innovative
by nature

ANNUAL REPORT 2010

Agrinos

Content

Potatoes, exhibition demonstration plot, Cereals 2011 conference, Lincolnshire, UK

Agrinos in brief

Agrinos is a green technology company committed to bringing environmentally beneficial solutions to the agricultural industry. With a combined period of over 30 years of research and development, and 15 years of experience with product sales and application, Agrinos' technology provides a basis for high yield, environmentally sensitive agricultural methods.

Vision

"We want farmers to prosper and farm sustainably with the support of our technologies and knowledge."

Mission

"We provide innovative solutions that enable farmers to increase yield, crop quality, and profit while reducing environmental impact and restoring soil health."

Value proposition to farmers

Agrinos' products improve farmer profitability by:

- enhancing yields and crop quality;
- fortifying plants and stimulating their natural capacity to resist pests, diseases, and stress;
- increasing the efficiency of other agricultural inputs;
- nurturing the soil ecosystem.

Technology and products

Agrinos' High Yield Technology™ product set is focused at integrated crop nutrition management. The products make up a number of solutions specifically formulated to meet the needs and challenges of different agricultural sectors. These multi-part targeted solutions are comprised of solution-specific versions of Agrinos' component technologies which are delivered to the agricultural producer in formulated packages with specific application rates and methods.

The building blocks of Agrinos™ products are:

- Microbial Synergy System™ - component A of Agrinos Products
- BioAmin™ - component B of Agrinos Products
- MicroChitina™ - component C of Agrinos Products

History

Product development and testing of Agrinos' products have been going on since the prototype of the high yield technology was invented in the 1980s. During the 1990s the technology was tested internationally and commercial development started in 2005. Agrinos AS was founded in 2009 and acquired the technology and commercial rights in 2010.

Cantaloupe melons, Arizona, 2011 – trials in association with internationally known fresh and canned food company

Letter to shareholders

Interests and people aligned with objectives
For me, a fundamental ingredient when building a well performing growth company is aligning short term actions with long-term objectives. It forces discipline and focus on what's critical. When we ensured control over commercial rights and interests last year, it enabled us to develop an organisational design that gave us a more industrialised structure. With clear responsibilities, specialized roles and a unit-based organisation, interests were aligned and we established a sound foundation for building a global agro-industrial company.

This structural progress was a key achievement in 2010. Today it shapes our capital allocation, operating decisions and what our employees strive to accomplish every day. The direction of Agrinos' is clear: Moving to grow farmers' and our own company's profitability.

Ramping up sales activity and production capacity
Agrinos has a proven technology that increases yield, crop quality, and profit while reducing environmental impact and restoring soil health. The agricultural industry and farmers yearn for solutions addressing these issues, accentuated by the global food, energy and climate situation. We believe the market is huge - but we need to penetrate different segments and be capable of serving them.

Our main priorities during 2010 and well into this year have been to secure orders and open up new markets through increased sales activity. Conducting trials with potential customers is the all-important factor driving revenue growth. Successful trials generate sales and build traction. In addition, it builds brand recognition in the market and a reputation for high quality product solutions that generates more traction.

I'm satisfied that we delivered on our 2010 Pro Forma revenue target of USD 3.7 million. But I'm even more satisfied that Agrinos is increasingly becoming a trusted partner for farmers and corporations around the world because we help them become more profitable and sustainable. In my view, the significant sales momentum we are experiencing moving towards the close of the first half of 2011 is just the beginning. I'm confident that we will reach our full year 2011 sales target.

In parallel with our sales efforts, we are making improvements across the value chain. We are ramping up production capacity and developing a supply chain that is equipped to cope with the growth period we are today. To serve large markets as effectively and economically as possible, we are also focusing on cooperation and information sharing across business units. We take knowledge and experience from one business unit to lift the performance of other units.

Power growth through strategic initiatives
From the trials we conduct on a global scale, the results our (potential) customers report and the interests we receive in our company and products, it's evident that we are unleashing an extraordinary technology's potential. To exploit this advantage, we are working with several strategic initiatives that might add power to our growth. These initiatives relate in particular to new, large customers and new markets. These are exciting times!

Tom Einar Rysst-Jensen,
Chief Executive Officer

Asparagus, Baja California, Mexico, 2011

Board of Directors report

2010 was a pivotal year for Agrinos. The company strengthened its strategic market positions and substantially expanded the obtainable customer base. This was achieved through registration processes and extensive pre-commercial trials with potential customers and key opinion leaders in regions like Central America, United States, Europe and Asia

Equally important; control of global commercial rights was secured, the company acquired the production facilities in Mexico, the build-up of the organisation progressed, and the equity base to fund the operations was secured.

Agrinos customer base consists of farmers and distributors within the agricultural industry. These customers are conservative with respect to changing established regimes and farming methods. Agrinos has many years of experience though with achieving sales with such customers – in Mexico, Colombia and Malaysia. The most important element in the sales process is the conduct of successful pre commercial trials with potential customers before they place any order. Agrinos is now taking the experience gained in Mexico, Colombia and Malaysia into new markets.

