

BEVO AGRO INC.

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2011
(Unaudited, prepared by Management)

Notice of No Auditor Review of Consolidated Interim Condensed Financial Statements

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these consolidated interim condensed financial statements, they must be accompanied by a notice indicating that these consolidated interim condensed financial statements have not been reviewed by an auditor.

The accompanying consolidated interim condensed financial statements of the Company have been prepared by management and have not been reviewed or audited by the Company's auditors.

BEVO AGRO INC.

CONSOLIDATED INTERIM CONDENSED BALANCE SHEETS

SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

	September 30, 2011	June 30, 2011	July 1, 2010
ASSETS		<i>(Restated Note 23)</i>	<i>(Restated Note 23)</i>
Current			
Cash and cash equivalents	\$ 240,754	\$ 647,251	\$ 2,342,005
Accounts receivable [Note 4]	820,532	3,285,539	1,962,274
Income taxes receivable	-	-	182,898
Inventories [Note 3]	2,380,703	1,684,405	1,604,118
Prepaid expenses and deposits	199,729	83,050	92,676
	3,641,718	5,700,245	6,183,971
Property, plant and equipment [Note 5]	32,522,864	31,299,612	30,055,569
Deferred costs [Note 6]	166,422	166,422	166,422
Goodwill [Note 7]	522,665	522,665	262,747
	\$ 36,853,669	\$ 37,688,944	\$ 36,668,709
LIABILITIES			
Current			
Accounts payable and accruals [Note 9]	\$ 955,781	\$ 1,626,497	\$ 1,465,876
Current portion of long-term debt [Note 10]	1,018,367	951,706	1,020,133
Current portion of obligations under finance leases [Note 11]	52,202	57,636	138,002
	2,026,350	2,635,839	2,624,011
Long-term debt [Note 10]	20,324,006	19,758,412	18,660,855
Obligations under finance leases [Note 11]	43,159	55,094	37,608
Deferred income tax liability [Note 12]	1,344,577	1,587,117	1,770,641
	23,738,092	24,036,462	23,093,115
SHAREHOLDERS' EQUITY [Note 14]			
Capital stock [Note 13]	4,008,443	4,008,443	4,008,443
Contributed surplus [Note 13]	98,843	98,843	66,083
Retained earnings	9,008,291	9,545,196	9,501,068
	13,115,577	13,652,482	13,575,594
	\$ 36,853,669	\$ 37,688,944	\$ 36,668,709

Commitments [Note 17]

Authorized for issue by the board of directors on December 23, 2011:

“Jack Benne”

Jack Benne, Director

“John Hoekstra”

John Hoekstra, Director

UNAUDITED

See accompanying Notes to the Financial Statements

BEVO AGRO INC.**CONSOLIDATED INTERIM CONDENSED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)**

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
		<i>(Restated Note 23)</i>
Sales [Note 19]	\$ 1,700,825	\$ 1,961,694
Cost of sales	1,447,472	1,701,365
Gross margin	253,353	260,329
Expenses		
Selling, general and administrative expenses [Note 20]	819,232	797,382
Loss from operations	(565,879)	(537,053)
Interest expense [Note 21]	213,566	162,440
Loss before income taxes	(779,445)	(699,493)
Provision for (recovery of) income taxes	(242,540)	(223,840)
Net loss and comprehensive loss for the period	(536,905)	(475,653)
Retained earnings, beginning of the period	9,545,196	9,501,068
Retained earnings, end of the period	\$ 9,008,291	\$ 9,025,415
Basic and diluted earnings (loss) per share	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	25,535,933	25,535,933

UNAUDITED

See accompanying Notes to the Financial Statements

BEVO AGRO INC.

