

BEVO AGRO INC.

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS**

MARCH 31, 2014

(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, 2014	June 30, 2013	March 31, 2013
ASSETS			
Current			
Cash and cash equivalents	\$ 109,637	\$ 331,195	\$ 116,421
Accounts receivable [Note 3]	1,815,093	2,084,184	1,554,122
Inventories – supplies inventory [Note 4]	1,325,146	1,268,481	1,137,994
Inventories – Biological assets [Note 4]	5,006,495	614,448	4,758,535
Prepaid expenses and deposits	66,989	57,573	67,880
	8,323,360	4,355,881	7,634,952
Property, plant and equipment [Note 5]	31,712,515	31,584,236	31,957,041
Deferred costs [Note 6]	-	-	185,344
Goodwill [Note 7]	522,665	522,665	522,665
	\$ 40,558,540	\$ 36,462,782	\$ 40,300,002
LIABILITIES			
Current			
Bank indebtedness [Note 8]	\$ 1,985,509	\$ -	\$ 1,706,566
Accounts payable and accruals [Note 9]	2,433,302	1,220,083	2,138,224
Current portion of long-term debt [Note 10]	1,228,354	1,186,530	1,188,822
Current portion of obligations under finance leases [Note 11]	28,158	26,872	37,544
	5,675,323	2,433,485	5,071,156
Long-term debt [Note 10]	19,117,880	18,393,565	20,186,251
Obligations under finance leases [Note 11]	51,035	72,306	79,182
Deferred income tax liability [Note 12]	1,194,399	1,149,099	1,034,889
	26,038,637	22,048,455	26,371,478
SHAREHOLDERS' EQUITY [Note 14]			
Capital stock [Note 13]	4,008,443	4,008,443	4,008,443
Contributed surplus [Note 13]	104,374	104,374	100,119
Retained earnings	10,407,086	10,301,510	9,819,962
	14,519,903	14,414,327	13,928,524
	\$ 40,558,540	\$ 36,462,782	\$ 40,300,002

Commitments [Note 17]

Authorized for issue by the board of directors on May 9, 2014:

“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, 2014	For the nine months ended March 31, 2014	For the three months ended March 31, 2013	For the nine months ended March 31, 2013
Sales [Note 19]	\$ 5,126,084	\$ 12,482,497	\$ 3,567,427	\$ 10,502,417
Cost of sales	3,250,724	8,792,216	2,097,618	7,484,815
Gross margin	1,875,360	3,690,281	1,469,809	3,017,602
Expenses				
Selling, general and administrative expenses [Note 20]	1,028,090	2,921,802	930,743	2,786,584
Income from operations	847,270	768,479	539,066	231,018
Interest expense [Note 21]	215,512	636,992	220,047	667,833
Gain on disposal of assets	-	19,389	-	-
Income (loss) before income taxes	631,758	150,876	319,019	(436,815)
Provision for (recovery of) income taxes - deferred	190,140	45,300	108,100	(139,800)
Net income (loss) and comprehensive income (loss) for the period	441,618	105,576	210,919	(297,015)
Retained earnings, beginning of the period	9,965,468	10,301,510	9,609,043	10,116,977
Retained earnings, end of the period	\$ 10,407,086	\$ 10,407,086	\$ 9,819,962	\$ 9,819,962
Basic and diluted earnings (loss) per share	\$ 0.02	\$ 0.00	\$ 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, 2014	For the nine months ended March 31, 2014	For the three months ended March 31, 2013	For the nine months ended March 31, 2013
Cash flows from (used by) operating activities				
Net income (loss) and comprehensive income (loss) for the period	\$ 441,618	\$ 105,576	\$ 210,919	\$ (297,015)
Items not involving cash				
Depreciation of property, plant and equipment	402,916	1,166,425	398,845	1,174,641
Deferred income taxes (recovery)	190,140	45,300	108,100	(139,800)
Gain on disposal of assets	-	(19,389)	-	-
Changes in non-cash working capital [Note 15]	(4,401,843)	(2,975,818)	(3,011,233)	(3,111,013)
	(3,367,169)	(1,677,906)	(2,293,369)	(2,373,187)
Cash flows from (used by) investing activities				
Acquisition of property, plant and equipment	(166,061)	(1,304,142)	(115,098)	(445,161)
Proceeds on disposal of property, plant and equipment	-	28,827	2,964	14,285
	(166,061)	(1,275,315)	(112,134)	(430,876)
Cash flows from (used by) financing activities				
Bank indebtedness	1,985,509	1,985,509	1,706,566	1,706,566
Long-term debt repayments	(300,370)	(887,611)	(291,337)	(853,278)
Advances under long-term debt – FCC Advancer loan	500,000	1,500,000	500,000	1,500,000
Advances under long-term debt – BMO term loan	153,750	153,750	-	-
Advances (repayments) of obligations under finance leases	(6,770)	(19,985)	(25,921)	(62,794)
	2,332,119	2,731,663	1,889,308	2,290,494
Increase (decrease) in cash	(1,201,111)	(221,558)	(516,195)	(513,569)
Cash and cash equivalents, beginning of period	1,310,748	331,195	632,616	629,990
Cash and cash equivalents, end of period	\$ 109,637	\$ 109,637	\$ 116,421	\$ 116,421
Supplementary information:				
Interest paid [Note 21]	\$ 213,912	\$ 632,294	\$ 218,527	\$ 663,374
Income taxes paid	\$ -	\$ -	\$ -	\$ -

