

BEVO AGRO INC.

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS**

MARCH 31, 2013

(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

MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

	March 31, 2013	June 30, 2012	March 31, 2012
ASSETS			
Current			
Cash and cash equivalents	\$ 116,421	\$ 629,990	\$ 83,891
Accounts receivable [Note 3]	1,554,122	2,018,902	966,020
Inventories [Note 4]	5,896,529	1,589,481	6,029,616
Prepaid expenses and deposits	67,880	82,607	72,048
	7,634,952	4,320,980	7,151,575
Property, plant and equipment [Note 5]	31,957,041	32,700,806	33,069,978
Deferred costs [Note 6]	185,344	185,344	185,344
Goodwill [Note 7]	522,665	522,665	522,665
	\$ 40,300,002	\$ 37,729,795	\$ 40,929,562
LIABILITIES			
Current			
Bank indebtedness [Note 8]	\$ 1,706,566	\$ -	\$ 1,759,729
Accounts payable and accruals [Note 9]	2,138,224	1,421,696	2,168,750
Current portion of long-term debt [Note 10]	1,188,822	1,149,134	1,109,697
Current portion of obligations under finance leases [Note 11]	37,544	80,342	73,826
	5,071,156	2,651,172	5,112,002
Long-term debt [Note 10]	20,186,251	19,579,217	20,877,195
Obligations under finance leases [Note 11]	79,182	99,178	123,157
Deferred income tax liability [Note 12]	1,034,889	1,174,689	1,451,957
	26,371,478	23,504,256	27,564,311
SHAREHOLDERS' EQUITY [Note 14]			
Capital stock [Note 13]	4,008,443	4,008,443	4,008,443
Contributed surplus [Note 13]	100,119	100,119	98,843
Retained earnings	9,819,962	10,116,977	9,257,965
	13,928,524	14,225,539	13,365,251
	\$ 40,300,002	\$ 37,729,795	\$ 40,929,562

Commitments [Note 17]

Authorized for issue by the board of directors on April 29, 2013:

“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 MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

	For the three months ended March 31, 2013	For the nine months ended March 31, 2013	For the three months ended March 31, 2012	For the nine months ended March 31, 2012
Sales [Note 19]	\$ 3,567,427	\$ 10,502,417	\$ 2,928,350	\$ 8,861,139
Cost of sales	2,097,618	7,484,815	1,478,850	5,923,812
Gross margin	1,469,809	3,017,602	1,449,500	2,937,327
Expenses				
Selling, general and administrative expenses [Note 20]	930,743	2,786,584	937,963	2,687,335
Income (loss) from operations	539,066	231,018	511,537	249,992
Interest expense [Note 21]	220,047	667,833	231,980	672,383
Income (loss) before income taxes	319,019	(436,815)	279,557	(422,391)
Provision for (recovery of) income taxes	108,100	(139,800)	89,460	(135,160)
Net income (loss) and comprehensive income (loss) for the period	210,919	(297,015)	190,097	(287,231)
Retained earnings, beginning of the period	9,609,043	10,116,977	9,067,868	9,545,196
Retained earnings, end of the period	\$ 9,819,962	\$ 9,819,962	\$ 9,257,965	\$ 9,257,965
Basic and diluted earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.01	\$ (0.01)
Weighted average number of common shares outstanding	25,535,933	25,535,933	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 MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

	For the three months ended March 31, 2013	For the nine months ended March 31, 2013	For the three months ended March 31, 2012	For the nine months ended March 31, 2012
Cash flows from (used by) operating activities				
Net income (loss) and comprehensive income (loss) for the period	\$ 210,919	\$ (297,015)	\$ 190,097	\$ (287,231)
Items not involving cash				
Depreciation of property, plant and equipment	398,845	1,174,641	402,956	1,128,764
Deferred income taxes (recovery)	108,100	(139,800)	89,460	(135,160)
Changes in non-cash working capital <i>[Note 15]</i>	(3,011,233)	(3,111,013)	(2,803,215)	(1,472,437)
	(2,293,369)	(2,373,187)	(2,120,702)	(766,064)
Cash flows from (used by) investing activities				
Acquisition of property, plant and equipment	(115,098)	(445,161)	(41,164)	(2,954,663)
Proceeds on disposal of property, plant and equipment	2,964	14,285	51,001	55,533
Deferred ITC expenditures <i>[Note 6]</i>	-	-	-	(18,922)
	(112,134)	(430,876)	9,837	(2,918,052)
Cash flows from (used by) financing activities				
Bank indebtedness	1,706,566	1,706,566	1,759,729	1,759,729
Long-term debt repayments	(291,337)	(853,278)	(252,878)	(754,044)
Advances under long-term debt	500,000	1,500,000	-	2,030,818
Advances (repayments) of obligations under finance leases	(25,921)	(62,794)	(16,855)	84,253
	1,889,308	2,290,494	1,489,996	3,120,756
Increase (decrease) in cash	(516,195)	(513,569)	(620,869)	(563,360)
Cash, beginning of period	632,616	629,990	704,760	647,251
Cash, end of period	\$ 116,421	\$ 116,421	\$ 83,891	\$ 83,891
Supplementary information:				
Interest paid <i>[Note 21]</i>	\$ 218,527	\$ 663,374	\$ 230,549	\$ 668,113