CONSOLIDATED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
Cash flows from (used by) operating activities		
Net loss and comprehensive loss for the period	\$(536,905)	\$(475,653)
Items not involving cash		
Amortization of property, plant and equipment	350,428	356,358
Amortization of deferred costs	-	-
Deferred income taxes (recovery)	(242,540)	(223,840)
Changes in non-cash working capital <i>[Note 15]</i>	981,314	(860,109)
	552,297	(1,203,244)
Cash flows from (used by) investing activities		
Acquisition of property, plant and equipment	(1,578,212)	(88,531)
Proceeds on disposal of property, plant and equipment	4,532	12,500
	(1,573,680)	(76,031)
Cash flows from (used by) financing activities		
Long-term debt repayments	(250,667)	(244,718)
Advances under long-term debt	882,922	-
Advances (repayments) of obligations under finance leases	(17,369)	(36,136)
	614,886	(280,854)
Increase (decrease) in cash	(406,497)	(1,560,129)
Cash, beginning of period	647,251	2,342,005
Cash, end of period	\$ 240,754	\$ 781,876
Supplementary information:		
Interest paid <i>[Note 21]</i>	\$ 212,133	\$ 161,131

UNAUDITED

See accompanying Notes to the Financial Statements

BEVO AGRO INC.**CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

	Capital stock	Contributed surplus	Retained earnings	Total equity
				<i>(Restated Note 23)</i>
Balance at July 1, 2011	\$ 4,008,443	\$ 98,843	\$ 9,545,196	\$ 13,652,482
Net loss and comprehensive loss for the quarter	-	-	(536,905)	(536,905)
Balance at September 30, 2011	\$ 4,008,443	\$ 98,843	\$ 9,008,291	\$ 13,115,577

	Capital stock	Contributed surplus	Retained earnings	Total equity
				<i>(Restated Note 23)</i>
Balance at July 1, 2010	\$ 4,008,443	\$ 66,083	\$ 9,501,068	\$ 13,575,594
Net loss and comprehensive loss for the quarter	-	-	(475,653)	(475,653)
Balance at September 30, 2010	\$ 4,008,443	\$ 66,083	\$ 9,025,415	\$ 13,099,941

UNAUDITED

See accompanying Notes to the Financial Statements

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

1. Nature of operations

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

Conversion to International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that IFRS will replace Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

These consolidated interim condensed financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

These are the Company’s first consolidated interim condensed financial statements prepared in accordance with IFRS. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with GAAP. The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP.

Initial adoption of International Financial Reporting Standards

The guidance for the first time adoption of IFRS is set out in IFRS 1, “First Time Adoption of International Financial Reporting Standards”. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company is not applying any optional exemptions on first time adoption.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented. They have also been applied in the preparation of an opening IFRS consolidated interim condensed balance sheet as at July 1, 2010, as required by IFRS 1, “First Time Adoption of International Financial Reporting Standards”. The impact of the transition from GAAP to IFRS is explained in Note 23.

The consolidated interim condensed financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

Consolidation

The consolidated interim condensed financial statements include the accounts of the Company and its wholly-owned subsidiaries: Bevo Farms Ltd. (Langley, BC), Bevo Energy Inc. (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 upon consolidation.

Use of estimates

The preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make judgments, 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. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments, estimates and assumptions.

Significant areas requiring the use of estimates include the determination of rates for amortization, goodwill and intangibles, inventory valuation, 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

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. 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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less any cost to complete and sell the goods.

The cost of supplies inventories includes expenditures incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

The cost of biological assets (work in progress) inventories includes materials, labour and direct overhead costs.

Income taxes

The Company follows the balance sheet liability method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Deferred 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 deferred 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 deferred tax assets is limited to the amount of the benefit that is more likely than not to be realized.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of purchase, and are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating intercompany sales.

Revenue is recognized when the risk and rewards of ownership pass to the buyer, when the amount of revenue can be reliably measured, and when collection is reasonably assured. This generally occurs when the products are shipped from the Company's premises.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Property, plant and equipment

Land held for use in production or administration is stated at revalued amounts. Revalued amounts are fair values determined by appropriate external revaluation methods. As land is assumed to have an unlimited useful life, it is not amortized.

