CAPTIVA VERDE INDUSTRIES LTD.

(formerly Arrowhead Water Products Ltd.)

Condensed Consolidated Interim Financial Statements (unaudited)

For the interim three and six months ended June 30, 2015

and three and six months ended March 31, 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

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August 27, 2015

(signed) *"Jeffrey J. Ciachurski"*
Jeffrey J. Ciachurski
President and Chief Executive Officer

(signed) "Chris Thompson"
Chris Thompson
Chief Financial Officer

(expressed in Canadian dollars)

As at:	Note		**June 30, 2015 Unaudited**		December 31, 2014 Audited
ASSETS					
Current assets					
Cash		$	**114,681**	$	13,803
Accounts receivable	**7**		**20,973**		21,398
Accrued interest receivable	**9**		**30,540**		15,270
Inventory			**404,940**		56,725
Prepaid expenses and current deposits	**8**		**332,150**		125,781
Current portion of note receivable	**9**		**216,000**		144,000
			1,119,284		376,977
Long-term deposits	**8**		**555,347**		576,413
Long-term note receivable	**9**		**102,905**		174,905
Property and equipment	**10**		**554,388**		-
			1,212,640		751,318
		$	**2,331,924**	$	1,128,295
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	**1,324,070**	$	647,188
Long-term liabilities					
Convertible debenture	**13**		**110,964**		-
SHAREHOLDERS' EQUITY					
Share capital	**11b**		**6,645,770**		5,937,484
Equity component of convertible debenture	**13**		**14,036**		-
Warrants	**11c**		**800,193**		391,502
Contributed surplus	**11e**		**1,961,069**		1,961,069
Foreign currency translation reserve			**(165,066)**		(34,332)
Deficit			**(8,359,113)**		(7,774,616)
			896,889		481,107
		$	**2,331,924**	$	1,128,295

Nature of operations and going concern *(Note 1)*
Commitments and contingencies *(Note 12)*
Subsequent events *(Note 15)*

(signed) "Ross O. Drysdale"	(signed) "Chris Thompson"
Ross O. Drysdale	Chris Thompson
Director	Chief Financial Officer

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

(expressed in Canadian dollars)

		For the 3 months ended June 30, 2015		For the 3 months ended March 31, 2014		For the 6 months ended June 30, 2015		For the 6 months ended March 31, 2014
Expenses								
General and administrative	**$**	**221,929**	**$**	108,893	**$**	**347,362**	**$**	152,667
Development costs		**76,029**		-		**141,765**		-
Marketing costs		**44,710**		-		**73,576**		-
Other operating costs		**70,433**		-		**85,919**		-
Foreign exchange (gain)/loss		**31,304**		-		**(166,679)**		-
Share-based compensation		**-**		566,570		**-**		566,570
Loss on settlement of dispute (Note 12b)		**117,936**		-		**117,936**		-
		562,341		675,463		**599,879**		719,237
Operating loss		**(562,341)**		(675,463)		**(599,879)**		(719,237)
Other items								
Interest income		**7,634**		-		**15,382**		-
Exploration expense (Note 9)								(269,923)
Loss from continuing operations		**(554,707)**		(675,463)		**(584,497)**		(989,160)
Loss from discontinued operations (Note 6)		**-**		-		**-**		(5,359)
Net loss and total comprehensive for the period	**$**	**(554,707)**	$	(675,463)	**$**	**(584,497)**	$	(994,519)
(Loss) Earnings per Share-basic and diluted (note 11d)		**(0.02)**		(0.03)		**(0.03)**		(0.05)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Share capital	Equity Component of Convertible debenture	Warrants	Contributed surplus	Foreign currency translation reserve	(Deficit)
	$	$	$	$	$	$
Balance at September 30, 2013	**4,469,483**	**-**	**-**	**1,394,499**	**-**	**(5,187,517)**
Common shares issued in connection with	-					
Private placement at $0.30 per unit	1,315,167		86,208			
Private placement at $0.36 per unit	152,834		305,294			
Share-based compensation				566,570		
Foreign currency translation adjustment					(34,332)	
Loss for the period						(2,587,099)
Balance at December 31, 2014	**5,937,484**	**-**	**391,502**	**1,961,069**	**(34,332)**	**(7,774,616)**
Common shares issued in connection with						
Private placement at $0.25 per unit	112,440		40,575			
Private placement at $0.25 per unit	595,846		368,116			
Equity component of convertible debenture		14,036				
Foreign currency translation adjustment					(130,734)	
Loss for the period						(584,497)
Balance at June 30, 2015	**6,645,770**	**14,036**	**800,193**	**1,961,069**	**(165,066)**	**(8,359,113)**

expressed in Canadian dollars)

