



**CAPTIVA VERDE**  
INDUSTRIES LTD.

**Condensed Consolidated Interim  
Financial Statements**  
(Unaudited)

For the three months ended March 31, 2016 and 2015

# Captiva Verde Industries Inc.

March 31, 2015

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 93), 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 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 by an entity's auditor.

May 30, 2016

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

(signed) "Lisa Dea"  
Lisa Dea  
Chief Financial Officer

# CAPTIVA VERDE INDUSTRIES LTD.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars, except share amounts)

(unaudited)

	Notes	Three months	Three months
		ended March 31	ended March 31
		2016	2015
		\$	\$
<b>Revenue</b>			
Sales		1,563,629	-
Cost of sales		(3,733,699)	-
Gross margin		(2,170,070)	-
<b>Expenses</b>			
General and administrative		588,538	125,433
Development costs		-	65,736
Marketing costs		38,095	28,866
Other operating costs		-	15,486
Depreciation	9	190,533	-
Share-based compensation	12	1,260,560	-
Bad debts	8	7,636	-
		2,085,362	235,521
<b>Operating loss</b>		(4,255,432)	(235,521)
<b>Other Income (Expenses)</b>			
Foreign exchange (loss) gain		(133,624)	197,983
Accretion of convertible debt	11	(5,988)	-
Finance charge	17	(250,000)	-
Interest Expense		(3,867)	-
Interest income	8	7,636	7,748
<b>Net loss</b>		(4,641,275)	(29,790)
<b>Other comprehensive loss</b>			
Items that may be reclassified subsequent to profit or loss:			
Foreign currency translation adjustment		295,974	(151,274)
Comprehensive loss		(4,345,301)	(181,064)
Basic and diluted loss per common share		(0.22)	(0.00)
Weighted average number of common shares outstanding - basic and diluted		21,435,855	21,190,363

See accompanying notes to the consolidated financial statements.

# CAPTIVA VERDE INDUSTRIES LTD.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(unaudited)

	Notes	As at March 31 2016	As at December 31 2015
		\$	\$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		78,458	336,006
Restricted cash	4	35,000	75,000
Accounts receivable	6	512,806	957,656
Deposits & Prepaids	5	516,417	432,008
Inventory	7	516,302	1,245,064
		1,658,983	3,045,734
Long-term deposits and prepaids	5	359,346	544,475
Property and equipment	9	2,019,936	2,301,102
		4,038,265	5,891,311
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		6,348,379	6,040,111
Accrued interest		10,178	7,729
Short-term loan payable		50,000	50,000
Current portion of long-term debt	10	46,167	49,260
		6,454,724	6,147,100
Non-current liabilities			
Convertible debentures	11	116,032	160,045
Subscribed convertible debenture	11	648,550	-
Long-term debt	10	60,924	75,890
		7,280,230	6,383,035
<b>Shareholders' equity (deficit)</b>			
Share capital	12	11,500,606	11,104,901
Warrants	12	5,121,412	5,177,003
Contributed surplus		4,575,461	3,314,901
Equity component of convertible debentures		14,036	19,650
Accumulated other comprehensive loss		(181,239)	(477,213)
Accumulated deficit		(24,272,241)	(19,630,966)
		(3,241,965)	(491,724)
		4,038,265	5,891,311

Nature of business and continuing operations (Note 1)

Commitments and contingencies (Note 13)

Subsequent Event (Note 11 & 18)

/s/ "Jeff Ciachurski"

Jeffrey Ciachurski, Director

/s/ "Ross Drysdale"

Ross O. Drysdale, Director

# CAPTIVA VERDE INDUSTRIES LTD.

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)  
(unaudited)

