

BEVO AGRO INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2009

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 24, 2009

BEVO AGRO INC.
CONSOLIDATED BALANCE SHEETS
 SEPTEMBER 30 (Canadian \$)

	September 30, 2009 (Unaudited)	June 30, 2009 (Audited)	September 30, 2008 (Unaudited)
ASSETS			
Current			
Cash	\$ 582,153	\$ 507,808	\$ 160,209
Accounts receivable	1,598,283	1,558,955	1,392,108
Income taxes receivable	182,898	182,898	182,898
Inventories [Note 3]	2,350,903	2,286,177	2,784,476
Prepaid expenses and deposits	44,970	48,935	171,654
	4,759,207	4,584,773	4,691,345
Restricted cash	-	-	1,000,000
Property, plant and equipment [Note 4]	26,494,412	26,790,966	27,611,984
Deferred costs [Note 5]	501,985	530,239	508,581
Goodwill [Note 6]	262,747	262,747	262,747
Intangible assets [Note 6]	105,625	105,625	211,250
	\$ 32,123,976	\$ 32,274,350	\$ 34,285,907
LIABILITIES			
Current			
Bank indebtedness [Note 7]	\$ -	\$ -	\$ 124,845
Accounts payable and accruals	1,137,438	837,476	860,221
Current portion of long-term debt [Note 8]	1,045,199	1,050,895	2,128,007
Current portion of obligations under capital leases [Note 9]	106,770	130,456	118,647
	2,289,407	2,018,827	3,231,720
Long-term debt [Note 8]	19,415,484	19,677,129	21,693,289
Obligations under capital leases [Note 9]	36,313	43,137	143,128
Future income tax liability [Note 18]	666,503	715,298	882,879
	22,407,707	22,454,391	25,951,016
SHAREHOLDERS' EQUITY			
Capital stock [Note 10]	4,008,443	4,008,443	4,008,443
Contributed surplus	66,083	66,083	66,083
Retained earnings	5,641,743	5,745,433	4,260,365
	9,716,269	9,819,959	8,334,891
	\$ 32,123,976	\$ 32,274,350	\$ 34,285,907

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 SEPTEMBER 30 (Canadian \$)

	For the three months ended September 30, 2009	For the three months ended September 30, 2008
Sales [Note 15]	\$ 2,967,444	\$ 1,303,595
Cost of sales	1,966,801	1,118,578
Gross margin	1,000,643	185,017
Expenses		
General operating	260,782	252,571
Administrative fees, wages and benefits	331,741	254,079
Amortization [Note 16]	353,678	376,741
Interest [Note 17]	148,363	343,854
Provision for bad debts	58,564	12,421
	1,153,128	1,239,666
Loss before income taxes	(152,485)	(1,054,649)
Provision for (recovery of) income taxes Future	(48,795)	(337,488)
Net loss and comprehensive loss for the period	(103,690)	(717,161)
Retained earnings, beginning of the period	5,745,433	4,977,526
Retained earnings, end of the period	\$ 5,641,743	\$ 4,260,365
Basic and diluted earnings (loss) per share	\$ 0.00	\$ (0.03)
Weighted average number of common shares outstanding	25,535,933	25,535,933

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BEVO AGRO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
PERIODS ENDED SEPTEMBER 30 (Canadian \$)

	For the three months ended September 30, 2009	For the three months ended September 30, 2008
Cash flows from operating activities		
Net earnings (loss) for the period	\$(103,690)	\$(717,161)
Items not involving cash		
Amortization of property, plant and equipment	353,678	376,741
Amortization of deferred costs	28,254	28,255
Future income taxes (recovery)	(48,795)	(337,080)
Changes in non-cash working capital <i>[Note 12]</i>	199,873	630,394
	429,320	(18,851)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(57,124)	(130,158)
	(57,124)	(130,158)
Cash flows from financing activities		
Bank indebtedness	-	124,845
Deferred financing costs	-	1,177
Long-term debt repayments	(267,341)	(356,172)
Advances (repayments) of obligations under capital lease	(30,510)	(28,266)
	(297,851)	(258,416)
Increase (decrease) in cash	74,345	(407,425)
Cash, beginning of period	507,808	567,634
Cash, end of period	\$ 582,153	\$ 160,209
Supplementary information:		
Interest paid	\$ 148,363	\$ 343,854

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

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. The Company also produces cucumbers which are marketed and sold through a licensed marketing agency.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company’s ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Bevo Farms Ltd. (Langley, BC), Bevo Agro Inc. (Nevada) and Bevo Farms Inc. (Arizona). Bevo Agro Inc. (Nevada) and Bevo Farms Inc. (Arizona) are both inactive. All significant intercompany balances and 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, 2009, and the results of operations and changes in the financial position for the three months ended September 30, 2009, 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, 2009.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

2. Significant accounting policies (Continued)

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 revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the determination of rates for amortization, valuation of deferred development costs, goodwill and intangibles, 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.