	For the 3 months ended June 30, 2015	For the 3 months ended March 31, 2014	For the 6 months ended June 30, 2015	For the 6 months ended March 31, 2014
Cash provided by (used for):	(Note 1)			
OPERATING ACTIVITIES				
Net Income (loss)	$ (554,707)	(675,463)	$ (584,497)	(994,519)
Deduct: Net income from discontinued operations	-	-	-	8,047
Net income from continuing operations	(554,707)	(675,463)	(584,497)	(986,472)
Add (deduct) non-cash items:				
Share-based compensation	-	566,570	-	566,570
Foreign currency translation adjustment	20,540	-	(130,734)	-
	(534,167)	(108,893)	(715,231)	(419,902)
Change in working capital				
Accounts receivable and accrued interest receivable	(13,947)	9,033	(14,846)	9,846
Inventory	(262,904)	-	(348,215)	-
Prepaid expenses and deposits	(195,763)	(50,633)	(206,369)	(45,515)
Accounts payable and accrued liabilities	476,460	8,717	676,884	(25,655)
Net cash flows from continuing operating activities	**(530,321)**	**(141,776)**	**(607,777)**	**(481,226)**
Net cash flows from discontinued operating activities (Note 6)	-	-	-	(74,955)
	(530,321)	**(141,776)**	**(607,777)**	**(556,181)**
INVESTING ACTIVITIES				
Property and equipment	(498,708)	-	(554,388)	-
Long term deposits	40,267	-	21,066	-
Net cash flows from investing activities	**(458,441)**	**-**	**(533,322)**	**-**
FINANCING ACTIVITIES				
Shares and warrants issued for cash, net of issuance costs	963,962	-	1,116,977	1,401,375
Convertible debenture	125,000	-	125,000	-
Net cash flows from financing activities	**1,088,962**	**-**	**1,241,977**	**1,401,375**
INCREASE IN CASH	100,200	(141,776)	100,878	845,195
Cash, beginning of period	14,481	1,377,615	13,803	390,644
Cash, end of Period	**$ 114,681**	**1,235,839**	**$ 114,681**	**1,235,839**

Note 1 - Nature of Operations and Going Concern

Captiva Verde Industries Ltd. ("Captiva" or the "Company") is a public corporation incorporated under the Business Corporations Act of British Columbia in 2014. On June 2, 2015, the common shares of Captiva began trading on the Canadian Securities Exchange ("CSE"), operated by CNSX Markets Inc. under the symbol "VEG". The shares of the Company had been trading on the NEX board of the TSX Venture Exchange also under the symbol "VEH.H. Listing and disclosure documents are available at www.cnsx.ca.

As of May 12, 2014, the Company is now engaged in commercial organic farming operations in the USA ("US"). The Company changed its name from Arrowhead Water Products Ltd. where the Company was incorporated under the Business Corporations Act of Alberta since 1993. The Company had been primarily engaged in the production, sale and distribution of large format 15-litre bottles of drinking water principally in Alberta. On February 28, 2013, the Company completed the sale of its water bottling assets and retail business (Note 6).

The Board of Directors approved a change of year end from September 30 to December 31. On September 5, 2014, a Notice of Change in Year-End was filed in accordance with Section 4.8 of National Instrument 51-102. The year-end was changed to reflect most of its peers in the industry in which the Company operates.

These unaudited condensed consolidated interim financial statements therefore present the results of the Company for the three and six months ended June 30, 2015 and the three and six months ended March 31, 2014, the most comparable prior period. Due to the difference in the months covered by these periods, not all financial information may have meaningfully comparables.

For the six month period ended June 30, 2015, the Company has a total comprehensive loss for the period of $584,497 and negative cash flows from operating activities of $607,777 and a cash balance at June 30, 2015 of $114,680. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital through the issuance of share capital or debt and achieve profitable operations in the future. The management of the Company has developed a strategy to address this uncertainty, including additional equity and/or debt financing; however, there are no assurances that any such financing can be obtained on favorable terms, if at all.

If the going concern assumption were not appropriate for these unaudited condensed consolidated interim financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, reported revenues and expenses, and the consolidated statement of financial position classifications used.

The unaudited condensed consolidated interim financial statements of the Company were authorized for issue by the Board of Directors on August 27, 2015. The address of the Corporation's registered office is Royal Centre, 1055 W. Georgia Street, Suite 1500 PO Box 11117 Vancouver, BC V6E 4N7.

Note 2 - Basis of Preparation

a) Going concern

The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Historically the Company has had operating losses, and negative cash flows from operations. Whether and when the Company can attain profitability and positive cash flows from operations is uncertain.

b) Statement of compliance

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board, and do not include all of the information and disclosures normally provided in annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the fifteen months ended December 31, 2014.

c) Basis of Measurement and functional currency

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value through profit or loss. These unaudited condensed consolidated interim financial statements are presented in Canadian dollars which is the Company's functional currency and its wholly owned subsidiary, 1353062 Alberta Ltd. The Company's other wholly owned subsidiary, Captiva Verde Farming Corp., has a functional currency of US dollars.

d) Use of estimates and judgments

The preparation of the unaudited condensed consolidated interim financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts in these consolidated financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Actual results may differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 3 - Significant Accounting Policies

The principal accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its audited consolidated financial statements as at and for the fifteen months ended December 31, 2014.