Any revaluation surplus arising upon appraisal of land is recognized in other comprehensive income and credited to the “revaluation reserve” in equity. Any revaluation decrease arising upon appraisal of land is charged to other comprehensive income.

All other items of Property, plant and equipment (“PPE”) are carried at cost less accumulated amortization and accumulated impairment losses. The cost of an item of PPE consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

When an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Estimates of residual values and useful lives of all items of PPE are assessed annually.

Amortization is provided using the declining balance method 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 finance lease	10 - 30%
Capital projects in progress	See below

Capital projects in progress include PPE in the course of construction not yet completed and ready for intended use. Capital projects in progress are carried at cost less any impairment loss, and are classified to the appropriate category of PPE once completed and ready for use. Amortization of these assets commences when the assets are ready for their intended use.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of PPE are determined by comparing the proceeds from disposal with the carrying value, and are recognized in profit or loss.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Impairment

At the end of each reporting period, the carrying amount of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell, and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. If an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss is recognized immediately in profit or loss.

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Basic and diluted 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 period. Diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share.

Share-based payment transactions

The Company grants stock options to allow directors and employees to acquire common shares of the Company. The fair value of options granted is recognized as an expense with a corresponding credit to contributed surplus. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Leases

Leases meeting certain criteria are accounted for as finance 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 and the leased assets are not recognized on the Company's balance sheet.

Agriculture – biological assets

International accounting standard 41 prescribes the accounting treatment for agricultural activity. Agricultural activity is the management by an entity of the biological transformation of biological assets for sale, into agricultural produce or into additional biological assets. A biological asset is a living animal or plant. Biological assets are recognized when the Company controls the asset as a result of past events, it is probable that future benefits will flow to the Company, and the fair value can be reliably measured. A biological asset is measured on initial recognition and at the end of each reporting period, at its fair value less costs to sell. Fair value is the current market value at which a willing buyer and seller would enter into a transaction. Changes in fair value less costs to sell are included in profit and loss for the period.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss, held-to-maturity, loans and receivables or available-for-sale.

Financial assets classified as fair value through profit or loss (“FVTPL”) are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as held-to-maturity and loans and receivables are measured at amortized cost. The Company’s accounts receivable are classified as loans-and-receivables. At September 30, 2011 the Company has not classified any financial assets as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income. At September 30, 2011 the Company has not classified any financial assets as available-for-sale.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the asset, the estimated future cash flows of the asset has been impacted.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception into one of the following two categories: fair value through profit or loss or other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. At September 30, 2011 the Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The Company’s bank indebtedness, accounts payable and accruals and long-term debt are classified as other financial liabilities.

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Segment reporting

The Company operates in a single operating segment – propagation and production of greenhouse products.

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 earnings (loss) and other comprehensive earnings (loss). Other comprehensive earnings (loss) consists of gains and losses affecting shareholders' equity that are excluded from net earnings (loss).

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

Going concern

These consolidated interim condensed financial statements have been prepared on the basis that the Company continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due.

Adoption of new accounting standards

The following new accounting standard was adopted during the fiscal year.

International Financial Reporting Standards ("IFRS") - In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Future accounting changes

The following new accounting standards are applicable for reporting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of these standards or determined whether it will adopt these standards early.

International Financial Reporting Standards # 9 – Financial Instruments - Addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

International Financial Reporting Standards # 10 – Consolidations – Establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

International Financial Reporting Standards # 12 – Disclosure of Interests in Other Entities – Establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements and associates.

International Financial Reporting Standards # 13 – Fair Value Measurement – Defines fair value and the methods to be used in measuring fair value including enhanced disclosure requirements in those areas that permit fair value measurement.