Key developments in 2010

Commercial global rights controlled in one entity – Agrinos AS
In 2010 all of the remaining rights to technology and distribution were acquired and gathered in the holding company Agrinos AS, giving full control of all commercial and technological rights. In Mexico and Colombia the company also took over the local sales organizations with more than 15 years of experience in selling the products.

Successful registration efforts
At the end of 2010, registration of one or more of Agrinos' product categories had been achieved in six US states, China, Indonesia, Colombia, Venezuela, Ecuador, Malaysia, Ghana, Peru, Mexico, and Norway. Moving into 2011 six more US states, the Netherlands, Spain and the UK have been added to the list.

Trials to open up markets

Agrinos focused on increasing the academic and commercial acceptance of its products in 2010. Extensive 3rd party trials were carried out in order to document the effects of the products. To date, Agrinos has carried out more than 1,500 proof-of-concept trials (promotional, commercial and scientific) in Europe, China, USA, Mexico, Malaysia, India, Indonesia, Africa and Turkey. The trials have covered most relevant crops (more than 30 different) under a vast range of conditions and Agrinos has during these trials collaborated with potential customers in the form of industrial companies and farmers, as well as universities and institutions.

New equity financing secured

New equity of USD 30 million was raised to realise the company's growth plan and to ensure sufficient financing until profitability is reached.

The company's share was also included in the Norwegian over-the-counter (OTC) system, supervised by the Norwegian Securities Dealers Association. This was a first step towards the goal of listing on Oslo Stock Exchange in one or two years.

Financial review

At the end of 2010, the Agrinos Group consisted of the operating entities Agrinos AS, headquartered in Norway, Bioderpac S.A. de C.V. in Mexico, Agrinos Sdn. Bhd. in Malaysia and Agrinos US Inc in the US.

The Pro Forma figures include the activities that Agrinos AS acquired in Mexico with effect from 1 January 2011 and Colombia with effect from 5 April 2011. In addition, activities in China are included. These activities are in the process of being transferred into a 50% owned joint venture with Chinese partners.

Accounts for the Agrinos Group are presented according to GAAP in Norway.

Profit and loss

The unaudited Pro Forma revenue for 2010 was USD 3.7 million, slightly above the expected USD 3.6 million communicated in the second half of 2010. Revenue in the fourth quarter amounted to USD 2.0 million.

The revenue for the Group companies for 2010 was USD 1.2 million.

The Group's operating expenses excluding depreciation but including costs of goods sold amounted to USD 5.3 million.

The EBITDA was USD 4.1 million for the year and the result after depreciation and financial items shows a net loss of USD 4.3 million for the full year 2010.

Agrinos AS had total revenues of USD 0.9 million and had a negative EBITDA of USD 3.5 million.

Cash flow and balance sheet

At 31 December 2010 the Group had liquid reserves in total of USD 23.9 million. The USD 5.0 million payment for the Bioderpac shares had then been made, but USD 2.4 million to be paid to the sellers of the distribution rights and activities in Mexico and Colombia was still held in Agrinos' accounts.

The total purchase price for the acquisition of the shares in Bioderpac was USD 21.3 million including an earn-out element related to sales of the products BioAmin and MicroChitina outside of Mexico and Colombia in the period 2011 to 2013.

The total payment for the acquisition of the distribution rights and activities in Colombia and Mexico was USD 17.3 million including an earn-out element related to the profitability of the activities in Mexico and Colombia in the period 2011 to 2014.

The total equity at the end of 2010 stood at USD 45.1 million.

Total outstanding shares at the end of 2010 were 31,723,833. In addition warrants equal to 1,740,000 shares have been issued. As part of the consideration for the distribution rights and activities in Mexico and Colombia an additional 240,000 shares will be issued.

Going concern assumption

Pursuant to section 3-3a of the Norwegian Accounting Act and with reference to the company's financial position, the Board confirms that the going concern assumption is realistic and that the financial statements for 2010 have been prepared on that basis.

Research and development

High Yield Technology™ is a set of products making an integrated approach to nutrient availability, fertilizer use efficiency and crop health possible. The High Yield Technology™ product suite also features components that increase crop vigour, reduce plant stress and increase crop plants' natural resistance to its natural enemies. Agrinos has accumulated extensive knowledge in how to use the products optimally and the production methods. However, the company intends to continue its efforts within research and development in order to expand the scientific basis for the products and their applications and identify new opportunities.

Health, safety and environment

Sickness absence

The total sickness absence in 2010 was 1.8%.

Environment

Agrinos' products enhance agricultural productivity and stimulate CO^2 uptake by the crop. Agrinos' products increase yield and reduce the necessity for mineral fertilizers and to cultivate new land, thus avoiding greenhouse gas emissions from fertilizers production and distribution, as well as land-use change.

People and organisation

Organisation

The group had an overall workforce of 38 full-time equivalents at 31 December 2010.

Changes in Board and management

Thorleif Enger was elected new Chairman of the Board and Hellek Bråthen took on the position as Chief Financial Officer during 2010.

Equal opportunities

Agrinos wants to be an attractive employer for people with different backgrounds, regardless of their ethnicity, gender, religion, age, or disabilities. The Group will provide equal pay for equal work and reward good results. Key elements in determining remuneration are the scope of responsibility, job content, the individual's expertise and commitment, performance and local rates of pay.