Note 4 - Significant Accounting Estimates and Judgments

The preparation of the Company's unaudited condensed consolidated interim financial statements requires management to make, at the end of the reporting period, judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key estimates and judgments concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Readers are cautioned that the following list is not exhaustive and other items may also be affected by estimates and judgments.

The Company uses estimates and judgments for determining the fair value of its financial instruments. Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The

(expressed in Canadian dollars unless indicated otherwise)

Note 4 - Significant Accounting Estimates and Judgments *(continued)*

judgments include consideration of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including assumptions such as volatility, forfeiture, dividend yield, and expected option life.

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Note 5 - Standards Issued but Not Yet Effective

At the date of authorization of these unaudited condensed consolidated interim financial statements, certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first annual period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations that are expected to be relevant to the Company's consolidated financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

In 2010, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Corporation's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. The IASB has determined the mandatory effective date of IFRS 9 to be January 1, 2018. IFRS 9 is still available for early adoption. The new standard is not expected to have a material impact on the presentation of the Company's financial position and results of operations.

On May 28, 2014, the IASB issued International IFRS 15, "Revenue from Contracts with Customers", which is the result of the joint project with the Financial Accounting Standards Board. The new standard replaces the two main recognition standards IAS 18, "Revenue", and IAS 11, "Construction Contracts". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2017. The Company is currently assessing the potential impact of the adoption of IFRS 15 on the Company's consolidated financial statements.

Note 6 - Discontinued Operations

On September 4, 2012, the Company entered into a Letter of Intent ("LOI") and a Right of First Refusal Agreement with a private third party purchaser (the "Purchaser") to sell all of its 15-liter water bottling equipment along with its customer retail base (the "Assets"). At the date of the sale, the Assets had a net book value of $545,995. The sale of the Assets was completed on February 28, 2013 for total cash proceeds of $1,650,000 resulting in a gain on disposition of $1,104,005. As part of the LOI, the Purchaser agreed to pay the Company royalties based on the number of 15-litre bottles sold in each month up to January 31, 2014. The royalties associated with the sale were terminated as at December 31, 2013 and have been paid in full.

As a result of the sale, historical financial information for the 15-litre water business has been reclassified as discontinued operations on the condensed consolidated interim statements of income (loss) and comprehensive income (loss) and the consolidated statements of cash flows. Assets relating to discontinued operations as at September 30, 2013 were as follows:

Accounts receivable, including promissory note	$547,461
Accounts payable and accrued liabilities	$188,098

During fiscal 2014, the accounts receivable was collected and all of the accounts payable and accrued liabilities have been settled.

(expressed in Canadian dollars unless indicated otherwise)

Note 6 - Discontinued Operations *(Continued)*

Selected financial information for the business included in discontinued operations is reported below:

		For the 3 months ended June 30, 2015	For the 3 months ended March 31, 2014	For the 6 months ended June 30, 2015	For the 6 months ended March 31, 2014
Revenue		$ -	$ -	$ -	$ 8,047
Cost of sales		-	-	-	-
Gross profit		-	-	-	8,047
Expenses					
General and administrative		-	-	-	13,406
		-	-	-	(13,406)
Loss and comprehensive loss from discontinued operations for the period		$ -	$ -	$ -	$ (5,359)
Earnings per Share-basic and diluted	**11d**	**(0.0)**	(0.0)	(0.0)	(0.0)

Subsequent to the sale, the Company received royalties to December 31, 2013.

Cash Flow from Discontinued operations

	For the 3 months ended June 30, 2015	For the 3 months ended March 31, 2014	For the 6 months ended June 30, 2015	For the 6 months ended March 31, 2014
Cash provided by (used for):				
OPERATING ACTIVITIES				
Net loss	$ -	$ -	$ -	$ (5,359)
	-	-	-	(5,359)
Changes in non-cash working capital	-	-	-	(69,636)
Discontinued operations relating to operating	**-**	**-**	**-**	**(74,955)**
INVESTING ACTIVITIES				
Discontinued operations relating to investing	**-**	**-**	**-**	**-**
FINANCING ACTIVITIES				
Discontinued operations relating to financing	**-**	**-**	**-**	**-**
DECREASE IN CASH	**$ -**	**$ -**	**$ -**	**$ (74,955)**

(expressed in Canadian dollars unless indicated otherwise)

Note 7 - Accounts Receivable

		June 30, 2015		December 31, 2014
Trade accounts receivable and accruals (i)	$	-	$	-
Goods and services tax recoverable		20,973		21,398
	$	20,973	$	21,398

(i) Trade accounts receivable are non-interest bearing and are generally on 30 day terms.

