CAPTIVA VERDE INDUSTRIES LTD.

(formerly Arrowhead Water Products Ltd.)

Management's Discussion and Analysis

For the three and six months ended June 30, 2015

and the three and six months ended March 31, 2014

Form 51 102F1

CAPTIVA VERDE INDUSTRIES LTD.
MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")
Form 51-102F1
For the three and six months ended June 30, 2015
and the three and six months ended March 31, 2014

August 28, 2015

1. Overview

The following management discussion and analysis ("MD&A") of the financial position and results of operations of Captiva Verde Industries Ltd. ("Captiva" or the "Company") has been prepared by management and reviewed and approved by the Board of Directors of Captiva on August 27, 2015. The discussion and analysis is a review of the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2015. The statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). The Company transitioned to IFRS on October 1, 2011 (the "Transition Date"), which required, for comparative purposes, the restatement of amounts reported on the Company's opening IFRS statement of financial position as at October 1, 2010 and amounts reported by the Corporation for the year ended in 2011. All financial information preceding October 1, 2010 has been prepared in accordance with Canadian Generally Acceptable Accounting Principles ("GAAP"). All required IFRS to GAAP reconciliations for the adoption of IFRS has been provided in the audited annual financial statements dated September 30, 2012. The June 30, 2015 unaudited condensed consolidated interim financial statements and MD&A are reported in Canadian dollars unless otherwise stated.

The unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2015, and three and six months ended March 31, 2014, include the accounts of the Company and its wholly-owned subsidiaries, 1353062 Alberta Ltd. and Captiva Verde Farming Corp. (collectively, "Captiva" or the "Company"). 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.

The discontinued operations (formerly Arrowhead Products Ltd), along with its subsidiary has been shown in Note 6 of the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2015 and the three and six months ended March 31, 2014 and also here in the MD&A in Note 6 below.

The focus of the MD&A is primarily a comparison of the financial performance for the three months ended June 30, 2015, and the three months ended March 31, 2014, and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and accompanying notes prepared under IFRS for the three and six months ended June 30, 2015 and the three and six months ended March 31, 2014, and should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes prepared under IFRS for the fifteen month period ended December 31, 2014. The Company's management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed consolidated interim financial statements and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company.

The Company's management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed consolidated interim financial statements and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company. The MD&A has been prepared as of August 27, 2015. The reader should be aware that historical results are not necessarily indicative of future performance. Additional information regarding the Company is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. This MD&A incorporates information up to and including August 27, 2015. The reporting and measurement currency is the Canadian dollar.

2. Advisory Regarding Forward-Looking Statements and Information

Certain statements included or incorporated by reference in the MD&A constitute forward-looking statements or forward-looking information under applicable securities legislation. Forward-looking statements are based on the estimates and opinions of Captiva's management at the time the statements were made. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "plan", "should", "believe" and similar expressions are intended to identify forward-looking statements and forward-looking information including, but not limited to, statements as to: future capital expenditures, including the amount and nature thereof; business strategy; and expansion and growth of the Company's business and operations. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements or information. The Company believes that the expectations reflected in those forward-looking statements and forward-looking information are reasonable but no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct and such forward-looking statements and forward-looking information included in this MD&A should not be unduly relied upon. Such forward-looking statements and forward-looking information speak only as of the date of this MD&A and the Company does not undertake any obligation to publicly update or revise forward-looking statements or forward-looking information, except as required by applicable laws. Any forward-looking statements or forward-looking information previously made may be inaccurate now. All subsequent forward-looking statements and forward-looking information, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.