Outlook

The general upward pressure on prices for commodities and agricultural inputs provides a continued strong macroeconomic backdrop for the products and solutions that Agrinos provides.

Agrinos has a proven technology and product offering yielding strong results for farmers. This proved to be a robust platform when the company expanded its operations during 2010. At the end of the year, the company had sales and marketing activities in Mexico, Colombia, the United States, Norway, Ukraine, Ghana, Malaysia, Indonesia and China that have started to generate results.

In 2011, sales will mainly be driven by Agrinos' own sales organization. In the longer run an increasing part of the sales is expected to come from distributors.

The company has conducted successful trials with a number of key industrial buyers in the US and a state-owned company in Mexico. Total revenue level in 2011 could be significantly affected should one or more of these entities decide to use Agrinos' products.

Given Agrinos' strong technology and product offering, expanded market presence and growing recognition of the company's capabilities, the Board believes Agrinos is well positioned in an agricultural industry with solid underlying fundamentals. The revenue expectation for 2011, previously indicated at USD 17.6 million is maintained.

Bærum,
17 June 2011

Thorleif Enger,
Chairman of the Board

Morten Bergesen,
Board member

Kjetil Bøhn,
Board member

Karl Reiner Fick,
Board member

Gerardo Enrique Esquer Aguirre
Board member

Tom Einar Rysst-Jensen,
Chief Executive Officer

Content financial statements and notes

Profit and Loss for the financial year 2010

Parent company		USD	Notes	Group
2009	**2010**	**PROFIT AND LOSS**		**2010**
		Operating revenue		
206,728	892,611	Sales revenue	4	1,130,291
0	44,739	Other operating revenue		86,717
206,728	**937,350**	**Operating revenue**		**1,217,008**
		Operating expenses		
-61,948	-238,998	Cost of materials		-492,245
-150,144	-1,545,897	Salaries and personnel costs	5	-1,785,502
-31,800 0	-66,280	Depreciation and amortisation	6	-246,487
-336,036 0	-2,669,661	Other operating expenses	5	-3,047,857
-579,928	**-4,520,836**	**Total operating expenses**		**-5,572,091**
-373,201	**-3,583,486**	**Operating profit**		**-4,355,083**
		Financial income and expenses		
-2,921	**104,021**	**Net financial income (expenses)**		**28,320**
-376,121	**-3,479,465**	**Profit before taxes**		**-4,326,763**
0	0	Tax	13	0
-376,121 0	**-3,479,465**	**Loss for the year**		**-4,326,763**

Balance sheet as of 31 December 2010

Parent company 2009	Parent company 2010	USD BALANCE SHEET	Notes	Group 2010
		ASSETS		
		FIXED ASSETS		
		Intangible assets		
657,780	17,886,002	Acquired rights	6	43,431,890
657,780	**17,886,002**	**Total intangible assets**		**43,431,890**
		Tangible assets	6	
0	0	Land		80,840
0	0	Buildings		515,427
0	0	Improvements to leased premises		63,003
0	0	Vehicles		84,392
0	0	Machines, fixtures and fittings etc.		734,918
0	0	Depreciation		-264,892
0	**0**	**Total tangible fixed assets**		**1,205,534**
		Financial assets		
354,205	21,263,478	Investments in subsidiaries	7	0
235,211	2,835,328	Loans to Group companies	7	0
0	0	Investments in other shares and interests		1,000
0	0	Other non-current receivables		0
589,415	**24,098,806**	**Total financial non-current assets**		**1,000**
1,247,195	**41,984,808**	**Total fixed assets**		**44,638,424**
		CURRENT ASSETS		
		Goods		
462,723	814,199	Inventories	8	896,029
		Receivables		
187,460	565,687	Accounts receivable		734,814
549,270	225,481	Other receivables		502,910
0	330,579	Receivables from Group companies		0
736,730	**1,121,747**	**Total receivables**		**1,237,724**
		Bank deposits, cash etc.		
2,884,551	23,753,906	Bank deposits, cash etc.	9	23,857,850
4,084,004	**25,689,852**	**Total current assets**		**25,991,603**
5,331,199	**67,674,660**	**TOTAL ASSETS**		**70,630,027**

Balance sheet as of 31 December 2010

Parent company 2009	Parent company 2010	USD BALANCE SHEET	Notes	Group 2010
		EQUITY AND LIABILITIES		
		EQUITY		
		Paid in capital		
35,059	54,184	Share capital	10	54,184
5,111,973	45,787,766	Premium reserve		45,107,895
5,147,032	**45,841,950**	**Total paid in capital**		**45,162,079**
0	0	**Minority interests**		0
5,147,032	**45,841,950**	**Total equity**	11	**45,162,079**
		LIABILITIES		
		Provisions for liabilities		
0	0	Deferred tax	13	3,936,518
0	**0**	**Total provisions for liabilities**		**3,936,518**
		Other non-current liabilities		
		Debt to Group companies		
0	17,784,460	Other non-current liabilities	12	17,823,409
0	**17,784,460**	**Total non-current liabilities**		**17,823,409**
		Current liabilities		
94,640	409,960	Accounts payable		777,412
37,559	57,367	Current tax payable		66,808
0	738,803	Liabilities to Group companies		0
51,968	2,842,121	Other current liabilities		2,863,800
184,167	**4,048,250**	**Total current liabilities**		**3,708,020**
184,167	**21,832,710**	**Total liabilities**		**25,467,947**
5,331,199	**67,674,660**	**TOTAL EQUITY AND LIABILITIES**	**413,524,747**	**70,630,027**