Note 8 - Deposits and Prepaid Expenses

		June 30, 2015		December 31, 2014
Land lease deposits (Note 12)	$	824,860	$	697,542
Prepaid Insurance, and other fees		62,637		4,652
		888,497		702,194
Less current portion (Note 12)		(332,150)		(125,781)
Long-term deposits	$	555,347	$	576,413

Note 9 - Long-term Note Receivable

		June 30, 2015		December 31, 2014
Note receivable	$	318,905	$	318,905
Less current portion		(216,000)		(144,000)
Long-term note receivable	$	102,905	$	174,905

On July 12, 2012, Greenbriar Capital Corp. ("Greenbriar") and the San Juan Marriot Hotel entered into a Purchase & Installation Agreement ("PIA") for two 150 Ton Heat Recovery Units ("Units"). The PIA was then subsequently taken over by Green Matters, Inc. ("Green Matters") on August 24, 2012 through a loan agreement between Greenbriar and Green Matters.

In November, 2013, Green Matters and Captiva agreed that Captiva would take over all, or a portion, of the PIA and consequently assume all, or a portion, of the ownership of the Units. Captiva began funding certain costs related to the Units including a portion of the original Units invoice, a 50% deposit for Installation and invoices for engineering. Captiva also covered certain legal and patent costs of Energy Recovery Systems Inc. (the patent holder on the Units) in order to keep the project active. The total of these costs was $305,409 of which $269,923 was paid between November 1, 2013 and December 31, 2013. At the time there was still considerable uncertainty as to what portion of the project would be assumed by Captiva and the related value so the whole amount was expensed by Captiva as development/exploration costs.

By the latter part of May, 2014, significant work had been performed on the installation of the Units which established a reliable value and led Captiva to fund an additional $35,486 of costs related to the Units. Also by this date Captiva agreed to pursue an additional business opportunity in organic farming. As of June 30, 2014, Captiva decided to concentrate its business efforts on organic farming and agreed that Green Matters would maintain full ownership of the Units and Captiva will treat all amounts paid to date plus interest as a loan.

(expressed in Canadian dollars unless indicated otherwise)

Note 9 - Long-term Note Receivable (Continued)

Accordingly, the parties signed a Binding Loan Agreement whereby Green Matters will repay Captiva $318,905 (cost payments of $305,409 plus $13,496 in interest at 10% per annum to June 30, 2016). The amount will be repaid over 24 months with $12,000 monthly payments plus interest beginning January 31, 2015 and a balloon payment of $102,905 plus any unpaid interest on July 1, 2016. The loan is secured by the underlying equipment and is convertible to common shares of Green Matters at any time at the prevailing market price. During the three and six month periods ended June 30, 2015, interest totaling $7,635 and $15,270, respectively (three and six months ended March 31, 2014 - $nil) has been recorded.

Note 10 - Property and Equipment

	June 30, 2015					December 31, 2014				
		Costs	Accumulated Amortization		Net book value		Costs	Accumulated Amortization		Net book value
Land Improvements	$	493,543	-	$	493,543	$	-	-	$	-
Property and equipment	$	60,845	-	$	60,845	$	-	-	$	-
	$	**554,388**	**-**	**$**	**554,388**	**$**	**-**	**-**	**$**	**-**

Note 11 - Share Capital

a) Authorized

Unlimited number of Class A voting common shares without nominal or par value
Unlimited number of Class B non-voting common shares without nominal or par value
Unlimited number of Class C preferred shares

b) Issued

Class A Common Shares	Number of Shares		Consideration
Balance, September 30, 2012 and September 30, 2013	**14,492,229**	**$**	**4,469,483**
Issued pursuant to Private Placement, October 24, 2013	5,000,000		1,315,167
Issued pursuant to Private Placement, June 16, 2014	1,388,666		152,834
Balance, December 31, 2014	**20,880,895**	**$**	**5,937,484**
Issued pursuant to Private placement, February 6, 2015	633,000		112,440
Issued pursuant to Private placement, June 2, 2015	4,060,000		535,945
Issued pursuant to Private placement, June 30, 2015	420,000		59,901
Balance, at end of period	**25,993,895**	**$**	**6,645,770**