	Notes	Three months ended March 31 2016	Three months ended March 31 2015
		\$	\$
<b>Operating activities</b>			
Net loss		(4,641,275)	(29,790)
Item not involving cash			
Unrealized foreign exchange		162,350	(151,274)
Depreciation	9	190,533	-
Accretion of convertible debt	11	5,988	-
Finance Charge		250,000	-
Share-based compensation expense	12	1,260,560	-
		<b>(2,771,844)</b>	<b>(181,064)</b>
Change in non-cash working capital			
Accounts receivable and accrued interest receivable		447,299	(899)
Deposits & prepaids		(84,409)	(10,606)
Inventory		728,762	(85,311)
Accounts payable and accrued liabilities		308,268	200,423
Net cash flows used for operating activities		<b>(1,371,924)</b>	<b>(77,457)</b>
<b>Investing activities</b>			
Restricted cash		40,000	-
Property and equipment	9	(42,279)	(55,680)
Long-term deposit & prepaids	11	185,129	(19,200)
		<b>182,850</b>	<b>(74,880)</b>
<b>Financing activities</b>			
Long-term debt	10	(18,059)	-
Convertible debenture subscription deposit	11	648,550	-
Shares issued for cash, net of issuance costs	12	34,499	153,015
		<b>664,990</b>	<b>153,015</b>
Effect of foreign exchange rate change on cash		266,536	-
Net cash inflow (outflow)		<b>(524,084)</b>	<b>678</b>
Cash and cash equivalents position, beginning of period		336,006	13,803
<b>Cash and cash equivalents position, end of period</b>		<b>78,458</b>	<b>14,481</b>

# CAPTIVA VERDE INDUSTRIES LTD.

## Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars)  
(unaudited)

	Common shares		Warrants		Contributed Surplus	Equity component of convertible debt	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity
	Number	Amount	Number	Amount					
	#	\$	#	\$	\$	\$	\$	\$	\$
<b>Balance as at December 31, 2014</b>	<b>20,880,895</b>	<b>5,937,484</b>	<b>1,692,385</b>	<b>391,502</b>	<b>1,961,069</b>	<b>-</b>	<b>(34,332)</b>	<b>(7,774,616)</b>	<b>481,107</b>
Common shares issued in connection with:									
Private placement at \$0.25 per unit	17,819,080	2,003,986	9,628,880	2,068,261	-	-	-	-	4,072,247
Private placement at \$0.2625 per unit	7,284,762	550,047	3,823,177	1,245,489	-	-	-	-	1,795,536
Private placement at \$0.40 per unit	5,000,000	1,113,778	2,500,000	879,465	-	-	-	-	1,993,242
Private placement at \$0.408 per unit	4,968,786	1,025,305	2,484,392	992,967	-	-	-	-	2,018,272
Warrants exercised	245,400	162,833	(245,400)	(89,213)	-	-	-	-	73,620
Warrant expired/cancelled	-	311,468	(1,495,985)	(311,468)	-	-	-	-	-
Share-based compensation	-	-	-	-	1,353,832	-	-	-	1,353,832
Equity component of convertible debt	-	-	-	-	-	19,650	-	-	19,650
Foreign currency translation adjustment	-	-	-	-	-	-	(442,881)	-	(442,881)
Net loss for the period	-	-	-	-	-	-	-	(11,856,350)	(11,856,350)
<b>Balance as at December 31, 2015</b>	<b>56,198,923</b>	<b>11,104,901</b>	<b>18,387,449</b>	<b>5,177,003</b>	<b>3,314,901</b>	<b>19,650</b>	<b>(477,213)</b>	<b>(19,630,966)</b>	<b>(491,724)</b>
Common shares issued in connection with:									
Conversion of convertible debenture	192,307	49,399	192,307	5,615	-	(5,614)	-	-	49,400
Bonus shares issued to CEO	1,000,000	250,000	-	-	-	-	-	-	250,000
Warrants exercised	117,000	56,727	(117,000)	(21,627)	-	-	-	-	35,100
Warrant expired/cancelled	-	39,578	(195,440)	(39,578)	-	-	-	-	-
Share-based compensation	-	-	-	-	1,260,560	-	-	-	1,260,560
Equity component of convertible debt	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	295,974	-	295,974
Net loss for the period	-	-	-	-	-	-	-	(4,641,275)	(4,641,275)
<b>Balance as at March 31, 2016</b>	<b>57,508,230</b>	<b>11,500,606</b>	<b>18,267,316</b>	<b>5,121,412</b>	<b>4,575,461</b>	<b>14,036</b>	<b>(181,239)</b>	<b>(24,272,241)</b>	<b>(3,241,965)</b>

# **CAPTIVA VERDE INDUSTRIES LTD.**

## **Notes to the Condensed Consolidated Interim Financial Statements**

March 31, 2016 and 2015

(Expressed in Canadian dollars)

### **1) Nature of business and continuing operations**

Captiva Verde Industries Ltd. ("Captiva" or the "Company") is a grower and seller of organic produce according to US Department of Agriculture regulations and best practices in the organic industry.