Bærum,
17June 2011

Thorleif Enger,
Chairman of the Board

Morten Bergesen,
Board member

Kjetil Bøhn,
Board member

Karl Reiner Fick,
Board member

Gerardo Enrique Esquer Aguirre
Director

Tom Einar Rysst-Jensen,
Chief Executive Officer

Cash flow statement

USD	Parent Company 2010	Parent Company 2009
Cash flow from operating activities		
Profit before tax	-3,479,465	-409,475
Depreciation and amortisation	66,280	34,620
Changes in inventories, receivables and payables	-167,014	-555,543
Changes in other accruals/currency effects	356,738	-582,173
Net cash flow from operating activities	-3,223,461	-1,512,571
Cash flow from investment activities		
Investments in tangible fixed assets	0	0
Changes in other investments	-40,738,293	-1,247,195
Net cash flow from investment activities	-40,738,293	-1,247,195
Cash flow from financing activities		
Proceeds from borrowings (current and non-current)	20,535,464	49,482
Proceeds from issuance of shares	44,333,973	5,556,508
Net cash flow from financing activities	64,869,436	5,605,990
Net change in cash and cash equivalents	20,907,682	2,846,223
Cash and cash equivalents as of 1 January	2,846,223	
Cash and cash equivalents as of 31 December	23,753,906	2,846,223

Notes to the accounts

Note 1 Accounting policies

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards in Norwegian kroner. The company is not obligated to prepare consolidated financial statements but has elected to do so for 2010. Consolidated financial statements have not been prepared for 2009.

Shares in subsidiaries and associated companies
Subsidiaries are companies over which the parent company has a controlling influence on the entity's financial and operational strategy, ordinarily through agreements or ownership of more than half the voting rights of the shares.

Shares and interests in subsidiaries and associated companies

Shares in subsidiaries and interests in associated companies are evaluated in accordance with the cost method in the company accounts. The acquisition cost is increased when the parent company increases the equity in the subsidiary through a capital expansion or when a Group contribution is made from the parent company to the subsidiary. The acquisition cost is reduced when dividends received or Group contributions from the subsidiary exceed our share of retained earnings in the company after the acquisition.

See note 7 for an overview of subsidiaries and associated companies.

Consolidation policies

Companies over which the Group has a controlling influence are consolidated from the time when control is transferred to the Group (the date of acquisition). Investments in companies where the Group has a significant influence are evaluated in accordance with the equity method.

Acquisition of subsidiaries

Acquired subsidiaries are accounted for in the Group financial statements on the basis of the parent company's acquisition cost. Acquisition cost is provisionally assessed at the fair value of identifiable assets and liabilities in the subsidiary, which is presented in the Group financial statements at fair value on the date of acquisition. A final allocation of these amounts is determined during the course of 2011. Any excess values that cannot be attributed to identifiable assets and liabilities are recorded in the balance sheet under goodwill. Goodwill is treated as a residual value and is recorded on the balance sheet at the amount observed at the time of the acquisition. Excess values in the Group financial statements are amortised over the purchased assets' expected useful economic life.

Elimination of internal items

In the Group financial statements the item "shares in subsidiaries" is replaced by "subsidiaries' assets and liabilities". The Group financial statements are prepared as if the Group was a single economic unit. Transactions, unrealised internal gains and intra-group balances between companies in the Group are eliminated.

Translation of foreign subsidiaries

The foreign subsidiaries' functional currencies are Malaysian Ringgits (MYR), United States Dollars (USD) and Mexican Pesos (MXN). The financial statements are translated at spot rates. The balance sheet is translated using the exchange rate prevailing on the date of the balance sheet, and the income statement is translated using an average exchange rate. The Group has established fixed common exchange rates each month based on Norges Bank's exchange rate statistics. Any material transactions are translated at the prevailing exchange rate on the date of the transaction. All translation adjustments are recognised directly in equity.

General rules for the valuation and classification of assets and liabilities

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that are to be repaid within a year are classified as current assets. A similar criterion is used when determining whether a liability is to be classified as current or non-current.

Fixed assets are valued at historical cost, but are written down to fair value when a fall in value is not expected to be temporary in nature. Fixed assets with limited economic lives are depreciated according to a schedule. Non-current liabilities are carried at their nominal amount at the time they were established, and are not adjusted to fair value due to changes in interest rates.

Current assets are stated at the lower of cost and fair value. Current liabilities are carried at the nominal amount received at the time they were established, without taking into account later changes in interest rates.

Foreign currencies

Cash items in foreign currency are translated at the exchange rate on the balance sheet date.

Operating revenue

Revenues from the sale of goods are recognised at the time of delivery (the time the transaction takes place). Services are recognised as revenue as they are delivered.

Intangible assets

Goodwill has arisen in connection with the acquisition of businesses and subsidiary companies. Goodwill is amortised over its estimated useful life. To the extent that the Group undertakes it's own development, the costs are expensed as incurred. Expenses relating to research are expensed on an ongoing basis. Other intangible assets are recorded on the balance sheet when certain conditions have been met. These assets are amortised over their estimated useful life.

