

BEVO AGRO INC.

**CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2018
(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 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|---|-----------------------|----------------------|-----------------------|
| ASSETS | | | |
| Current | | | |
| Cash [Note 9] | \$ 2,657,554 | \$ 5,181,982 | \$ 2,225,666 |
| Accounts receivable [Note 3] | 3,298,325 | 3,125,979 | 3,828,052 |
| Inventories [Note 4] | 2,684,396 | 2,535,736 | 2,146,859 |
| Biological assets [Note 5] | 1,953,408 | 1,053,796 | 1,335,248 |
| Prepaid expenses and deposits | 362,642 | 16,741 | 718,375 |
| | 10,956,325 | 11,914,234 | 10,254,200 |
| Property, plant and equipment [Note 6] | 47,237,296 | 47,731,363 | 42,361,767 |
| Investment in associate [Note 7] | 139,698 | 139,698 | 110,000 |
| Goodwill [Note 8] | 522,665 | 522,665 | 522,665 |
| | \$ 58,855,984 | \$ 60,307,960 | \$ 53,248,632 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable and accruals [Note 10] | \$ 1,568,402 | \$ 2,327,686 | \$ 2,289,138 |
| Current portion of long-term debt [Note 11] | 2,306,436 | 2,296,732 | 2,262,445 |
| Government agencies payable | 938,495 | 938,495 | - |
| | 4,813,333 | 5,562,913 | 4,551,583 |
| Long-term debt [Note 11] | 19,436,634 | 19,976,783 | 21,579,021 |
| Deferred tax liability [Note 12] | 4,587,131 | 4,627,711 | 3,394,495 |
| | 28,837,098 | 30,167,407 | 29,525,100 |
| SHAREHOLDERS' EQUITY [Note 14] | | | |
| Capital stock [Note 13] | 4,174,998 | 4,174,998 | 4,105,203 |
| Contributed surplus | 240,518 | 240,518 | 245,925 |
| Revaluation surplus | 4,899,690 | 4,899,690 | 742,500 |
| Retained earnings | 20,703,680 | 20,825,347 | 18,629,904 |
| | 30,018,886 | 30,140,553 | 23,723,532 |
| | \$ 58,855,984 | \$ 60,307,960 | \$ 53,248,632 |

Commitments [Note 17]

Subsequent event [Note 24]

Authorized for issue by the board of directors on November 13, 2018:

“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 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

| | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 |
|---|--|--|
| Revenue [Note 19] | \$ 4,249,699 | \$ 4,510,593 |
| Cost of sales | 3,007,514 | 3,088,591 |
| Gross margin | 1,242,185 | 1,422,002 |
| Expenses | | |
| Selling, general and administrative expenses [Note 20] | 1,224,964 | 1,164,075 |
| Income from operations | 17,221 | 257,927 |
| Other income (expenses) | | |
| Interest expense [Note 21] | (179,468) | (197,198) |
| Income (loss) before income taxes | (162,247) | 60,729 |
| | (40,580) | 15,800 |
| Net income (loss) and comprehensive income (loss) for the period | (121,667) | 44,929 |
| Retained earnings, beginning of the period | 20,825,347 | 18,126,193 |
| Retained earnings, end of the period | \$ 20,703,680 | \$ 18,629,904 |
| | | |
| Basic and diluted earnings (loss) per share [Note 23] | \$ 0.00 | \$ 0.00 |
| | | |
| Weighted average number of common shares outstanding | 26,215,933 | 25,954,933 |

UNAUDITED

See accompanying Notes to the Financial Statements

BEVO AGRO INC.