Captiva was originally incorporated in Alberta as Arrowhead Water Products Ltd. ("Arrowhead") in 1993. In 2014, Arrowhead was continued in British Columbia under the British Columbia Business Corporations Act of 2014 and changed its name from Arrowhead to Captiva. Arrowhead was 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 5). On December 4, 2014, the Company received conditional approval from the Canadian Securities Exchange ("CSE") operated by CNSX Markets Inc., for listing, quotation and trading on the CSE subject to raising at least \$500,000 of working capital. The Company's shares trade on the CSE under the symbol "VEG". Previous to this, the Company's shares traded on the NEX Board of the TSXV under the symbol "AWA.H". On May 12, 2014, the Company commenced commercial organic farming operations in the United States of America ("US"). The Company's registered records office is located at suite 1500 - 1055 West Georgia Street, PO Box 11117, Vancouver, BC, V6E 4N7.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The nature of the Company's primary business is the growing and selling of organic produce. The Company has been successful in leasing land for organic farming in Southern California and Arizona and has commenced its farming operations. The Company did not have sufficient demand for its product and future inflows of cash are dependent on obtaining long term contracts for the sale of its produce and raising additional capital for continuing operations. As at March 31, 2016, the Company has cash of \$78,458 (December 31, 2015 - \$336,006), a significant working capital deficiency of \$4,795,741 (December 31, 2015 - \$3,101,366), an accumulated deficit of \$24,272,241 (December 31, 2015 - \$19,630,966) and incurred a net loss of \$4,641,275 for the period ended March 31, 2016 (2015 - \$29,790). If the Company is unable to raise any additional funds to fund working capital, it could have a material adverse effect on its financial condition and cause significant doubt about the Company's ability to continue as a going concern. If the going concern basis were not appropriate for these condensed consolidated interim financial statements, then significant adjustments would be necessary to the carrying value of assets and liabilities, the reported consolidated statement of loss and comprehensive loss and the consolidated financial position classification.

### **2) Basis of preparation and statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the significant accounting policies outlined in the December 31, 2015 consolidated financial statements

Since the condensed consolidated interim financial statements do not include all disclosures required by IFRS for annual financial statements, they should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2015.

These financial statements were authorised for issue by the Board of Directors on May 30, 2015.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2015.



# CAPTIVA VERDE INDUSTRIES LTD.

## Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016 and 2015

(Expressed in Canadian dollars)

### Significant judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The critical judgements and estimates applied in the preparation of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2016 are consistent with those applied and disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2015.

### **3) Accounting standards issued but not yet effective**

The Company is currently assessing the potential impacts of these new standards on its condensed consolidated interim financial statements.

#### *a) IFRS 9, Financial Statements*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9") to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

#### *b) IFRS 15, Revenue Recognition*

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15") which supersedes IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programs*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers*, and SIC 31 – *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. On July 22, 2015, the IASB confirmed a one year deferral of the effective date of IFRS 15, therefore the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

#### *c) IFRS 16, Leases*

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS16"), which will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16.

## CAPTIVA VERDE INDUSTRIES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016 and 2015

(Expressed in Canadian dollars)

#### 4) Restricted cash

	<b>March 31 2016</b>	December 31 2015
	\$	\$
Term deposits	<b>35,000</b>	75,000

During the year ended December 31, 2015, the Company arranged corporate credit cards for senior management secured by term deposits. During the three months ended March 31, 2016, one corporate credit card was cancelled and the deposit was returned to the Company's treasury.

#### 5) Deposit and prepaids

	<b>March 31 2016</b>	December 31 2015
	\$	\$
Deposits	<b>103,907</b>	110,868
Prepaid Land Rent	<b>761,857</b>	850,375
Other prepaids	<b>9,999</b>	15,240
	<b>875,763</b>	976,483
Less: Current portion	<b>(359,346)</b>	(432,008)
Deposits, non-current	<b>516,417</b>	544,475

#### 6) Accounts receivable

	<b>March 31 2016</b>	December 31 2015
	\$	\$
Trade receivables (i)	<b>469,809</b>	1,046,568
Goods and services tax recoverable	<b>42,997</b>	37,413
Less: Allowance (ii)	-	(126,325)
	<b>512,806</b>	957,656

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

(ii) During the year ended December 31, 2015, the Company took an allowance against one trade receivable for \$126,325 due to its uncollectibility.

