

BEVO AGRO INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED
DECEMBER 31, 2006 AND 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.
January 24, 2007

BEVO AGRO INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, (Canadian \$)

	December 31, 2006 (Unaudited)	June 30, 2006 (Audited)	December 31, 2005 (Unaudited)
ASSETS			
Current			
Cash	\$ 93,452	\$ 58,332	\$ 499,540
Accounts receivable	3,458,003	3,219,325	3,989,407
Income taxes receivable	-	265,584	-
Inventories	4,010,628	1,510,906	3,619,673
Prepaid expenses and deposits	71,228	110,758	57,380
	7,633,311	5,164,905	8,166,000
Mortgage receivable [Note 17]	720,318	689,167	-
Property, plant and equipment [Note 4]	29,337,636	30,109,385	30,996,160
Deferred costs, net of accumulated amortization [Note 2]	134,948	35,844	34,650
Goodwill [Note 2]	262,747	262,747	262,747
	\$ 38,088,960	\$ 36,262,048	\$ 39,459,557
LIABILITIES			
Current			
Bank indebtedness [Note 5]	\$ 1,203,222	\$ 1,000,495	\$ 682,170
Accounts payable and accruals	3,540,417	1,561,218	5,037,231
Current portion of long term and subordinated debt [Note 6]	833,123	21,720,499	2,299,042
Current portion of obligations under capital lease [Note 7]	152,428	214,281	291,330
	5,729,190	24,496,493	8,309,773
Long-term debt [Note 6, and 13]	21,298,928	-	20,520,558
Obligations under capital lease [Note 7]	-	16,818	49,531
Future income tax liability [Note 15]	1,337,769	1,582,253	1,374,455
Due to a company with directors in common [Notes 8 and 13]	247,160	247,160	247,160
	28,613,047	26,342,724	30,501,477
SHAREHOLDERS' EQUITY			
Capital stock [Note 9]	4,008,443	4,008,443	4,008,443
Contributed surplus	10,168	10,168	-
Retained earnings	5,457,302	5,900,713	4,949,637
	9,475,913	9,919,324	8,958,080
	\$ 38,088,960	\$ 36,262,048	\$ 39,459,557

Commitments [Note 12]
On behalf of the Board:

"Jack Benne"

Director

"Donald Fairholm"

Director

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

BEVO AGRO INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
AND RETAINED EARNINGS
PERIODS ENDED DECEMBER 31, (Canadian \$)

	For the three months ended December 31, 2006	For the six months ended December 31, 2006	For the three months ended December 31, 2005	For the six months ended December 31, 2005
Sales	\$ 4,114,276	\$ 6,987,785	\$ 5,685,773	\$ 8,318,487
Cost of sales	2,382,682	4,324,899	3,325,209	5,381,023
Gross margin	1,731,594	2,662,886	2,360,564	2,937,464
Expenses				
General operating	576,907	1,037,993	445,133	791,319
Amortization	440,757	896,954	479,655	964,933
Interest [Note 14]	416,508	827,729	425,346	864,938
Administrative fees, wages and benefits	332,913	599,575	329,648	537,808
	1,767,085	3,362,251	1,679,782	3,158,998
Earnings (loss) from operations	(35,491)	(699,365)	680,782	(221,534)
Gain on disposal of assets	-	11,470	-	-
Income (loss) before income taxes	(35,491)	(687,895)	680,782	(221,534)
Provision for (recovery of) income taxes				
Future	-	(244,484)	264,608	(75,587)
Net income (loss) for the period	(35,491)	(443,411)	416,174	(145,947)
Retained earnings, beginning of the period	5,492,793	5,900,713	4,533,463	5,095,584
Retained earnings, end of the period	\$ 5,457,302	\$ 5,457,302	\$ 4,949,637	\$ 4,949,637
Basic earnings (loss) per share	\$ -	\$ (0.02)	\$ 0.02	\$ (0.01)
Fully diluted earnings (loss) per share	\$ -	\$ (0.02)	\$ 0.02	\$ (0.01)

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BEVO AGRO INC.
CONSOLIDATED STATEMENT OF CASH FLOW
PERIODS ENDED DECEMBER 31, (Canadian \$)