CONSOLIDATED INTERIM CONDENSED STATEMENTS OF CASH FLOWS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

| | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 |
|--|--|--|
| Cash flows from (used by) operating activities | | |
| Net income (loss) and comprehensive income (loss) for the period | \$ (121,667) | \$ 44,929 |
| Items not involving cash | | |
| Depreciation of property, plant and equipment | 542,328 | 555,217 |
| Deferred taxes | (40,580) | 15,800 |
| Changes in non-cash working capital [Note 15] | (2,325,803) | (2,469,955) |
| Other items | - | 31,652 |
| | (1,945,722) | (1,822,357) |
| Cash flows from (used by) investing activities | | |
| Acquisition of property, plant and equipment | (48,261) | (110,587) |
| Investment in CubicFarm Systems Corp. | - | (110,000) |
| Proceeds on disposal of property, plant and equipment | - | 4,500 |
| | (48,261) | (216,087) |
| Cash flows from (used by) financing activities | | |
| Long-term debt repayments | (530,445) | (547,446) |
| | (530,445) | (547,446) |
| Increase (decrease) in cash | (2,524,428) | (2,585,890) |
| Cash, beginning of period | 5,181,982 | 4,811,556 |
| Cash, end of period | \$ 2,657,554 | \$ 2,225,666 |
| Supplementary information: | | |
| Interest paid [Note 21] | \$ 177,466 | \$ 195,301 |

UNAUDITED

See accompanying Notes to the Financial Statements

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

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

| | Capital stock | Contributed surplus | Revaluation Surplus | Non- controlling interest | Retained earnings | Total equity |
|---|---------------------|------------------------|------------------------|---------------------------------|----------------------|----------------------|
| Balance at June 30, 2018 | \$ 4,174,998 | \$ 240,518 | \$ 4,899,690 | \$ - | \$ 20,825,347 | \$ 30,140,553 |
| Net loss and comprehensive loss for the quarter | - | - | - | - | (121,667) | (121,667) |
| Balance at June 30, 2018 | \$ 4,174,998 | \$ 240,518 | \$ 4,899,690 | \$ - | \$ 20,703,680 | \$ 30,018,886 |
| | Capital stock | Contributed surplus | Revaluation Surplus | Non-controlling interest | Retained earnings | Total equity |
| Balance at June 30, 2017 | \$ 4,105,203 | \$ 245,925 | \$ 742,500 | \$ 427,130 | \$ 18,126,193 | \$ 23,646,951 |
| Net income and comprehensive income for the quarter | - | - | - | - | 44,929 | 44,929 |
| Non-controlling interest | - | - | - | (427,130) | 458,782 | 31,652 |
| Balance at Sept 30, 2017 | \$ 4,105,203 | \$ 245,925 | \$ 742,500 | \$ - | \$ 18,629,904 | \$ 23,723,532 |

UNAUDITED

See accompanying Notes to the Financial Statements

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in 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, Langley, British Columbia, Canada, V2Y 0W9.

The Company operates 53 acres of propagation greenhouse facilities on 98 acres of land in Langley, BC and 20 acres of land in Pitt Meadows, 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 Agro Inc. (Nevada) and Bevo Farms Inc. (Arizona). 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 SEPTEMBER 30 (Expressed in 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 judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements, estimates and assumptions.

Significant areas requiring management's judgement include the useful lives of property, plant and equipment, calculation of deferred taxes and the likelihood of realization of same, calculation of fair value of biological assets, estimates of goodwill impairment, recovery of accounts receivable, fair value of financial instruments, choice of revaluation frequency on property, plant and equipment measured at revalued amounts, 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. 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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Biological assets

International Accounting Standard 41, “Agriculture”, 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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Cost may approximate fair value when the biological asset is at the early stage of its life and little biological transformation has taken place since the initial cost was incurred.