Note 11 - Share Capital *(Continued)*

On June 30, 2015, the Company completed a non-broker Private Placement with gross proceeds of $105,000. The closing consisted of 420,000 units (the "Units") at a price of $0.25 per Unit. Each Unit consists of one common share in the capital of the Company (a "Share") and one half common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one Share at a price of $0.30 per Share until June 30, 2016. At the time of the Private Placement, $28,448 was ascribed to the Warrants using the Black-Scholes fair value pricing model based on a risk free rate of 0.49%, expected volatility of 161.1% and an expected life of one (1) year. In connection with this Private Placement, the Company paid finder's fees to PI Financial Corp., (the "Finder") as follows: (i) a cash commission of 10,500 being 10% of the aggregate proceeds from the sale of Units to purchasers introduced by the Finder; and (ii) warrants (the "Finder's Warrants") to acquire a total of 25,200 Shares, being 6% of the number of Units sold under the Offering to purchasers introduced by the Finder. Each Finder's Warrant entitles the Finder to purchase one Share at a price of $0.30 per Share until June 30, 2020. An additional $6,151 was ascribed to the Warrants using the Black-Scholes fair value pricing model based on a risk free rate of 0.67%, expected volatility of 204.8% and an expected life of five (5) years.

On June 2, 2015, the Company completed a non-broker Private Placement with gross proceeds of $1,015,000. The closing consisted of 4,060,000 units (the "Units") at a price of $0.25 per Unit. Each Unit consists of one common share in the capital of the Company (a "Share") and one half common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one Share at a price of $0.30 per Share until June 2, 2016. At the time of the Private Placement, $274,141 was ascribed to the Warrants using the Black-Scholes fair value pricing model based on a risk free rate of 0.59%, expected volatility of 160.5% and an expected life of one (1) year. In connection with this Private Placement, the Company paid finder's fees to CV Brokerage Inc., (the "Finder") as follows: (i) a cash commission of 101,500 being 10% of the aggregate proceeds from the sale of Units to purchasers introduced by the Finder; and (ii) warrants (the "Finder's Warrants") to acquire a total of 243,600 Shares, being 6% of the number of Units sold under the Offering to purchasers introduced by the Finder. Each Finder's Warrant entitles the Finder to purchase one Share at a price of $0.30 per Share until February 6, 2020. An additional $59,376 was ascribed to the Warrants using the Black-Scholes fair value pricing model based on a risk free rate of 0.81%, expected volatility of 202.9% and an expected life of five (5) years. Additional $44,038 of costs was incurred with this Private Placement.

On February 6, 2015, the Company completed a non-broker Private Placement with gross proceeds of $158,250. The closing consisted of 633,000 units (the "Units") at a price of $0.25 per Unit. Each Unit consists of one common share in the capital of the Company (a "Share") and one half common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one Share at a price of $0.30 per Share until February 6, 2016. At the time of the Private Placement, $38,057 was ascribed to the Warrants using the Black-Scholes fair value pricing model based on a risk free rate of 0.49%, expected volatility of 91.6% and an expected life of one (1) year. In connection with this Private Placement, the Company paid finder's fees to Global Securities Corp. (the "Finder") as follows: (i) a cash commission of $5,235 being 6% of a portion of the aggregate proceeds from the sale of Units to purchasers introduced by the Finder; and (ii) warrants (the "Finder's Warrants") to acquire a total of 20,940 Shares, being 6% of the number of Units sold under the Offering to purchasers introduced by the Finder. Each Finder's Warrant entitles the Finder to purchase one Share at a price of $0.30 per Share until February 6, 2016. An additional $2,518 was ascribed to the Warrants using the Black-Scholes fair value pricing model based on a risk free rate of 0.49%, expected volatility of 91.6% and an expected life of one (1) year.

(expressed in Canadian dollars unless indicated otherwise)

Note 11 - Share Capital *(Continued)*

c) Warrants

The following table summarizes information about warrants outstanding as at:

Warrants	March 31, 2015 Number of Warrants	Exercise Price	Fair value ascribed	Expire date
Balance, September 30, 2013	**-**	**$ -**	**$ -**	**-**
Issued, private placement, Finder Warrants	220,400	0.30	86,208	October 23, 2015
Issued, private placement	1,388,666	0.50	288,013	June 16, 2015
Issued, private placement, Finder Warrants	83,319	0.50	17,281	June 16, 2015
Balance, December 31, 2014	**1,692,385**		**391,502**	
Issued, private placement	316,500	0.30	38,057	February 6, 2016
Issued, private placement, Finder Warrants	20,940	0.30	2,518	February 6, 2016
Issued, private placement	2,030,000	0.30	274,141	June 2, 2016
Issued, private placement, Finder Warrants	243,600	0.30	59,376	June 2, 2020
Issued, private placement	210,000	0.30	28,448	June 30, 2016
Issued, private placement, Finder Warrants	25,200	0.30	6,151	June 30, 2020
Balance, June 30, 2015	**4,538,625**		**$ 800,193**	

d) Earnings (loss) per share

The weighted average number of common shares outstanding for basic and diluted earnings per share during the three month period ended June 30, 2015 is 22,777,006 (three months ended March 31, 2014 was 19,492,229). For the six-month period ending March 31, 2014, the weighted average number of common shares for basic and diluted earnings per share is 22,006,346 (six months ended March 31, 2014 – 21,392,229).

e) Share-based compensation

The Company has a rolling stock option plan (the "Plan") available to officers, directors, consultants and employees with grants under the Plan approved from time to time by the Board. Under the Plan, the exercise price of each option equals the market price of the Company's stock at the time of issuance. The Plan provides for vesting at the discretion of the Board and expiration of the options to be five years from the date of grant. Each option can be exercised for one Class A Common Share of the Company. During the current period and six month period ended June 30, 2015, the Company issued nil (three months ended March 31, 2014 – 1,900,000). On January 22, 2014, the Company granted 1,900,000 options to the directors and a consultant of the Company at an exercise price of $0.30 each.

