BEVO AGRO INC.

CONSOLIDATED
FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

NOTICE TO READER

I have prepared these interim unaudited financial statements for Bevo Agro Inc. in my capacity as Director and Chief Financial Officer. No independent firm of professional accountants has audited, reviewed or otherwise attempted to verify the accuracy or completeness of these financial statements.

D. FAIRHOLM, CA

Milner, B.C.
November 25, 2005

BEVO AGRO INC.
CONSOLIDATED BALANCE SHEETS
(Canadian $)

	September 30, 2005 (Unaudited)	June 30, 2005 (Audited)
ASSETS		
Current		
Cash and cash equivalents	$ 244,856	$ 357,971
Accounts receivable	2,008,119	4,316,715
Income taxes receivable	-	473,807
Inventories	1,968,000	1,985,748
Prepaid expenses and deposits	103,687	44,289
	4,324,662	7,178,530
Capital assets, net of accumulated amortization ***[Note 4]***	31,369,103	31,343,788
Deferred costs, net of accumulated amortization ***[Note 2]***	39,053	43,455
Goodwill ***[Note 2]***	262,747	262,747
	$ 35,995,565	$ 38,828,520
LIABILITIES		
Current		
Bank indebtedness	$ 1,196,402	$ 1,393,198
Accounts payable and accruals	1,107,728	2,697,322
Current portion of long term debt *[Note 6]*	2,264,952	2,175,686
Current portion of obligations under capital lease *[Note 7]*	291,330	291,330
	4,860,412	6,557,536
Term debt ***[Note 6]***	16,094,364	16,360,111
Subordinated debt ***[Note 6]***	5,000,000	5,000,000
Obligations under capital lease ***[Note 7]***	141,876	228,822
Future income tax liability ***[Note 15]***	1,109,847	1,450,042
Due to a company with directors in common ***[Notes 8 and 13]***	247,160	247,160
	27,453,659	29,843,671
SHAREHOLDERS' EQUITY		
Capital stock ***[Note 9]***	4,008,443	3,889,265
Retained earnings	4,533,463	5,095,584
	8,541,906	8,984,849
	$ 35,995,565	$ 38,828,520

Commitments ***[Note 12]***

On behalf of the Board:

"Jack Benne" Director **"Donald Fairholm" Director**

UNAUDITED - SEE NOTICE TO READER
See accompanying Notes to Financial Statements

BEVO AGRO INC.
CONSOLIDATED STATEMENT OF OPERATIONS
AND RETAINED EARNINGS
FOR THE THREE MONTHS ENDED SEPTEMBER 30 (Canadian $)

		For the three months ended September 30, 2005		For the three months ended September 30, 2004
Sales	**$**	**2,632,714**		3,411,754
Cost of sales		**2,055,814**		2,302,977
Gross margin		**576,900**		1,108,777
Expenses				
General operating		**346,186**		357,048
Administrative fees, wages and benefits		**208,160**		237,591
Amortization		**485,278**		514,829
Interest *[Note 14]*		**439,592**		450,850
		1,479,216		1,560,318
Income (loss) before income taxes		**(902,316)**		(451,541)
Provision for (recovery of) income taxes				
Current		**-**		(103,828)
Future		**(340,195)**		(70,448)
		(340,195)		(174,276)
Net income (loss) for the period		**(562,121)**		(277,265)
Retained earnings, beginning of the period		**5,095,584**		4,109,802
Retained earnings, end of the period	**$**	**4,533,463**	$	3,832,537
Basic earnings (loss) per share	**$**	**(0.02)**	$	(0.01)
Fully diluted earnings (loss) per share	**$**	**(0.02)**	$	(0.01)

UNAUDITED - SEE NOTICE TO READER
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BEVO AGRO INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED SEPTEMBER 30 (Canadian $)