#### 7) Inventory

	<b>March 31 2016</b>	December 31 2015
	\$	\$
Material goods	<b>400,031</b>	624,325
Work-in-progress	<b>132,959</b>	957,843
Less: write down to net realizable value	<b>(16,688)</b>	(337,104)
	<b>516,302</b>	1,245,064

## CAPTIVA VERDE INDUSTRIES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016 and 2015

(Expressed in Canadian dollars)

#### 8) Long-term note receivable

	March 31 2016	December 31 2015
	\$	\$
Note receivable	318,905	318,905
Less: current portion allowance	-	-
Note receivable, non-current	(318,905)	(318,905)

On July 12, 2012, Greenbriar Capital Corp. ("Greenbriar") and the San Juan Marriott 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 to Green Matters.

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 year ended March 31, 2015, interest totaling \$53,448 (three months ended March 31, 2015 - \$7,748) has been recorded.

The Company took an impairment allowance against the Green Matters receivable of \$318,905 plus the accrued interest of \$45,812 at December 31, 2015 and an additional impairment of accrued interest of \$7,636 at March 31, 2016 because the note receivable does not meet the collectability requirements under IAS 39 due to the length of time the receivable has been outstanding, the continued renegotiation of the repayment terms of the note receivable and the unknown financial condition of Green Matters. Although the Company has taken an impairment allowance against the note receivable the Company is confident that the note receivable will ultimately be collected.

On March 11, 2016, the Company entered into a Letter of Intent ("LOI") with Green Matters, Greenbriar Capital Corp., Energy Recover Systems Inc. ("ERS") and Jeff Ciachurski, CEO of the Company whereby, as part of a transaction between ERS and Green Matters, the Company will enter into a secured loan agreement with Green Matters for the repayment of the outstanding debt. The definitive terms and agreement are currently being negotiated.

## CAPTIVA VERDE INDUSTRIES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016 and 2015

(Expressed in Canadian dollars)

#### 9) Property and equipment

	Field equipment	Furniture, fixtures and equipment	Vehicles	Leasehold and land improvements	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, January 1, 2015	-	-	-	-	-
Additions	504,814	51,736	300,015	1,814,590	2,671,155
Balance, December 31, 2015	504,814	51,736	300,015	1,814,590	2,671,155
<b>Accumulated depreciation</b>					
Balance, January 1, 2015	-	-	-	-	-
Depreciation	(39,161)	(5,816)	(13,245)	(311,831)	(370,053)
Balance, December 31, 2015	(39,161)	(5,816)	(13,245)	(311,831)	(370,053)
<b>Net book value</b>					
<b>December 31, 2105</b>	<b>465,653</b>	<b>45,920</b>	<b>286,770</b>	<b>1,502,759</b>	<b>2,301,102</b>
<b>Cost</b>					
Balance, January 1, 2016	504,814	51,736	300,015	1,814,590	2,671,155
Additions	20,404	3,328	-	18,547	42,279
Foreign exchange	(31,697)	(3,248)	(18,838)	(113,936)	(167,719)
Balance, March 31, 2016	493,521	51,816	281,177	1,719,201	2,545,715
<b>Accumulated depreciation</b>					
Balance, January 1, 2016	(39,161)	(5,816)	(13,245)	(311,831)	(370,053)
Depreciation	(23,787)	(5,310)	(14,059)	(135,804)	(178,960)
Foreign exchange	2,462	364	831	19,578	23,235
Balance, March 31, 2016	(60,486)	(10,762)	(26,473)	(428,057)	(525,778)
<b>Net book value</b>					
<b>March 31, 2016</b>	<b>433,035</b>	<b>41,054</b>	<b>254,704</b>	<b>1,291,144</b>	<b>2,019,937</b>

#### 10) Long-term debt

	March 31 2016	December 31 2015
	\$	\$
Long-term debt	107,091	125,150
Less: current portion	(46,167)	(49,260)
Long-term debt, non-current	60,924	75,890

The Company purchased field equipment through debt financing from one of its vendors through three separate loan agreements entered into in August and September 2015. The loans are repayable in monthly payments over three years and bear interest between 4.65% and 4.75%. As at March 31, 2016, the Company incurred interest charges of \$2,333.

#### 11) Convertible Debentures

	March 31 2016	December 2015
	\$	\$
Opening balance	160,045	175,000
Convertible debt converted to equity	(50,000)	-
Less: equity portion	-	(19,650)
Add: Accretion	5,988	4,695
Convertible, non-current	116,033	160,045

During the three months ended March 31, 2016, a convertible debenture of \$50,000 (note 20) was converted into 192,307 units of the Company (note 12(c)).