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 June 30, 2013	\$	4,008,443	104,374	10,301,510	14,414,327
Net loss and comprehensive loss for the nine months		-	-	105,576	105,576
Balance at March 31, 2014	\$	4,008,443	104,374	10,407,086	14,519,903

		Capital stock	Contributed surplus	Retained earnings	Total equity
Balance at June 30, 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

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’s principal place of business is located at 7170 Glover Road, Milner, British Columbia, Canada, V0X 1T0.

The Company operates 39 acres of propagation greenhouse facilities on 98 acres of land in Milner, 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, nurseries and retail outlets throughout North America.

2. Significant accounting policies

Basis of preparation

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”).

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. (Milner, BC), Bevo Energy Inc. (Milner, BC), Bevo Agro Inc. (Nevada) and Bevo Farms Inc. (Arizona). Bevo Energy Inc. (Milner, BC), Bevo Agro Inc. (Nevada) and Bevo Farms Inc. (Arizona) are 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 and judgements

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 management's judgement include the useful lives of property, plant and equipment, calculation of deferred income taxes and the likelihood of realization of same, calculation of fair value of biological assets, recovery of accounts receivable, fair value of financial instruments, and the assumptions used in the calculation of stock-based compensation expense. 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 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 depreciated. All other items of property, plant and equipment (“PPE”) are carried at cost less accumulated depreciation 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.

Depreciation is provided using the declining balance method at the following annual rates:

Land improvements	5%
Buildings	2.5%-10%
Greenhouse, shade and packaging equipment	5%
Machinery and equipment	5 - 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, 2014 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, 2014 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, 2014 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.

Future accounting changes

The IASB periodically issues new standards and amendments to existing standards. The following new accounting standards are those that the Company considers relevant to the Company. It is not intended to be a complete list of new pronouncements made. The Company has not yet assessed the impact of these standards or determined whether it will adopt these standards early.

IFRS 9 – Financial Instruments - Addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and is effective January 1, 2015 with earlier adoption permitted.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

3. Accounts receivable

	March 31, 2014		June 30, 2013		March 31, 2013
Trade receivables	\$ 1,693,697	\$	2,023,460	\$	1,361,143
GST / HST receivable	121,396		60,724		192,979
	\$ 1,815,093	\$	2,084,184	\$	1,554,122

4. Inventories

	March 31, 2014		June 30, 2013		March 31, 2013
Supplies	\$ 1,325,146	\$	1,268,481	\$	1,137,994
Biological assets	5,006,495		614,448		4,758,535
	\$ 6,331,641	\$	1,882,929	\$	5,896,529

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

5. Property, plant and equipment

	Cost	Accumulated Depreciation	Net book value March 31, 2014
Land	\$ 5,940,000	\$ -	\$ 5,940,000
Land improvements	1,191,965	401,072	790,893
Buildings	1,141,979	400,688	741,291
Equipment under finance lease	306,111	244,723	61,388
Greenhouse, shade and packing equipment	33,900,814	14,671,235	19,229,579
Machinery and equipment	10,911,663	5,962,299	4,949,364
	\$ 53,392,532	\$ 21,680,017	\$ 31,712,515

	Cost	Accumulated Depreciation	Net book value June 30, 2013
Land	\$ 5,940,000	\$ -	\$ 5,940,000
Land improvements	1,099,717	370,966	728,751
Buildings	1,122,287	379,895	742,391
Equipment under finance lease	306,111	233,890	72,221
Greenhouse, shade and packing equipment	33,739,087	13,942,614	19,796,473
Machinery and equipment	10,038,088	5,733,689	4,304,400
	\$ 52,245,290	\$ 20,661,054	\$ 31,584,236

