Earth Alive Clean Technologies Inc.

Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

UNAUDITED

EARTH ALIVE CLEAN TECHNOLOGIES INC.
MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Earth Alive Clean Technologies Inc. as at and for the three and six-month periods ended June 30, 2016 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 condensed consolidated interim financial statements.

August 24, 2016.

THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015

Earth Alive Clean Technologies Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	June 30, 2016 Unaudited	December 31, 2015
ASSETS			
Current			
Cash	6	1,311,878	840,737
Trade and other receivables	7	583,287	554,842
Inventory	8	131,034	81,286
Prepaid		88,645	69,243
Due from shareholders, bearing interest at the rate of 4%		-	83,637
		2,114,844	1,629,745
Non-Current			
Property and equipment		17,270	20,904
Goodwill and other Intangible assets	9	713,173	746,763
		730,443	767,667
TOTAL ASSETS		2,845,287	2,397,412
LIABILITIES			
Current			
Trade and other payables		435,105	401,655
Income taxes payable		4,839	4,684
Deferred Revenue		98,389	-
Purchase consideration payable	10	310,000	290,043
		848,333	696,382
Non-Current			
Convertible debentures	11	1,383,178	1,333,932
Deferred income tax liabilities		10,827	27,478
TOTAL LIABILITIES		2,242,338	2,057,792
EQUITY			
Capital stock	12	6,433,197	5,336,117
Contributed Surplus		1,409,819	956,716
Conversion option, Convertible debentures	11	160,398	160,398
Deficit		(7,398,784)	(6,111,715)
Accumulated other comprehensive loss		(1,681)	(1,896)
TOTAL EQUITY		602,949	339,620
TOTAL LIABILITIES AND EQUITY		2,845,287	2,397,412

Commitments	14		

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

On behalf of the Board,

/s/ David Gilmour
Director

/s/ Benoit La Salle
Director

Earth Alive Clean Technologies Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

UNAUDITED

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015 Restated	Six months ended June 30, 2016	Six months ended June 30, 2015 Restated
Revenues		243,166	549,980	305,659	636,487
Cost of goods sold	13	140,457	327,909	189,626	386,988
Gross margin		102,709	222,071	116,033	249,499
Operating expenses	13				
General and administrative		196,352	148,139	399,717	278,459
Sales and marketing		333,656	395,886	690,091	704,101
Research and development		57,078	38,709	84,837	82,673
Total operating expenses		587,086	582,734	1,174,645	1,065,233
Operating loss		(484,377)	(360,663)	(1,058,612)	(815,734)
Financial income	13	(16,668)	(1,701)	(805)	(2,827)
Financial expenses	13	328,025	48,378	245,913	69,619
		311,357	46,677	245,108	66,792
Loss before income taxes		(795,734)	(407,340)	(1,303,720)	(882,526)
Income taxes					
Current		-	-	-	-
Deferred		(6,846)	(9,805)	(16,651)	(24,610)
Net loss		(788,888)	(397,535)	(1,287,069)	(857,916)
Other comprehensive loss			-		
Exchange difference in translation of foreign operations		478	-	215	-
Total comprehensive loss		(788,410)	(397,535)	(1,286,854)	(857,916)
Loss per share:	15				
Basic		($0.008)	($0.005)	($0.014)	($0.010)
Fully diluted		($0.008)	($0.005)	($0.014)	($0.010)

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

Earth Alive Clean Technologies Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars, except for number of shares)