	For the three months ended September 30, 2005	For the three months ended September 30, 2004
Cash flows from operating activities		
Net income (loss) for the period	**$ (562,121)**	$ (277,265)
Items not involving cash		
Amortization of capital assets and deferred costs	**485,278**	514,829
Future income taxes	**(340,195)**	-
Non-cash interest *[Note 9]*	**119,178**	125,683
Changes in non-cash working capital *[Note 10]*	**1,151,159**	(637,144)
	853,299	(273,897)
Cash flows from financing activities		
Bank indebtedness	**(196,796)**	1,113,681
Long term debt repayments	**(176,481)**	(460,276)
Payments of obligations under capital lease	**(86,946)**	(155,379)
Future income taxes	**-**	(70,448)
Repayment of loans from a company with directors in common	**-**	(13,211)
	(460,223)	414,367
Cash flow from investing activities		
Acquisition of capital assets	**(506,191)**	(334,492)
	(506,191)	(334,492)
Decrease in cash	**(113,115)**	(194,022)
Cash beginning of the period	**357,971**	480,910
Cash end of the period	**$ 244,856**	$ 286,888
Supplementary information:		
Interest paid *[Note 14]*	**320,414**	315,659
Non-cash transactions:		
Interest paid on convertible debenture (issuance of shares)	**$ 119,178**	$ 125,683
Acquisition of computer hardware and software via third party financing	**366,088**	-

UNAUDITED - SEE NOTICE TO READER
See accompanying Notes to Financial Statements

1. Organization

Bevo Agro Inc. was incorporated July 9, 1985, under the *Company Act* of British Columbia. The stock is publicly traded on the TSX Venture Exchange under the symbol (BVO). The consolidated financial statements include the operations of Bevo Agro Inc. and its wholly-owned subsidiary: Bevo Farms Ltd. (Langley, BC), from the date of acquisition on July 11, 2000.

Bevo Farms Ltd. operates 34 acres of propagation greenhouse facilities on 98 acres of land in Langley, B.C. The company's main products are the propagation of vegetable plants such as tomatoes, peppers, cucumbers, and other plants such as bedding plants, flowers, trees, cranberries and grasses. In general the company markets its products to established greenhouse growers and nurseries throughout North America.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions have been eliminated.

Interim reporting

In the opinion of management the unaudited quarterly consolidated financial statements reflect all adjustments consisting only of normal and recurring adjustments, necessary to present fairly the financial position at September 30, 2005, and the results of operations and changes in the financial position for the three months ended September 30, 2005, in accordance with accounting principles generally accepted in Canada. These financial statements should be read in conjunction with the company's audited financial statements and notes thereto related to the year ended June 30, 2005.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant financial statement items which involve measurement uncertainty include accounts receivable, inventories, and accounts payable and accruals. Actual results could differ from those estimates.

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid temporary investments with maturities of three months or less at the time of acquisition.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets are acquired or obligations incurred. Revenue and expense items are translated at the average rate of exchange for the period. Foreign exchange gains and losses are included in income.

Inventories

Inventories are valued at the lower of cost and the net realizable value for work in process and at current replacement cost for raw materials. The cost of inventories includes the cost of materials, labour and direct overhead costs.

Income taxes

The company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted Canadian tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. When realization of future income tax assets does not meet the more likely than not criterion then a valuation allowance is provided.

Revenue recognition

Revenue is recognized using the completed contract method of accounting when the propagation process is completed and the products are shipped to the customers.

2. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. Amortization is provided using the declining-balance basis at the following annual rates:

Assets	Rate
Buildings	**2.5 - 5 %**
Greenhouse, shade and packaging equipment	**5 %**
Land improvements	**5 %**
Machinery and equipment	**10 - 30%**

Equipment under capital leases is amortized over the term of the lease agreement.

Deferred costs

Costs incurred to obtain debt financing are deferred and amortized on a straight-line basis over the term of the financing obtained.

	September 30, 2005	June 30, 2005
Deferred financing fees	**$ 39,053**	$ 43,445

Goodwill

Goodwill represents the excess of the purchase price over the fair values of net assets acquired in the acquisition of a propagation greenhouse facility. The company has adopted the Canadian generally accepted accounting principles for recording goodwill. As a result, goodwill is no longer amortized to income. Instead, the carrying value of goodwill is reviewed on an annual basis to determine if there has been an impairment. The carrying value of goodwill will be written down if the value is permanently impaired. An impairment exists if the future cash flows from the operations are less than the net book value. Management is of the opinion that there has been no diminution in the value assigned.