	Cost	Accumulated Depreciation	Net book value March 31, 2013
Land	\$ 5,940,000	\$ -	\$ 5,940,000
Land improvements	1,085,247	360,609	724,638
Buildings	1,122,287	372,734	749,553
Equipment under finance lease	464,079	297,163	166,916
Greenhouse, shade and packing equipment	33,739,087	13,678,523	20,060,564
Machinery and equipment	9,892,936	5,577,566	4,315,370
	\$ 52,243,636	\$ 20,286,595	\$ 31,957,041

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

5. Property, plant and equipment (continued)

	Opening net book value June 30, 2013	Additions	Disposals	Depreciation	Closing net book value March 31, 2014
Land	\$ 5,940,000	\$ -	\$ -	\$ -	\$ 5,940,000
Land improvements	728,751	92,248	-	30,106	790,893
Buildings	742,391	19,692	-	20,792	741,291
Equipment under finance lease	72,221	-	-	10,833	61,388
Greenhouse and packing equipment	19,796,473	185,036	-	751,930	19,229,579
Machinery and equipment	4,304,400	1,007,166	9,438	352,764	4,949,364
	\$ 31,584,236	\$ 1,304,142	\$ 9,438	\$ 1,166,425	\$ 31,712,515

	Net book value June 30, 2012	Additions/ reclassifications	Disposals	Depreciation	Net book value June 30, 2013
Land	\$ 5,940,000	\$ -	\$ -	\$ -	\$ 5,940,000
Land improvements	673,703	93,057	-	38,009	728,751
Buildings	771,037	-	-	28,646	742,391
Equipment under finance lease	191,889	(101,613)	-	18,055	72,221
Greenhouse and packing equipment	20,821,180	31,150	-	1,055,857	19,796,473
Machinery and equipment	4,302,997	495,222	53,677	440,142	4,304,400
	\$ 32,700,806	\$ 517,816	\$ 53,677	\$ 1,580,709	\$ 31,584,236

	Opening net book value June 30, 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
	\$ 32,700,806	\$ 445,161	\$ 14,285	\$ 1,174,641	\$ 31,957,041

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

6. Deferred costs

	March 31, 2014	June 30, 2013	March 31, 2013
Deferred investment tax credit expenditures	\$ -	\$ -	\$ 185,344

Deferred investment tax credit (ITC) expenditures consist of costs incurred for the submission of Scientific Research & Experimental Development claims.

7. Goodwill

	March 31, 2014	June 30, 2013	March 31, 2013
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, 2014 was \$1,985,508.

9. Accounts payable and accruals

	March 31, 2014	June 30, 2013	March 31, 2013
Trade payables	\$ 2,109,565	\$ 761,459	\$ 1,897,694
Other accruals	204,317	440,768	240,530
Customer deposits	119,420	17,856	-
	\$ 2,433,302	\$ 1,220,083	\$ 2,138,224

BEVO AGRO INC.

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(Unaudited – prepared by Management)

10. Long-term debt

	March 31, 2014	June 30, 2013	March 31, 2013
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	\$ 8,572,328	\$ 8,890,796	\$ 8,995,892
FCC term loan #2, maturing July 1, 2018, carries interest at FCC's fixed rate of 3.99%, repayable with blended monthly payments of \$78,995	7,381,749	7,870,855	8,035,137
FCC term loan #3, maturing July 1, 2016, carries interest at FCC's variable rate minus 0.5% (currently 3.5%), repayable with blended monthly payments of \$17,360	2,821,702	2,903,212	2,930,334
BMO term loan, maturing January 3, 2024, carries interest at BMO's Prime rate plus 0.5% (currently 3.5%), repayable with blended monthly payments of \$1,520	150,525	-	-
FCC advancer loan, maturing November 1, 2015, carries interest at FCC's variable rate minus 0.25% (currently 3.75%), repayable with monthly payments of interest only	1,000,000	-	1,000,000
FCC advancer loan, maturing June 1, 2018, carries interest at FCC's variable rate (currently 4.00%), repayable with monthly payments of interest only	500,000	-	500,000
Deferred borrowing costs	(80,070)	(84,768)	(86,290)
	20,346,234	19,580,095	21,375,073
Less: current portion of long-term debt	1,228,354	1,186,530	1,188,822
Long-term debt	\$ 19,117,880	\$ 18,393,565	\$ 20,186,251

The Farm Credit Canada ("FCC") term loans are secured by a general security agreement, first mortgages on the Company land and buildings and assignments of insurance.