	Capital stock						
	Number	Amount	Conversion Options Convertible Debenture	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total
Restated							
Balance, January 1, 2015	85,637,167	4,917,276	-	479,525	(4,230,814)	-	1,165,987
Shares issued pursuant to private placements (net of share issue costs of $29,234)	1,987,000	166,850	-	-			166,850
Warrants issued pursuant to private placements	-	-	-	101,366	-	-	101,366
Stock based Compensation			-	92,970			92,970
Net loss			-		(857,916)		(857,916)
	1,987,000	166,850		194,336	(857,916)	-	(496,730)
Other Comprehensive Loss	-	-	-	-	-	-	-
	1,987,000	166,850		194,336	(857,916)	-	(496,730)
Balance, June 30, 2015	87,624,167	5,084,126		673,861	(5,088,730)	-	669,257
Balance, January 1, 2016	90,339,000	5,336,117	160,398	956,716	(6,111,715)	(1,896)	339,620
Shares issued pursuant to private placements (net of share issue costs of $89,027)	4,324,000	1,014,943	-	-	-	-	1,014,943
Warrants issued pursuant to private placements	-	-	-	409,430	-	-	409,430
Shares issued pursuant to Agent options exercised	541,000	78,176	-	(24,076)	-	-	54,100
Shares issued pursuant to warrants exercised	15,000	3,961	-	(961)	-	-	3,000
Stock based Compensation	-	-	-	68,710	-	-	68,710
Net loss	-	-	-	-	(1,287,069)	-	(1,287,069)
	4,880,000	1,097,080	-	453,103	(1,287,069)	-	263,114
Other Comprehensive Loss	-	-	-	-	-	215	215
Balance, June 30, 2016	95,219,000	6,433,197	160,398	1,409,819	(7,398,784)	(1,681)	602,949

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

Earth Alive Clean Technologies Inc.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
UNAUDITED

	Note	Six months ended June 30, 2016	2015 Restated
OPERATING ACTIVITIES			
Net loss		(1,287,069)	(857,916)
Non cash profit and loss items	16	263,428	223,283
Changes in non-cash working capital items	17	118,036	67,158
Cash flows used in operating activities		(905,605)	(567,475)
INVESTING ACTIVITIES			
Intangible assets acquired	9	(37,442)	(3,923)
Cash flows used in investing activities		(37,442)	(3,923)
FINANCING ACTIVITIES			
Net proceeds from issuance of shares and warrants	12	1,481,473	268,216
Purchase consideration payable	10	(67,500)	-
Cash flows provided by financing activities		1,413,973	268,216
Net increase (decrease) in cash		470,926	(303,182)
Cash, beginning of period		840,737	577,142
Realized foreign exchange effect on cash		215	-
Cash, end of period		1,311,878	273,960

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

1. STATUTES, NATURE OF ACTIVITIES AND GOING CONCERN

Earth Alive Clean Technologies Inc. and its subsidiaries ("Company") ("EACT") are focused on formulating and manufacturing niche products destined for a variety of industries, using the latest innovations in microbial technology, which, once blended with a host of other proprietary natural ingredients, allow the Company to formulate and patent innovative environmentally sustainable products that can deal with difficult industrial challenges without the use of environmentally harmful chemicals and additives.

The Company was incorporated under the Canada Business Corporations Act on February 2, 2011 and its shares are listed on the Canadian Stock Exchange ("CSE") under the symbol EAC since April 16, 2014. The head office of the Company is located at 1001 Lenoir Street, Suite B-338, Montréal, Québec (Canada).

The accompanying condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations. The Company has not yet realized profitable operations, reporting a loss of $1,287,069 for the six months ended June 30, 2016 compared to a loss of $857,916, for the same period last year and has had negative cash flows from operations since inception. The Company has relied on external sources of debt and equity to fund operations to date.

The Company's ability to continue as a going concern will depend on management's ability to successfully execute its business plan and obtain additional financing if necessary, until it achieves profitability and positive cash flow from operating activities. Although management, based on achievements to date, feels that the risk that the Company will not be able to continue as a going concern is low, there can be no assurance that such financing and profitability will occur in the amounts and with the terms expected. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying value and classification of assets and liabilities should the Company be unable to continue as a going concern. These factors raise significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and do not contain all the information required for financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). They are however accompanied by notes selected in order to provide information necessary to the understanding of the Company's financial position and its operations since its annual audited consolidated financial statements for the year ended December 31, 2015.

The condensed consolidated interim financial statements should be read in conjunction with the Company's audited annual consolidated statements and related notes as and for the year ended December 31, 2015.