2. Significant accounting policies (continued)

Net earnings per common share

Basic earnings per share are computed by dividing the net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

3. Seasonality of operations

Sales of seedling and bedding plants are based upon customer demand and deliveries are scheduled according to customer requirements, which fluctuate from season to season. Since fixed costs such as interest, amortization and overhead costs apply uniformly throughout the year, profitability results may vary significantly from quarter to quarter.

4. Capital assets

	Cost	Accumulated Amortization	Net book value September 30, 2005
Land	$ 2,406,212	$ -	$ 2,406,212
Land improvements	615,638	124,814	490,824
Buildings	901,506	143,384	758,122
Equipment under capital lease	1,486,519	915,517	571,002
Greenhouse, shade and packing equipment	28,446,978	6,089,107	22,357,871
Machinery and equipment	6,592,040	2,258,673	4,333,367
Capital projects in progress	451,705	-	451,705
	$ 40,900,598	$ 9,531,495	$ 31,369,103

	Cost	Accumulated Amortization	Net book value June 30, 2005
Land	$ 2,406,212	$ -	$ 2,406,212
Land improvements	613,057	118,622	494,435
Buildings	901,506	135,098	766,408
Equipment under capital lease	1,486,519	815,417	671,102
Greenhouse, shade and packing equipment	28,443,095	5,806,625	22,636,470
Machinery and equipment	6,436,109	2,174,857	4,261,252
Capital projects in progress	107,909	-	107,909
	$ 40,394,407	$ 9,050,619	$ 31,343,788

5. Bank indebtedness

The company has a revolving line of credit in the amount of $2,500,000. This line of credit bears interest at prime, is due on demand and is secured by the same security provided for the bank term loans described in Note 6.

6. Term and subordinated debt

	September 30, 2005	June 30, 2005
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of $25,110.	**$ 1,857,130**	$ 1,902,250
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of $14,038.	**779,307**	809,335
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.55% per annum, repayable with blended monthly payments of $20,877.	**1,151,628**	1,197,719
Bank of Nova Scotia loan, maturing in October 2005, repayable with monthly principal payments of $1,667. Interest is payable monthly at prime plus 1% per annum.	**24,421**	29,422
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of $14,100.	**1,214,198**	1,237,928
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of $37,965.	**3,443,502**	3,504,708
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of $28,066.	**2,673,525**	2,714,489
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.65% per annum, repayable with blended monthly payments of $39,047.	**924,748**	1,027,740
Bank of Nova Scotia loan, maturing February 2007, carries interest at prime plus 1% per annum, repayable with blended monthly payments.	**269,155**	316,660
Bank of Nova Scotia loan, maturing in May 2009, repayable with monthly principal payments of $25,000. Interest is payable monthly at prime plus 1% per annum	**1,025,000**	1,100,000
Bank of Nova Scotia loan, maturing in May 2009, carries interest at 6.40% per annum, repayable with blended monthly payments of $42,990.	**4,642,035**	4,695,546
	$ 18,004,649	$ 18,535,797

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6. Term and subordinated debt (continued)

	September 30, 2005	June 30, 2005
Bank of Nova Scotia term loans	**$ 18,004,649**	$ 18,535,797
De Lage Landen loan, maturing September, 2009, carries interest of 7.75% repayable with blended monthly payments of $7,753.	**307,704**	-
De Lage Landen loan, maturing September, 2009, carries interest of 7.75% repayable with blended monthly payments of $1,141.	**46,963**	-
	18,359,316	18,535,797
Current portion of term debt	**2,264,952**	2,175,686
Term debt	**$ 16,094,364**	$ 16,360,111

Convertible subordinated debenture ***[Note 12]***		
Banyan Capital Partners Limited Partnership convertible debenture, maturing September 2007. Interest at 10% per annum is payable with Bevo Agro Inc. common shares for the first two years at the market price of the shares at time of payment. As of September 26, 2005, interest is to be paid in cash. The principal amount may be converted into common shares of Bevo Agro Inc. at the rate of $0.60 per share for the first two years, $0.66 for the third year and $0.73 for the fourth year.	**$ 5,000,000**	$ 5,000,000

The bank loans are secured by a general security agreement, collateral mortgage on capital assets, general assignment of inventory, receivables, equipment, property insurance and unlimited corporate guarantees of the principal shareholder. The De Lage Landen loan is secured by the computer hardware purchased.

