AGRAPOINT INTERNATIONAL INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

WBLI
Chartered Accountants

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WBLI
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
AgraPoint International Inc.

We have audited the accompanying financial statements of AgraPoint International Inc., which comprise the balance sheet as at December 31, 2010, and the statements of earnings, retained earnings and reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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AUDITORS' REPORT

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AgraPoint International Inc. as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

WBLI

CHARTERED ACCOUNTANTS

Bedford, Nova Scotia

March 4, 2011

AGRAPOINT INTERNATIONAL INC.

BALANCE SHEET

AS AT DECEMBER 31, 2010

	2010	2009
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**53,596**	238,695
Short-term investments (note 4)	**684,324**	111,703
Accounts receivable	**276,967**	471,734
Prepaid expenses	**179,364**	295,259
	1,194,251	1,117,391
PROPERTY, PLANT AND EQUIPMENT (note 5)	**144,334**	138,712
LONG-TERM INVESTMENTS (note 6)	**306,893**	246,885
RESTRICTED INVESTMENTS (note 6)	**400,000**	400,000
FUNDS HELD IN TRUST (note 7)	**205,025**	200,000
	2,250,503	2,102,988
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**205,663**	123,867
Deferred revenue	**597,728**	552,100
	803,391	675,967
SHAREHOLDER'S EQUITY		
CAPITAL STOCK (note 8)	**1**	1
RESERVE FOR GENERAL CONTINGENCIES (note 9)	**400,000**	400,000
RESERVE FOR FUNDS HELD IN TRUST (note 9)	**205,025**	200,000
RETAINED EARNINGS	**842,086**	827,020
	1,447,112	1,427,021
	2,250,503	2,102,988

COMMITMENTS (note 10)

APPROVED ON BEHALF OF BOARD

Director　　　　　　　　　　Director

AGRAPOINT INTERNATIONAL INC.

STATEMENTS OF RETAINED EARNINGS AND RESERVES

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
	$	$
RESERVE FOR GENERAL CONTINGENCIES		
BALANCE - beginning of year	**400,000**	400,000
INVESTMENT INCOME	**-**	-
BALANCE - end of year	**400,000**	400,000
RESERVE FOR FUNDS HELD IN TRUST		
BALANCE - beginning of year	**200,000**	200,000
INVESTMENT INCOME	**5,025**	-
BALANCE - end of year	**205,025**	200,000
RETAINED EARNINGS		
BALANCE - beginning of year	**827,020**	1,096,070
APPROPRIATION OF RESERVE FOR FUNDS HELD IN TRUST	**-**	(200,000)
APPROPRIATION OF RESERVE FOR GENERAL CONTINGENCIES	**-**	(400,000)
	827,020	496,070
NET EARNINGS	**15,066**	330,950
BALANCE - end of year	**842,086**	827,020

AGRAPOINT INTERNATIONAL INC.

STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 $	2009 $
REVENUE		
Consulting and fees (note 11)	**3,200,908**	3,126,891
Other	**883**	8,647
	3,201,791	3,135,538
COST OF SERVICES	**535,549**	411,655
	2,666,242	2,723,883
EXPENSES		
Salaries, wages and benefits	**2,205,861**	1,988,810
Office and administration	**141,690**	166,125
Occupancy	**132,982**	129,725
Travel	**37,044**	24,728
Insurance	**34,452**	32,544
Dues and professional development	**29,481**	23,055
Professional fees	**27,674**	25,108
Marketing and communications	**20,078**	15,584
Business development	**395**	411
Board	**17**	2,098
	2,629,674	2,408,188
EARNINGS FOR THE YEAR BEFORE OTHER ITEMS	**36,568**	315,695
OTHER ITEMS		
Loss on disposal of property, plant and equipment	**(3,134)**	(56)
Investment income	**21,085**	24,491
Unrealized gain on investments	**54,711**	80,638
Amortization	**(94,164)**	(89,818)
	(21,502)	15,255
NET EARNINGS FOR THE YEAR	**15,066**	330,950