## CAPTIVA VERDE INDUSTRIES LTD.

### Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2016 and 2015

(Expressed in Canadian dollars)

Further, the Company received \$648,550 (US\$500,000) in a subscribed convertible debenture. The convertible debenture was issued on May 2, 2016 and has a term of three years, bears interest at 8% per annum and is convertible, at the holder's option, into units of the Company at \$0.30 per unit. Each unit consists of one Class A common share and one-half common share purchase warrant of the Company.

During the year ended December 31, 2015, the Company issued \$50,000 and \$125,000, 6% convertible debentures (note 20) with a conversion price of \$0.26. The principal and accrued interest are unsecured and are convertible on or before July 16, 2017 and June 30, 2017, respectively, at the holder's option, into units of the Company with each being comprised of one Class A common share and one half common share purchase warrant.

## 12) 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 and fully paid

Class A common shares:	57,508,231	(December 31, 2015 – 56,198,923)
Class B common shares:	Nil	(December 31, 2014 – Nil)
Class C preferred shares:	Nil	(December 31, 2014 – Nil)

### c) Private placements

On March 10, 2016, the Company issued 192,307 units at a deemed price of \$0.26 on conversion of a \$50,000 convertible debenture. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.26 per share for a period of five years from the date of issue.

On December 3, 2015, the Company issued 4,968,786 units at \$0.408 per unit for gross proceeds of \$2,027,265. Each unit consists of one common share in the capital of the Company and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.50 per share for a period of one year from the date of issue. Of the total gross proceeds of \$2,027,265, \$1,025,306 was allocated to common shares after legal fees of \$8,992 and \$992,967 to the common share purchase warrants based upon their relative fair values.

On November 5, 2015, the Company issued 5,000,000 units at \$0.40 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share in the capital of the Company and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.50 per share for a period of one year from the date of issue. Of the total gross proceeds of \$2,000,000, \$1,113,778 was allocated to common shares after legal fees of \$6,757 and \$879,465 to the common share purchase warrants based upon their relative fair values.

During the month of September 2015, the Company issued 7,284,762 Units at \$0.2625 per unit for gross proceeds of \$1,912,250. Each unit consists of one Class A common share of the Company and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.35 per share for a period of one year from the date of issue. The Company paid cash commissions of \$96,725 ("Cash Commissions") and issued 180,799 non-transferable warrants ("Finder's Warrants"), being 10% of the aggregate proceeds raised from the sale of units and 6% of the number of units sold, respectively, as a finder's fee. Each Finders Warrants entitles the holder to purchase one common share of the Company at \$0.35 per share for a period of five years. Of the total gross proceeds of \$1,912,250, \$550,046 was allocated to common shares after legal fees of \$19,989 and Cash Commissions, \$1,157,706 to the common share purchase warrants and \$87,784 to the Finder's Warrants based upon their relative fair values.

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During the period from February 2015 to August 2015, the Company issued 17,819,080 units at \$0.25 per unit for gross proceeds of \$4,454,770. Each unit consists of one Class A common share of the Company and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.30 per share for a period of one year from the date of issue. The Company paid cash commissions of \$301,587 ("Cash Commissions") and issued 719,340 non-transferable warrants ("Finder's Warrants"), being 10% of the aggregate proceeds raised from the sale of units and 6% of the number of units sold, respectively, as a finder's fee. Each Finders Warrants entitles the holder to purchase one common share of the Company at \$0.30 per share for a period of one years. Of the total gross proceeds of \$4,454,770, \$2,003,986 was allocated to common shares after legal fees of \$80,936 and Cash Commissions, \$1,835,482 to the common share purchase warrants and \$232,779 to the Finder's Warrants based upon their relative fair values from the date of issue.

d) *Share-based compensation*

The Company has a rolling stock option plan (the "Plan") available to officers, directors, consultants and employees to issue up to and not to exceed 10% of the issued and outstanding common shares of the Company. Under the Plan, each option entitles the holder to acquire one common share and the exercise price is determined by the Board of Directors but shall not be less than the closing market price of the Company's common shares on the last business day immediately preceding the date of grant. Options have expiry of no later than 5 years from the date of grant.