It is the company's intention to renew the long-term debt as it becomes renewable in the normal course of business at prevailing interest rates and repayment terms at the time of renewal.

Principal payments on mortgages and subordinated debt required to be made in the next five years and thereafter are as follows:

	September 30, 2005	June 30, 2005
2006	**2,264,952**	2,175,686
2007	**7,300,123**	7,204,261
2008	**1,961,852**	1,858,863
2009 and there after	**1,786,172**	1,691,044
2010 and there after	**10,046,217**	10,605,943
	$ 23,359,316	$ 23,535,797

7. Obligations under capital leases

		September 30, 2005		June 30, 2005
Obligations under capital lease	**$**	**522,647**	$	614,114
Less imputed interest		**89,441**		93,962
		433,206		520,152
Less: current portion		**291,330**		291,330
	$	**141,876**	$	228,822

Future minimum lease payments for the next three years are as follows:

		September 30, 2005		June 30, 2005
2006	**$**	**291,330**	$	291,330
2007		**127,335**		214,281
2008		**14,541**		14,541
	$	**433,206**	$	520,152

Annualized interest rates range from 3.9% to 7.0%.

8. Due to a company with directors in common

The amount due to C.G.M. Ventures Inc. is unsecured, non-interest bearing and has no set terms of repayment. The lender has agreed not to demand repayment of the loan in the next fiscal period and it is therefore classified as a non-current liability.

9. Capital stock

Authorized

Unlimited common shares with no par value.

	September 30, 2005 Number of Shares		September 30, 2005 Amount
Issued and outstanding as at June 30, 2005	**25,203,201**	**$**	**3,889,265**
Shares issued in payment of interest on convertible debenture	**332,732**		**119,178**
Issued and outstanding as at September 30, 2005	**25,535,933**	**$**	**4,008,443**

		June 30, 2005 Number of Shares		June 30, 2005 Amount
Issued and outstanding as at June 30, 2004	$	23,139,896	$	315,614
Issue of shares due to exercise of stock options		868,750		233,812
Issue of shares in payment of interest on convertible debenture		1,194,555		499,312
Issued and outstanding as at June 30, 2005		25,203,201		3,889,265

(a) Summary of stock options outstanding as at September 30, 2005.

Security type	Number outstanding		Price	Expiry date
Share options	900,000	$	0.30	April 3, 2006
Share options	130,000	$	0.30	December 15, 2007

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9. Capital stock (continued)

(b) The company has adopted a stock option plan, which reserved 2,411,900 shares for issuance under Plan options and any outstanding prior options granted outside of the plan. Shares reserved under Plan options or prior options that expire, terminate or otherwise cease to be exercisable will become available for the issuance of future options under the Plan, subject to the 2,411,900 share maximum. The number of shares reserved does not exceed 10% of the Company's current issued and outstanding share capital.

10. Changes in non-cash operating working capital

	For the three months ended September 30, 2005	For the three months ended September 30, 2004
Accounts receivable	**$ 2,308,596**	$ 290,408
Income taxes receivable	**473,807**	(103,828)
Prepaid expenses and deposits	**(59,398)**	60,395
Inventories	**17,748**	(250,898)
Accounts payable and accruals	**(1,589,594)**	(633,221)
	$ 1,151,159	$ (637,144)

11. Financial instruments and risk management

The company has various financial instruments including cash, receivables, amounts due to a company with directors in common, payables, income taxes payable and term debt. The carrying value of all the financial instruments approximate their fair value.