	For the three months ended December 31, 2006	For the six months ended December 31, 2006	For the three months ended December 31, 2005	For the six months ended December 31, 2005
Cash flows from operating activities				
Net earnings (loss) for the period	\$(35,491)	\$(443,411)	\$ 416,174	\$(145,947)
Items not involving cash				
Amortization	455,010	896,954	479,655	964,933
Amortization of deferred costs	7,641	14,253	-	-
Future income taxes	-	(244,484)	264,608	(75,587)
Non-cash interest	-	-	-	119,178
Loss (gain) on disposal of assets	-	(11,470)	-	-
Changes in non-cash working capital <i>[Note 10]</i>	(996,828)	(454,087)	342,849	1,494,008
	(569,668)	(242,245)	1,503,286	2,356,585
Cash flows from investing activities				
Acquisition of equipment	(94,564)	(173,783)	(102,309)	(608,500)
Proceeds on disposal of equipment	-	15,900	-	-
Trade-in of equipment	44,148	44,148	-	-
Mortgage receivable	918	(31,151)	-	-
Deferred costs	-	(113,357)	-	-
	(49,498)	(258,243)	(102,309)	(608,500)
Cash flows from financing activities				
Bank indebtedness	822,316	202,727	(514,232)	(711,028)
Advances under term debt	-	17,000,000	-	-
Long-term debt repayments	(140,493)	(16,588,448)	(539,716)	(716,197)
Payments of obligations under capital lease	(63,439)	(78,671)	(92,345)	(179,291)
	618,384	535,608	(1,146,293)	(1,606,516)
Increase (decrease) in cash	(782)	35,120	254,684	141,569
Cash, beginning of period	94,234	58,332	244,856	357,971
Cash, end of period	\$ 93,452	\$ 93,452	\$ 499,540	\$ 499,540
Supplementary information:				
Interest paid in cash	\$ 416,508	\$ 827,729	\$ 425,346	\$ 745,760
Interest paid in shares	-	-	-	119,178
	\$ 416,508	\$ 827,729	\$ 425,346	\$ 864,938

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

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

1. Organization

Bevo Agro Inc. was incorporated July 9, 1985, under the *Company Act* of British Columbia, which has been replaced by the *Business Corporations Act* (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 subsidiaries: Bevo Farms Ltd. (Langley, BC), Bevo Agro Inc. (Nevada), and Bevo Farms Inc. (Arizona) 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, grapes and grasses. In general the company markets its products to established greenhouse growers and nurseries throughout North America.

Bevo Agro Inc. (a Nevada corporation) and Bevo Farms Inc. (an Arizona corporation) are both inactive.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the company and its wholly owned subsidiaries. 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 December 31, 2006, and the results of operations and changes in the financial position for the three months ended December 31, 2006, 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, 2006.

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.

BEVO AGRO INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED DECEMBER 31, 2006

2. Significant accounting policies (continued)

Cash

Cash includes 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.

BEVO AGRO INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED DECEMBER 31, 2006

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment 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.

	December 31, 2006	June 30, 2006
Deferred financing fees	\$ 134,948	\$ 35,844

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

4. Property, plant and equipment

	Cost	Accumulated Amortization	Net book value December 31, 2006
Land	\$ 2,406,212	\$ -	\$ 2,406,212
Land improvements	629,682	155,715	473,967
Buildings	904,026	184,128	719,898
Equipment under capital lease	1,532,969	1,299,200	233,769
Greenhouse, shade and packing equipment	28,481,100	7,473,949	21,007,151
Machinery and equipment	6,856,475	2,678,961	4,177,514
Computer software	319,125	-	319,125
	\$ 41,129,589	\$ 11,791,953	\$ 29,337,636

	Cost	Accumulated Amortization	Net book value June 30, 2006
Land	\$ 2,406,212	\$ -	\$ 2,406,212
Land improvements	624,782	143,637	481,145
Buildings	904,026	168,360	735,666
Equipment under capital lease	1,516,989	1,160,246	356,743
Greenhouse, shade and packing equipment	28,459,600	6,936,912	21,522,688
Machinery and equipment	6,698,306	2,522,562	4,175,744
Capital projects in progress	431,187	-	431,187
	\$ 41,041,102	\$ 10,931,717	\$ 30,109,385

5. Bank indebtedness

The company has a revolving line of credit in the amount of \$3,000,000. 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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

6. Long term and subordinated debt

	December 31, 2006	June 30, 2006
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of \$25,110.	\$ -	\$ 1,716,417
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$14,038.	-	686,108
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.55% per annum, repayable with blended monthly payments of \$20,877.	-	1,008,937
Bank of Nova Scotia loan, maturing in October 2007, repayable with monthly principal payments of \$1,667. Interest is payable monthly at prime plus 1% per annum.	-	9,354
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$14,100.	-	1,140,244
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 6.00% per annum, repayable with blended monthly payments of \$37,965.	-	3,252,611
Bank of Nova Scotia loan, maturing in September 2008, carries interest at 6.35% per annum, repayable with blended monthly payments of \$28,066.	-	2,545,224
Bank of Nova Scotia loan, maturing in September 2006, carries interest at 5.65% per annum, repayable with blended monthly payments of \$39,047.	-	606,491
Bank of Nova Scotia loan, maturing February 2007, carries interest at prime plus 1% per annum, repayable with blended monthly payments.	-	126,640
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	-	800,000
Bank of Nova Scotia loan, maturing in May 2009, carries interest at 6.40% per annum, repayable with blended monthly payments of \$42,990.	-	4,473,807
Bank of Nova Scotia term-debt	\$ -	\$ 16,365,833