Tangible fixed assets

Tangible fixed assets are recognised and depreciated on a straight-line basis over the expected useful economic life of the assets. Costs associated with direct maintenance of the assets are expensed on an ongoing basis under operating expenses. Additions or improvements are added to the cost price of the asset and depreciated at the same rate as the underlying asset. The distinction between maintenance and additions or improvements is determined by comparison to the condition of the asset on acquisition. Fixtures and fittings in leased premises are carried on the balance sheet and depreciated over the period of the lease.

Leases

Operating leases are expensed as incurred.

Stock

Stocks are valued at the lesser of acquisition cost according to the FIFO principle or fair value. Fair value is the estimated realisable value after deducting for estimated expenses necessarily incurred in completing the sale (net realisable value).

Receivables

Accounts receivable and other receivables are stated at their nominal value after deductions for expected losses.

Provisions for losses are determined on the basis of individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents comprise bank deposits.

Liabilities

Liabilities are recorded on the balance sheet at the nominal amount of the liability.

Pensions

The company has a common (secured) pension scheme for its employees. The pension scheme is a defined contribution plan, i.e. the company does not have additional payment obligations after the contributions have been paid. The contributions are accounted for under salaries and personnel costs when they fall due. Prepaid contributions are accounted for as an asset to the extent that the contribution can be refunded or serve to reduce future contributions.

Tax

Tax in the income statement comprises both current tax payable and changes in deferred tax/deferred tax assets. Deferred tax is estimated based on the temporary differences between the tax base and the carrying amount, and on the basis of any tax loss at the end of the financial year. Tax increasing and tax reducing temporary differences that reverse or can reverse in the same period are offset. Deferred tax assets on net tax reducing differences that are not offset and on losses to be carried forward, are recognised when future taxable profit is available against which they can be utilised. Deferred tax and deferred tax assets that can be recognised are presented net in the balance sheet.

Tax related to equity transactions, for example Group contributions, is recognised directly against current taxes in the balance sheet. Deferred tax/deferred tax assets are calculated using nominal values. The Group's deferred tax assets are not included in the balance sheet.

Cash flow statement

The Cash flow statement has been prepared using the indirect method. Cash and cash equivalents include cash, bank deposits and other current, liquid deposits.

Note 2 Group accounting

Group financial statements have not been prepared for 2009.

Note 3 Individual transactions

The largest transactions in 2010 were the acquisition of Bioderpac S.A. de C.V. and the purchase of distribution rights in Mexico and Colombia.

Note 4 External sales revenue

USD	Parent Company 2010	Parent Company 2009	Group 2010
External Sales - Agrinos AS	798,675	-	798,675
External Sales - Agrinos Sdn. Bhd.			376,243
Total	798,675	-	1,174,918

Total sales revenue for Agrinos AS was USD 937,350 in 2010.

Note 5 Salaries and remuneration

Salaries

Salaries comprise the following items:

USD	Parent Company 2010	Parent Company 2009	Group 2010
Salaries	1,365,852	127,847	1,724,096
Social security tax	143,716	18,928	165,526
Pension costs	13,408	2,283	23,013
Other personnel costs	22,921	1,086	87,372
Total salaries	1,545,897	150,144	2,000,008
Number of man-years employed	10	2	38

Remunerations

The following remuneration has been given to the company's executive management:

USD	Managing Director	The Board
Salary	251,765	45,568
Pension obligations	3,554	-
Other remuneration	28,473	6,425

Other remuneration to the Managing Director and Chairman

Refer to the statement on warrants.

The Managing Director has a contractual right to a bonus payment of up to 50% of base salary.

Stock rights, options etc:

Options

A share-based incentive programme for the company's executive management and Chairman has been established which enables the Board to compensate current and future executives through the allocation of warrants to acquire shares in the company. The company's current and future Directors will also be permitted to participate in the programme following a subsequent decision at the Annual General Meeting.

The Annual General Meeting approved the issue of 1 350 000 warrants and drew up agreements with the Managing Director and Chairman. The deadline for acquiring the issued shares is five years. Each warrant entitles the holder to one share in the company, with nominal value of NOK 0.01 at an exercise price determined at the Annual General Meeting.

The Annual General Meeting approved the issue of 390 000 warrants for employees. Each warrant entitles the holder to one share in the company, with nominal value of NOK 0.01 at an exercise price that is determined by the Board. The exercise prices are in USD.

	Number of earned options	Number of options not earned as of 31.12.10	Average exercis e price	Expiration date
Managing Director:	750,000		2.23	Before 10 December 2015
Chairman	600,000		2.22	Before 10 December 2015
Employees	97,503	292,497	2.56	In the period 25 June 2014- 25 June 2015
Total number of options	1,740,000			

The price of options granted to employees that have not been exercised, is determined based on new equity issues or the market value of shares.

Bonus scheme for employees

The company has a performance based bonus scheme for its employees. As of 31 December 2010 provisions for the bonus totalling USD 360,507 have been allocated in the accounts which includes social security tax and related holiday pay. These provisions include the bonus payment to the Managing Director.