UNAUDITED

See accompanying Notes to the Financial Statements

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

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

	Capital stock	Contributed surplus	Retained earnings	Total equity
Balance at July 1, 2012	\$ 4,008,443	\$ 100,119	\$ 10,116,977	\$ 14,225,539
Net loss and comprehensive loss for the nine months	-	-	(297,015)	(297,015)
Balance at March 31, 2013	\$ 4,008,443	\$ 100,119	\$ 9,819,962	\$ 13,928,524

	Capital stock	Contributed surplus	Retained earnings	Total equity
Balance at July 1, 2011	\$ 4,008,443	\$ 98,843	\$ 9,545,196	\$ 13,652,482
Net loss and comprehensive loss for the nine months	-	-	(287,231)	(287,231)
Balance at March 31, 2012	\$ 4,008,443	\$ 98,843	\$ 9,257,965	\$ 13,365,251

UNAUDITED

See accompanying Notes to the Financial Statements

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (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 39 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 and grasses. The Company markets its products to established greenhouse growers and nurseries throughout North America.

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”).

Basis of preparation

The consolidated interim condensed financial statements are presented in Canadian dollars, which is also the Company’s functional currency. The accounting policies set out below have been applied consistently to all periods presented.

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

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.

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.

Biological assets (work in progress) inventories include materials, labour and direct overhead costs, which approximates fair value less costs to sell.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

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 month 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 MARCH 31 (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. Land is revalued every three years, with the next valuation to take place on June 2014.

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.

As land is assumed to have an unlimited useful life, it is not amortized. 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. Depreciation 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 MARCH 31 (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 MARCH 31 (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 MARCH 31 (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 and cash equivalents are 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 March 31, 2013 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 March 31, 2013 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 March 31, 2013 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 MARCH 31 (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 income (loss) consists of gains and losses affecting shareholders' equity that are excluded from net income (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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

3. Accounts receivable

	March 31, 2013		June 30, 2012		March 31, 2012
Trade receivables	\$ 1,361,143	\$	2,004,395	\$	877,759
HST receivable	192,979		14,507		88,261
	\$ 1,554,122	\$	2,018,902	\$	966,020

4. Inventories

	March 31, 2013		June 30, 2012		March 31, 2012
Supplies	\$ 1,137,994	\$	891,722	\$	1,131,690
Biological assets	4,758,535		697,759		4,897,926
	\$ 5,896,529	\$	1,589,481	\$	6,029,616

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

5. Property, plant and equipment

	Opening net book value July 1, 2012	Additions	Disposals	Depreciation	Closing net book value March 31, 2013
Land	\$ 5,940,000	\$ -	\$ -	\$ -	\$ 5,940,000
Land improvements	673,703	78,587	-	27,652	724,638
Buildings	771,037	-	-	21,484	749,553
Equipment under finance lease	191,889	-	-	24,973	166,916
Greenhouse and packing equipment	20,821,180	31,150	-	791,766	20,060,564
Machinery and equipment	4,302,997	335,424	14,285	308,766	4,315,370
Capital projects in progress	-	-	-	-	-
	\$ 32,700,806	\$ 445,161	\$ 14,285	\$ 1,174,641	\$ 31,957,041

	Opening net book value July 1, 2011	Additions	Disposals	Depreciation	Closing net book value June 30, 2012
Land	\$ 5,940,000	\$ -	\$ -	\$ -	\$ 5,940,000
Land improvements	611,071	98,501	-	35,869	673,703
Buildings	792,177	8,598	-	29,738	771,037
Equipment under finance lease	168,065	64,325	-	40,501	191,889
Greenhouse and packing equipment	17,194,956	4,618,340	-	992,116	20,821,180
Machinery and equipment	4,605,302	199,320	57,527	444,098	4,302,997
Capital projects in progress	1,988,041	(1,988,041)	-	-	-
	\$ 31,299,612	\$ 3,001,043	\$ 57,527	\$ 1,542,322	\$ 32,700,806

