

BEVO AGRO INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

DECEMBER 31, 2010

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.

J. HOEKSTRA, CGA

Milner, B.C.
February 14, 2011

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

	December 31, 2010 (Unaudited)	June 30, 2010 (Audited)	December 31, 2009 (Unaudited)
ASSETS			
Current			
Cash	\$ 1,002,082	\$ 2,342,005	\$ 939,520
Accounts receivable	2,575,961	1,962,274	1,672,731
Income taxes receivable	182,898	182,898	182,898
Inventories [Note 3]	3,608,506	1,604,118	3,116,154
Prepaid expenses and deposits	208,729	92,676	197,889
	7,578,176	6,183,971	6,109,192
Property, plant and equipment [Note 4]	26,098,555	26,521,781	26,633,172
Deferred costs [Note 5]	166,422	166,422	473,730
Goodwill [Note 6]	262,747	262,747	262,747
Intangible assets	-	-	105,625
	\$ 34,105,900	\$ 33,134,921	\$ 33,584,466
LIABILITIES			
Current			
Accounts payable and accruals	\$ 3,499,024	\$ 1,465,876	\$ 2,814,615
Current portion of long-term debt [Note 8]	936,898	1,020,133	1,052,381
Current portion of obligations under capital leases [Note 9]	71,251	138,002	82,650
	4,507,173	2,624,011	3,949,646
Long-term debt [Note 8]	18,269,342	18,660,855	19,150,581
Obligations under capital leases [Note 9]	17,969	37,608	29,365
Future income tax liability [Note 18]	776,864	937,194	689,578
	23,571,348	22,259,668	23,819,170
SHAREHOLDERS' EQUITY [Note 11]			
Capital stock [Note 10]	4,008,443	4,008,443	4,008,443
Contributed surplus	66,083	66,083	66,083
Retained earnings	6,460,026	6,800,727	5,690,770
	10,534,552	10,875,253	9,765,296
	\$ 34,105,900	\$ 33,134,921	\$ 33,584,466

Commitments [Note 14]

On behalf of the Board:

"Jack Benne"
Jack Benne, Director

"John Hoekstra"
John Hoekstra, 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, 2010	For the six months ended December 31, 2010	For the three months ended December 31, 2009	For the six months ended December 31, 2009
Sales [Note 16]	\$ 4,333,408	\$ 6,295,102	\$ 3,705,700	\$ 6,673,144
Cost of sales	2,965,051	4,666,416	2,589,284	4,556,085
Gross margin	1,368,357	1,628,686	1,116,416	2,117,059
Expenses				
General operating	327,159	495,647	264,104	524,886
Administrative fees, wages and benefits	283,542	541,405	254,385	586,126
Amortization	358,389	714,747	356,959	710,637
Interest [Note 17]	177,405	339,845	145,945	294,308
Provision for bad debts	23,400	38,073	34,232	92,796
	1,169,895	2,129,717	1,055,625	2,208,753
Earnings (loss) from operations	198,462	(501,031)	60,791	(91,694)
Gain on disposal of assets	-	-	11,311	11,311
Earnings (loss) before income taxes	198,462	(501,031)	72,102	(80,383)
Provision for (recovery of) income taxes Future	63,510	(160,330)	23,075	(25,720)
Net earnings (loss) and comprehensive earnings (loss) for the period	134,952	(340,701)	49,027	(54,663)
Retained earnings, beginning of the period	6,325,074	6,800,727	5,641,743	5,745,433
Retained earnings, end of the period	\$ 6,460,026	\$ 6,460,026	\$ 5,690,770	\$ 5,690,770
Basic and diluted earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	25,535,933	25,535,933	25,535,933	25,535,933

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BEVO AGRO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
PERIODS ENDED DECEMBER 31 (Canadian \$)

	For the three months ended December 31, 2010	For the six months ended December 31, 2010	For the three months ended December 31, 2009	For the six months ended December 31, 2009
Cash flows from (used by) operating activities				
Net earnings (loss) for the period	\$ 134,952	\$ (340,701)	\$ 49,027	\$ (54,663)
Items not involving cash				
Amortization of property, plant and equipment	358,389	714,747	356,959	710,637
Amortization of deferred costs	-	-	28,254	56,508
Future income taxes (recovery)	63,510	(160,330)	23,075	(25,720)
Gain on disposal of assets	-	-	(11,311)	(11,311)
Changes in non-cash working capital <i>[Note 12]</i>	159,129	(700,980)	684,559	884,432
	715,980	(487,264)	1,130,563	1,559,883
Cash flows from (used by) investing activities				
Acquisition of property, plant and equipment	(215,490)	(304,021)	(515,507)	(572,631)
Proceeds on disposal of property, plant and equipment	-	12,500	31,100	31,100
	(215,490)	(291,521)	(484,407)	(541,531)
Cash flows from (used by) financing activities				
Long-term debt repayments	(230,030)	(474,748)	(257,721)	(525,062)
Advances (repayments) of obligations under capital lease	(50,254)	(86,390)	(31,068)	(61,578)
	(280,284)	(561,138)	(288,789)	(586,640)
Increase (decrease) in cash	220,206	(1,339,923)	357,367	431,712
Cash, beginning of period	781,876	2,342,005	582,153	507,808
Cash, end of period	\$ 1,002,082	\$ 1,002,082	\$ 939,520	\$ 939,520
Supplementary information:				
Interest paid <i>[Note 17]</i>	\$ 176,070	\$ 337,201	\$ 144,679	\$ 291,801

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

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.