For vegetable plants with a grow life of 10 weeks or less, the Company has determined that fair value is determinable only at the end of the propagation growth cycle at which point the plants are delivered to the customer and revenue is recorded. For bedding / floral plants which have a grow life of up to 50 weeks, the Company has determined that fair value is determinable at the point at which the plants are spaced, which ranges from week 12 to 25 of the growth cycle. Prior to the spacing date, the cost approximates fair value as little biological transformation has taken place. After the spacing date, the fair value is calculated as the present value of the contracted sales price less estimated costs to sell and estimated costs to complete the growth cycle. Cash flows are discounted at a rate of 10% over the period from fiscal period to end of shipping date, all of which represent Level 3 of the fair value hierarchy. These estimates are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

Income taxes

The Company follows the balance sheet 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 substantively enacted. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Offsetting of deferred tax assets and liabilities occurs when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Trade receivables

Trade receivables are measured at amortized cost net of allowance for uncollectible amounts. The Company determines its allowance based on a number of factors, including length of time an account is past due, the customer's previous loss history, and the ability of the customer to pay its obligation to the Company. The Company writes off receivables when they become uncollectible.

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, the amount of revenue can be reliably measured, the costs and possible return of goods can be reliably measured, there is no continuing management involvement or control with the goods, 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 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Property, plant and equipment

Land held for use in production or administration is accounted for using the revaluation model and is stated at revalued amounts. Revalued amounts are fair values determined by appropriate external revaluation methods. Land is revalued every year.

Any revaluation surplus arising upon appraisal of land is recognized in other comprehensive income and credited to “revaluation surplus” in equity. Any revaluation decrease arising upon appraisal of land is charged to other comprehensive loss and, to the extent of any credit balance existing, debited to revaluation surplus in equity with the excess recognized in net income or loss.

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 SEPTEMBER 30 (Expressed in 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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

2. Significant accounting policies (continued)

Basic and diluted earnings (loss) per common share

Basic earnings (loss) per share are 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. The Black-Scholes options pricing model considers the following inputs:

- Exercise price
- Expected life of the award
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Dividend yield

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.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in 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 losses (“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 September 30, 2018 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, 2018 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 losses are measured at fair value with changes in fair value recognized in profit or loss. At September 30, 2018 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 FVTPL, 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 (Expressed in 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 income (loss) and other comprehensive income (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).

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 now or in the future. It is not intended to be a complete list of new pronouncements made.

IFRS 16 – Leases - On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The extent of the impact of adoption of the standard has not yet been determined.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

3. Accounts receivable

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|----------------------------|-----------------------|------------------|-----------------------|
| Trade receivables | \$ 3,290,097 | \$ 3,080,252 | \$ 3,382,841 |
| Receivable – related party | - | - | 396,000 |
| GST receivable | 8,228 | 45,727 | 49,211 |
| | \$ 3,298,325 | \$ 3,125,979 | \$ 3,828,052 |

4. Inventories

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|--------------------|-----------------------|------------------|-----------------------|
| Supplies inventory | \$ 2,684,396 | \$ 2,535,736 | \$ 2,146,859 |

5. Biological assets

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|-------------------------|-----------------------|------------------|-----------------------|
| Bedding / floral plants | \$ 1,725,872 | \$ 946,818 | \$ 1,196,842 |
| Vegetable plants | 227,536 | 106,978 | 138,406 |
| Total biological assets | \$ 1,953,408 | \$ 1,053,796 | \$ 1,335,248 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

6. Property, plant and equipment

| | Cost/ Fair value | Accumulated Depreciation | Net book value September 30, 2018 |
|---|----------------------|-----------------------------|---|
| Land* | \$ 13,136,000 | \$ - | \$ 13,136,000 |
| Land improvements | 1,804,733 | 621,880 | 1,182,853 |
| Buildings | 2,149,117 | 674,665 | 1,474,452 |
| Greenhouse, shade and packing equipment | 44,575,096 | 19,946,016 | 24,629,080 |
| Machinery and equipment | 15,240,998 | 9,040,540 | 6,200,458 |
| Capital projects in progress | 614,453 | - | 614,453 |
| | \$ 77,520,397 | \$ 30,283,101 | \$ 47,237,296 |