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 year. Foreign exchange gains and losses are included in operations.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes 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 from the Company's premises.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

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:

Land improvements	5%
Buildings	2.5% - 5%
Greenhouse, shade and packaging equipment	5%
Machinery and equipment	10 - 30%
Equipment under capital lease	10 - 30%

Impairment of long-lived assets

Long-lived assets consist of property, plant and equipment, and intangible assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use wherever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized where undiscounted future cash flows from its use and disposal are less than the carrying amount. Impairment loss is measured as the amount by which the asset carrying value exceeds fair value. Discounted cash flows are used to measure fair value. Any impairment is included in loss for the year.

Deferred costs

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.

Goodwill

Goodwill is recorded at cost less any reduction for impairment. Goodwill is tested for impairment on an annual basis or when events occur that may indicate impairment.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

2. Significant accounting policies (continued)

Intangible assets

Intangible assets are amortized over their estimated useful lives, unless the life is determined to be indefinite, in which case no amortization is taken. Intangible assets are tested for impairment on an annual basis or when events occur that may indicate impairment.

Earnings (loss) per common share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Basic and diluted loss per share are the same for the years presented as the effects of outstanding stock options are anti-dilutive.

Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

Leases

Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against operations. If the lease contains a term that allows ownership to pass to the Company, or there is a bargain purchase option, the capitalized value is amortized over the estimated useful life of the related asset. Otherwise, the capitalized value is amortized over the lesser of the lease term and its estimated useful life. All other leases are accounted for as operating leases.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

2. Significant accounting policies (continued)

Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

Comprehensive income (loss)

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of gains and losses affecting shareholders' equity that, under generally accepted accounting principles, are excluded from net income (loss).

The Company has no material items of other comprehensive income (loss) in any period presented. Therefore, net earnings (loss) as presented in the Company's statement of operations equals comprehensive earnings (loss).

Capital Disclosures

The Company adopts CICA Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital.

Going-concern

The Company adopts CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

2. Significant accounting policies (continued)

Future accounting changes

The following change will apply for the Company to interim and annual financial statements, commencing July 1, 2011:

(a) International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Inventories

	September 30, 2009		June 30, 2009		September 30, 2008
Finished goods	\$ 1,530,830	\$	1,626,976	\$	1,840,239
Work-in-process	820,073		659,201		944,237
	\$ 2,350,903	\$	2,286,177	\$	2,784,476

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

PERIODS ENDED SEPTEMBER 30

4. Property, plant and equipment

	Cost	Accumulated Amortization	Net book value September 30, 2009
Land	\$ 2,406,212	\$ -	\$ 2,406,212
Land improvements	815,752	231,885	583,867
Buildings	1,040,085	267,470	772,615
Equipment under capital lease	428,321	168,333	259,988
Greenhouse, shade and packing equipment	28,654,581	10,248,436	18,406,145
Machinery and equipment	9,020,597	4,955,012	4,065,585
	\$ 42,365,548	\$ 15,871,136	\$ 26,494,412

	Cost	Accumulated Amortization	Net book value June 30, 2009
Land	\$ 2,406,212	\$ -	\$ 2,406,212
Land improvements	805,762	223,121	582,641
Buildings	1,028,055	259,904	768,151
Equipment under capital lease	428,321	155,913	272,408
Greenhouse, shade and packing equipment	28,635,066	10,016,193	18,618,873
Machinery and equipment	9,005,008	4,862,327	4,142,681
	\$ 42,308,424	\$ 15,517,458	\$ 26,790,966

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

5. Deferred costs

	Cost	Accumulated amortization	Net Book Value September 30, 2009	Net Book Value June 30, 2009
Deferred development costs	\$ 565,090	\$ 169,527	\$ 395,563	\$ 423,817
Deferred investment tax credit expenditures	106,422	-	106,422	106,422
	\$ 671,512	\$ 169,527	\$ 501,985	\$ 530,239

Deferred development costs consist of costs incurred in the development of two new product lines. These costs are amortized on a straight-line basis over five years and charged to cost of sales. Deferred investment tax credit (ITC) expenditures consist of costs incurred for the submission of Scientific Research & Experimental Development claims. These costs will be expensed over the period in which the tax credits will be utilized

6. Goodwill and intangible assets

(a) Goodwill

	September 30, 2009	June 30, 2009
Goodwill	\$ 262,747	\$ 262,747

Goodwill represents the excess of the purchase price over the fair values of net assets acquired in the acquisition of a propagation greenhouse facility.