AGRAPOINT INTERNATIONAL INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
	$	$
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Cash provided from (used in) operations		
Net earnings for the year	**15,066**	330,950
Items in earnings not involving cash		
Amortization	**94,164**	89,818
Loss on disposal of property, plant and equipment	**3,134**	56
Unrealized gain on investments	**(54,711)**	(80,638)
	57,653	340,186
Change in noncash working capital balances		
Accounts receivable	**194,767**	(160,566)
Prepaid expenses	**115,895**	(242,266)
Accounts payable and accrued liabilities	**81,794**	(177,569)
Deferred revenue	**45,628**	(5,362)
	495,737	(245,577)
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(103,715)**	(58,971)
Proceeds on disposal of property, plant and equipment	**797**	2,065
Net acquisition of long-term investments	**(5,297)**	(38,839)
Net (acquisition) disposal of short-term investments	**(572,621)**	622,879
Funds held in trust	**-**	(200,000)
	(680,836)	327,134
CHANGE IN CASH DURING THE YEAR	**(185,099)**	81,557
CASH - beginning of year	**238,695**	157,138
CASH - end of year	**53,596**	238,695

NOTE:

Interest paid	**2,516**	1,502

1. NATURE OF OPERATIONS

The Agricultural Development Institute Limited was incorporated under the Nova Scotia Companies Act on August 21, 2000, and actively began providing services to the agricultural industry of Nova Scotia in April 2001. Effective October 15, 2002, the Institute changed its name to AgraPoint International Inc. AgraPoint International Inc. is a government organization. AgraPoint's objectives are to provide innovative development services that empower the agri-food industry to create new value. Its three main core values are empowerment of the client, importance of rural life and commitment to the future development of the agri-food industry.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments
Short-term investments are classified as held for trading and are recorded at fair market value. At year end, the quoted market value was substantially the same as the cost. Unrealized gains and losses are included in net earnings for the year.

Long-term investments have been classified as held for trading because of the activity in the portfolio that has occurred during the past two years. The long-term investments have been recorded at fair market value, which is the quoted market value, with any unrealized gains and losses related to the long-term investments included in net earnings for the year.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Computer hardware	50%
Computer software	100%
Furniture and fixtures	20%

Leaseholds are being amortized by the straight-line method over 10.33 years which is the term of the lease.

Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Revenue Recognition
Revenue related to the Province of Nova Scotia's annual contribution is recognized equally over the year in which it is received.

Investment income is recognized as revenue when earned.

Consulting and fee income is recognized as revenue as the service is provided.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

3. INCOME TAXES

The company and its property are exempt from taxation under section 149(1)(d) of the Income Tax Act.

4. SHORT-TERM INVESTMENTS

The short-term investments are comprised of government bonds, treasury bills, mutual funds and other interest bearing investments. The cost of the short-term investments at the end of the year is $684,324 (2009 - $111,703).

5. PROPERTY, PLANT AND EQUIPMENT

			2010	2009
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
	$	**$**	**$**	$
Computer hardware	**224,219**	**161,975**	**62,244**	37,695
Computer software	**148,897**	**133,112**	**15,785**	17,698
Furniture, fixtures and equipment	**152,516**	**103,579**	**48,937**	52,893
Leasehold improvements	**117,470**	**100,102**	**17,368**	30,426
	643,102	**498,768**	**144,334**	138,712