The Bank of Montreal ("BMO") term loan is secured by equipment and accounts receivable.

The deferred borrowing costs are amortized as the principal on the loan is repaid and are included as interest expense (Note 21).

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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, 2014	June 30, 2013	March 31, 2013
2013	\$ -	\$ -	\$ 1,188,822
2014	1,228,354	1,186,530	1,235,236
2015	1,277,881	1,227,797	1,281,716
2016	1,333,201	1,277,367	1,333,579
2017	1,388,993	1,332,775	-
Thereafter	15,197,875	14,640,394	16,422,010
Less: deferred borrowing costs	(80,070)	(84,768)	(86,290)
	\$ 20,346,234	\$ 19,580,095	\$ 21,375,073

11. Obligations under finance leases

	March 31, 2014	June 30, 2013	March 31, 2013
Obligations under finance leases	\$ 86,170	\$ 110,391	\$ 129,947
Less: imputed interest	6,977	11,213	13,221
Present value of minimum lease payments	79,193	99,178	116,726
Less: current portion	28,158	26,872	37,544
Long-term portion	\$ 51,035	\$ 72,306	\$ 79,182

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

	March 31, 2014	June 30, 2013	March 31, 2013
Less than one year	\$ 28,158	\$ 26,872	\$ 37,544
Between one and five years	51,035	72,306	79,182
More than five years	-	-	-
	\$ 79,193	\$ 99,178	\$ 116,726

Annualized interest rate is 6.25%.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. Deferred income tax liability

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

	March 31, 2014	June 30, 2013	March 31, 2013
Opening balance - beginning of period/year	\$ 1,149,099	\$ 1,587,117	\$ 1,174,689
Estimated deferred income tax liability (adjustment on current earnings (losses))	45,300	(412,428)	(139,800)
Closing balance - end of period/year	\$ 1,194,399	\$ 1,149,099	\$ 1,034,889

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(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, 2014, June 30, 2013 and March 31, 2013	25,535,933	\$ 4,008,443

(a) Summary of stock options outstanding and exercisable as at March 31, 2014:

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 vested on May 11, 2013. The options will expire on May 11, 2021.

(d) Contributed surplus

Contributed surplus is comprised of the following:

Balance, June 30, 2012	\$ 100,119
Stock - based compensation for 2013	4,255
Balance, June 30, 2013	104,374
Stock - based compensation for the first nine months	-
Balance, March 31, 2014	\$ 104,374

During the year ended June 30, 2013, the compensation cost of stock options vested was \$4,255, which was included in expenses.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(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, 2014, total managed capital was \$14,519,903, compared to \$14,414,327 as at June 30, 2013 and \$13,928,524 as at March 31, 2013.

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, 2014. The Company is not subject to externally imposed capital requirements.

15. Changes in non-cash working capital

	For the three months ended March 31, 2014	For the nine months ended March 31, 2014	For the three months ended March 31, 2013	For the nine months ended March 31, 2013
Accounts receivable	\$ 238,689	\$ 269,091	\$ 235,413	\$ 464,780
Inventories	(2,048,191)	(4,448,712)	(2,017,104)	(4,307,048)
Prepaid expenses and deposits	391,512	(9,416)	49,565	14,727
Accounts payable and accruals	(2,983,853)	1,213,219	(1,279,107)	716,528
	\$ (4,401,843)	\$ (2,975,818)	\$ (3,011,233)	\$ (3,111,013)

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 March 31, 2014, its carrying value approximates its fair value.

The following classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are as follows:

- Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are not based on observable market data

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.

At March 31, 2014, the Canadian/U.S. foreign exchange rate was CA\$1.00 = US\$0.9048 (March 31, 2013 – US\$0.986).

The Company currently has a U.S. dollar bank account balance of \$54,274, U.S. dollar accounts receivables of \$538,150, U.S dollar accounts payables of \$1,018,814 and U.S. dollar customer deposits of \$106,345. A change of \$0.10 in the Canadian dollar would not have a significant impact on the Company's income and comprehensive income for the year.

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)

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, 2014, the Company's working capital balance was \$2,648,037, which indicates an ability to meet short-term obligations.