(continued on the next page)

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

6. Long term and subordinated debt (continued)

	December 31, 2006	June 30, 2006
Bank of Nova Scotia term debt	\$ -	\$ 16,365,833
Bank of Montreal long term debt		
Bank of Montreal term loan, maturing September 2011, carries interest of 6.07% per annum repayable with blended monthly payments of \$76,288.	8,937,187	-
Bank of Montreal term loan, maturing September 2009, carries interest of 6.00% per annum repayable with blended monthly payments \$67,509.	7,943,863	-
	16,881,050	16,365,833
De Lage Landen loans		
De Lage Landen loan, maturing September, 2009, carries interest of 7.75% repayable with blended monthly payments of \$7,753.	217,190	307,704
De Lage Landen loan, maturing September, 2009, carries interest of 7.75% repayable with blended monthly payments of \$1,141.	33,811	46,962
	17,132,051	16,720,499
Subordinated debt		
Banyan Capital Partners Limited Partnership convertible debenture, maturing September 2007. Interest is 10% per annum with Bevo Agro Inc. common shares for the first two years at the market price of the shares at time of payment. The principal amount may be converted into common shares of Bevo Agro Inc. at \$0.66 in 2006 and \$0.73 in 2007.	5,000,000	5,000,000
	22,132,051	21,720,499
Less: current portion of term debt	(833,123)	(21,720,499)
Total long term debt	\$ 21,298,928	\$ -

The bank loans are secured by a general security agreement, a mortgage on the plant and property, a charge on inventories, a general assignment of book debts, and assignment of property insurance. The De Lage Landen loan is secured by the computer hardware purchased.

UNAUDITED - SEE NOTICE TO READER

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

6. Long term and subordinated debt (continued)

During the quarter, the company replaced the credit facilities from the Bank of Nova Scotia with new credit facilities from BMO Bank of Montreal totaling \$25 million. This includes \$3 million revolving line of credit, and a \$17 million term loan facility amortized over 15 years. A \$5 million standby term loan amortized over 14 years to be drawn down by September 2007 to pay out the maturing subordinated debt is also included in the facility.

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:

	December 31, 2006	June 30, 2006
2007	\$ 833,123	\$ 21,720,499
2008	1,074,333	-
2009	1,126,896	-
2010	1,117,252	-
2011 and thereafter	17,980,447	-
	\$ 22,132,051	\$ 21,720,499

BEVO AGRO INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

PERIODS ENDED DECEMBER 31, 2006

7. Obligations under capital lease

	December 31, 2006	June 30, 2006
Obligations under capital lease	\$ 152,428	\$ 233,199
Less: imputed interest	-	2,100
	152,428	231,099
Less: current portion	152,428	214,281
	\$ -	\$ 16,818

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

	December 31, 2006	June 30, 2006
2007	\$ 137,887	\$ 214,281
2008	14,541	14,541
	\$ 152,428	\$ 228,822

Annualized interest rates range from 3.9% to 7.0%.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

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.

	December 31, 2006 Number of Shares	December 31, 2006 Amount
Issued and outstanding as at December 31, 2006	25,535,933	\$ 4,008,443

	June 30, 2006 Number of Shares	June 30, 2006 Amount
Issued and outstanding as at June 30, 2005	25,203,201	\$ 3,889,265
Issue of shares in payment of interest on convertible debenture	332,732	119,178
Issued and outstanding as at June 30, 2006	25,535,933	\$ 4,008,443

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

9. Capital stock (continued)

(a) Summary of stock options outstanding as at December 31, 2006.

Security type	Number outstanding	Price	Expiry date
Share options	130,000	\$ 0.30	December 15, 2007
Share options	500,000	0.28	May 12, 2009

(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.

(c) On May 12, 2006, the company granted stock options under its 2004 stock option plan to the directors and officers for the purchase of 500,000 common shares at a price of \$0.28 per share. One third of these options are exercisable as of May 12, 2006, one third are exercisable May 12, 2007, and one third are exercisable on May 12, 2008. The options will expire on May 12, 2009.