(b) Intangible assets

	September 30, 2009	June 30, 2009
Non-competition agreement, cost	\$ 507,000	\$ 507,000
Accumulated amortization	(401,375)	(401,375)
	\$ 105,625	\$ 105,625

The non-competition agreement with Rainbow Greenhouses Ltd. provides that Rainbow Greenhouses Ltd. will not supply a specified customer for ten years ending in 2017. The outlay pursuant to the agreement will be amortized based on sales to that customer over approximately three years ending in 2010.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

7. Bank indebtedness

The Company has a revolving line of credit with the Bank of Montreal in the amount of \$1,000,000. This line of credit bears interest at prime plus 2%, is due on demand, and is secured by a first charge on accounts receivable. There was no balance on the line of credit at September 30, 2009.

8. Long-term debt

	September 30, 2009	June 30, 2009
FCC term loan, maturing June 1, 2013, carries interest at FCC's variable rate minus 0.5%, repayable with blended monthly payments of \$59,081	\$ 10,391,361	\$ 10,497,016
FCC term loan, maturing June 1, 2013, carries interest at FCC's variable rate minus 0.5%, repayable with blended monthly payments of \$74,053	10,174,990	10,326,834
FCC advance loan, maturing June 1, 2013, carries interest at FCC's variable rate, payable with monthly payments of interest only	-	-
Deferred borrowing costs	(105,666)	(106,908)
	20,460,685	20,716,942
De Lage Landen loan, maturing September 2009, carries interest of 7.75% per annum, repayable with blended monthly payments of \$7,753	-	7,704
De Lage Landen loan, maturing September 2009, carries interest of 7.75% per annum, repayable with blended monthly payments of \$1,141	-	3,378
	-	11,082
	20,460,685	20,728,024
Less: current portion of term debt	(1,045,199)	(1,050,895)
Total term debt	\$ 19,415,484	\$ 19,677,129

The Farm Credit Canada term loans are secured by a general security agreement, first mortgages on the Company land and buildings, assignments of insurance and a limited guarantee from a related company. The De Lage Landen loans are secured by computer hardware and software.

The deferred borrowing costs are amortized as the principal on the loan is repaid and are included as interest on term debt (Note 17).

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

8. Long-term debt (continued)

Principal repayments required to be made in each of the next four years are as follows:

	September 30, 2009		June 30, 2009
2010	\$ 1,045,199	\$	1,050,895
2011	1,074,306		1,066,895
2012	1,102,851		1,095,242
2013	17,343,995		17,621,900
Less: deferred borrowing costs	(105,666)		(106,908)
	\$ 20,460,685	\$	20,728,024

9. Obligations under capital leases

	September 30, 2009		June 30, 2009
Obligations under capital leases	\$ 151,988	\$	185,688
Less: imputed interest	8,905		12,095
	143,083		173,593
Less: current portion	106,770		130,456
	\$ 36,313	\$	43,137

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

	September 30, 2009		June 30, 2009
2010	\$ 106,770	\$	130,456
2011	28,746		28,111
2012	7,567		15,026
	\$ 143,083	\$	173,593

Annualized interest rates range from 7.08% to 8.80%.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

10. Capital stock

Authorized:

Unlimited common shares without par value.

Issued:

	Number of Shares	Amount
Issued and outstanding as at September 30, 2009 and June 30, 2009	25,535,933	\$ 4,008,443

- (a) No stock options are outstanding and exercisable as at September 30, 2009:
- (b) The Company adopted a stock option plan in 2004, 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.
- (c) On May 12, 2006, the Company granted stock options under its 2004 stock option plan to directors and officers for the purchase of 500,000 common shares at a price of \$0.28 per share. One-third of these options vested as of May 12, 2006, one-third vested May 12, 2007 and one-third vested on May 12, 2008. The options expired on May 12, 2009.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

11. Capital Management

The Company defines capital that it manages as its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. As at September 30, 2009, total managed capital was \$9,750,269, compared to \$9,819,959 as at June 30, 2009.

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. To maintain or adjust the capital structure, the Company may issue shares, acquire debt, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. These budgets are approved by the Company's Board of Directors.