(expressed in Canadian dollars unless indicated otherwise)

Note 11 - Share Capital *(Continued)*

A summary of stock option information as at June 30, 2015 is as follows:

	Shares	**Weighted average exercise price**	**Expiry date**
Options outstanding December 31, 2014	1,900,000	0.30	January 22, 2019
Options granted	-	-	-
Options outstanding June 30, 2015	**1,900,000**	**0.30**	**January 22, 2019**

	Stock options outstanding			**Option exercisable**	
Exercise price	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options outstanding	Weighted average exercise price
0.30	1,900,000	0.30	4.0	1,900,000	0.30

The fair value of the options granted during fiscal 2014 was estimated to be $566,570 (2013 - $nil) and was recorded as stock-based compensation expense.

The fair value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following assumptions:

	2014
Volatility factor of expected market price (%)	244.65%
Weighted average risk-free interest rate (%)	1.40%
Dividend yield (%)	-
Weighted average expected life of options (years)	5
Forfeiture rate	0%

Note 12 - Commitments and contingencies

a) Operating Lease Commitments

As at June 30, 2015, the Company is committed to the future land lease and operating payments as follows:

2015	$	486,555
2016		1,493,743
2017		1,710,967
2018		1,633,818
2019		1,680,073
2020		1,461,552
2021		654,641
Thereafter		-

Note 12 - Commitments and contingencies *(continued)*

During the three month ended June 30, 2015, the Company signed a land lease contract with Arizona Valley Farm, LLC, a Delaware limited liability company, U.S. Farming Realty Trust II, LP, a Delaware limited partnership. The lease term began on April 1, 2015 and will terminate on June 30, 2021. The Company has the option to renew the lease for a period of four (4) to six (6) years.

During the three months ended June 30, 2015, the Company signed a land lease contract with Imperial Valley Farms, LLC, a Delaware limited liability company, U.S. Farming Realty Trust II, LP, a Delaware limited partnership. The lease term began on April 1, 2015 and will terminate on June 30, 2021. The Company has the option to renew the lease for a period of four (4) to six (6) years.

In 2014, the Company signed a land lease contract with Jeff Ciachurski for organic farm ground (278.64 acres) at 19252 Highline Road, Tehachapi, County of Kern, California. The lease term began on April 1, 2014 and will terminate on March 31, 2020. This lease shall automatically renew for an additional period of 3 years. The Company made a total payment in advance for the six year lease of US$525,420 (CAD $609,540).

In 2014, the Company signed a land lease contract with Greenbriar Capital (US) LLC for organic farm ground (160.88 acres) at Cummings Valley Blvd, Tehachapi, County of Kern, California. The lease term began on April 1, 2014 and will terminate on March 31, 2017. This lease shall automatically renew for an additional period of 3 years. The Company made a total payment in advance for the ten year lease of US $149,730 (CAD $173,702).

In 2014, the Company signed a land lease contract with Albert Rodriguez and Raul Rodriguez for organic farm ground (35 acres) at P.O. Box 368, Westmorland, California. The lease term began on August 15, 2014 and will terminate on August 15, 2019. This Company has an option to renew an additional 5 years.

As at March 31, 2014, the Company did not have any operating lease commitments.

The Company's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

b) Memorandum of Understanding and settlement with Bornt & Sons, Inc.

On March 12, 2014, the Company announced the signing of a Memorandum of Understanding ("MOU") with Bornt & Sons, Inc. (“Bornt”), a US based organic farming organization. In accordance with the MOU, the Company created Captiva Verde Farming Corp (“Verde”). In accordance with the MOU, Captiva’s CEO and Greenbriar executed land leases with the Company for a total of 439 acres (Note 11a) and there has been a further commitment of another 65 acres for a total of 504 acres. Bornt earmarked an additional 15 fields (approximately 1,000 acres) for the Company which were to be subleased to the Company under various payment terms. Bornt began cultivation during the quarter. Subject to shareholder and regulatory approval, the MOU committed Captiva to issue 40 million performance based earn-out shares to various members of the current Captiva management team and the Bornt management team. The shares were to be issued at the rate of one (1) share per US $0.25 (twenty-five cents) of gross farm operating income ("GFOI"). The shares were to be divided to multiple non-related parties and therefore no controlling shareholders would be created. This transaction, in management's opinion, would neither be a reverse takeover nor a change of business. GFOI was defined as net farm receipts minus direct farm operating expenses.

