BEVO AGRO INC.

CONSOLIDATED
FINANCIAL STATEMENTS

YEARS ENDED
JUNE 30, 2007 AND 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Bevo Agro Inc. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised entirely of non-management directors. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

"Jack Benne"

Jack Benne
President

Vancouver, British Columbia
August 24, 2007

AUDITORS' REPORT

TO THE SHAREHOLDERS OF BEVO AGRO INC.

We have audited the consolidated balance sheet of Bevo Agro Inc. as at June 30, 2007 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at June 30, 2006 and for the year then ended were audited by another firm of auditors who expressed an opinion without reservation on those statements in their report dated August 18, 2006.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
August 24, 2007, except as to Note 20
which is as of October 17, 2007

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BEVO AGRO INC.
CONSOLIDATED BALANCE SHEETS
JUNE 30

		2007		2006
ASSETS *[Note 8]*				*[Note 19]*
Current				
Cash	$	34,072	$	58,332
Accounts receivable *[Note 19]*		2,677,342		2,972,165
Income taxes receivable		182,898		265,584
Inventories *[Note 3]*		2,830,305		1,510,906
Prepaid expenses and deposits		49,965		110,758
		5,774,582		4,917,745
Mortgage receivable *[Note 18]*		656,532		689,167
Property, plant and equipment *[Note 4]*		28,982,386		30,109,385
Deferred costs *[Note 5]*		603,459		35,844
Goodwill and intangible assets *[Note 6]*		642,997		262,747
	$	36,659,956	$	36,014,888
LIABILITIES				
Current				
Bank indebtedness *[Note 7]*	$	37,666	$	1,000,495
Accounts payable and accruals		2,477,428		1,561,218
Current portion of long-term debt *[Notes 8 and 20]*		6,109,103		21,720,499
Current portion of obligations under capital leases *[Note 9]*		106,565		214,281
		8,730,762		24,496,493
Long-term debt *[Note 8]*		16,039,590		-
Obligations under capital leases *[Note 9]*		197,689		16,818
Future income tax liability *[Note 16]*		2,026,782		1,582,253
		26,994,823		26,095,564
SHAREHOLDERS' EQUITY				
Capital stock *[Note 10]*		4,008,443		4,008,443
Contributed surplus *[Note 10[c]]*		35,583		10,168
Retained earnings		5,621,107		5,900,713
		9,665,133		9,919,324
	$	36,659,956	$	36,014,888

Commitments *[Note 13]*
Subsequent event *[Note 20]*

On behalf of the Board:

"Jack Benne"
Jack Benne, Director

"Donald Fairholm"
Donald Fairholm, Director

See accompanying Notes to the Consolidated Financial Statements

BEVO AGRO INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

YEARS ENDED JUNE 30

	2007	2006
Sales	$ 19,795,142	$ 22,036,071
Cost of sales	13,222,220	15,004,813
Gross margin	6,572,922	7,031,258
	(33.2%)	(31.9%)
Expenses		
General operating	1,562,712	1,498,921
Administrative fees, wages and benefits	1,192,093	1,120,337
Amortization	1,794,021	1,898,709
Interest *[Note 15]*	1,658,926	1,715,589
Bad debts	394,615	-
	6,602,367	6,233,556
Earnings (loss) from operations	(29,445)	797,702
Gain on disposal of assets	11,470	-
Earnings (loss) before income taxes	(17,975)	797,702
Provision for (recovery of) income taxes		
Current	(182,898)	(139,638)
Future	444,529	132,211
	261,631	(7,427)
Net earnings (loss) for the year	(279,606)	805,129
Retained earnings, beginning of the year	5,900,713	5,095,584
Retained earnings, end of the year	$ 5,621,107	$ 5,900,713
Basic earnings (loss) per share	$ (0.02)	$ 0.03
Diluted earnings (loss) per share	$ (0.02)	$ 0.03
Weighted average number of common shares outstanding	25,535,933	25,280,607