3. Inventories

	September 30, 2011		June 30, 2011		July 1, 2010
Supplies	\$ 1,289,866	\$	1,250,190	\$	1,136,108
Biological assets	1,090,837		434,215		468,010
	\$ 2,380,703	\$	1,684,405	\$	1,604,118

4. Accounts receivable

	September 30, 2011		June 30, 2011		July 1, 2010
Trade receivables	\$ 659,409	\$	3,199,538	\$	1,951,803
HST receivable	161,123		86,001		10,471
	\$ 820,532	\$	3,285,539	\$	1,962,274

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

5. Property, plant and equipment

	Cost	Accumulated Amortization	Net book value September 30, 2011
Land	\$ 5,940,000	\$ -	\$ 5,940,000
Land improvements	908,159	305,439	602,720
Buildings	1,113,689	328,893	784,796
Equipment under finance lease	428,321	272,498	155,823
Greenhouse, shade and packing equipment	29,076,496	12,099,464	16,977,032
Machinery and equipment	9,792,659	5,282,791	4,509,868
Capital projects in progress*	3,552,625	-	3,552,625
	\$ 50,811,949	\$ 18,289,085	\$ 32,522,864

	Cost	Accumulated Amortization	Net book value June 30, 2011
Land	\$ 5,940,000	\$ -	\$ 5,940,000
Land improvements	908,159	297,088	611,071
Buildings	1,113,689	321,512	792,177
Equipment under finance lease	428,321	260,256	168,065
Greenhouse, shade and packing equipment	29,076,496	11,881,540	17,194,956
Machinery and equipment	9,889,689	5,284,387	4,605,302
Capital projects in progress*	1,988,041	-	1,988,041
	\$ 49,344,395	\$ 18,044,783	\$ 31,299,612

	Cost	Accumulated Amortization	Net book value July 1, 2010
Land	\$ 5,940,000	\$ -	\$ 5,940,000
Land improvements	908,159	260,636	647,523
Buildings	1,093,501	290,879	802,622
Equipment under finance 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
	\$ 46,840,872	\$ 16,785,303	\$ 30,055,569

*Capital projects in progress relate to the five acre greenhouse expansion (see Note 17)

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

6. Deferred costs

	September 30, 2011	June 30, 2011	July 1, 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.

7. Goodwill

	September 30, 2011	June 30, 2011	July 1, 2010
Opening balance - Goodwill	\$ 522,665	\$ 262,747	\$ 262,747
Goodwill from acquisition of Gennex Holdings Inc.	-	259,918	-
Closing balance - Goodwill	\$ 522,665	\$ 522,665	\$ 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 and wood fuel supply facility.

During the year ended June 30, 2011, the Company agreed to acquire 100% of the issued shares of Gennex Holdings Inc. (“Gennex”), a British Columbia private company, from two vendors, one arm’s length and one non-arm’s length, each as to 50%. The non-arm’s length vendor is C.G.M. Ventures Inc., which is wholly owned by Jack Benne, his spouse and Leo Benne. Gennex is in the business of sourcing and supplying wood fuel used to fuel wood burners. All of the Company’s greenhouses are heated by burners using wood fuel and Gennex is the Company’s primary supplier. Gennex has supply contracts that provide consistent, high-quality fuel, and as such the Company felt that the acquisition was a strategic fit. As consideration for the acquisition, the Company agreed to assume the net liabilities of Gennex in the sum of \$259,918. The transaction closed on April 1, 2011. Subsequent to the acquisition, the Company changed its name from Gennex Holdings Inc. to Bevo Energy Inc.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

8. 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 0.75%, 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, 2011.