| | Cost/ Fair value | Accumulated Depreciation | Net book value June 30, 2018 |
|---|----------------------|-----------------------------|------------------------------------|
| Land* | \$ 13,136,000 | \$ - | \$ 13,136,000 |
| Land improvements | 1,804,733 | 606,698 | 1,198,035 |
| Buildings | 2,149,117 | 658,635 | 1,490,482 |
| Greenhouse, shade and packing equipment | 44,575,096 | 19,615,659 | 24,959,437 |
| Machinery and equipment | 15,232,974 | 8,859,781 | 6,373,193 |
| Capital projects in progress | 574,216 | - | 574,216 |
| | \$ 77,472,136 | \$ 29,740,773 | \$ 47,731,363 |

*Original carrying value of land is \$3,806,212

| | Cost/ Fair value | Accumulated Depreciation | Net book value September 30, 2017 |
|---|----------------------|-----------------------------|---|
| Land | \$ 8,330,000 | \$ - | \$ 8,330,000 |
| Land improvements | 1,528,910 | 562,313 | 966,597 |
| Buildings | 2,149,117 | 608,152 | 1,540,965 |
| Greenhouse, shade and packing equipment | 43,850,427 | 18,590,968 | 25,259,459 |
| Machinery and equipment | 14,180,955 | 8,157,012 | 6,023,943 |
| Capital projects in progress | 240,803 | - | 240,803 |
| | \$ 70,280,212 | \$ 27,918,445 | \$ 42,361,767 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

6. Property, plant and equipment (continued)

| | Net book value June 30, 2018 | Additions/ revaluations | Disposals | Depreciation | Closing net book value Sept 30, 2018 |
|----------------------------------|---------------------------------|----------------------------|-------------|-------------------|--|
| Land | \$ 13,136,000 | \$ - | \$ - | \$ - | \$ 13,136,000 |
| Land improvements | 1,198,035 | - | - | 15,182 | 1,182,853 |
| Buildings | 1,490,482 | - | - | 16,030 | 1,474,452 |
| Greenhouse and packing equipment | 24,959,437 | - | - | 330,357 | 24,629,080 |
| Machinery and equipment | 6,373,193 | 8,024 | - | 180,759 | 6,200,458 |
| Capital projects in progress | 574,216 | 40,237 | - | - | 614,453 |
| | \$ 47,731,363 | \$ 48,261 | \$ - | \$ 542,328 | \$ 47,237,296 |

| | Net book value June 30, 2017 | Additions/ revaluations | Disposals | Depreciation | Net book value June 30, 2018 |
|----------------------------------|---------------------------------|----------------------------|------------------|---------------------|---------------------------------|
| Land | \$ 8,330,000 | \$ 4,806,000 | \$ - | \$ - | \$ 3,136,000 |
| Land improvements | 979,094 | 275,823 | - | 56,882 | 1,198,035 |
| Buildings | 1,557,792 | - | - | 67,310 | 1,490,482 |
| Equipment under finance lease | 29,582 | (29,582) | - | - | - |
| Greenhouse and packing equipment | 25,571,724 | 738,621 | - | 1,350,908 | 24,959,437 |
| Machinery and equipment | 6,227,769 | 1,063,870 | 10,130 | 908,316 | 6,373,193 |
| Capital projects in progress | 114,935 | 459,281 | - | - | 574,216 |
| | \$ 42,810,896 | \$ 7,314,013 | \$ 10,130 | \$ 2,383,416 | \$ 47,731,363 |

| | Net book value June 30, 2017 | Additions | Disposals | Depreciation | Closing net book value Sept 30, 2017 |
|----------------------------------|---------------------------------|-------------------|-----------------|-------------------|--|
| Land | \$ 8,330,000 | \$ - | \$ - | \$ - | \$ 8,330,000 |
| Land improvements | 979,094 | - | - | 12,497 | 966,597 |
| Buildings | 1,557,792 | - | - | 16,827 | 1,540,965 |
| Equipment under finance lease | 29,582 | (29,582) | - | - | - |
| Greenhouse and packing equipment | 25,571,724 | 13,952 | - | 326,218 | 25,259,459 |
| Machinery and equipment | 6,227,769 | 349 | 4,500 | 199,675 | 6,023,943 |
| Capital projects in progress | 114,935 | 125,868 | - | - | 240,803 |
| | \$ 42,810,896 | \$ 110,587 | \$ 4,500 | \$ 555,217 | \$ 42,361,767 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