Audit fees

Broken down by type of service (the fees include/exclude VAT):

	Parent Company		Group
USD	**2010**	**2009**	**2010**
Staturory audit	11,930	-	18,053
- Other assurance services	10,543	-	10,543
- Tax consulting	-	3,314	549
- Other consulting services	7,766	-	7,766
Total fees for other services	18,310	3,314	18,859

Note 6 Intangible assets and tangible fixed assets

In the Group financial statements a provisional acquisition analysis has been made with respect to the excess values in the company's accounts resulting from the acquisition of Bioderpac. 50 % of the excess values identified has been provisionally categorised as goodwill. The final determination of the excess values will be made when the accounts are presented for 2011. Goodwill is depreciated over a period of 10 years and justified by Bioderpac being a long term investment.

Parent company

	Acquired rights	Total
Acquisition cost as of 1 Jan.	649,040	649,040
Additions during the year	17,305,282	17,305,282
Exchange rate adjustments		
Additions on acquisition of subsidiaries		
Dispositions during the year		
Acquisition cost as of 31 Dec.	17,954,322	17,954,322
		-
Acc. depreciation as of 31 Dec.	102,480	102,480
Acc. write downs as of 31 Dec.		-
Acc. write down reversals as of 31 Dec.		-
Acc. depreciation and write downs as of 31 Dec.	102,480	102,480
Carrying amount as of 31 Dec.	17,851,842	17,851,842
Depreciation during the year	66,280	66,280
Write downs during the year	-	-
Write down reversals during the year	-	-
Depreciation rate/useful economic lifetim	10%/ 10yrs.	
Depreciation method	Straight line	
Change in depreciation method	No	

The Group

	Machinery/ Fixtures & fittings	Vehicles	Buildings/ Land	Goodwill	Acquired rights	Total
Acquisition cost as of 1 Jan.	529,332	46,097	217,414	-	1,756,313	2,549,155
Additions during the year	249,294	58,997	258,642	10,461,011	31,314,397	42,342,342
Exchange rate adjustments						
Additions on acquisition of subsidiaries						
Dispositions during the year						
Acquisition cost as of 31 Dec.	778,627	105,094	476,056	10,461,011	33,070,710	44,891,497
Acc. depreciation as of 31 Dec.	- 277,471	- 27,417	- 6,869	-	- 362,558	- 674,315
Acc. write downs as of 31 Dec.						
Acc. write down reversals as of 31 Dec.						
Acc. depreciation and write downs as of	- 277,471	- 27,417	- 6,869		- 362,558	- 674,315
Carrying amount as of 31 Dec.	765,494	84,473	474,958	10,461,011	32,851,488	44,637,424
Depreciation during the year	- 13,133	- 20,621	- 1,097	-	- 219,222	- 254,073
Write downs during the year						
Write down reversals during the year						
Depreciation rate/useful economic lifetir	10-20%	20-25%	0-5%	10 % / 10 yrs.	10%	
Depreciation method	Straight line	Straight line	Straight line	Straight line	Straight line	
Change in depreciation method	No	No	No	No	No	

Note 7 Group, subsidiaries, associated companies etc.

The parent company owns the following shares:

Company	Company's Share Capital 31/12/2010	Number of shares	Nominal Value	Ownership and voting share	Equity 31/12/2010	Profit 2010	Book value
	USD				*USD*	*USD*	*USD*
Agrinos Sdn Bhd, Malaysia	421,250	250,000	MYR 1	100%	-36,356	-86,884	268,632
Bioderpac SA de CV, Mexico	9,229,350	19,499	MXN 1000	99.995 %	611,917	-476,932	20,973,496
Agrinos Inc, USA*	-	5,000	USD 0,01	100%	-	-216,536	-
Agrinos China AS, Norge	100,000	100,000	NOK 1	100%	16,936	-140	21,350
Total investments in shares and interests							21,263,478

* The shares in Agrinos Inc, USA. The company is permitted to issue 5,000 shares at USD 0.01, totaling USD 50.

The shares in Agrinos Sdn Bhd, Malaysia are assessed at cost price, despite the company's equity being lower. The shares are considered to be a long term investment with unexploited potential, and the future returns are considered secure.

The shares in Bioderpac were acquired with effect from 10 December 2011. In the income statement Bioderpac has been consolidated proportionally with effect from the same date. Bioderpac has been fully consolidated in the balance sheet. The shares in Bioderpac SA de CV, Mexico, are valued at cost price, despite the company's equity being lower. The shares are considered to be a long term investment with unexploited potential, and the future returns are considered secure.

Including the shares held in the subsidiary Agrinos China AS, the ownership interest is 100% of the shares in Bioderpac SA de CV.

The book value of the shares takes into account an agreement for additional compensation based on the profits in the company for the years 2011, 2012 and 2013. The cumulative value of the profits shall not be less than USD 2,000,000 for those three years. There is also a right to convert the additional compensation into shares in Agrinos AS at a price of 3.5 multiplied by 4.3 = 14.9. The deadline for notification is 31 December in the year in which the profit is earned. This option has not been ascribed a value or included in the balance sheet.

The shares in Agrinos China AS are valued at cost price.