The company is exposed to the following risks related to its financial assets and liabilities:

Currency risk

The company is exposed to currency risk as some of its accounts receivable are denominated in U.S. dollars. The company earns some revenue in U.S. dollars and incurs most of its expenses in Canadian dollars.

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11. Financial instruments and risk management (continued)

Interest rate risk

The company's debt has both fixed and floating interest rates. At September 30, 2005, the fair market value of the term debt and subordinate debt approximates the book value of $ 23,004,649 (June 2005: $ 23,535,797).

	September 30, 2005	June 30, 2005
Mortgages - fixed interest rates	**$ 16,686,073**	$ 17,089,715
Convertible debenture	**5,000,000**	5,000,000
	21,686,073	22,089,715
Mortgages - floating interest rates	**1,318,576**	1,446,082
	$ 23,004,649	$ 23,535,797

Credit risk

The company is subject to credit risk through accounts receivable. Credit risk is minimized as the company's customers are geographically dispersed and a substantial portion of the company's sales are to customers with whom long term business relationships have been established.

12. Commitments

Operating leases

The company has entered into automobile operating leases. The future minimum lease payments for the next four years are as follows:

	September 30, 2005	June 30, 2005
2006	**$ 13,750**	$ 18,099
2007	**9,305**	9,305
2008	**6,374**	6,374
2009	**5,843**	5,843
	$ 35,272	$ 39,621

Security agreement

The company has issued to Banyan Capital Partners Limited Partnership a convertible debenture in the principal amount of $5,000,000. The debenture is secured by a fixed and floating charge on the assets of the subsidiary, Bevo Farms Ltd., subordinate to the existing security granted on the company's debt.

13. Related party transactions

The company participated in transactions with related parties as follows:

		For the three months ended September 30, 2005		For the three months ended September 30, 2004
Management fees paid to a company with directors in common	$	126,000	$	126,000
Directors' fees		9,750		5,750
Professional fees paid to companies owned by directors		35,055		21,242
Loan repayments made to a company with directors in common		-		13,211
Interest paid to a company with directors in common		126,027		125,683
Loan to a company owned with directors in common		72,088		-
The company received the following payment from related parties:				
From a company owned by a director	$	37,500	$	-

The company has the following related party loans payable:

		September 30, 2005		September 30, 2004
Subordinated loan from a company with director's in common	$	5,000,000	$	5,000,000
Due to a company with director's in common		247,160		383,949

The company has the following related party balance in accounts receivable:

		September 30, 2005		September 30, 2004
Due from companies with director's in common	$	247,160	$	-

The President and Vice-President provide management services to the Company via their management company. The management fees are approved annually by the Board of Directors. Two directors provide additional professional services to the Company via their professional corporations. Their services are in the normal course of operations and are measured at the exchange amount of consideration. One of the directors is a principal of Banyan Capital Partners Limited Partnership, a creditor of the company.

14. Interest

		For the three months ended September 30, 2005	For the three months ended September 30, 2004
Interest expense	-operating line of credit	$ 12,357	$ 3,360
	-term debt - Bank of Nova Scotia	281,736	303,556
	-term debt - De Lage Landen	4,085	-
	-convertible debenture	126,027	125,683
	-capital leases	14,030	17,312
	-other - finance charges	1,357	939
		$ 439,592	$ 450,850

15. Future income tax liability

The company has recorded a provision for estimated future income tax liability as follows:

	September 30, 2005	June 30, 2005
Opening balance - beginning of period/year	$ 1,450,042	$ 2,005,295
Estimated future income tax liability (adjustment on current earnings (losses))	(340,195)	(555,253)
Closing balance - end of period/year	$ 1,109,847	$ 1,450,042

16. Segmented information

The company operates in only one industry segment: propagation of greenhouse products. Geographic information is as follows:

	September 30, 2005 Sales	September 30, 2005 Capital assets	September 30, 2004 Sales	September 30, 2004 Capital assets
Canada	$ 753,510	$ 31,369,103	$ 689,378	$ 31,934,855
United States	1,561,940	-	2,446,933	303,455
Mexico	317,264	-	275,443	-
	$ 2,632,714	$ 31,369,103	$ 3,411,754	$ 32,238,310