7. Investment in associate

The Company currently has a 41% ownership stake in CubicFarm Systems Corp. (“Cubic”). Cubic produces and sells commercial scale indoor vertical farming systems. Additional information relating to Cubic is available on Cubic’s website at www.cubicfarms.com.

8. Goodwill

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|----------|-----------------------|------------------|-----------------------|
| 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.

9. 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 mortgage on the Company land and buildings by means of an inter-creditor agreement. There was no balance on the line of credit as at September 30, 2018.

10. Accounts payable and accruals

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|-------------------|-----------------------|------------------|-----------------------|
| Trade payables | \$ 1,202,535 | \$ 1,583,945 | \$ 1,482,732 |
| Other accruals | 362,874 | 689,320 | 767,344 |
| Customer deposits | 2,993 | 54,421 | 39,062 |
| | \$ 1,568,402 | \$ 2,327,686 | \$ 2,289,138 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

11. Long-term debt

| | September 30, 2018 | June 30, 2018 | September 30, 2017 |
|--|-----------------------|----------------------|-----------------------|
| FCC term loan #1, maturing March 1, 2021, carries interest at FCC's fixed rate of 3.0%, repayable with blended monthly payments of \$62,354 | \$ 6,323,435 | \$ 6,462,613 | \$ 6,874,173 |
| FCC term loan #2, maturing April 1, 2022, carries interest at FCC's fixed rate of 4.05%, repayable with blended monthly payments of \$79,010 | 4,158,488 | 4,352,358 | 4,924,465 |
| FCC term loan #3, maturing March 1, 2021, carries interest at FCC's fixed rate of 3.0%, repayable with blended monthly payments of \$16,718 | 2,271,647 | 2,304,683 | 2,402,405 |
| FCC term loan #4, maturing August 1, 2019, carries interest at FCC's fixed rate of 3.02%, repayable with blended monthly payments of \$17,843 | 1,812,396 | 1,852,110 | 1,969,543 |
| FCC term loan #5, maturing April 1, 2020, carries interest at FCC's fixed rate of 2.941%, repayable with blended monthly payments of \$50,678 | 6,810,335 | 6,912,043 | 7,212,957 |
| BMO term loan, maturing December 31, 2021, carries interest at BMO's fixed rate of 2.89%, repayable with blended monthly payments of \$6,907 | 256,282 | 275,061 | 330,597 |
| BMO demand loan, maturing January 3, 2024, carries interest at BMO's Prime rate plus 0.5% (currently 4.45%), repayable with blended monthly payments of \$1,520 | 86,853 | 90,477 | 101,369 |
| BMO demand loan, maturing December 1, 2024, carries interest at BMO's Prime rate plus 0.5% (currently 4.45%), repayable with blended monthly payments of \$1,108 | 73,062 | 75,600 | 83,259 |
| Deferred borrowing costs | (49,428) | (51,430) | (57,302) |
| Total long-term debt | 21,743,070 | 22,273,515 | 23,841,466 |
| Less: current portion of long-term debt | (2,306,436) | (2,296,732) | (2,262,445) |
| Long-term portion of long-term debt | \$ 19,436,634 | \$ 19,976,783 | \$ 21,579,021 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

11. Long-term debt (continued)

The Company has unused Advancer loans from Farm Credit Canada totaling \$4,000,000 that expire June 1, 2021. At any point the Company can draw down on these loans and pay interest only payments for a term of five years. These Advancer loans carry interest at FCC's variable rate minus 0.5%, (currently 4.45%).