A loan of USD 173,932 including accrued interest as of 31 December 2010 has been issued to Agrinos Sdn Bhd. Interest is calculated monthly on the loan at the 1 month NIBOR rate +1.5%. The loan is not secured.

A loan of USD 2,412,751 including accrued interest as of 31 December 2010 has been issued to Bioderpac SA de CV. Interest is calculated monthly on the loan at the 1 month NIBOR rate +1.5%. The loan is not secured.

A loan of USD 246,755 including accrued interest as of 31 December 2010 has been issued to Agrinos Inc, USA. Interest is calculated monthly on the loan at the 1 month NIBOR rate +1.5%. The loan is not secured.

A loan of USD 1,059 as of 31 December 2010 has been issued to Agrinos China AS. Interest is calculated monthly on the loan at the 1 month NIBOR rate +1.5%. The loan is not secured.

The loans come due when the companies have surplus capital from their own operations. This could occur in 2011.

No guarantees or collateral have been pledged for the benefit of any companies in the Group.

Note 8 Stock

	Parent company		Group
USD	**2010**	**2009**	**2010**
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	814,370	462,723	896,029
Total	814,370	462,723	896,029

Note 9 Bank deposits

	Parent company		Group
USD	**2010**	**2009**	**2010**
Restricted bank deposits	57,940	-	57,940

Note 10 Number of shares, shareholders etc.

The company's share capital is NOK 317,238.33 divided into 31,723,833 shares with a nominal value per share of NOK 0.01.

The largest shareholders as of 31 December 2010 were:

Name	No of shares	Ownership interest	Job title
Karl Co, S.A de C.V.	5,800,000	18.28%	Director
Korrigan Holdings AS	4,498,750	14.18%	
Havfonn AS	4,006,096	12.63%	Director
KB Management AS	3,833,741	12.08%	Director
Keiler Trading	1,920,001	6.05%	
Thoeng AS	1,713,077	5.40%	Chairman
State Street Bank And Trust CO.	1,629,506	5.14%	
Anfar Invest AS	1,400,000	4.41%	
Trond Mohn	1,095,366	3.45%	
Skagen Vekst	645,050	2.03%	
Morgan Stanley & CO INC. New York	627,000	1.98%	
Instittusjonen Fritt Ord	532,000	1.68%	
Six Sis AG	351,000	1.11%	
Holberg Norden	345,475	1.09%	
Tom Einar Rysst-Jensen	330,806	1.04%	Managing Director
Other	2,995,965	9.45%	
Total	**31,723,833**	**100.00%**	

The Chairman Thorleif Enger is part owner of Thoeng AS.

Director Kjetil Bøhn owns KB Management AS.

Director Morten Sigval Bergesen is part owner of Havfonn AS.

Director Karl Reiner Fick Rochin owns Karl Co S.A. de C.V.

Note 11 Equity

Parent company

USD	Share capital	Premium reserve	Total
Equity as of 1 Jan. 2010	**34,593**	**5,044,050**	**5,078,643**
New issue 16 Oct. 2010	2,050	2,047,550	2,049,600
New issue 10 Dec. 2010	12,212	30,518,629	30,530,842
New issue 10 Dec. 2010	3,279	8,195,125	8,198,404
New issue 10 Dec. 2010	2,050	5,121,950	5,124,000
Transaction costs		-1,552,981	-1,552,981
Currency effect		-107,093	-107,093
Result of the year		-3,479,465	-3,479,465
Equity as of 31 Dec. 2010	**54,184**	**45,787,766**	**45,841,950**

The Group

USD	Share capital	Premium Reserve	Total
Equity as of 1. Jan. 2010	**34,593**	**5,044,050**	**5,078,643**
New issue 16 Oct. 2010	2,050	2,047,550	2,049,600
New issue 10 Dec. 2010	12,212	30,518,629	30,530,841
New issue 10 Dec. 2010	3,279	8,195,125	8,198,404
New issue 10 Dec. 2010	2,050	5,121,950	5,124,000
Transactions costs		-1,552,981	-1,552,981
Currency and FY Bioderpac		60,335	60,335
Result ot the year		-4,326,763	-4,326,763
Equity as of 31 Dec. 2010	**54,184**	**45,107,895**	**45,162,079**

Note 12 Non-current liabilities

USD	Parent company 2010	Parent company 2009	Group 2010
Mortgages	-	-	307,191
Total	-	-	307,191
Book value of pledged assets:			
Production plant in Mexico	-	-	384,125
Total	-	-	384,125

The company's non-current liabilities comprise estimated earn-out liabilities in connection with acquisitions.

Note 13 Tax

No companies in the Group have paid tax for 2010.

The consolidated financial statements have a calculation of deferred tax assets related to the calculation of intellectual property rights value calculated in the acquisition analysis. The intellectual property rights are increased by the estimated value of deferred tax. The amount of USD 3,935,366 is calculated with a nominal tax rate of 28%.

Parent company

Temporary differences mainly consist of tax loss carried forward. The total amount is USD 5,525,661. Deferred tax assets, which are not included in the balance sheet, makes up USD 1,547,185 of the total.