3. Corporate Developments

Change in Financial Year-end

The Board of Directors approved a change of year end from September 30 to December 31 and on September 5, 2014 the Company filed a Notice of Change in Year-End in accordance with Section 4.8 of National Instrument 51-102 changing its financial year-end from September 30, to December 31. This change in year-end allows the Company to be synchronous with the financial year-end of its peers in the industry in which the Company operates. Accordingly, this MD&A reflects the financial results for the three months and six months ended June 30, 2015, and the three months and six months ended March 31, 2014, which was the first two quarters in the fifteen months ended December 31, 2014. Due to the difference in the months covered by these periods, not all financial information may be meaningfully comparables.*

Canadian Securities Exchange Listing

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.

Organic Certification

On July 13th, 2015 the Company received full organic certification under the USDA National Organic Program ("NOP"). This organic certification allows Captiva to use the highly coveted USDA organic label in the US as well as in the following jurisdictions around the world: Canada, Japan-US MAFF Agreement, USDA/COA Taiwan Export Arrangement, European - NOP equivalence. The certification covers the following crops: Spinach, Romaine, Leaf Lettuce, Kale (red and green) Head Lettuce, Cauliflower, Cabbage, Broccoli, and Spring Mix (Chard, Green Oak, Lolla Rosa, Mizuna, Tango, and Wild Arugula). The certification covers the Company's main Arizona project of 675.3 acres. This is a very major and significant milestone that caps an intense 6-month process involving long hours from senior management, outside consultants and numerous inspections and field visits.

*This paragraph contains forward looking information. Please refer to "Advisory Regarding Forward Looking Statements and Information" and "Risk Management" for a discussion of the risks and uncertainties related to such information

Additional Capital

During the three months ended June 30, 2015 and subsequent to July 1, 2015, the Company raised the following additional capital:

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	Unit Price	Gross Proceeds	Common Shares		Warrants		Finder Warrents		Finder's Cash fees and legal	Net Cash Raised
	$	$	#	$	#	$	#	$	$	$
April 1 - June 30 , 2015										
Private Placements										
Jun-2	0.25	1,015	4,060	741	2,030	274	244	59	145	870
Jun-30	0.25	105	420	77	210	28	25	6	11	94
Convertible Debenture										
Jun-30		125								125
	Q2 Total	**1,245**	4,480	**818**	2,240	**302**	269	**65**	**156**	**1,089**
July 1 to August 27, 2015										
Convertible Debenture										
Jul-17		50								50
Private Placements										
Jul-16	0.25	223	892	161	446	62	-	-	-	223
Jul-24	0.25	50	200	36	100	14	12	3	5	45
Jul-26	0.25	175	700	127	350	48	42	10	18	157
Aug-10	0.25	2,729	10,914	1,985	5,457	744	376	92	187	2,542
Subscriptions received										
Aug-27	0.265	214	814	130	407	84	49	17	21	193
	Q3 Total	**3,441**	13,520	**2,439**	6,760	**952**	479	**122**	**231**	**3,210**
Grand Total		**$ 4,686**	18,000	**$ 3,257**	9,000	**$ 1,254**	748	**$ 187**	**$ 387**	**$ 4,299**

Loss on Settlement of Dispute

On March 12, 2014, the Company announced the signing of a Memorandum of Understanding ("MOU") with Bornt & Sons, Inc. (“Bornt”), a large 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 Capital Corp (“Greenbriar”) executed land leases with the Company for a total of 439 acres and there has been a further commitment for another 65 acres for a total of 504 acres. Bornt earmarked an additional 15 fields (approximately 1,000 acres) for the Company which was to be subleased to the Company under various payment terms. Bornt began cultivation shortly thereafter. 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. On July 23, 2014, Bornt commenced legal action against the Company and its officers, 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 is estimated to be $1,279,356 and the full amount was recorded as an expense in the months 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.*

4. Company Marketing and Production

As at August 27, 2015, the Company, through Verde, its US subsidiary executed direct leases for a total of 2,570 acres of land for organic farming. The Company’s first crop will be planted in early September, 2015 in Wenden, Arizona and the first crops for the Imperial Valley farms are expected to be planted in early October 2015.