In June 2014 a dispute arose in the course of business between the Company and Bornt and on July 23, 2014, Bornt commenced legal action, claiming Breach of Contract on the MOU, misappropriation of trade secrets and other related matters. On July 24, 2014, the Company followed with its detailed claim against Bornt of US$6.75 million requesting the court to enforce the terms of the MOU whereby Bornt would sublease the earmarked Captiva lands to Verde and all revenues and expenses related to those lands would be to the account of Verde. The parties reached a settlement agreement in early May 2015 that resolved all claims and disputes between them to avoid further costs, uncertainty and considerable distractions involved in the litigation of the disputed claims. The net cost of the settlement to the Company was estimated to be $1,279,356 and the full amount was recorded as an expense in the fifteen month period ended December 31, 2014. The litigation settlement was finalized in May 2015 and an additional cost of $117,936 was recorded in the second quarter to account for additional third party legal costs.

Note 12 - Commitments and contingencies *(continued)*

c) Legal fees under dispute

In connection with the legal action described in note 12c the Company incurred legal fees as part of its initial defense. The Company did not sign an engagement letter for the services. In the Company's opinion, the initial services provided were counterproductive and not of the standard expected by the Company. The Company paid a significant portion of the fees incurred and decided to change law firms. The Company received additional invoices totaling approximately US$207,000 for services not requested from the initial law firm. The Company has not recorded these invoices in accounts payable and accrued liabilities as at June 30, 2015.

d) Withholding tax contingency

The Company remunerates some officers, directors, and other individuals by way of consulting fees. If certain of these individuals were deemed to be employees of the Company, as opposed to consultants, then the Company could be contingently liable for employer related withholdings and costs.

Note 13 - Related Party Transactions

The Company contracted certain legal services with a Director through his law firm, Ross O. Drysdale Professional Corporation. Legal expenses incurred during the three months ended June 30, 2015 was $1,500 (three months ended March 31, 2014 were $9,000), and for the six months ended June 30, 2015 was $1,500 (six months ended March 31, 2014 were $17,950). As at June 30, 2015, $1,500 (as at March 31, 2014 - $3,461) is owing.

During the three months ended June 30, 2015, the Company contracted certain consulting expenses to Michael Boyd, a Director for the Company, in the amount of US$5,000 (CAD $6,131) (three months ended March 31, 2014 - $nil), and for the six months ended June 30, 2015 was US$5,000 (CAD $6,131) (six months ended March 31, 2014 - $nil). As at June 30, 2015, US$5,000 (CAD $6,131) (as at March 31, 2014 - $nil) is owing.

During the three month period ended June 30, 2015, the Company closed a 6% convertible debenture agreement with Michael Boyd, a Director for the Company in the principal amount of $125,000. The principal and any accrued and unpaid interest under the Debenture will be unsecured and will be convertible on or before June 30, 2017, at the holder's option, into fully paid and non-assessable Units at a conversion price of $0.26 with respect to the principal and any accrued and unpaid interest.

During the three months ended March 31, 2014, the company contracted certain expenses to Greenbriar Capital Corp in the amount of $60,000. Jeffrey J. Ciachurski who is the President, Chief Executive Officer ("CEO") and director for the Company is also the CEO and a director for Greenbriar Capital Corp.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 14 - Comparative Figures

Certain of the comparative figures have been reclassified to conform to current year presentation

Note 15 - Subsequent events

a) Private Placements

(i) On July 17, 2015, the Company closed the second tranche of the non-brokered private placement of units of the Company (the "Units") at $0.25 per Unit purchased entirely by the CFO and a spouse of a director and a 6% convertible debenture of the Company issued to the CFO of the Company (the "Debenture") (together, the "Offering"). The second tranche closing consisted of 892,000 Units, for gross proceeds of $223,000, and a Debenture in the principal amount of $50,000, for total gross proceeds of $273,000.

Note 15 - Subsequent events *(Continued)*

Each Unit consisted of one common share in the capital of the Company (the "Shares") plus one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional Share at a price of $0.30 until July 16, 2016. The principal and any accrued and unpaid interest under the Debenture will be unsecured and will be convertible on or before July 16, 2017, at the holder's option, into fully paid and non-assessable Units at a conversion price of $0.26 with respect to the principal and any accrued and unpaid interest.