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") loans are secured by a mortgage on the Company land and buildings by means of an inter-creditor agreement.

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

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

| | September 30, 2018 | | June 30, 2018 | | September 30, 2017 |
|--------------------------------|-----------------------|--|----------------------|--|-----------------------|
| 2018 | \$ - | | \$ - | | \$ 2,262,445 |
| 2019 | 2,306,436 | | 2,296,732 | | 7,162,241 |
| 2020 | 9,674,565 | | 9,805,048 | | 7,198,159 |
| 2021 | 8,115,462 | | 8,288,209 | | 7,255,881 |
| 2022 | 1,696,035 | | 1,934,956 | | - |
| Thereafter | - | | - | | 20,042 |
| Less: deferred borrowing costs | (49,428) | | (51,430) | | (57,302) |
| | \$ 21,743,070 | | \$ 22,273,515 | | \$ 23,841,466 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(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, 2018 | June 30, 2018 | September 30, 2017 |
|--|-----------------------|------------------|-----------------------|
| Opening balance - beginning of period/year | \$ 4,627,711 | \$ 3,378,695 | \$ 3,378,695 |
| Estimated tax liability | (40,580) | 1,249,016 | 15,800 |
| Closing balance - end of period/year | \$ 4,587,131 | \$ 4,627,711 | \$ 3,394,495 |

13. Capital stock

Authorized:

Unlimited common shares without par value

Issued:

| | Number of Shares | Amount |
|---|---------------------|--------------|
| Issued and outstanding as at September 30, 2017 | 25,954,933 | \$ 4,105,203 |
| Issued and outstanding as at June 30, 2018 | 26,215,933 | \$ 4,174,998 |
| Issued and outstanding as at September 30, 2018 | 26,215,933 | \$ 4,174,998 |

Summary of stock options outstanding and exercisable as at September 30, 2018:

| Security type | Number outstanding | Remaining contractual life (years)* | Expiry date |
|---------------|-----------------------|---|--------------|
| Stock options | 110,000 | 2.5 | May 11, 2021 |
| Stock options | 710,000 | 6.6 | June 9, 2025 |
| Stock options | 750,000 | 7.5 | May 2, 2026 |

*Weighted average life of all stocks options is 6.7 years

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

13. Capital stock (continued)

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.

On May 11, 2011, the Company granted 750,000 stock options under its 2004 stock option plan to directors and officers for the purchase of 750,000 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.

On June 9, 2015, the Company granted 750,000 stock options under its 2004 stock option plan to directors and officers for the purchase of 750,000 common shares at a price of \$0.36 per share. One-third of these options vested as of June 9, 2015, one-third vested on June 9, 2016 and one-third vested on June 9, 2017.

On May 2, 2016, the Company granted 750,000 stock options under its 2004 stock option plan to directors and officers for the purchase of 750,000 common shares at a price of \$0.43 per share. One-third of these options vested on May 2, 2016, one-third vested on May 2, 2017 and one-third vested on May 2, 2018.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in 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, 2018, total managed capital was \$30,018,886, compared to \$30,140,553 as at June 30, 2018 and \$23,723,532 as at September 30, 2017.

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.

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, 2018.

The Company is subject to externally imposed capital requirements with respect to its covenants on the Company's various credit facilities. The covenants require that the Company maintain the following ratios:

- Current ratio: greater than 1.25:1
- Debt service coverage ratio: greater than 1.20:1
- Debt / Equity ratio: less than 3.00:1

These covenants are tested annually. As such, the Company is not in violation of any covenants during the quarter ended September 30, 2018.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

15. Changes in non-cash working capital

| | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 |
|-------------------------------|--|--|
| Accounts receivable | \$ (172,346) | \$ (1,019,096) |
| Inventories | (148,660) | (167,828) |
| Biological assets | (899,612) | (343,329) |
| Prepaid expenses and deposits | (345,901) | (615,162) |
| Accounts payable and accruals | (759,284) | (324,540) |
| | \$ (2,325,803) | \$ (2,469,955) |

16. Financial instruments and risk management

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

The carrying values of long-term debt and obligations under finance leases approximate their fair values upon initial recognition and subsequent to that date have been amortized using the effective interest rate method. At September 30, 2018, their carrying values approximate their fair value based on current market rates for similar financial instruments.