9. Accounts payable and accruals

	September 30, 2011		June 30, 2011		July 1, 2010
Trade payables	\$ 655,736	\$	1,263,160	\$	909,288
Other accruals	270,620		322,319		491,497
Customer deposits	29,425		41,018		65,091
	\$ 955,781	\$	1,626,497	\$	1,465,876

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

10. Long-term debt

	September 30, 2011	June 30, 2011	July 1, 2010
FCC term loan #1, maturing July 1, 2016, carries interest at FCC's fixed rate of 4.45%, repayable with blended monthly payments of \$67,597*	\$ 9,596,505	\$ 9,694,450	\$ 10,069,797
FCC term loan #2, maturing June 1, 2013, carries interest at FCC's variable rate minus 0.5%, repayable with blended monthly payments of \$74,053	8,988,817	9,142,897	9,712,988
FCC term loan #3, maturing July 1, 2016, carries interest at FCC's variable rate minus 0.5%, repayable with blended monthly payments of \$17,360 commencing August 1, 2012	2,852,104	1,969,182	-
Deferred borrowing costs	(95,053)	(96,411)	(101,797)
	21,342,373	20,710,118	19,680,988
Less: current portion of term debt	(1,018,367)	(951,706)	(1,020,133)
Total term debt	\$ 20,324,006	\$ 19,758,412	\$ 18,660,855

*On July 12, 2011 the Company converted FCC term loan #1 from a variable rate term to a fixed rate term. Given that all of the Company's debt was at variable rates, the Company felt it would be prudent to lessen its exposure to interest rate risk.

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 21).

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

10. Long-term debt (continued)

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

	September 30, 2011	June 30, 2011	July 1, 2010
2011	\$ -	\$ -	\$ 1,020,133
2012	1,018,367	951,706	1,047,553
2013	1,060,467	988,317	1,080,911
2014	1,102,222	1,022,432	1,113,778
2015	1,145,646	1,058,797	-
Thereafter	17,110,724	16,785,277	15,520,400
Less: deferred borrowing costs	(95,053)	(96,411)	(101,797)
	\$ 21,342,373	\$ 20,710,118	\$ 19,680,988

11. Obligations under finance leases

	September 30, 2011	June 30, 2011	July 1, 2010
Obligations under finance leases	\$ 106,639	\$ 125,569	\$ 180,720
Less: imputed interest	11,278	12,839	5,110
	95,361	112,730	175,610
Less: current portion	52,202	57,636	138,002
	\$ 43,159	\$ 55,094	\$ 37,608

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

	September 30, 2011	June 30, 2011	July 1, 2010
2011	\$ -	\$ -	\$ 138,002
2012	52,202	57,636	37,608
2013	43,159	55,094	-
2014	-	-	-
	\$ 95,361	\$ 112,730	\$ 175,610

Annualized interest rates range from 7.08% to 8.80%.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited – prepared by Management)

12. Deferred income tax liability

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

	September 30, 2011	June 30, 2011	July 1, 2010
Opening balance - beginning of period/year	\$ 1,587,117	\$ 1,770,641	\$ 1,770,641
Estimated deferred income tax liability (adjustment on current earnings (losses))	(242,540)	(183,524)	-
Closing balance - end of period/year	\$ 1,344,577	\$ 1,587,117	\$ 1,770,641

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

13. Capital stock

Authorized:

Unlimited common shares without par value

Issued:

	Number of Shares	Amount
Issued and outstanding as at September 30, 2011, June 30, 2011 and July 1, 2010	25,535,933	\$ 4,008,443

(a) Summary of stock options outstanding and exercisable as at September 30, 2011:

Security type	Number outstanding	Price	Expiry date
Stock options	1,050,000	\$ 0.18	May 11, 2021

(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 11, 2011, the Company granted stock options under its 2004 stock option plan to directors and officers for the purchase of 1,050,000 common shares at a price of \$0.18 per share. One-third of these options vested as of May 11, 2011, one-third will vest on May 11, 2012 and one-third will vest on May 11, 2013. The options will expire on May 11, 2021.

(d) Contributed surplus

Contributed surplus is comprised of the following:

Balance, July 1, 2010	\$ 66,083
Stock - based compensation for 2011	32,760
Balance, June 30, 2011	98,843
Stock - based compensation for the first quarter	-
Balance, September 30, 2011	\$ 98,843

During the year ended June 30, 2011, the compensation cost of stock options vested was \$32,760, which was included in administrative fees, wages and benefits expense.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

14. 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, 2011, total managed capital was \$13,115,577, compared to \$13,652,482 as at June 30, 2011 and \$13,575,594 as at July 1, 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 September 30, 2011. The Company is not subject to externally imposed capital requirements.