Captiva plans to acquire additional farm leases and add to the value chain by providing the US and Canadian markets with much needed, organically grown leaf vegetables. Organic green leaf vegetable production cannot meet current consumer demand. The Company’s strategic farm plan is to have various locations in the southwest United States, each having between two (2) and four (4) crops per calendar year.

5. Overall Performance

Highlights below are the results of the continuing operations for the three months ended June 30, 2015 compared to the three months ended March 31, 2014.

- Total general and administrative expenses increased by 104% to $221,929 from $108,893.
- Total development costs were $76,029 compared to $nil for the same period last year.
- The operating loss was $562,342 compared to $675,463.
- Net loss from continuing operations was $554,707 compared to a loss of $675,463.
- Net loss and total comprehensive loss of $554,707 compared to a net loss of $675,463.

*This paragraph contains forward looking information. Please refer to "Advisory Regarding Forward Looking Statements and Information" and "Risk Management" for a discussion of the risks and uncertainties related to such information

Highlights below are the results of the continuing operations for the six months ended June 30, 2015 compared to the six months ended March 31, 2014.

- Total general and administrative expenses increased by 128% to $347,365 from $152,667.
- Total development costs were $141,765 compared to $nil for the same period last year
- The operating loss was $599,881 compared to $719,237.
- Net loss from continuing operations was $584,497 compared to a loss of $989,160.
- Net loss and total comprehensive loss of $584,497 compared to a net loss of $994,519.

Balance Sheet highlights as at June 30, 2015 compared to December 31, 2014:

- Cash and cash equivalents increased to $114,681 from $13,803.
- Working capital ratio increased to 0.85 to 1 from 0.58 to 1.
- Total assets increased 107% to $2,331,924 from $1,128,295.
- Shareholders' equity increased 86% to $896,889 from $481,521

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, 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 audited consolidated statements of income (loss) and comprehensive income (loss) and the audited consolidated statement of cashflows. Assets relating to discontinued operations as at September 30, 2013 were as follows:

Accounts receivable	$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.

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		-	-	-	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)

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		**-**		**-**		**-**		**(74,955**
INVESTING ACTIVITIES								
Discontinued operations relating to		**-**		**-**		**-**		**-**
FINANCING ACTIVITIES								
Discontinued operations relating to financing		**-**		**-**		**-**		**-**
DECREASE IN CASH	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**(74,955)**

7. Selected Financial Information

The following tables contain selected financial information for the continuing operations of the Company.

Consolidated Statement of Financial Position

As at *(in Canadian $)*		**June 30, 2015 unaudited**		**December 31, 2014 audited**
Assets				
Current assets	**$**	**1,119,284**	$	376,977
Long term assets		**1,212,640**		751,318
		2,331,924		**1,128,295**
Liabilities & Equity				
Current liabilities		**1,324,070**		647,188
Long-term liabilities		**110,964**		-
Equity		**896,889**		481,107
	$	**2,331,924**	**$**	**1,128,295**

	Q2 2015	Q1 2015	Q5 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Operations									
Revenue	-	-	-	-	-	-	-	-	-
Income (loss) from operations	(554,707)	(37,538)	(1,029,395)	(634,474)	13,535	(675,463)	(317,988)	(21,861)	(58,386)
Basic loss per share	(0.02)	(0.00)	(0.05)	(0.03)	0.00	(0.03)	(0.02)	0.00	0.00
Net Income (loss) and comprehensive income (loss)	(554,707)	(29,790)	(1,063,727)	(626,839)	27,031	(675,463)	(317,988)	(21,861)	(58,386)
Basic per share	(0.02)	(0.00)	(0.05)	(0.03)	0.00	(0.03)	(0.02)	0.00	0.00
Basic number of shares outstanding	22,777.006	21,253,662	20,880,895	19,566,746	19,705,870	19,492,229	18,187,881	14,492,229	14,492,229
Discontinued Operations									
Revenue	-	-	-	-	-	-	$8,047	$10,164	$13,054
Income (loss) from operations	-	-	-	15,000	21,622	-	(5,359)	22,816	(5,625)
Basic loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income (loss) and comprehensive income (loss)	-	-	-	15,000	21,622	-	(5,359)	22,816	4,574
Bassic per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Basic number of shares outstanding	22,777,006	21,253,662	20,880,895	19,566,74	19,705,870	19,492,229	18,187,881	14,492,229	14,492,229