(ii) On July 27, 2015, the Company closed the third and fourth tranches of the non-brokered private placement of units of the Company (the "Units") at $0.25 per Unit (the "Offering") for aggregate gross proceeds of $225,000.The third tranche closing consisted of 200,000 Units for gross proceeds of $50,000 and the fourth tranche closing consisted of 700,000 Units for gross proceeds of $175,000. Each Unit consisted of one common share in the capital of the Company (the "Shares") plus one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional Share at a price of $0.30 for a period of one year from the date of issuance. In connection with the Offering, the Company has paid cash commission in the amount of $5,000 for the third tranche and $17,500 for the fourth tranche, being 10% of the aggregate proceeds from the sale of Units to purchasers introduced by the finders. The Company has also issued non-transferable warrants (the "Finder's Warrants") to acquire a total of 12,000 Shares for the third tranche and Finder's Warrants to acquire a total of 42,000 Shares for the fourth tranche, being 6% of the number of Units sold under the Offering to purchasers introduced by the finders. Each Finder's Warrant entitles the holder to purchase one Share at a price of $0.30 per Share for a period of five years from the date of issuance.

(iii) On August 10, 2015 the Company closed the fifth, and final, tranche of the non-brokered private placement of units of the Company (the "Units") at $0.25 per Unit (the "Offering") for gross proceeds for the fifth tranche of $2,728,520. The fifth tranche closing consisted of 10,914,080 Units. Each Unit consisted of one common share in the capital of the Company (each a "Share") plus one-half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one additional Share at a price of $0.30 per Share until August 10, 2016. In connection with the fifth tranche of the Offering, the Company paid cash commissions in the amount of $161,852, being 10% of the aggregate proceeds raised from the sale of Units to purchasers introduced by eligible finders. The Company also issued non-transferable warrants (the "Finder's Warrants") to acquire a total of 375,600 Shares, being 6% of the number of Units sold under the fifth tranche of the Offering to purchasers introduced by eligible finders. Each Finder's Warrant entitles the holder to purchase one Share at a price of $0.30 per Share until August 10, 2020.

(iv) During the period from August 11, 2015 to August 27, 2015, the Company obtained signed Subscription Agreements for the issuance of 815,151 Units (the "Units") at $0.265 per Unit for gross proceeds of $213,715 into a legal trust account. Each Unit consists of one common share in the capital of the Company (a "Share") and one half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to purchase one additional common Share at a price of $0.35 per Share within one (1) year of the shares being issued.

b) Stock options

On August 16, 2015, the Company granted an aggregate of 750,000 incentive stock options (the "Options") in accordance with the Company's stock option plan to a consultant of the Company. Each Option, vesting immediately upon grant, entitles the holder to purchase one common share of the Company at a price of $0.38 per share until August 16, 2020. The fair value of these options granted is estimated to be $279,492 and will be recorded as stock-based compensation expense during the third (3rd) quarter 2015.

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Note 15 - Subsequent event *(Continued)*

c) Growing and Crop Management Agreement

On August 17, 2015, the Company finalized a Growing and Crop Management Agreement with an established farmer. Under this agreement, the Company has committed to pay approximately $4.1 million (US$3.1 million) over the next seven months to provide equipment and labour to farm on approximately 900 acres. The first payment of $400,000 (US$300,000) was paid on August 13, 2015.

d) Leases

Subsequent to July 1, 2015, the Company executed several leases totaling 573 acres of farm land in Imperial Valley with terms ranging from 1 to 8 years.

In August 2015, the Company paid approximately $407,000 (US$313,000) relating to land leases.

On August 10, 2015, the Company entered into a two year lease for 2,350 square feet of office space in La Quinta, California for its farming operations. An initial deposit of approximately $32,000 (US$24,800) was made on August 14, 2015.

e) Further commitments

On July 16, 2015, the Company executed a rental agreement for irrigation pipes. A payment of approximately $110,000 (US$84,000) was made on August 7, 2015 as an initial deposit for the 5 year term of the agreement. Monthly payments thereafter will be approximately $40,000 (US$ 30,500) per month.

During August 2015, the Company executed a lease/purchase agreement for farm equipment of approximately $82,745 (US$63,650) over a three year (3) commitment. The Company has paid the downpayment of $19,500 (US$15,000) and the monthly payments will start September 4, 2015.

On July 3, 2015, the Company entered into a 60-day loan agreement in the amount of $50,000, and in return, Captiva will pay 10% annual interest rate pro-rated for the 60-day period ending September 1, 2015.

During August 2015, the Company purchased additional farm equipment for approximately $180,000 (US$138,814).

Board of Directors
Jeffrey J. Ciachurski (Chairman)
Ian F.T. Kennedy*/**
Michael Boyd*/**
Ross O. Drysdale*/**

* Audit Committee
**Compensation and Governance Committee

Officers

Jeffrey J. Ciachurski, President and Chief Executive Officer
Chris Thompson, Chief Financial Officer
David Pratt, Chief Operating Officer

Registered Office

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Stock Exchange Listing

CNSX -CSE
Trading Symbol: VEG

Class A Common Shares
Issued and Outstanding: 25,993,895

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