15. Changes in non-cash working capital

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
Accounts receivable	\$ 2,465,007	\$ 372,403
Inventories	(696,298)	(722,253)
Prepaid expenses and deposits	(16,679)	(53,055)
Accounts payable and accruals	(670,716)	(457,204)
	\$ 981,314	\$ (860,109)

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited – prepared by Management)

16. Financial instruments and risk management

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 September 30, 2011, its carrying value approximates its fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Foreign currency risk

Foreign currency risk is the risk that variations in exchange rates between currencies will affect the Company's operating and financial results. 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.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations, investing and financing activities. At September 30, 2011, the Company's working capital balance was \$1,615,368, which indicates an ability to meet short-term obligations.

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

16. Financial instruments and risk management (continued)

Credit risk

Credit risk is the risk that a party to one of the Company's financial instruments will fail to discharge an obligation and will cause the Company to incur a financial loss. 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.

17. Commitments

Operating leases

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

	September 30, 2011		June 30, 2011
2012	\$ 11,575	\$	11,575
2013	-		2,894
	\$ 11,575	\$	14,469

Greenhouse expansion

The Company previously 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 by December of 2011.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

18. Related party transactions

The Company participated in transactions with related parties as follows:

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
Management fees paid to a company with directors in common	\$ 126,000	\$ 126,000
Directors' fees	\$ 26,000	\$ 13,000
Professional fees paid to companies owned by directors	\$ -	\$ -

The president and vice-president provide management services to the Company through their management company and have provided a guarantee against term loans (Note 10). 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.

19. Sales

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
Sales		
-propagation	\$ 1,642,606	\$ 1,811,918
-cucumber production	-	182,400
-currency gains (losses)	58,219	(32,624)
	\$ 1,700,825	\$ 1,961,694

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

20. Operating expenses by nature

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
General operating	\$ 194,982	\$ 168,488
Employee benefits	265,292	257,863
Amortization	350,428	356,358
Provision for bad debts	8,530	14,673
	\$ 819,232	\$ 797,382

21. Interest

	For the three months ended September 30, 2011	For the three months ended September 30, 2010
Interest expense -term debt	\$ 206,753	\$ 158,796
-finance leases	4,839	1,832
-amortization of deferred financing costs	1,433	1,309
-other	541	503
	\$ 213,566	\$ 162,440

BEVO AGRO INC.

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PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

22. Segmented information

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

	For the three months ended September 30, 2011	For the three months ended September 30, 2011	For the three months ended September 30, 2011
	Assets	Sales	Property, plant and equipment
Canada	\$ 36,853,669	\$ 926,064	\$ 32,522,864
United States	-	774,761	-
	\$ 36,853,669	\$ 1,700,825	\$ 32,522,864

	For the three months ended September 30, 2010	For the three months ended September 30, 2010	For the three months ended September 30, 2010
	Assets	Sales	Property, plant and equipment
Canada	\$ 35,231,158	\$ 1,434,231	\$ 29,775,242
United States	-	527,463	-
	\$ 35,231,158	\$ 1,961,694	\$ 29,775,242

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

23. Transition to International Financial Reporting Standards (“IFRS”)

These are the Company’s first consolidated interim condensed financial statements prepared in accordance with IFRS. The accounting policies in Note 2 have been applied.

In preparing the opening IFRS financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company’s financial position is set out in the following tables.