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

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

16. Financial instruments and risk management (continued)

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 September 30, 2018, the Canadian/U.S. foreign exchange rate was CA\$1.00 = US\$0.7748 (September 30, 2017 – US\$0.8019).

The Company currently has a U.S. dollar bank account balance of \$144,976, U.S. dollar accounts receivables of \$1,598,803 and U.S dollar accounts payables of \$342,756. A change of \$0.10 in the Canadian dollar would not have a material impact on the Company's income and comprehensive income for the year.

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, 2018, the Company's working capital balance was \$6,142,992, which indicates an ability for the Company to meet short-term obligations.

The following are the contractual maturities of financial liabilities as at September 30, 2018:

| | Total | < 1 year | 1-3 years | > 3 years |
|-------------------------------|---------------|--------------|---------------|--------------|
| Accounts payable and accruals | \$ 1,568,402 | \$ 1,568,402 | \$ - | \$ - |
| Long-term debt | 21,743,070 | 2,306,436 | 17,790,027 | 1,646,607 |
| | \$ 23,311,472 | \$ 3,874,838 | \$ 17,790,027 | \$ 1,646,607 |

It is the Company's intention to meet these obligations through cash provided by operating activities and funding from the FCC Advancer loans. If resources and operations fail to generate sufficient cash to satisfy its obligations, the Company may seek to arrange debt or other financing.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

16. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's long-term debt is primarily at fixed interest rates. However, approximately 14% 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.

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.

Trade receivables for each customer were evaluated for collectability and the Company felt that there was no impairment of receivables. At September 30, 2018, 76.1% (2017 – 70.1%) of trade receivables were outstanding less than 60 days, 8.8% (2017 – 19.3%) were outstanding for between 60 and 120 days, and the remaining 15.1% (2017 – 10.6%) were outstanding for more than 120 days. Trade receivables are considered past due based on the specific contract terms agreed to with a customer.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

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:

| | September 30, 2018 |
|----------------------------|-------------------------------|
| Less than one year | \$ 10,863 |
| Between one and five years | - |
| More than five years | - |
| | \$ 10,863 |

18. Related party transactions

The Company participated in transactions with related parties as follows:

| | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 |
|--|--|--|
| Management fees paid to CGM Ventures Inc, a company that owns a majority of the outstanding shares | \$ 126,000 | \$ 126,000 |
| Accounts receivable from a company with director in common | - | 396,000 |
| Directors' fees | \$ 30,000 | \$ 15,500 |

The Company considers the President, Vice President and the Directors as key management personnel. The president and vice-president provide management services to the Company through their management company, CGM Ventures Inc. The management fees are approved annually by the Board of Directors.

During the previous year a short-term receivable of \$396,000 was advanced to Site 5 Holdings Inc., a company owned 100% by Leo Benne, Vice-president and one of the majority shareholders. The advance was required by Site 5 Holdings Inc. for the purchase of a capital asset. A promissory note was signed with an agreement to settle the debt by December 31, 2017. On October 17, 2017 the loan was repaid in full.