	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	**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				(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 loss for the period	**(554,707)**	(675,463)	**(584,497)**	(994,519)
(Loss) Earnings per Share-basic and	**(0.02)**	(0.03)	**(0.03)**	(0.05)

8. Revenues

The Company's revenues from operations will be derived from the harvesting and selling of organic vegetables. During the three and six months ended June 30, 2015 and the three and six months ended March 31, 2014, the company recorded $nil in revenues from continuing operations.

9. Cost of Sales, Gross Profits and Gross Margins

	Q2 2015	Q1 2015	Q5 2014	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Continuing Operations									
Revenue	-	-	-	-	-	-	-	-	-
COGS	-	-	-	-	-	-	-	-	-
Gross Margin	-	-	-	-	-	-	-	-	-
Gross Margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Discontinued Operations									
Revenue	-	-	-	-	-	-	$8,047	$10,164	$13,054
COGS	-	-	-	-	-	-	-	6,940	341
Gross Margin	-	-	-	-	-	-	8,047	3,224	12,713
Gross Margin %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.%	31.7%	97.4%

Cost of sales ("COS") recorded for the three and six months ended June 30, 2015 and the three and six months ended March 31, 2014, were $nil for continuing operations for the Company.

Included in COS will be all costs associated with bringing a crop to the processing plant. These costs would include all seasonal and monthly land preparation costs like rent, cultipacking, soil analysis, listing, stubble disc, and all growing costs like irrigation, cultivation, fertilization and planting and all harvest and shipping costs.

Expenses that have occurred before harvests and realized revenues are shown in Inventory as work in progress.
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10. General and Administrative Expenses

	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
Professional fees	**$ 42,114**	$ 64,886	**$** 74,976	$ 85,836
Management fees	**132,593**	20,000	208,972	30,500
Public Company costs	**21,522**	7,600	23,642	10,629
Travel and entertainment	**15,671**	8,682	25,512	8,682
Insurance, licence, and business	**309**	3,830	309	7,661
Telephone	**3,123**	1,255	3,485	3,922
Service fees and interest	**2,299**	801	4,336	3,016
Miscellaneous	**1,953**	1,347	2,490	1,123
Computer support and maintenance	**518**	397	915	794
Office	**1,827**	95	2,725	504
	$ 221,929	**$ 108,893**	**$ 347,362**	**$ 152,667**

For the three months ended June 30, 2015, general and administrative expenses ("G&A") increased by 104% to $221,929 from $108,893 when compared to the three months ended March 31, 2014, and for the six months ended June 30, 2015 increased by 128% to $347,362 from $152,667 when compared to the six months ended March 31, 2014. With the Company now engaged fully in the farming industry, and with the creation of the new Company, sub company, new business and private placements, the Company will experience higher G&A costs in the future.*

During the second quarter, professional fees decreased by 35% or $22,772 when compared to the second quarter ending March 31, 2014 and decreased by 13% or $10,860 for the six month period ending June 30, 2015 compared to the six month ending March 31, 2014 as shown as follows:

	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
Legal	30,114	52,886	50,976	61,836
Audit	12,000	12,000	24,000	24,000
	42,114	64,886	**74,976**	85,836

*This paragraph contains forward looking information. Please refer to "Advisory Regarding Forward Looking Statements and Information" and "Risk Management" for a discussion of the risks and uncertainties related to such information.