The guidance for the first time adoption of IFRS are set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company is not applying any optional exemptions on first time adoption.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

23. Transition to International Financial Reporting Standards (“IFRS”) (continued)

Reconciliation of assets, liabilities and equity as at July 1, 2010

	GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash and cash equivalents	\$ 2,342,005	\$ -	\$ 2,342,005
Accounts receivable	1,962,274	-	1,962,274
Income taxes receivable	182,898	-	182,898
Inventories	1,604,118	-	1,604,118
Prepaid expenses and deposits	92,676	-	92,676
	6,183,971	-	6,183,971
Property, plant and equipment	26,521,781	3,533,788	30,055,569
Deferred costs	166,422	-	166,422
Goodwill	262,747	-	262,747
	\$ 33,134,921	\$ 3,533,788	\$ 36,668,709
LIABILITIES			
Current			
Accounts payable and accruals	\$ 1,465,876	\$ -	\$ 1,465,876
Current portion of long-term debt	1,020,133	-	1,020,133
Current portion of obligations under finance leases	138,002	-	138,002
	2,624,011	-	2,624,011
Long-term debt	18,660,855	-	18,660,855
Obligations under finance leases	37,608	-	37,608
Deferred income tax liability	937,194	833,447	1,770,641
	22,259,668	833,447	23,093,115
SHAREHOLDERS' EQUITY			
Capital stock	4,008,443	-	4,008,443
Contributed surplus	66,083	-	66,083
Retained earnings	6,800,727	2,700,341	9,501,068
	10,875,253	2,700,341	13,575,594
	\$ 33,134,921	\$ 3,533,788	\$ 36,668,709

BEVO AGRO INC.

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PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

23. Transition to International Financial Reporting Standards (“IFRS”) (continued)

Reconciliation of assets, liabilities and equity as at June 30, 2011

	GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash and cash equivalents	\$ 647,251	\$ -	\$ 647,251
Accounts receivable	3,285,539	-	3,285,539
Inventories	1,684,405	-	1,684,405
Prepaid expenses and deposits	83,050	-	83,050
	5,700,245	-	5,700,245
Property, plant and equipment	27,765,824	3,533,788	31,299,612
Deferred costs	166,422	-	166,422
Goodwill	522,665	-	522,665
	\$ 34,155,156	\$ 3,533,788	\$ 37,688,944
LIABILITIES			
Current			
Accounts payable and accruals	\$ 1,626,497	\$ -	\$ 1,626,497
Current portion of long-term debt	951,706	-	951,706
Current portion of obligations under finance leases	57,636	-	57,636
	2,635,839	-	2,635,839
Long-term debt	19,758,412	-	19,758,412
Obligations under finance leases	55,094	-	55,094
Deferred income tax liability	753,670	833,447	1,587,117
	23,203,015	833,447	24,036,462
SHAREHOLDERS' EQUITY			
Capital stock	4,008,443	-	4,008,443
Contributed surplus	98,843	-	98,843
Retained earnings	6,844,855	2,700,341	9,545,196
	10,952,141	2,700,341	13,652,482
	\$ 34,155,156	\$ 3,533,788	\$ 37,688,944

BEVO AGRO INC.

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(Unaudited – prepared by Management)

23. Transition to International Financial Reporting Standards (“IFRS”) (continued)

Reconciliation of assets, liabilities and equity as at September 30, 2010

	GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash and cash equivalents	\$ 781,876	\$ -	\$ 781,876
Accounts receivable	1,589,871	-	1,589,871
Income taxes receivable	182,898	-	182,898
Inventories	2,326,371	-	2,326,371
Prepaid expenses and deposits	145,731	-	145,731
	5,026,747	-	5,026,747
Property, plant and equipment	26,241,454	3,533,788	29,775,242
Deferred costs	166,422	-	166,422
Goodwill	262,747	-	262,747
	\$ 31,697,370	\$ 3,533,788	\$ 35,231,158
LIABILITIES			
Current			
Accounts payable and accruals	\$ 1,008,672	\$ -	\$ 1,008,672
Current portion of long-term debt	977,212	-	977,212
Current portion of obligations under finance leases	111,616	-	111,616
	2,097,500	-	2,097,500
Long-term debt	18,459,058	-	18,459,058
Obligations under finance leases	27,858	-	27,858
Deferred income tax liability	713,354	833,447	1,546,801
	21,297,770	833,447	22,131,217
SHAREHOLDERS' EQUITY			
Capital stock	4,008,443	-	4,008,443
Contributed surplus	66,083	-	66,083
Retained earnings	6,325,074	2,700,341	9,025,415
	10,399,600	2,700,341	13,099,941
	\$ 31,697,370	\$ 3,533,788	\$ 35,231,158