BEVO AGRO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30

		2007		2006
Cash flows from operating activities				
Net earnings (loss) for the year	$	(279,606)	$	805,129
Items not involving cash				
Amortization		1,794,021		1,898,709
Amortization of deferred costs		31,365		-
Amortization of intangibles		44,750		-
Stock-based compensation		25,415		10,168
Future income taxes		444,529		132,211
Non-cash interest		-		119,178
Gain on disposal of assets		(11,470)		-
Changes in non-cash working capital *[Note 11]*		35,113		577,882
		2,084,117		3,543,277
Cash flows from investing activities				
Acquisition of property, plant and equipment		(671,452)		(646,695)
Proceeds on disposal of property, plant and equipment		15,900		-
Mortgage receivable		32,635		(689,167)
Deferred development costs		(479,370)		-
		(1,102,287)		(1,335,862)
Cash flows from financing activities				
Bank indebtedness repayments		(962,829)		(392,703)
Deferred financing costs		(119,610)		(10,000)
Advances under long-term debt		16,575,000		416,133
Long-term debt repayments		(16,571,806)		(2,231,431)
Advances to (repayments of) obligations under capital lease		73,155		(289,053)
		(1,006,090)		(2,507,054)
Decrease in cash		(24,260)		(299,639)
Cash, beginning of year		58,332		357,971
Cash, end of year	$	34,072	$	58,332
Supplementary information:				
Interest paid	$	1,658,926	$	1,596,411
Interest paid on convertible debenture (issuance of shares)		-		119,178
Total interest paid	$	1,658,926	$	1,715,589

See accompanying Notes to the Consolidated Financial Statements

1. Organization

Bevo Agro Inc. (the "Company") was incorporated July 9, 1985, under the *Company Act* of British Columbia, which has been replaced with the *Business Corporations Act* (British Columbia). The Company's common shares are traded on the TSX Venture Exchange under the symbol "BVO".

The Company operates 34 acres of propagation greenhouse facilities on 98 acres of land in Langley, BC. 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. The Company markets its products to established greenhouse growers and nurseries throughout North America.

These financial statements have been prepared on a going-concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

The resolution of the Company's default on a debt obligation (subsequent to June 30, 2007) is dependent upon its ability to obtain new sources of financing as disclosed in Note 20. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to obtain new sources of financing.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiary, Bevo Farms Ltd. All significant intercompany transactions have been eliminated.

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 areas requiring the use of estimates include the determination of rates for amortization, estimated balances of accruals, the assumptions used in the calculation of stock-based compensation expense and the determination of future income tax liability. While management believes the estimates are reasonable, actual results could differ from those estimates and may impact future results of operations and cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits 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 operations.

2. Significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and 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 follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

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.

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

Deferred costs consists of costs incurred to obtain debt financing and costs incurred in the development of new product lines. The deferred financing fees are amortized on a straight-line basis over the term of the financing obtained. If financing is not obtained, or the Company re-finances its debt, any unamortized balance will be written off as a charge to operations.

Development costs are expensed unless, in management's view, they meet specific criteria related to technical, market and financial feasibility, in which case they are deferred and amortized. Amortization is then calculated on a straight-line basis over the expected period of recovery from related future revenues. These costs are reviewed on an annual basis, and if there is found to be an impairment in value, any unamortized balance will be written off as a charge to operations.

2. Significant accounting policies (continued)

Goodwill and intangible assets

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 carrying value of goodwill is reviewed on an annual basis to determine if there has been an impairment and 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.

Intangible assets relate to a non-competition agreement with Rainbow Greenhouses Ltd. whereby Rainbow Greenhouses Ltd. agrees not to supply a specified customer for a period of ten years. The agreement will be amortized based on sales to that customer over approximately three years.

Earnings (loss) per common share

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the reporting period. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average number of common shares outstanding is 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. Basic and diluted loss per share are the same as the effects of outstanding stock options are anti-dilutive.

Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and consultants, including awards that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards of rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

3. Inventories

		2007		2006
Finished goods	**$**	**1,821,565**	$	1,115,554
Work-in-process		**1,008,740**		395,352
	$	**2,830,305**	$	1,510,906

4. Property, plant and equipment

		2007				
		Cost		**Accumulated Amortization**		**Net Book Value**
Land	$	**2,406,212**	$	**-**	$	**2,406,212**
Land improvements		**629,682**		**167,817**		**461,865**
Buildings		**904,026**		**199,897**		**704,129**
Equipment under capital lease		**1,839,080**		**1,447,332**		**391,748**
Greenhouse, shade and packing equipment		**28,549,255**		**8,013,067**		**20,536,188**
Machinery and equipment		**7,021,026**		**2,857,907**		**4,163,119**
Computer software		**319,125**		**-**		**319,125**
	$	**41,668,406**	$	**12,686,020**	$	**28,982,386**

		2006				
		Cost		Accumulated Amortization		Net Book Value
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. Deferred costs

		Cost		**Accumulated Amortization**		**Net Book Value 2007**		Net Book Value 2006
Deferred financing fees	$	**205,160**	$	**81,071**	$	**124,089**	$	35,844
Deferred development costs		**479,370**		**-**		**479,370**		-
	$	**684,530**	$	**81,071**	$	**603,459**	$	35,844

6. Goodwill and intangible assets

		2007		2006
Non-competition agreement	$	**380,250**	$	-
Goodwill		**262,747**		262,747
	$	**642,997**	$	262,747

7. 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 8.

8. Long-term debt

		2007		2006
Bank of Nova Scotia term debt	$	-	$	16,365,833
Bank of Montreal term loan, maturing September 2011, carries interest of 6.07% per annum, repayable with blended monthly payments of $76,288		8,744,949		-
Bank of Montreal term loan, maturing September 2009, carries interest of 6.00% per annum, repayable with blended monthly payments of $67,509		7,772,093		-
De Lage Landen loan, maturing September 2009, carries interest of 7.75% per annum, repayable with blended monthly payments of $7,753		178,465		307,704
De Lage Landen loan, maturing September 2009, carries interest of 7.75% per annum, repayable with blended monthly payments of $1,141		28,186		46,962
		16,723,693		16,720,499
Rainbow Greenhouses Ltd. agreement, non-interest bearing, unsecured				
Payment due July 1, 2007		125,000		-
Payment due December 1, 2007		125,000		-
Payment due July 1, 2008		100,000		-
Payment due July 1, 2009		75,000		-
		425,000		-
Convertible debenture				
Banyan Capital Partners Limited Partnership convertible debenture		5,000,000		5,000,000
		22,148,693		21,720,499
Less: current portion		(6,109,103)		(21,720,499)
Total long-term portion	$	16,039,590	$	-

The Bank of Montreal term 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.

The Company has issued to Banyan Capital Partners Limited Partnership ("Banyan") 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 Company, subordinate to the existing security, bears interest at 10% per annum and is due September 24, 2007. The principal amount may be converted into common shares of the Company at $0.73 per share at any time at the option of Banyan.

The Company has obtained a stand-by $5,000,000 term loan, subject to final approval of the Bank of Montreal, for the repayment of the $5,000,000 convertible debenture maturing on September 24, 2007 (see Note 20).

8. Long-term debt (continued)

Principal repayments on term debt and convertible debenture required to be made in each of the next five years and thereafter are as follows:

	2007	2006
2007	$ -	$ 21,720,499
2008	6,109,103	-
2009	1,013,538	-
2010	947,819	-
2011	914,546	-
2012	970,590	
Thereafter	12,193,097	-
	$ 22,148,693	$ 21,720,499

9. Obligations under capital leases

	2007	2006
Obligations under capital leases	$ 336,489	$ 233,199
Less: imputed interest	32,235	2,100
	304,254	231,099
Less: current portion	106,565	214,281
	$ 197,689	$ 16,818

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

	2007	2006
2007	$ -	$ 214,281
2008	106,565	16,818
2009	92,940	-
2010	104,749	-
	$ 304,254	$ 231,099

Annual interest rates range from 3.9% to 7%.