The condensed consolidated interim financial statements of the Company were authorized for issue by the Audit Committee of the Board of Directors on August 24, 2016

b) Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries LFP Solutions Inc. ("LFP") and Earth Alive Chile SpA ("SpA"). These 100% owned subsidiaries are entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the Company and is de-consolidated from the date the control ceases. All intercompany transactions, balances, income and expenses, and profits and losses are eliminated on consolidation.

c) Significant accounting policies

These condensed consolidated interim financial statements, including comparatives, have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2015.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated interim financial statements and reported amounts of revenues and expenses during the three and six months ended June 30, 2016. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The main sources of estimation uncertainty and critical judgments by management applicable to these condensed consolidated interim financial statements are the same as those presented in the Company's audited annual consolidated financial statements for the year ended December 31, 2015.

4. FUTURE ACCOUNTING POLICIES

The following standards have been issued but are not yet effective:

IFRS 9 Financial Instruments

The IASB issued IFRS 9 Financial Instruments, which aims to replace IAS 39 Financial Instruments: Recognition and Measurement in a three-phase project which aims to improve and simplify the accounting for financial instruments. This standard is effective for periods beginning on or after January 1, 2018.

The three phases of the IAS 39 replacement project are:

- Phase 1: Classification and measurement of financial assets and liabilities (issued November 2009 and October 2010);
- Phase 2: Methods for the impairment of financial assets (published in July 2014);
- Phase 3: Hedge accounting (issued November 2013).

The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”, to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and other revenue related interpretations. The standard will be effective on January 1, 2018 for the Company, with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, “Leases”, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard will be effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial application of this Standard. If an entity applies this Standard earlier, it shall disclose that fact. The Company is currently evaluating the impact of this standard on its consolidated financial statements but does not expect that it will have a significant impact.

5. BUSINESS COMBINATION

Earth Alive Chile SpA

Effective May 11, 2015, the Company acquired 100% of the shares of Earth Alive Chile SpA, (“Chile SpA”) a distributor of the Company's products in Chile for $3,022 in cash, less cash acquired of $2,377. The acquisition of Chile SpA is in line with the Company's strategy to expand its presence in South and Central America. Chile SpA has been fully consolidated from the date of acquisition. The consideration transferred is equal to the fair value of the net assets acquired. The fair value of the net assets acquired was determined using management's estimates. Recoverable taxes acquired in the transaction had a fair value of $645.

6. CASH

	June 30, 2016	December 31, 2015
Cash denominated in CA$	1,122,345	563,204
Cash denominated in US$	171,986	219,044
Cash denominated in Chilean pesos	17,547	58,489
Cash on the consolidated statements of cash flows	1,311,878	840,737

(Expressed in Canadian dollars, except for number of securities)

7. TRADE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2015
Trade	481,014	385,530
Other receivables – related parties	32,824	27,614
Taxes receivable	76,718	148,596
Allowance for doubtful accounts	(7,269)	(6,898)
Trade and other receivables	583,287	554,842

The net carrying amounts are a reasonable approximation of their fair value. Other receivables – related parties are due from an officer of the Company.

The net carrying amount of the Company's past due receivables is $133,107 at the reporting date. The ageing of these receivables is detailed in the following table:

Ageing of receivables that are past due but not impaired:

	June 30, 2016	December 31,2015
Not impaired and past due by:		
31 to 60 days	33,718	2,250
61 to 90 days	82,626	-
Over 90 days	16,763	4,681
Total	133,107	6,931

The Company has set up any allowance for the accounts presented in the preceding table in the amount of $7,269. Trade receivables are normally recovered in 60 days.

As at June 30, 2016, approximately 45% of the net carrying amount of trade receivables is owed by its distributor in Latin America resulting from sales made in late December 2015, to which extended credit terms were granted. Apart from this customer, credit concentration risk is limited.

The Company does not hold any collateral in respect of these receivables. Receivables are written off when the Company estimates it will not collect the amount provided for.