With the company hiring a new CEO, and CFO, and incurring other personnel costs, management fees increased $112,594 to $132,593 during the three months ended June 30, 2015 when compared to the three months ended March 31, 2014 and increased by $178,472 to $208,972 during the six months ended June 30, 2015 when compared to the six months ended March 31, 2014.

The public company costs increased 183% to $21,522 during the three months ended June 30, 2015 when compared to the three months ended March 31, 2014 primarily due to a one-time fee to move from the TSX Venture Exchange to the Canadian Securities Exchange (CNSX) which was effective June 2, 2015. The Six months ended June 30, 2015, the public company costs were $23,642 compared $10,629 for the six months ended March 31, 2014

There was much more activity in the Company during the three and six months ended June 30, 2015, 2015 when compared to the three and six month period ended March 31, 2014, and the Company has picked up additional costs in Travel costs, Telephone and other Office costs when compared to the six months ended March 31, 2014.

11. Development Costs

For the three months ended March 31, 2015, the Company recorded $76,029 (2014-$nil) and $141,765 for the six months ended March 31, 2015, respectively, (2014-$nil) in development costs primarily related to the costs of the newly hired Chief Operating Officer who has been actively pursuing land leases and the future purchase of farm equipment and supplies that will generate future revenue for the Company. During the three and six months ended March 31, 2014, the company was engaged in reviewing all types of businesses and development costs for the six months ended March 31, 2014, 2013 were 269,923 which were recorded as exploration costs. These costs were subsequently picked up by Green Matters. For more information, see Note 9 of the unaudited condensed interim financial statements ended March 31, 2015.

12. Marketing Costs

For the three months ended June 30, 2015, the Company recorded $44,710 in marketing costs, compared to $nil for the three months ended March 31, 2014, and for the six months ended June 30, 2015 recorded $73,576 compared to $nil for the six months ended March 31, 2014. These costs were primarily related to consulting fees incurred to nurture strong relationships with organic produce processors who are expected to be the Company's future customers.*

13. Other Operating Costs

Other operating costs include rent obligations on land leases that are not expected to be under production for the foreseeable future. These expenses for the three and six month period ended June 30, 2015 were $70,434 and $85,920 and $nil for both the three and six months ended March 31, 2014.

14. Foreign Exchange

With the Company being engaged in farming in southwest US, the Company will experience foreign exchange fluctuations which affect the Company's financial results. During the three months ended June 30, 2015, the Company lost $31,304 whereas during the six month period ended June 30, 2015, the Company gained $166,680 due to foreign exchange. The Company showed no loss or gain during the three or six months ended March 31, 2014.. The March 31, 2015 unaudited condensed consolidated interim financial statements and MD&A are reported in Canadian dollars unless otherwise stated.*

15. Share-based Compensation

The Company recognizes compensation expense when stock options are granted under the fair value method. The fair value of stock options is determined using the Black-Scholes option-pricing model. This expense is a non-cash expense, the cumulative effect of which is reflected in contributed surplus on the statement of financial position. The Company has a stock option plan (the "Plan") available to officers, directors, employees and consultants 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 Common Share of the Company. On June 16, 2015, the Shareholders of the Company also approved the amended rolling stock option plan of the Company, subject to such modifications as may be required by the CNSX. During the three months ended March 31, 2015, the Company issued nil (for the three months ended December 31, 2013, nil) options to the directors and a consultant of the Company. For further details on the stock-based compensation calculations, refer to note 11(e) of the unaudited condensed consolidated interim financial statements of the Company for the three months ended March 31, 2015.

16. Loss on Settlement of Dispute

The litigation settlement with Bornt 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.

17. Operating loss

For the three months ended June 30, 2015, the Company had an operating loss of $562,341 compared to an operating loss of $675,463 for the three months ended March 31, 2014. For the six month period ended June 30, 2015, the Company had an operating loss of $559,881(primarily due to a gain in foreign exchange of $166,680) compared to an operating loss of $719,237 for the six months ended March 31, 2014, which included $566,570 in share-based compensation.