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 December 31, 2010, and the results of operations and changes in the financial position for the three months ended December 31, 2010, 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, 2010.

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.

UNAUDITED - SEE NOTICE TO READER

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

2. Significant accounting policies (Continued)

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.

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%

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

2. Significant accounting policies (Continued)

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.

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

2. Significant accounting policies (continued)

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.

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.

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

2. Significant accounting policies (continued)

Comprehensive earnings (loss)

Comprehensive earnings (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 DECEMBER 31, 2010 AND 2009

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.

The Company has developed an IFRS changeover plan which will address areas such as accounting policies, financial reporting, controls and procedures, information systems and training. The Company, as part of the changeover plan, is currently identifying differences in accounting policies with respect to the transition to IFRS. Our preliminary review of IFRS indicates that the majority of our accounting policies are acceptable under IFRS. Some of the differences which have been initially identified are as follows:

- First-time adoption of IRFS
- Property, plant and equipment
- Impairments
- Share-based payment
- Financial statement preparation, presentation and disclosure

The Company acknowledges that the above list is not exhaustive of all possible items that will occur upon transition to IFRS. The Company will continue to assess the impact of adopting IFRS, and will provide further quarterly updates to report on the progress of its IRFS changeover plan.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

3. Inventories

	December 31, 2010	June 30, 2010	December 31, 2009
Finished goods	\$ 1,696,826	\$ 1,136,108	\$ 1,513,022
Work-in-process	1,911,680	468,010	1,603,132
	\$ 3,608,506	\$ 1,604,118	\$ 3,116,154

4. Property, plant and equipment

	Cost	Accumulated Amortization	Net book value December 31, 2010
Land	\$ 2,406,212	\$ -	\$ 2,406,212
Land improvements	908,159	278,862	629,297
Buildings	1,113,689	306,161	807,528
Equipment under capital lease	428,321	227,851	200,470
Greenhouse, shade and packing equipment	29,030,435	11,421,991	17,608,444
Machinery and equipment	9,641,345	5,194,741	4,446,604
	\$ 43,528,161	\$ 17,429,606	\$ 26,098,555

	Cost	Accumulated Amortization	Net book value June 30, 2010
Land	\$ 2,406,212	\$ -	\$ 2,406,212
Land improvements	908,159	260,636	647,523
Buildings	1,093,501	290,879	802,622
Equipment under capital lease	428,321	205,590	222,731
Greenhouse, shade and packing equipment	29,030,435	10,963,363	18,067,072
Machinery and equipment	9,440,456	5,064,835	4,375,621
	\$ 43,307,084	\$ 16,785,303	\$ 26,521,781

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

5. Deferred costs

	Cost	Accumulated amortization	Net Book Value December 31, 2010	Net Book Value June 30, 2010
Deferred investment tax credit expenditures	166,422	-	166,422	166,422

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

	December 31, 2010	June 30, 2010
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.

7. Bank indebtedness

The Company has a revolving line of credit with the Bank of Montreal in the amount of \$2,000,000. This line of credit bears interest at prime plus 1.5%, is due on demand, and is secured by a first charge on accounts receivable. There was no balance on the line of credit at December 31, 2010.

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

8. Long-term debt

	December 31, 2010	June 30, 2010
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	\$ 9,879,286	\$ 10,069,797
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	9,426,107	9,712,988
Deferred borrowing costs	(99,153)	(101,797)
	19,206,240	19,680,988
Less: current portion of term debt	(936,898)	(1,020,133)
Total term debt	\$ 18,269,342	\$ 18,660,855

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

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

	December 31, 2010	June 30, 2010
2011	\$ 936,898	\$ 1,020,133
2012	968,428	1,047,553
2013	1,004,665	1,080,911
2014	16,395,402	16,634,188
Less: deferred borrowing costs	(99,153)	(101,797)
	\$ 19,206,240	\$ 19,680,988

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PERIODS ENDED DECEMBER 31, 2010 AND 2009

9. Obligations under capital leases

	December 31, 2010		June 30, 2010
Obligations under capital leases	\$ 90,845	\$	180,720
Less: imputed interest	1,625		5,110
	89,220		175,610
Less: current portion	71,251		138,002
	\$ 17,969	\$	37,608

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

	December 31, 2010		June 30, 2010
2011	\$ 71,251	\$	138,002
2012	17,969		37,608
2013	-		-
	\$ 89,220	\$	175,610

Annualized interest rates range from 7.08% to 8.80%.