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

23. Transition to International Financial Reporting Standards (“IFRS”) (continued)

Reconciliation of statement of comprehensive income (loss) for the three months ended September 30, 2010

	GAAP	Effect of transition To IFRS	IFRS
Sales	\$ 1,961,694	\$ -	\$ 1,961,694
Cost of sales	1,701,365	-	1,701,365
Gross margin	260,329	-	260,329
Expenses			
Selling, general and administrative expenses	797,382	-	797,382
Loss from operations	(537,053)	-	(537,053)
Interest expense	162,440	-	162,440
Loss before income taxes	(699,493)	-	(699,493)
Provision for (recovery of) income taxes	(223,840)	-	(223,840)
Net loss and comprehensive loss for the period	(475,653)	-	(475,653)
Retained earnings, beginning of the period	6,800,727	2,700,341	9,501,068
Retained earnings, end of the period	\$ 6,325,074	\$ 2,700,341	\$ 9,025,415
Basic and diluted earnings (loss) per share	\$ (0.02)	\$ -	\$ (0.02)
Weighted average number of common shares outstanding	25,535,933	25,535,933	25,535,933

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

23. Transition to International Financial Reporting Standards (“IFRS”) (continued)

Reconciliation of statement of comprehensive income (loss) for the year ended June 30, 2011

	GAAP	Effect of transition To IFRS	IFRS
Sales	\$ 18,263,703	\$ -	\$ 18,263,703
Cost of sales	13,724,854	-	13,724,854
Gross margin	4,538,849	-	4,538,849
Expenses			
Selling, general and administrative expenses	3,790,776	-	3,790,776
Earnings from operations	748,073	-	748,073
Interest	704,571	-	704,571
Earnings before income taxes	43,502	-	43,502
Provision for (recovery of) income taxes	(626)	-	(626)
Net loss and comprehensive loss for the period	44,128	-	44,128
Retained earnings, beginning of the period	6,800,727	2,700,341	9,501,068
Retained earnings, end of the period	\$ 6,844,855	\$ 2,700,341	\$ 9,545,196
Basic and diluted earnings (loss) per share	\$ (0.00)	\$ -	\$ (0.00)
Weighted average number of common shares outstanding	25,535,933	25,535,933	25,535,933

Reconciliation of statement of cash flows

The transition from GAAP to IFRS had no significant impact on cash flows generated by the Company.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Canadian \$)

(Unaudited – prepared by Management)

23. Transition to International Financial Reporting Standards (“IFRS”) (continued)

Notes to reconciliations

Property, plant and equipment – revaluation

IFRS requires an entity to make a policy choice to carry property, plant and equipment (“PPE”) at historical cost method or revaluation (fair value) method. This policy choice is made for each class of assets included in PPE. The Company has elected to use the revaluation (fair value) method for its land, and historical cost method for all other items of PPE. Additional details are included in Note 2.

Fair values of land are determined by reports provided by Farm Credit Canada, Canada’s largest agriculture term lender. These reports assess farmland values using historical sales.

As a result of the revaluation of land, the fair value of land was assessed at \$5,940,000. This resulted in an increase of \$3,533,788 to the value of land as recorded under GAAP. The revaluation also resulted in an increase to deferred income tax liability of \$833,447. Both amounts were transferred to retained earnings – an increase in retained earnings of \$3,533,788 and a decrease in retained earnings of \$833,447, resulting in a net increase to retained earnings of \$2,700,341.