18. Net Loss and Total Comprehensive Loss for the Period

For the three months ended June 30, 2015, the Company had a net loss and total comprehensive loss from continuing operations of $554,707 compared to a loss of $675,463 for the three months ended March 31, 2014. For the six month period ended June 30, 2015, the Company had a loss of $584,497 compared to a loss of $994,519 for the six months ended March 31, 2014, which included $566,570 in share-based compensation and exploration expenses.

For discontinued operations during the three and six months ended June 30, 2015, the Company had $nil losses compared to a loss of $nil and $5,359 for the three and six months ended March 31, 2014 respectively.

19. Working Capital

For the three months ended June 30, 2015, the Company's working capital ratio increased to 0.85 to 1 from 0.58 to 1, as at December 31, 2014. As at June 30, 2015, the Company had cash and cash equivalents of approximately $114,681 whereas at December 31, 2014, the Company had cash and cash equivalents of $13,803.

Management believes with the cash on hand, and the Company’s ability to raise capital, that it will have sufficient working capital to meet the Company’s current and future cash needs and contractual obligations.*

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		-

The Company does not have any further operating lease commitments other than above as of June 30, 2015, and did not have any operating lease commitments as of March 31, 2014. During the fifteen month period ended December 31, 2014, the Company entered into operating leases that called for upfront lease payments and are being shown as current and long-term deposits.

20. Financial Instruments

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Financial instruments of the Company consist of cash, accounts receivable, long-term note receivable, bank indebtedness, accounts payable and accrued liabilities and convertible debentures.

		Unaudited				Audited		
		March 31, 2015				December 31, 2014		
		Carrying Value		Fair Value		Carrying Value		Fair Value
Held-for-trading								
Cash	$	114,681	$	114,681	$	13,803	$	13,803
Loans and receivable								
Accounts receivable		51,513		51,513		36,668		36,668
Note receivable		318,905		318,905		318,905		318,905
Liabilities								
Accounts payable and accrued liabilities		1,324,070		1,324,070		647,188		647,188
Convertible debenture		110,964		110,964		-		-

The Company classifies fair value measurements recognized in the balance sheet using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy. Cash is measured using level 1 inputs.

21. Liquidity and Capital Resources

The Company as at June 30, 2015 had cash and cash equivalents of approximately $114,681 whereas at December 31, 2014, the Company had cash and cash equivalents of $13,803.

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 $114,681. 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.

*This paragraph contains forward looking information. Please refer to "Advisory Regarding Forward Looking Statements and Information" and "Risk Management" for a discussion of the risks and uncertainties related to such information.

The Company has demonstrated its ability to raise addition capital through the issuance of equity and will be doing so again in the near future. Management believes with the cash on hand, and the ability to raise capital, that it will have sufficient working capital to meet the Company's current and future cash needs and contractual obligations.*

As shown in detail in Section 3 above, the Company has raised approximately $1 million during the quarter ended June 30, 2015 and an additional $3 million subsequent to July 1, 2015, all net of issuing costs.

22. Capital Spending

During the three months ended June 30, 2015, the Company invested $437,863 in land improvements and another $60,845 in farm equipment. During the six months ended June 30, 2015, the Company invested $493,543 in land improvements and another $60,845 in farm equipment, whereas $nil for both the three and six months ended March 31, 2014.

23. Off Balance-Sheet Arrangements

The Company has no off balance-sheet arrangements.

24. Transactions with Related Parties

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.

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.

25. Outstanding Share Data

As at June 30, 2015, the Company had 25,993,895 Class A Common Shares, 1,900,000 stock options and 4,538,625 Warrants to acquire Class A Common Shares, issued and outstanding.

As at December 31, 2014, the Company had 20,880,895 Class A Common Shares, 1,900,000 stock options and 1,692,385 Warrants to acquire Class A Common Shares, issued and outstanding.