	Opening net book value July 1, 2011	Additions	Disposals	Depreciation	Closing net book value March 31, 2012
Land	\$ 5,940,000	\$ -	\$ -	\$ -	\$ 5,940,000
Land improvements	611,071	98,501	-	26,462	683,110
Buildings	792,177	8,598	-	22,250	778,525
Equipment under finance lease	168,065	-	-	36,728	131,337
Greenhouse and packing equipment	17,194,956	4,589,982	-	718,990	21,065,948
Machinery and equipment	4,605,302	198,055	55,533	324,334	4,423,490
Capital projects in progress	1,988,041	(1,940,473)	-	-	47,568
	\$ 31,299,612	\$ 2,954,663	\$ 55,533	\$ 1,128,764	\$ 33,069,978

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

6. Deferred costs

	March 31, 2013	June 30, 2012	March 31, 2012
Deferred investment tax credit expenditures	\$ 185,344	\$ 185,344	\$ 185,344

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

	March 31, 2013	June 30, 2012	March 31, 2012
Goodwill	\$ 522,665	\$ 522,665	\$ 522,665

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.

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 0.50%, is due on demand, and is secured by a first charge on accounts receivable. The balance on the line of credit as at March 31, 2013 was \$1,706,566.

9. Accounts payable and accruals

	March 31, 2013	June 30, 2012	March 31, 2012
Trade payables	\$ 1,897,694	\$ 811,236	\$ 1,976,752
Other accruals	240,530	527,585	117,101
Customer deposits	-	82,875	74,897
	\$ 2,138,224	\$ 1,421,696	\$ 2,168,750

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

10. Long-term debt

	March 31, 2013	June 30, 2012	March 31, 2012
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	\$ 8,995,892	\$ 9,300,673	\$ 9,402,086
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	8,035,137	8,518,427	8,677,022
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	2,930,334	3,000,000	3,000,000
FCC advancer loan, maturing November 1, 2015, carries interest at FCC's variable rate minus 0.25%, payable with monthly payments of interest only	1,000,000		1,000,000
FCC advancer loan, maturing June 1, 2013, carries interest at FCC's variable rate, payable with monthly payments of interest only	500,000	-	-
Deferred borrowing costs	(86,290)	(90,749)	(92,216)
	21,375,073	20,728,351	21,986,892
Less: current portion of term debt	(1,188,822)	(1,149,134)	(1,109,697)
Total term debt	\$ 20,186,251	\$ 19,579,217	\$ 20,877,195

FCC term loan #2 and one Advancer loan will be maturing on June 1, 2013. Normally debt which is due within the next year is presented as a current liability. This term loan is not being presented as a current liability, due to the fact that the Company has written confirmation from the bank stating their intention to renew the loan.

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 MARCH 31 (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:

	March 31, 2013	June 30, 2012	March 31, 2012
2012	\$ -	\$ -	\$ 1,109,697
2013	1,188,822	1,149,134	1,188,418
2014	1,235,236	1,200,352	1,234,815
2015	1,281,716	1,247,221	1,281,277
2016	1,333,579	1,294,159	-
Thereafter	16,422,010	15,928,234	17,264,901
Less: deferred borrowing costs	(86,290)	(90,749)	(92,216)
	\$ 21,375,073	\$ 20,728,351	\$ 21,986,892

11. Obligations under finance leases

	March 31, 2013	June 30, 2012	March 31, 2012
Obligations under finance leases	\$ 129,947	\$ 204,328	\$ 221,674
Less: imputed interest	13,221	24,808	24,691
Present value of minimum lease payments	116,726	179,520	196,983
Less: current portion	37,544	80,342	73,826
	\$ 79,182	\$ 99,178	\$ 123,157

Future minimum lease payments for the next five years and thereafter are as follows:

	March 31, 2013	June 30, 2012	March 31, 2012
Less than one year	\$ 37,544	\$ 80,342	\$ 73,826
Between one and five years	79,182	99,178	123,157
More than five years	-	-	-
	\$ 116,726	\$ 179,520	\$ 196,983

Annualized interest rates range from 6.25% to 8.80%.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

12. Deferred income tax liability

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

	March 31, 2013		June 30, 2012		March 31, 2012
Opening balance - beginning of period/year	\$ 1,174,689	\$	1,587,117	\$	1,587,117
Estimated deferred income tax liability (adjustment on current earnings (losses))	(139,800)		(412,428)		(135,160)
Closing balance - end of period/year	\$ 1,034,889	\$	1,174,689	\$	1,451,957

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (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 March 31, 2013, June 30, 2012 and March 31, 2012	25,535,933	\$ 4,008,443

(a) Summary of stock options outstanding and exercisable as at March 31, 2013:

Security type	Number outstanding	Price	Expiry date
Stock options	750,000	\$ 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 common shares at a price of \$0.18 per share. One-third of these options vested as of May 11, 2011, one-third vested 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, 2011	\$ 98,843
Stock - based compensation for 2012	1,276
Balance, June 30, 2012	100,119
Stock - based compensation for the first nine months	-
Balance, March 31, 2013	\$ 100,119

During the year ended June 30, 2012, the compensation cost of stock options vested was \$1,276, which was included in administrative fees, wages and benefits expense.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (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 March 31, 2013, total managed capital was \$13,928,524, compared to \$14,225,539 as at June 30, 2012 and \$13,365,251 as at March 31, 2012.