In order to maximize its ongoing operations, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

The Company expects the capital resources available to it will be sufficient to carry its business and operations for the next twelve months.

There were no changes in the Company's approach to capital management during the quarter ended September 30, 2009. The Company is not subject to externally imposed capital requirements.

12. Changes in non-cash working capital

	For the three months ended September 30, 2009	For the three months ended September 30, 2008
Accounts receivable	\$ (39,328)	\$ 2,035,727
Inventories	(64,726)	(580,823)
Prepaid expenses and deposits	3,965	(71,176)
Accounts payable and accruals	299,962	(753,334)
	\$ 199,873	\$ 630,394

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

13. Financial instruments and risk management

The Company has designated its cash and bank indebtedness as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accruals and long-term debt as other liabilities.

Fair value

The carrying values of cash, accounts receivable, bank indebtedness, and accounts payable and accruals approximate their fair values because of the short-term maturity of these financial instruments.

The carrying value of long-term debt approximates its fair value upon initial recognition and subsequent to that date it has been amortized using the effective interest rate method. At year-end, its carrying value approximates its fair value.

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. From time to time the Company enters into foreign currency contracts to manage 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 variable interest rates and, therefore, the Company is exposed to interest rate cash flow risk during the term of the debt. The Company is not exposed to significant interest rate price risk due to the short-term maturity of its monetary assets and liabilities.

Credit risk

The Company is exposed to credit risk with respect to its cash and accounts receivable. Cash is placed with a major Canadian financial institution. Accounts receivable are from geographically dispersed customers and a substantial portion are from customers with whom long-term business relationships have been established.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

14. Related party transactions

The Company participated in transactions with related parties as follows:

	For the three months ended September 30, 2009	For the three months ended September 30, 2008
Management fees paid to a company with directors in common	\$ 176,000	\$ 126,000
Directors' fees	\$ 16,500	\$ 20,250
Professional fees paid to companies owned by directors	\$ 5,390	\$ 4,660
Interest paid to a company with directors in common	\$ -	\$ 30,247

The president and vice-president provide management services to the Company through their management company and have provided a guarantee against term loans (Note 8). The management fees are approved annually by the Board of Directors. During the quarter the Board of Directors approved a bonus payment of \$50,000 to the management company. Two directors provide additional professional services to the Company through their professional corporations.

All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. Sales

	For the three months ended September 30, 2009	For the three months ended September 30, 2008
Sales		
-propagation	\$ 1,858,465	\$ 1,331,147
-cucumber production	235,500	-
-AgriStability payment	871,378	-
-currency gains (losses)	2,101	(27,552)
	\$ 2,967,444	\$ 1,303,595

AgriStability is a federal program that provides financial assistance to farms that experience declines in sales and margins due to weather, disease and low market prices. Payments are made in the form of grants, which require no repayment. The AgriStability payment of \$871,378 represents a payment for the 2007 program year.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30

16. Amortization

		For the three months ended September 30, 2009	For the three months ended September 30, 2008
Amortization	-property, plant and equipment	\$ 353,678	\$ 376,741
		\$ 353,678	\$ 376,741

17. Interest

		For the three months ended September 30, 2009	For the three months ended September 30, 2008
Interest expense	-operating line of credit	\$ -	\$ 226
	-term debt	143,245	336,389
	-convertible debenture	-	-
	-capital leases	3,190	5,433
	-amortization of deferred financing costs	1,241	1,177
	-other	687	629
		\$ 148,363	\$ 343,854

18. Income taxes

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

	September 30, 2009	June 30, 2009
Opening balance - beginning of period/year	\$ 715,298	\$ 1,220,367
Estimated future income tax liability (adjustment on current earnings (losses))	(48,795)	(505,069)
Closing balance - end of period/year	\$ 666,503	\$ 715,298

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. Segmented information

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

	For the three months ended September 30, 2009 Assets	For the three months ended September 30, 2009 Sales	For the three months ended September 30, 2009 Property, plant and equipment
Canada	\$ 32,123,976	\$ 1,930,581	\$ 26,494,412
United States	-	1,036,863	-
Mexico	-	-	-
	\$ 32,123,976	\$ 2,967,444	\$ 26,494,412

	For the three months ended September 30, 2008 Assets	For the three months ended September 30, 2008 Sales	For the three months ended September 30, 2008 Property, plant and equipment
Canada	\$ 34,285,907	\$ 665,893	\$ 27,611,984
United States	-	453,860	-
Mexico	-	183,842	-
	\$ 34,285,907	\$ 1,303,595	\$ 27,611,984