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

19. Revenue

| | | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 |
|-------|--------------------------|--|--|
| Sales | -propagation | \$ 4,117,303 | \$ 4,565,311 |
| | -currency gains (losses) | 6,508 | (197,599) |
| | -other income | 125,888 | 142,881 |
| | | \$ 4,249,699 | \$ 4,510,593 |

20. Selling, general and administrative expenses

| | | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 |
|-----------------------------|--|--|--|
| General operating | | \$ 366,812 | \$ 324,212 |
| Employee wages and benefits | | 315,824 | 284,646 |
| Depreciation | | 542,328 | 555,217 |
| | | \$ 1,224,964 | \$ 1,164,075 |

21. Interest expense

| | | For the three months ended September 30, 2018 | For the three months ended September 30, 2017 |
|------------------|---------------------------|--|--|
| Interest expense | -operating line of credit | \$ - | \$ 1,242 |
| | -long-term debt | 176,839 | 193,731 |
| | -deferred borrowing costs | 2,002 | 1,897 |
| | -other | 627 | 328 |
| | | \$ 179,468 | \$ 197,198 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in 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, 2018 | For the three months ended September 30, 2018 | For the three months ended September 30, 2018 | For the three months ended September 30, 2018 |
|---------------|--|--|--|--|
| | Assets | Property, plant and equipment | Goodwill | Sales |
| Canada | \$ 58,855,984 | \$ 47,237,296 | \$ 522,665 | \$ 1,621,277 |
| United States | - | - | - | 2,628,422 |
| | \$ 58,855,984 | \$ 47,237,296 | \$ 522,665 | \$ 4,249,699 |

| | For the three months ended September 30, 2017 | For the three months ended September 30, 2017 | For the three months ended September 30, 2017 | For the three months ended September 30, 2017 |
|---------------|--|--|--|--|
| | Assets | Property, plant and equipment | Goodwill | Sales |
| Canada | \$ 53,248,632 | \$ 42,361,767 | \$ 522,665 | \$ 1,410,910 |
| United States | - | - | - | 3,099,683 |
| | \$ 53,248,632 | \$ 42,361,767 | \$ 522,665 | \$ 4,510,593 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

23. Earnings (loss) per share

Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.

| | September 30, 2018 | September 30, 2017 |
|--|-------------------------------|-----------------------|
| Net income (loss) | \$ (121,667) | \$ 44,929 |
| Weighted average number of common shares outstanding during the period | 26,215,933 | 25,954,933 |
| Basic earnings (loss) per share | \$ 0.00 | \$ 0.00 |

Diluted earnings (loss) per share is computed by adjusting the weighted average number of common shares outstanding to include the potential dilution of common share equivalents, such as outstanding stock options.

| | September 30, 2018 | September 30, 2017 |
|---|-------------------------------|-----------------------|
| Net income (loss) | \$ (121,667) | \$ 44,929 |
| Weighted average number of common shares outstanding during the period | 26,215,933 | 25,954,933 |
| Adjustment for stock options | 1,570,000 | 1,831,000 |
| Weighted average number of common shares outstanding during the period for diluted earnings per share | 27,785,933 | 27,785,933 |
| Diluted earnings (loss) per share | \$ 0.00 | \$ 0.00 |

BEVO AGRO INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIODS ENDED SEPTEMBER 30 (Expressed in Canadian \$)

(Unaudited – prepared by Management)

24. Subsequent event

On October 4, 2018 the Company announced an Arrangement Agreement with Sun Pharm Investments Ltd. for a reverse take-over of Bevo Agro Inc. which involves three main elements:

- the amalgamation of Sun Pharm with a wholly-owned subsidiary of Bevo, with Sun Pharm shareholders receiving 86% of the outstanding Bevo shares (the expected exchange ratio being one Bevo share for each Sun Pharm share) and the existing Bevo shareholders continuing to hold Bevo shares representing a 14% interest in Bevo.
- a plan of arrangement under which Bevo will distribute its interest in CubicFarm Systems Corp. to the shareholders of Bevo, with Bevo shareholders expected to receive one common share of Cubic for every Bevo share held.
- Bevo changing its name to Zenabis Global Inc. ("Zenabis," being one of Sun Pharm's established brands in the cannabis industry).

The transaction is scheduled to close by December 31, 2018.