A summary of stock option information as at March 31, 2016 is as follows:

	Number of options	Weighted average exercise price
		\$
<b>Balance at December 31, 2014</b>	<b>1,900,000</b>	<b>0.30</b>
Granted	2,700,000	0.56
<b>Balance at December 31, 2015</b>	<b>4,600,000</b>	<b>0.42</b>
Granted	3,250,000	0.48
Expired	(2,300,000)	(0.50)
<b>Balance at March 31, 2016</b>	<b>5,550,000</b>	<b>0.42</b>

#### Stock options outstanding and exercisable

Exercise price	Number of stock options outstanding and exercisable	Weighted average exercise price	Expiry Date
\$		\$	
0.30	1,900,000	0.30	January 22, 2019
0.56	400,000	0.56	October 28, 2020
0.50	250,000	0.50	January 11, 2021
0.50	2,500,000	0.50	January 25, 2021
0.37	500,000	0.37	March 15, 2021
	<b>5,550,000</b>	<b>0.42</b>	

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During the three months ended March 31, 2016, the aggregate fair value of stock options granted was \$1,260,560 (three months ended March 31, 2015 - \$566,570). The following assumption were used in estimating the fair value of stock options granted using the Black-Scholes Option Pricing Model:

	<b>Three months ended March 31 2015</b>	Three months ended March 31 2015
Expected life (in years)	<b>5.00</b>	5.00
Risk-free interest rate	<b>0.53% - 0.68%</b>	1.40%
Expected volatility	<b>218.32% - 224.4%</b>	244.65%
Dividend yield	-	-

No options were exercised in the three months ended March 31, 2016 and 2015.

#### e) Warrants

Share purchase warrants outstanding as at March 31, 2015:

<b>Expiry date</b>	<b>Share purchase warrants outstanding</b>	<b>Broker's warrants outstanding</b>	<b>Black-scholes value</b>	<b>Exercise Price</b>
			\$	\$
June 2, 2016	2,030,000	-	352,200	0.30
June 2, 2020	-	243,600	71,410	0.30
June 30, 2016	210,000	-	34,917	0.30
June 30, 2020	-	25,200	7,147	0.30
July 16, 2016	446,000	-	107,334	0.30
July 24, 2016	100,000	-	22,387	0.30
July 24, 2020	-	12,000	4,241	0.30
July 27, 2016	350,000	-	81,471	0.30
July 27, 2020	-	42,000	15,258	0.30
August 10, 2016	5,457,040	-	1,178,668	0.30
August 10, 2020	-	375,600	129,018	0.30
September 4, 2016	659,523	-	218,134	0.35
September 4, 2020	-	49,142	24,212	0.35
September 23, 2016	2,382,856	-	746,528	0.35
September 23, 2020	-	107,657	57,398	0.35
September 24, 2016	599,999	-	193,044	0.35
November 5, 2016	2,500,000	-	879,465	0.50
December 3, 2016	2,484,392	-	992,967	0.50
July 16, 2020	192,307	-	5,614	0.26
<b>Total</b>	<b>17,412,117</b>	<b>855,199</b>	<b>5,121,412</b>	

Each share purchase warrant and broker's warrant entitles the holder to acquire one common share of the Company upon the payment of the exercised price.

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The share purchase warrants and broker's warrants issued were fair-valued using the Black-Sholes option pricing model with the following weighted average assumptions:

	<b>Three months ended March 31 2016</b>	Three months ended March 31 2015
Expected life (in years)	<b>1.00-5.00</b>	1.00
Risk-free interest rate	<b>0.40% - 0.81%</b>	0.49%
Expected volatility	<b>134.13% - 212.39%</b>	91.6%
Dividend yield	-	-

The expected stock price volatility is based on the historic volatility (based on the life of the warrants).

The fair value of warrants issued during the three months ended March 31, 2015 is \$5,614 (three months ended March 31, 2015- \$40,575).

f) *Loss per share*

Stock options, share purchase warrants and broker's warrants have not been included in the computation of diluted loss per share for the three months ended March 31, 2016 and for the year ended December 31, 2015, because to do so would be anti-dilutive.