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 capital assets for future corporate growth.

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 March 31, 2013. The Company is not subject to externally imposed capital requirements.

15. Changes in non-cash working capital

	For the three months ended March 31, 2013	For the nine months ended March 31, 2013	For the three months ended March 31, 2012	For the nine months ended March 31, 2012
Accounts receivable	\$ 235,413	\$ 464,780	\$ 853,065	\$ 2,319,519
Inventories	(2,017,104)	(4,307,048)	(2,370,219)	(4,345,211)
Prepaid expenses and deposits	49,565	14,727	(28,161)	11,002
Accounts payable and accruals	(1,279,107)	716,528	(1,257,900)	542,253
	\$ (3,011,233)	\$ (3,111,013)	\$ (2,803,215)	\$ (1,472,437)

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(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 March 31, 2013, 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 March 31, 2013, the Company's working capital balance was \$2,563,796, 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 has both fixed and floating interest rates. Approximately 58% of the long-term debt is 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 MARCH 31 (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 five years and thereafter are as follows:

	March 31, 2013	June 30, 2012	March 31, 2012
Less than one year	\$ 17,448	\$ 17,448	\$ 22,616
Between one and five years	40,712	45,074	34,896
More than five years	-	-	-
	\$ 58,160	\$ 62,522	\$ 57,512

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

18. Related party transactions

The Company participated in transactions with related parties as follows:

	For the three months ended March 31, 2013	For the nine months ended March 31, 2013	For the three months ended March 31, 2012	For the nine months ended March 31, 2012
Management fees paid to a company with directors in common	\$ 126,000	\$ 252,000	\$ 126,000	\$ 252,000
Directors fees	15,000	53,000	14,000	65,000

The president and vice-president provide management services to the Company through their management company. The management fees are approved annually by the Board of Directors.

The president and vice-president have also provided a guarantee against term loans (Note 10) through their management company.

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 March 31, 2013	For the nine months ended March 31, 2013	For the three months ended March 31, 2012	For the nine months ended March 31, 2012
Sales	\$ 3,534,022	\$ 10,522,968	\$ 2,937,510	\$ 8,805,050
-propagation				
-currency gains (losses)	33,405	(20,551)	(9,160)	56,089
	\$ 3,567,427	\$ 10,502,417	\$ 2,928,350	\$ 8,861,139

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

20. Operating expenses by nature

	For the three months ended March 31, 2013	For the nine months ended March 31, 2013	For the three months ended March 31, 2012	For the nine months ended March 31, 2012
General operating	\$ 257,943	\$ 796,615	\$ 256,290	\$ 720,434
Employee wages and benefits	273,955	815,328	278,717	808,157
Depreciation	398,845	1,174,641	402,956	1,128,764
Provision for bad debts	-	-	-	29,980
	\$ 930,743	\$ 2,786,584	\$ 937,963	\$ 2,687,335

21. Interest

	For the three months ended March 31, 2013	For the nine months ended March 31, 2013	For the three months ended March 31, 2012	For the nine months ended March 31, 2012
Interest expense				
-operating line of credit	\$ 9,466	\$ 28,633	\$ 7,314	\$ 7,314
-term debt	204,755	621,438	216,310	642,941
-finance leases	3,161	11,588	5,810	15,645
-deferred financing costs	1,520	4,459	1,431	4,270
-other	1,145	1,715	1,115	2,213
	\$ 220,047	\$ 667,833	\$ 231,980	\$ 672,383

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (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 nine months ended March 31, 2013	For the nine months ended March 31, 2013	For the nine months ended March 31, 2013
	Assets	Sales	Property, plant and equipment
Canada	\$ 40,300,002	\$ 7,335,334	\$ 31,957,041
United States	-	3,167,083	-
	\$ 40,300,002	\$ 10,502,417	\$ 31,957,041

	For the nine months ended March 31, 2012	For the nine months ended March 31, 2012	For the nine months ended March 31, 2012
	Assets	Sales	Property, plant and equipment
Canada	\$ 40,929,562	\$ 5,973,041	\$ 33,069,978
United States	-	2,888,098	-
	\$ 40,929,562	\$ 8,861,139	\$ 33,069,978