10. Capital stock

Authorized:
Unlimited common shares with no par value.

Issued:

	Number of Shares		Amount
Balance, June 30, 2005	25,203,201	$	3,889,265
Issue of shares in payment of interest on convertible debenture	332,732		119,178
Balance, June 30, 2006 and 2007	25,535,933	$	4,008,443

(a) Stock options

Under the Company's stock option plan, the Company may grant stock options for the purchase of up to 10% of issued and outstanding capital stock of the Company.

Summary of stock option activity

	Number of Shares		2007 Weighted Average Exercise Price	Number of Shares		2006 Weighted Average Number of Shares
Outstanding, beginning of year	630,000	$	0.28	130,000	$	0.30
Granted	-	$	0.00	500,000	$	0.28
Outstanding, end of year	630,000	$	0.28	630,000	$	0.28

As at June 30, 2007, the Company had stock options outstanding and exercisable, enabling the holders to acquire common shares as follows:

Options Outstanding Number of Shares		Exercise Price	Expiry Date		Options Exercisable Number of Shares
130,000	$	0.30	December 15, 2007	$	130,000
500,000	$	0.28	May 15, 2009		333,333
630,000				$	463,333

10. Capital stock (continued)

(b) Stock-based compensation

The Company uses the Black-Scholes option pricing model to estimate the value of the options at each grant date using the following assumptions for the year ended June 30, 2006.

	2006
Risk-free rate of return	5%
Expected dividend yield	-
Expected stock price volatility	93%
Expected option life in years	3

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

During the year ended June 30, 2007, the compensation cost of stock options vested was $25,415 (2006 - $10,168), which has been included in administrative fees, wages and benefits expense.

(c) Contributed surplus

Contributed surplus is comprised of the following:

Balance, June 30, 2005	$	-
Stock-based compensation		**10,168**
Balance, June 30, 2006		**10,168**
Stock-based compensation		**25,415**
Balance, June 30, 2007	$	**35,583**

11. Changes in non-cash working capital

		2007		2006
Accounts receivable	$	**294,823**	$	1,097,390
Income taxes receivable		**82,686**		208,223
Inventories		**(1,319,399)**		474,842
Prepaid expenses and deposits		**60,793**		(66,469)
Accounts payable and accruals		**916,210**		(1,136,104)
	$	**35,113**	$	577,882

12. Financial instruments and risk management

The Company has various financial instruments including cash, accounts receivable, mortgage receivable, bank indebtedness, accounts payable and accruals, and term debt. Their carrying values approximates their fair values.

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

Currency risk

The Company is exposed to foreign currency fluctuations to the extent revenues earned and expenditures incurred by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to manage the foreign currency risk.

Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's long-term debt is principally at fixed interest rates and, therefore, the Company's exposure to interest rate cash flow risk during the term of the debt is minimal. The Company is not exposed to significant interest rate price risk due to the short-term maturity of its short-term monetary assets and liabilities.

Credit risk

The Company is subject to credit risk through its accounts receivable and mortgage receivable (see Note 18). 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.

13. Commitments

Operating leases

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

		2007
2008	$	6,791
2009		6,225
	$	13,016

14. Related party transactions

		2007		2006
The Company participated in transactions with related parties as follows:				
Management fees paid to a company with directors in common	**$**	**504,000**	$	504,000
Directors' fees	**$**	**91,545**	$	56,023
Professional fees paid to companies owned by directors	**$**	**116,689**	$	122,847
Interest paid to a company with a director in common	**$**	**500,000**	$	500,000
The Company received the following payment from related parties:				
From a company owned by a director	**$**	**-**	$	37,500

		2007		2006
The Company has the following related party loans payable:				
Convertible debenture from a company with a director in common	**$**	**5,000,000**	$	5,000,000

The president and vice-president provide management services to the Company through their management company. The management fees are approved annually by the Board of Directors. Two directors provide additional professional services to the Company through their professional corporations. Their services are in the normal course of operations and are measured at the exchange amount of consideration as agreed to between the parties. One of the directors is a principal of Banyan Capital Partners Limited Partnership.