### 13) Commitments and contingencies

a) Commitments

As at December 31, 2015, the Company has the following commitments:

	<b>Total</b>	<b>1-2 years</b>	<b>3-4 years</b>	<b>5 years</b>	<b>Thereafter</b>
	\$	\$	\$	\$	\$
Agricultural leases	11,656,746	5,115,424	4,728,411	1,812,911	-
Operating leases	137,130	137,130	-	-	-
Equipment rentals	6,049,094	2,699,833	2,604,957	744,304	-
<b>Total commitments</b>	<b>17,842,970</b>	<b>7,952,387</b>	<b>7,333,368</b>	<b>2,557,215</b>	<b>-</b>

b) Contingencies

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, Captiva's CEO and Greenbriar executed land leases with the Company for a total of 439 acres 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 in the first quarter of 2014. 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 share per US\$0.25 of gross farming operating income ("GFOI"). The shares were to be divided to multiple non-related parties and therefore no controlling shareholder would be created. GFOI was defined as net farm receipts minus direct farm operating expenses.



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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. Only July 24, 2014, the Company followed with its detailed claim against Bornt for US\$6.75 million requesting the court to enforce the terms of the MOU whereby Bornt would sublease the earmarked Captiva lands to the Company and all revenues and expenses related to those lands would be to the account of the Company. The parties reached a settlement agreement in early May, 2015 which resolved all claims and disputes between them to avoid further costs, uncertainty and considerable distractions involved in the litigation of the disputed claim. The net cost of the settlement to the Company was to be \$1,308,963 and the full amount was recorded as an expense in the fifteen month period ended December 31, 2014. The litigation was finalized in May, 2015 and an additional cost of \$117,936 was recorded in the year ended December 31, 2015 to account for additional third party legal costs.

#### Legal fees under dispute

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 March 31, 2016 as the Company continues to dispute the amount.

#### 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, the Company could be contingently liable for employer related withholdings and costs.

## 14) Financial instruments

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

### a) *Categories of financial instruments*

	<b>December 31 2015</b>	December 31 2014
	\$	\$
Loans and receivables		
Cash and cash equivalents	<b>78,458</b>	336,006
Restricted cash	<b>35,000</b>	75,000
Accounts receivable	<b>512,806</b>	957,656
Deposits	<b>516,417</b>	432,008
Long term deposits and prepaids	<b>359,346</b>	544,475
Other financial liabilities		
Accounts payable and accrued liabilities	<b>6,348,379</b>	6,040,111
Accrued interest	<b>10,178</b>	7,729
Short term loan payable	<b>50,000</b>	50,000
Current portion of long-term debt	<b>46,167</b>	49,260
Convertible debenture	<b>116,032</b>	160,045
Subscribed convertible debenture	<b>648,550</b>	-
Long-term debt	<b>60,924</b>	75,890

### b) *Fair value*

Financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, deposits, interest receivable, long term note receivable, accounts payable and accrued liabilities, accrued interest, short term loans payable, loans payable, a subscribed convertible debenture and convertible debentures. The fair values of cash and cash equivalents, restricted cash, accounts receivables, deposits, interest receivable, accounts payable and accrued liabilities, and accrued interest are considered to approximate their carrying values due to their short-term nature.

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#### c) Market risk

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rates through the interest earned on cash balances, deposits, and loans; however, management does not believe this exposure is significant as all interest rates are fixed.

##### Currency risk

With the Company having all of its organic farming operations in the US, the Company is exposed to foreign exchange risk and thereby foreign exchange risk arises due to fluctuations in foreign currency rates, which could affect the Company's financial results.

#### d) Credit risk

Credit risk is the risk that the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, accounts receivable, accrued interest receivable and note receivable. The Company was unable to collect on one trade receivable during the year ended December 31, 2015 and consequently took an allowance of \$126,325 (note 5). Further, the Company also took an allowance of \$364,416 against its note receivable plus accrued interest during the year ended December 31, 2015 and an additional allowance of \$7,636 for accrued interest in the three months ended March 31, 2016 as the Company was unable to satisfy the requirements of IAS 39. The Company is confident, however that the note receivable will ultimately be collected (note 7).

#### e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. In order to meet its financial obligations, the Company will need to generate cash flow from operations or raise additional funds. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating commitments:

	1 to 3 months	Less than 1 year	1 to 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	6,348,379	-	-	<b>6,348,379</b>
Accrued interest liabilities	-	-	10,178	<b>10,178</b>
Short-term loan	50,000	-	-	<b>50,000</b>
Long-term debt	-	46,167	60,924	<b>125,150</b>
Convertible debentures	-	-	116,032	<b>160,045</b>
Land lease payments	-	4,409,420	13,433,550	<b>17,842,970</b>

## 15) Capital management

The Company's objectives when managing capital are to:

- ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern;
- maintain adequate levels of funding to support operations and the acquisition and development of additional organic lands for production;
- maintain investor, creditor and market confidence to sustain future development of the business; and
- provide returns to shareholders and benefits for other stakeholders.