8. INVENTORY

Total carrying amount of inventories by classification:

	June 30, 2016	December 31, 2015
Agriculture products		
Raw materials	15,251	-
Finished goods	97,703	45,650
	112,954	45,650
Dust suppression products		
Raw materials	3,208	5,518
Finished goods	14,872	30,118
	18,080	35,636
Total	131,034	81,286

(Expressed in Canadian dollars, except for number of securities)

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets consist of the following:

Deemed Cost	Goodwill	Patents	Trademarks	Non-Competition Agreement	Total
As at January 1, 2016	560,326	168,063	69,000	264,000	1,061,389
Additions	-	37,442	-	-	37,442
As at June 30, 2016	560,326	205,505	69,000	264,000	1,098,831
Accumulated Amortization					
As at January 1, 2016	-	83,776	21,850	209,000	314,626
Amortization for the period	-	9,132	6,900	55,000	71,032
As at June 30, 2016	-	92,908	28,750	264,000	385,658
Carrying Value					
As at June 30, 2016	560,326	112,597	40,250	-	713,173
As at June 30, 2015	560,326	105,464	54,050	121,000	840,840
The carrying amount will be fully amortized in		5.5 years	2.9 years	-	

10. PURCHASE CONSIDERATION PAYABLE

In June, 2014, the Company acquired 100% of the shares of LFP Solutions Inc. The purchase agreement provided for cash payments as well as a contingent consideration payable in shares based on the Company meeting certain revenue targets over a two-year period. During the Second quarter ended June 30, 2016, the Board of Directors agreed to permit the payment of 60% of the Purchase price balance in shares rather than cash.

The total purchase consideration payable as of June 30, 2016 amounts to $310,000 as follows:

	Purchase Price Balance Payable in Cash		Purchase Price Balance Payable in Shares		Contingent Consideration Payable in Shares		Total	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Current Liabilities	-	122,647	60,000	-	250,000	167,396	310,000	290,043
Non-Current Liabilities		-		-		-		-
	-	122,647	60,000	-	250,000	167,396	310,000	290,043

During the three months ended June 30, 2016, the Company recorded an accretion expense of $1,970 with respect to the cash consideration payable. An adjustment of $250,000 was recorded in the same period to the consideration payable in shares following the authorization by the Board of Directors of the Company to issue 100% of the shares potentially payable on the second anniversary of the acquisition date as a contingent consideration.

The total purchase consideration payable is due to an officer of the Company.

(Expressed in Canadian dollars, except for number of securities)

11. CONVERTIBLE DEBENTURES

On July 15, 2015, the Company issued unsecured convertible debentures in the amount of $1,650,000. Issuance costs amounted to $130,778, of which $19,507 was allocated to the conversion options. The convertible debentures have a maturity of three years, carry interest at a rate of 12%. They have a prepayment option and are convertible into common shares of the Company, at the option of the holder, on the basis of $0.20 per share for the first and second year and $0.30 per share thereafter. The Company has the option to convert the debentures at all times if the share price reaches $0.40 for ten consecutive trading days.

The convertible debentures have two embedded derivatives, the prepayment option, which was determined to be closely related to the host contract and therefore was not accounted for separately, and the conversion feature, which was determined to be a derivative liability and was accounted for as a liability at fair value. Fair value was estimated taking into consideration the fact that the transaction was negotiated amongst unrelated parties based on market terms. As required by IAS 32 Financial Instruments the Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated conversion option, using a discount rate of 20%.

The carrying amount of the conversion options represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The convertible debenture is also being accreted to its redemption amount based on its expected life as required by IAS 39 Financial Instruments using the effective interest method.

The conversion option to the convertible debentures created a deferred tax liability in the amount of $66,203 that was applied against the value attributable to the conversion options. The Company recognized the benefit of a portion of its losses carried forward to offset this liability in the consolidated statement of operations and comprehensive loss.

	Convertible debentures	Conversion options	Total
Issuance of Convertible Debentures	1,403,892	246,108	1,650,000
Issuance costs	(111,271)	(19,507)	(130,778)
Deferred tax liability	-	(66,203)	(66,203)
Accretion expense	90,557		90,557
	1,383,178	160,398	1,543,576

12. SHARE CAPITAL

a) Class A common shares:
The share capital of the Company consists only of fully paid ordinary shares

Authorized
Unlimited number of Class A common voting and participating shares.

No preferred shares are outstanding.

The Company has never declared any dividend.