The following are the contractual maturities of financial liabilities as at March 31, 2014:

	Total	< 1 year	1-3 years	> 3 years
Bank indebtedness	\$ 1,985,509	\$ 1,985,509	\$ -	\$ -
Accounts payable and accruals	2,433,302	2,433,302	-	-
Obligations under finance leases	79,193	28,158	51,035	-
Long-term debt	20,346,234	1,228,354	4,000,075	15,117,805
	\$ 24,844,238	\$ 5,675,323	\$ 4,051,110	\$ 15,117,805

It is the Company's intention to meet these obligations through the collection of current accounts receivable and cash from sales. If resources and operations fail to generate sufficient cash to satisfy its obligations, the Company may seek to arrange debt or other financing.

Interest rate risk

Interest rate risk consists of two components:

- 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.
- 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 primarily at fixed interest rates. However, approximately 15% 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. A plus or minus 1% change in market interest rates would not have a significant effect on the Company's income and comprehensive income for the year.

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 cash equivalents and accounts receivable. Cash and cash equivalents are placed with a major Canadian financial institution. Accounts receivable are from geographically dispersed customers and substantial portions 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, 2014		June 30, 2013		March 31, 2013
Less than one year	\$ 19,192	\$	19,192	\$	17,448
Between one and five years	34,170		39,984		40,712
More than five years	-		-		-
	\$ 53,362	\$	59,176	\$	58,160

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(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, 2014	For the nine months ended March 31, 2014	For the three months ended March 31, 2013	For the nine months ended March 31, 2013
Management fees paid to a company that owns a majority of the outstanding shares	\$ 126,000	\$ 378,000	\$ 126,000	\$ 378,000
Directors fees	14,000	52,000	15,000	53,000

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.

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, 2014	For the nine months ended March 31, 2014	For the three months ended March 31, 2013	For the nine months ended March 31, 2013
Sales				
-propagation	\$ 4,960,512	\$ 12,035,537	\$ 3,534,022	\$ 10,522,968
-AgriStability payment	-	250,629	-	-
-other income (losses)	165,572	196,331	33,405	(20,551)
	\$ 5,126,084	\$ 12,482,497	\$ 3,567,427	\$ 10,502,417

AgriStability is a federal program that provides financial assistance to farms that experience declines in sales and margins due to weather, disease and low market prices. Payments are made in the form of grants, which require no repayment. The AgriStability payment of \$250,629 represents a payment for the 2011 program year.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED MARCH 31 (Canadian \$)

(Unaudited – prepared by Management)

20. Selling, general and administrative expenses

	For the three months ended March 31, 2014	For the nine months ended March 31, 2014	For the three months ended March 31, 2013	For the nine months ended March 31, 2013
General operating	\$ 323,050	\$ 890,594	\$ 257,943	\$ 796,615
Employee wages and benefits	302,124	864,783	273,955	815,328
Depreciation	402,916	1,166,425	398,845	1,174,641
	\$ 1,028,090	\$ 2,921,802	\$ 930,743	\$ 2,786,584

21. Interest

	For the three months ended March 31, 2014	For the nine months ended March 31, 2014	For the three months ended March 31, 2013	For the nine months ended March 31, 2013
Interest expense				
-operating line of credit	\$ 4,827	\$ 17,877	\$ 9,466	\$ 28,633
-long-term debt	206,628	608,442	204,755	621,438
-finance leases	1,307	4,247	3,161	11,588
-deferred financing costs	1,600	4,698	1,520	4,459
-other	1,150	1,728	1,145	1,715
	\$ 215,512	\$ 636,992	\$ 220,047	\$ 667,833

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited – prepared by Management)

22. Segmented information

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

	For the nine months ended March 31, 2014	For the nine months ended March 31, 2014	For the nine months ended March 31, 2014	For the nine months ended March 31, 2014
	Assets	Property, plant and equipment	Goodwill	Sales
Canada	\$ 40,558,540	\$ 31,712,515	\$ 522,665	\$ 8,401,094
United States	-	-	-	4,081,403
	\$ 40,558,540	\$ 31,712,515	\$ 522,665	\$ 12,482,497

	For the nine months ended March 31, 2013	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	Property, plant and equipment	Goodwill	Sales
Canada	\$ 40,300,002	\$ 31,957,041	\$ 522,665	\$ 7,335,334
United States	-	-	-	3,167,083
	\$ 40,300,002	\$ 31,957,041	\$ 522,665	\$ 10,502,417