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity and debt, net of cash and cash equivalents. The Company plans to use existing funds, as well as funds from the future sale of produce to fund operation and development activities.

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The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company's capital structure is dependent on expected business growth and its ability to raise capital through the debt or equity markets.

Management reviews its capital management approach on an ongoing basis. During the three months ended March 31, 2016, there has been no change in the Company's management of capital policies. As at March 31, 2016, the Company is not subject to externally imposed capital requirements.

#### 16) Segmented information

The Company currently has two geographic segments: Canada and the US. The head office and management operate in Canada and the Company's long-term assets are in the US. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company is primarily involved in the production and sale of organic produce in the US and has determined that its reportable operating segment is based on the fact that the Company's project has the same economic characteristics and represent the manner in which the Company's chief decision maker views and evaluates the Company's business. The Company has one reportable operating segment.

	Canada	US	Total
	\$	\$	\$
<b>As at March 31, 2015</b>			
Total assets	109,418	3,928,847	4,038,265
Non-current assets	-	2,019,937	2,019,937
<b>As at December 31, 2015</b>			
Total assets	132,770	5,758,442	5,891,312
Non-current assets	-	2,301,102	2,301,102
<b>Three months ended March 31, 2015</b>			
Revenue	-	1,563,629	1,563,629
Interest income	7,636	-	7,636
<b>Three months ended March 31, 2015</b>			
Revenue	-	-	-
Interest income	7,748	-	7,748

#### 17) Related party transactions

During the three months ended March 31, 2016, the Company:

- The Company's CEO personally guaranteed US\$4,114,077 of the Company's trade payables. As compensation for this personal guarantee the Company issued 1,000,000 common shares at a deemed price of \$0.25 per share as a one-time payment to the Company's CEO.

During the year ended December 31, 2015, the Company closed:

- a 6%, \$50,000 convertible debenture agreement with the Company's former CFO (note 13)
- a 6%, \$125,000 convertible debenture agreement with a director of the Company (note 13)
- a private placement of Units in the Company in September 2015 (note 15(c)) of which, the Company's former CFO contributed \$315,000.

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#### Key management Compensation

Key management personnel include the members of the Board of Directors and officer of the Company, who have the authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration of directors and officers was as follows:

	<b>Three months ended March 31 2016</b>	Three months ended March 31 2015
	\$	\$
Consulting fees	<b>103,596</b>	112,112
Share-based compensation	<b>1,260,560</b>	-
<b>Total</b>	<b>1,364,156</b>	112,112

### 18) Subsequent events

Subsequent to March 31, 2015, the Company:

- a) Converted \$532,094 (US\$410,218) of accounts payable into a 24-month promissory note with monthly payments of \$22,170 (US\$17,092) to commence on May 1, 2016.
- b) Received a subscription to convert \$521,194 (US\$401,815) of accounts payable into a convertible debenture. The convertible debenture has a term of three years, bears interest at 8% per annum and is convertible, at the holder's option, into units of the Company at \$0.30 per unit. Each unit consists of one common share and one-half common share purchase warrant of the Company.
- c) Received a subscription for a \$129,710 (US\$100,000) convertible debenture. The convertible debenture has a term of three years, bears interest at 8% per annum and is convertible, at the holders option, into units of the Company at \$0.30 per unit. Each unit consists of one common share and one-half common share purchase warrant of the Company.
- d) Received subscriptions for 230,000 units of the Company for gross proceeds of \$57,500. Each unit consists of one common share and one half common share purchase warrant.
- e) Received \$120,000 in cash in the anticipation of completing future equity subscription agreements.
- f) The Company issued a short-term promissory note ("Note") for \$500,000 due on July 10, 2016. The Note bears interest at 8% per annum and is secured by a general security agreement over the Company's personal property, a personal guarantee by the Company's CEO and a personal pledge agreement of 1,000,000 common shares of the Company by the Company's CEO. Additionally, the Company is obligated to issue 300,000 common shares of the Company as a bonus to the Note holder at a deemed price of \$0.25 per common share (the "Bonus Shares"). The Bonus Shares were issued under a shares-for-debt private placement at a price of \$0.25 per Bonus Share.