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BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

10. Capital stock

Authorized:

Unlimited common shares without par value.

Issued:

	Number of Shares	Amount
Issued and outstanding as at December 31, 2010 and June 30, 2010	25,535,933	\$ 4,008,443

- (a) No stock options are outstanding and exercisable as at December 31, 2010:
- (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.

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 December 31, 2010, total managed capital was \$10,534,552, compared to \$10,875,253 as at June 30, 2010.

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 December 31, 2010. The Company is not subject to externally imposed capital requirements.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

12. Changes in non-cash working capital

	For the three months ended December 31, 2010	For the six months ended December 31, 2010	For the three months ended December 31, 2009	For the six months ended December 31, 2009
Accounts receivable	\$ (986,090)	\$ (613,687)	\$ (74,448)	\$ (113,776)
Prepaid expenses and deposits	(62,998)	(116,053)	(152,919)	(148,954)
Inventories	(1,282,135)	(2,004,388)	(765,251)	(829,977)
Accounts payable and accruals	2,490,352	2,033,148	1,677,177	1,977,139
	\$ 159,129	\$ (700,980)	\$ 684,559	\$ 884,432

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 December 31, 2010, 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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

13. Financial instruments and risk management (continued)

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.

14. Commitments

Operating leases

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

	December 31, 2010		June 30, 2010
2011	\$ 11,369	\$	11,369
2012	11,369		11,369
2013	11,369		11,369
	\$ 34,107	\$	34,107

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PERIODS ENDED DECEMBER 31, 2010 AND 2009

14. Commitments (continued)

Greenhouse expansion

The Company recently announced plans for a five acre expansion to its Langley, BC propagation facility. Total costs are estimated at \$4.2 million which the Company anticipates will be financed through a combination of new debt and internal resources. The greenhouse expansion is expected to be completed in the fall of 2011.

15. Related party transactions

The company participated in transactions with related parties as follows:

	For the three months ended December 31, 2010	For the six months ended December 31, 2010	For the three months ended December 31, 2009	For the six months ended December 31, 2009
Management fees paid to a company with directors in common	\$ 126,000	\$ 252,000	\$ 126,000	\$ 302,000
Directors fees	33,000	46,000	18,750	35,250
Professional fees paid to companies owned by directors	8,169	8,169	5,157	10,547

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. 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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

16. Sales

		For the three months ended December 31, 2010	For the six months ended December 31, 2010	For the three months ended December 31, 2009	For the six months ended December 31, 2009
Sales	-propagation	\$ 4,279,205	\$ 6,091,123	\$ 3,105,907	\$ 4,964,372
	-cucumber production	196,233	378,633	427,860	663,360
	-AgriStability payment	-	-	-	871,378
	-currency gains (losses)	(142,030)	(174,654)	171,933	174,034
		\$ 4,333,408	\$ 6,295,102	\$ 3,705,700	\$ 6,673,144

17. Interest

		For the three months ended December 31, 2010	For the six months ended December 31, 2010	For the three months ended December 31, 2009	For the six months ended December 31, 2009
Interest expense	-operating line of credit	\$ 644	\$ 644	\$ -	\$ -
	-term debt	173,241	332,037	141,360	284,605
	-capital leases	1,683	3,515	2,632	5,822
	-deferred financing costs	1,335	2,644	1,266	2,507
	-other	502	1,005	687	1,374
		\$ 177,405	\$ 339,845	\$ 145,945	\$ 294,308

18. Income taxes

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

	December 31, 2010	June 30, 2010
Opening balance - beginning of period/year	\$ 937,194	\$ 715,298
Estimated future income tax liability (adjustment on current earnings (losses))	(160,330)	221,896
Closing balance - end of period/year	\$ 776,864	\$ 937,194

UNAUDITED - SEE NOTICE TO READER

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED DECEMBER 31, 2010 AND 2009

19. Segmented information

The company operates in the following industry segment: propagation and production of greenhouse products. Geographic information is as follows:

	For the three months ended December 31, 2010 Assets	For the three months ended December 31, 2010 Sales	For the three months ended December 31, 2010 Property, plant and equipment
Canada	\$ 34,105,900	\$ 2,677,352	\$ 26,098,555
United States	-	1,656,056	-
	\$ 34,105,900	\$ 4,333,408	\$ 26,098,555

	For the three months ended December 31, 2009 Assets	For the three months ended December 31, 2009 Sales	For the three months ended December 31, 2009 Property, plant and equipment
Canada	\$ 33,584,466	\$ 2,313,001	\$ 26,633,172
United States	-	1,392,699	-
	\$ 33,584,466	\$ 3,705,700	\$ 26,633,172