15. Interest

			2007		2006
Interest expense	operating	**$**	**98,162**	$	90,719
	term debt		**1,041,250**		1,101,840
	convertible debenture		**500,000**		500,000
	capital leases		**5,420**		21,439
	other		**14,094**		1,591
		$	**1,658,926**	$	1,715,589

16. Income taxes

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2007		2006
Income (loss) before income taxes	**$**	**(17,975)**	$	797,702
Income tax rate		**34.12%**		34.12%
Income tax benefit (expense) computed at Canadian statutory rates		**(6,133)**		272,176
Permanent differences		**22,050**		15,052
Property, plant and equipment – net book value in excess of undepreciated capital cost		**5,011**		(228,355)
Temporary differences		**(37,115)**		19,261
Unrecognized tax recovery (loss)		**277,818**		(85,561)
	$	**261,631**	$	(7,427)

Significant components of the Company's future income tax liability after applying enacted corporate income tax rates are as follows:

		2007		2006
Future income tax assets:				
Donations	**$**	**64,032**	$	-
Goodwill and intangibles, tax deductions available in excess of amortization		**34,155**		66,750
Non-capital losses carried forward		**220,702**		427,493
		318,889		494,243
Future income tax liabilities				
Deferred costs		**(4,687)**		-
Property, plant and equipment – net book value in excess of undepreciated capital cost		**(2,340,984)**		(2,076,496)
Net future income tax liability	**$**	**(2,026,782)**	$	(1,582,253)

The Company has accumulated non-capital losses for Canadian tax purposes of $679,084 that expire in various years as follows:

2010	**$**	9,038
2014		247,571
2015		55,423
2026		10,249
2027		356,803
	$	679,084

17. Segmented information

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

	2007			2006		
	Assets	**Sales**	**Property, Plant and Equipment**	Assets	Sales	Property, Plant and Equipment
Canada	**$ 36,659,956**	**$ 11,067,622**	**$ 28,982,386**	$ 36,014,888	$ 15,027,485	$ 30,109,385
United States	-	**7,833,755**	**-**	-	6,599,753	-
Mexico	-	**893,765**	**-**	-	408,833	-
	$ 36,659,956	**$ 19,795,142**	**$ 28,982,386**	$ 36,014,888	$ 22,036,071	$ 30,109,385

18. Mortgage receivable

	2007	2006
Mortgage receivable	**$ 656,532**	$ 689,167

The Company entered into a mortgage agreement on August 23, 2004. Under the terms of the agreement, the mortgage receivable was to be repaid in three equal annual payments beginning December 31, 2004 and bears interest at 8% per annum. The purchaser is in default of the terms of the mortgage agreement as it was not fully repaid by December 31, 2006 and the interest charged on the receivable has increased to 18% as a result. The Company has initiated foreclosure proceedings on the property.

19. Comparative figures

Certain 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current fiscal year.

20. Subsequent event

The Company was unable to meet certain terms and conditions established by the Bank of Montreal with regards to the advancement of a stand-by term loan in the amount of $5,000,000 for the repayment of the Banyan convertible debenture due September 24, 2007. Accordingly, the Bank of Montreal advised the Company that they would not advance the term loan of $5,000,000 until the Company is fully in compliance with the terms and conditions.

Banyan has extended the repayment of the $5,000,000 convertible debenture to January 31, 2008. After that time, Banyan may exercise its security interest under the debenture (see Note 8).

The Company is currently negotiating alternative sources of long-term financing with the co-operation of Banyan.