10. Changes in non-cash operating working capital

	For the three months ended December 31, 2006	For the six months ended December 31, 2006	For the three months ended December 31, 2005	For the six months ended December 31, 2005
Accounts receivable	\$(1,495,885)	\$(238,678)	\$(1,981,288)	\$ 327,308
Income taxes receivable	265,584	265,584	-	473,807
Prepaid expenses and deposits	14,214	39,530	46,307	(13,091)
Inventories	(2,305,529)	(2,499,722)	(1,651,673)	(1,633,925)
Accounts payable and accruals	2,524,788	1,979,199	3,929,503	2,339,909
	\$(996,828)	\$(454,087)	\$ 342,849	\$ 1,494,008

UNAUDITED - SEE NOTICE TO READER

BEVO AGRO INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED DECEMBER 31, 2006

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.

Interest rate risk

The company's debt has both fixed and floating interest rates. At March 31, 2006, the fair market value of the term debt and subordinate debt approximates the book value of \$22,354,666 (June 2005: \$23,535,797).

	December 31, 2006	June 30, 2006
Fixed interest rates		
Loans	\$ 17,354,666	\$ 15,429,839
Convertible debenture	5,000,000	5,000,000
	22,354,666	20,429,839
Floating interest rates		
Mortgages - floating interest rates	-	1,290,660
	\$ 22,354,666	\$ 21,720,499
Floating interest rate		
Operating line-of-credit	\$ 1,203,222	\$ 1,000,495

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.

BEVO AGRO INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED DECEMBER 31, 2006

12. Commitments

Operating leases

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

	December 31, 2006	June 30, 2006
2007	\$ 4,653	\$ 9,305
2008	6,374	6,374
2009	5,843	5,843
	\$ 16,870	\$ 21,522

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

13. Related party transactions

The company participated in transactions with related parties as follows:

	For the three months ended December 31, 2006	For the six months ended December 31, 2006	For the three months ended December 31, 2005	For the six months ended December 31, 2005
Management fees paid to a company with directors in common	\$ 126,000	\$ 252,000	\$ 126,000	\$ 252,000
Directors fees	22,545	42,795	9,750	20,500
Professional fees paid to companies owned by directors	19,681	44,181	21,890	46,773
Interest paid to a company with directors in common	126,028	252,055	126,027	252,054
<i>The company received the following payment from related parties:</i>				
From a company owned by a director	\$ -	\$ -	\$ -	\$ 37,500

The company has the following related party loans payable:

	December 31, 2006	June 30, 2006
Subordinated loan from a company with directors in common	\$ 5,000,000	\$ 5,000,000
Due to a company with directors in common	247,160	247,160

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

	December 31, 2006	June 30, 2006
Due from a company with directors in common	\$ 247,160	\$ 247,160

(continued on the next page)

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2006

13. Related party transactions (continued)

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 December 31, 2006	For the six months ended December 31, 2006	For the three months ended December 31, 2005	For the six months ended December 31, 2005
Interest expense				
-operating line of credit	\$ 17,074	\$ 37,474	\$ 13,988	\$ 26,345
-term debt	261,712	519,981	280,463	566,284
-term debt - De Lage Landen	5,142	10,684	-	-
-convertible debenture	126,028	252,055	126,027	252,054
-capital leases	321	1,284	4,868	18,898
-other	6,231	6,251	-	1,357
	\$ 416,508	\$ 827,729	\$ 425,346	\$ 864,938

15. Future income tax liability

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

	December 31, 2006	June 30, 2006
Opening balance - beginning of period/year	\$ 1,582,253	\$ 1,450,042
Estimated future income tax liability (adjustment on current earnings (losses))	(244,484)	132,211
Closing balance - end of period/year	\$ 1,337,769	\$ 1,582,253

BEVO AGRO INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERIODS ENDED DECEMBER 31, 2006

16. Segmented information

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

	For the three months ended December 31, 2006 Sales	For the six months ended December 31, 2006 Sales	For the six months ended December 31, 2006 Property, plant and equipment
Canada	\$ 2,501,278	\$ 3,306,834	\$ 29,337,636
United States	1,612,998	3,219,900	-
Mexico	-	461,001	-
	\$ 4,114,276	\$ 6,987,735	\$ 29,337,636

17. Mortgage receivable

A customer defaulted on their trade accounts receivable. The company has obtained security for the trade accounts receivable by obtaining a mortgage on the property owned by the customer.

	December 31, 2006
Mortgage receivable	\$ 689,167
Interest at 18%	31,151
Total mortgage receivable	\$ 720,318