6. LONG-TERM INVESTMENTS

	2010 $	2009 $
Fixed Income		
Imperial short-term bond pool is made up of bonds, debentures, notes or other debt instruments, of Canadian and non-Canadian issuers, with a remaining term to maturity of one to five years. The interest rate exposure for the top ten holdings ranges from 2.20% to 4.80%. The cost of this investment is $118,670 (2009 - $90,479).	**120,116**	92,890
Imperial Canadian bond pool is made up of bonds, debentures, notes, other debt instruments (whether secured or unsecured), preferred shares and convertible preferred shares of Canadian and non-Canadian issuers. The interest rate exposure for the top ten holdings ranges from 2.45% to 11.00%. The cost of this investment is $164,585 (2009 - $173,119).	**170,210**	175,856
	290,326	268,746
Investments in equities - The cost of this investment is $422,306 (2009 - $434,861).	**416,567**	378,139
	706,893	646,885
Less: restricted investments	**400,000**	400,000
	306,893	246,885

In 2009, the Board of Directors approved that $400,000 of the long-term investments be restricted for the purposes of covering emergency cash flow requirements and general contingencies.

7. FUNDS HELD IN TRUST

In 2009, the company provided $200,000 in funds to the Nova Scotia Agricultural College Foundation. These funds are held in trust by the foundation and are to be used to support the company's operations, as defined by its mission statement. Investment income generated by the funds held in trust will be retained and added to this balance.

8. CAPITAL STOCK

Authorized
1,000,000 Common shares without nominal or par value
1,000,000 Common shares with a par value of $1 each

		2010	2009
		$	$
Issued			
1	Common share without nominal or par value	**1**	1

9. APPROPRIATIONS FROM RETAINED EARNINGS

In 2009, the Board of Directors approved that $400,000 be appropriated from retained earnings to create a reserve fund which is to be used for emergency cash flow requirements and general contingencies.

The Board of Directors also appropriated $200,000 from retained earnings to be held in trust at the Nova Scotia Agricultural College Foundation.

10. COMMITMENTS

The company is renting office premises in Kentville and Truro. The annual rent commitment for both locations is $124,448. The long-term lease for Kentville expires in April 2012, and the office space in Truro is rented on a month by month term. The long-term lease for Cape Breton expired in June 2010.

The company is leasing office equipment expiring October 2011 and July 2014. The annual rent for the next four years is as follows:

	$
2011	17,913
2012	16,701
2013	16,701
2014	8,350

11. ECONOMIC DEPENDENCE

The company has signed a Memorandum of Understanding with the Province of Nova Scotia to provide services as described in this document for a five year period ending in March 2010. The annual fee to be paid for the services performed is $2,200,000.

The company secured funding from the Province of Nova Scotia for another year term expiring in March 2011. The funding received from the Province of Nova Scotia for the services provided represents 69% (2009 - 70%) of the company's total revenue.

Subsequent to year-end, the company has had discussions with the Province of Nova Scotia about funding for a one year term expiring in March 2012. The company has a verbal understanding that this funding will be provided but does not have a signed agreement as of March 4, 2011, the date the financial statements were approved by the Board of Directors.

12. EMPLOYEE FUTURE BENEFITS

The company participates in a defined contribution group RPP matching plan for its full-time, permanent employees who have been employed with the company for at least three months. The plan is not mandatory for the employees. Contributions are expensed in the period incurred. The company contributed $81,292 (2009 - $75,816) to the plan during the year.

13. FINANCIAL INSTRUMENTS

Fair Values of Financial Instruments
The company's financial instruments are comprised of cash, short-term investments, accounts receivable, long-term investments and accounts payable and accrued liabilities.

Cash, accounts receivable, and accounts payable and accrued liabilities are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term nature.

The fair values of the short and long-term investments are reported at their fair values on the balance sheet.

Credit Risk
The company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the company regularly monitors the balances outstanding from its customers. The customer base is made up of individual farmers and government agencies.

The company does not have a significant exposure to any individual customer or counterpart other than the Province of Nova Scotia as discussed in note 11. The company's customers vary in size and nature. The company incurred bad debt expense in the current year of $2,791 (2009 - $10,463)

Market Risk
The company is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the company to a fair value risk, while the variable-interest instruments subject it to cash flow risk.