*This paragraph contains forward looking information. Please refer to "Advisory Regarding Forward Looking Statements and Information" and "Risk Management" for a discussion of the risks and uncertainties related to such information.

26. Recent Accounting Pronouncements

At the date of authorization of these consolidated 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 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 interim financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's unaudited condensed consolidated interim 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 Company'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. Application of IFRS 9 is mandatory for financial periods beginning on or after January 1, 2013. 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 unaudited condensed consolidated interim consolidated financial statements.

27. Disclosure Controls and Procedures

The Company has established disclosure controls and procedures for the timely and accurate preparation of financial and other reports. The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the disclosure controls and procedures (as defined in applicable Canadian securities laws) of the Company as of June 30, 2015, have concluded that the Company's disclosure controls and procedures are effective to ensure that all information required to be disclosed by the Company in reports that it files or furnishes under applicable Canadian securities laws is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Canadian securities regulatory authorities and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the disclosure controls and procedures will provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.*

28. Risk Management

Business Risks: Activity in the farming business is subject to a range of external factors that are difficult to actively manage, including weather, governmental regulations commodity pricing, cost of fuel, operating and labour costs and changes in consumer demands. The Company plans to mitigate these risks by creating a strong balance sheet and remaining responsive to changes in industry dynamics. The Company will have a comprehensive insurance policy to help safeguard its assets, operations and employees. This is reviewed annually and revised as changes in circumstances warrant.*

Credit Risks: The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

*This paragraph contains forward looking information. Please refer to "Advisory Regarding Forward Looking Statements and Information" and "Risk Management" for a discussion of the risks and uncertainties related to such information

Liquidity Risks: During the six months ended June 30, 2015, the Company had a net loss of $554,707 and negative cash flows from operating activities of $607,777 and a cash balance as at June 30, 2015 of $114,681. 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.*

Currency Risk: With the Company being engaged in farming in southwest US, the Company will experience foreign exchange risk. Foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.*

NEX Listing: The Company was trading on the NEX Board of the TSXV as it was inactive for a period of time. The Company is now in the organic farming business and is now listed on the Canadian Securities Exchange (the "CSE"). As a result, investment in the Common Shares of the Company may not be considered as highly speculative as it was under the NEW listing.*

29. Changes in Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the internal control over financial reporting was assessed as of June 30, 2015, and during this process, management did not identify any material weaknesses in internal controls over financial reporting which it had not disclosed already.*

30. Management's Responsibility for the Company's Financial Statements

The management of Captiva is responsible for the integrity of the accompanying financial statements, which have been prepared by management in accordance with the new guidelines under IFRS. The preparation of the financial statements necessarily involves the use of estimates and careful judgment, particularly in those circumstances where transactions affecting a current period are dependent upon further events. All financial information presented in this MD&A is consistent with the financial statements. To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control that provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits.* The Board of Directors discharges its responsibilities with respect to the financial statements primarily through the activities of its Audit Committee, which is comprised of all directors who are not employees of the Company. The Audit Committee has met with management to review the Company's reported financial performance and to discuss audit, internal control, accounting policy and financial reporting matters. The June 30, 2015 unaudited condensed interim financial statements were reviewed by the Audit Committee and approved by the Board of Directors on August 27, 2015.*

*This paragraph contains forward looking information. Please refer to "Advisory Regarding Forward Looking Statements and Information" and "Risk Management" for a discussion of the risks and uncertainties related to such information.

31. Commitments and Contingencies

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		-

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 fiscal 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 ten year lease of US$525,420 (CAD $609,540).

In fiscal 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 fiscal 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.

In connection with the legal action described above, 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.

As at June 30, 2015 and, March 31, 2014, the Company was not a defendant in any material legal actions

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.

32. 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.

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.

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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.1

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.

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 at 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

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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).

33. Additional Information

All relevant information relating to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval at www.sedar.com

Listing and disclosure documents will be available at www.cnsx.ca