Basis for tax, change in deferred tax and current tax payable:

USD	**2010**
Profit before tax	- 3,586,558
Permanent differences	- 1,540,766
Basis for tax for the year	- 5,127,324
Change in temporary differences	- 5,118
Basis for current tax payable in the income statement	- 5,132,442
Group consolidation paid	-
Taxable revenue (basis for current tax payable in the balance sheet)	- 5,132,442

Auditor's report

RSM Hasner

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To the Annual Shareholders' Meeting of
Agrinos AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Agrinos AS, which comprise the financial statements of the parent company, showing a loss of NOK 20 998 582, and the financial statements of the group, showing a loss of NOK 26 112 029. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2010, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. 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 auditor's 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RSM Hasner

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent company and the group Agrinos AS as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Lysaker, 24 June 2011
RSM Hasner AS

Lars Løyning
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Recent progress:

Participating in agroindustrial events in 2011

Cereals Event - technical event for the arable industry - in UK in June 2011

Recent progress:

Operational expansion continues in 2011

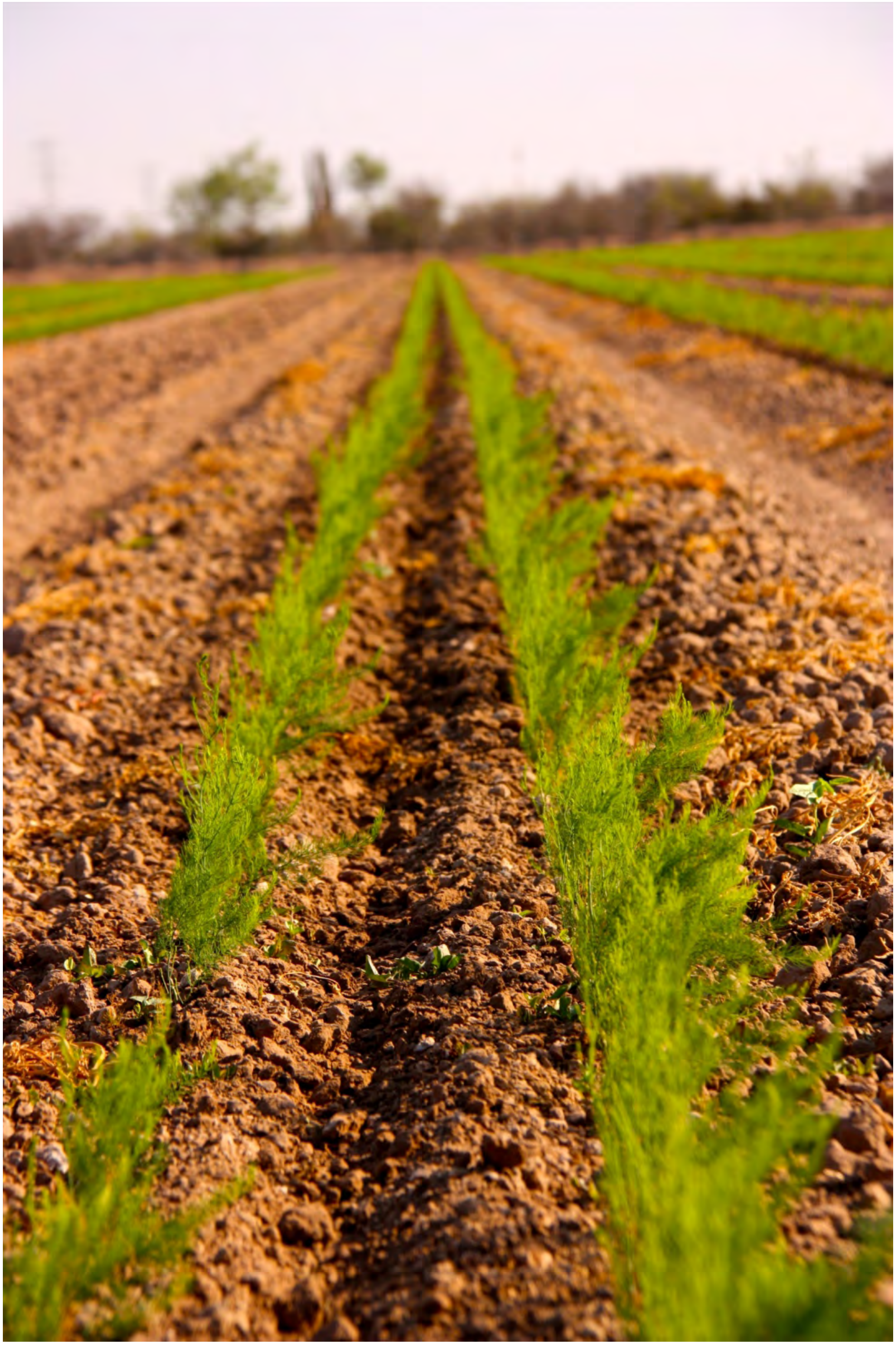
Recent progress:

New successful trials conducted in 2011

Trials in association with internationally known nut producer

Recent progress:

New successful trials conducted in 2011



Asparagus, Baja California, Mexico, 2011

Recent progress:

Product application

Side dress application cotton, June 2011

Durum wheat, Sonora, Mexico, 2011 – Trials performed on behalf of the Mexican Government under the supervision of CIMMYT (International Maize and Wheat Improvement Center)

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