10,533**	10,422
	72,355	67,065	**225,451**	227,620

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

21. COMMITMENTS AND CONTINGENCIES

[a] Contractual commitment for the purchase of property, plant and equipment

As of the reporting date, the Company has entered into commitments to purchase property, plant and equipment of $0.7 million.

[b] Letters of credit

As at March 31, 2012, the Company has outstanding letters of credit in the amount of $2,645 [December 31, 2011 - $319].

[c] Operating leases

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

	$
Remaining within the current year	662
After current year but not more than five years	2,817
	3,479

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

During the three-month period ended March 31, 2012, the Company recognized an expense of $246 [2011 - $255] for leasing contracts. This amount relates only to minimum lease payments.

[d] Legal actions

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

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Stock Symbol: AFN

Officers

Gary Anderson, President, Chief Executive Officer and Director
Steve Sommerfeld, CA, Executive Vice President and Chief Financial Officer
Dan Donner, Senior Vice President, Sales and Marketing
Paul Franzmann, CA, Senior Vice President, Operations
Ron Braun, Vice President, Portable Grain Handling
Nicolle Parker, Vice President, Finance and Integration
Craig Nimegeers, Vice President, Engineering
Arto Sainio, Managing Director, European Operations
Gurcan Kocdag, Vice President, Storage and Conditioning
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).