Issued
Changes in the Company's Class A common share capital were as follows:

	June 30, 2016		June 30, 2015	
	Number	Amount	Number	Amount
Balance at the beginning of the period	90,339,000	5,336,117	85,637,167	4,917,276
Shares issued pursuant to private placements (net of share issue costs of $89,027)	4,324,000	1,014,943	-	-
Shares issued pursuant to Agent Options exercised	551,000	78,186	-	-
Shares issued pursuant to Warrants exercised	15,000	3,961	-	-
Shares issued pursuant to private placements (net of share issue costs of $29,834)	-	-	1,987,000	166,850
Balance at the end of the period	95,219,000	6,433,197	87,624,167	5.084,126

(Expressed in Canadian dollars, except for number of securities)

12. SHARE CAPITAL (cont'd)

On February 26, 2016 the Company completed a non-brokered private placement, for gross proceeds of $1,513,400 through the sale of 4,324,000 units, priced at $0.35 each. Each unit consisting in one common share and one half (½) of one common share purchase warrant. Each full warrant entitling the holder to purchase one common share of Earth Alive, at the price of $0.45, for a period of 18 months.

On January 8, 2015, the Company completed a private placement with one investor, pursuant to which it issued 897,000 units at $0.15 each, for gross proceeds of $134,550. Each unit consists of one common share and one common share purchase warrant which entitles the holder to purchase one common share, at $0.20, for a period of 24 months following the closing. The fair value of the common shares of $90,411 was determined by subtracting the value of the common share purchase warrant included in the unit as determined in (b) below.

On March 31, 2015, the Company completed a private placement with one investor, pursuant to which it issued 40,000 units at $0.15 each, for gross proceeds of $6,000. Each unit consists of one common share and one common share purchase warrant which entitles the holder to purchase one common share, at $0.20, for a period of 24 months following the closing. The fair value of the common shares of $3,900 was determined by subtracting the value of the common share purchase warrant included in the unit as determined in (b) below.

b. Share purchase warrants

On February 26, 2016 the Company issued 2,162,000 common share purchase warrants entitling the holder to purchase one common share at the price of $0.45, for a period of 18 months following the closing. The fair value of the warrants was estimated using a Black-Scholes pricing model based on a volatility of 135.1%, risk-free rate of approximately 0.47%, expected lives of eighteen months and no dividend yield. $409,430 was recorded as contributed surplus during the period.

On January 8, 2015, the Company issued 897,000 common share purchase warrants which entitle the holder to purchase one common share, at $0.20, for a period of 24 months following the closing. The fair value of the warrants was estimated using a Black-Scholes pricing model based on a volatility of 75.4%, risk-free rate of approximately 0.98%, expected lives of two years and no dividend yield. $44,139 was recorded as contributed surplus during the period.

On March 31, 2015, the Company issued 40,000 common share purchase warrants which entitle the holder to purchase one common share, at $0.20, for a period of 24 months following the closing. The fair value of the warrants was estimated using a Black-Scholes pricing model based on a volatility of 79.96%, risk-free rate of approximately 0.51%, expected lives of two years and no dividend yield. $2,100 was recorded as contributed surplus during the period.

Presented below is the summary of warrant activity:

	Number of warrants	Average exercise price
Balance, January 1, 2016	5,733,667	$0.20
Issued,	2,162,000	$0.45
Exercised	(15,000)	$0.20
Expired / Forfeited	-	-
Balance, June 30, 2016	7,880,667	$0.269

c. Agent Options

On July 15, 2015, the Company issued 6,000 Agent Options that have a term of three years, each entitling the holder to purchase one common share at $0.20 for the two years of the term or $0.30 for the remainder of the term. The fair value of the warrants was estimated using a Black-Scholes pricing model based on a volatility of 141.28%, risk-free rate of approximately 0.3%, expected lives of two years and no dividend yield. $180 was recorded as contributed surplus during the period

In connection with the Amalgamation, the Company granted to the Agent, options (the "Agent Options") which are exercisable (in whole or in part) until April 13, 2016 and which gives the Agent the right to acquire up to 1,172,500 Common shares of the Company (such number being equal to 10% of the number of Common shares issued pursuant to the brokered portion of the Private Placement) with an exercise price of $0.10. The fair value of the Agent Options was estimated using a Black-Scholes pricing model based on a volatility of 82.07%, risk-free rate of approximately 1.07%, expected lives of two years and no dividend yield. $52,078 was recorded as share issuance costs in share capital in April 2014. At June 30, 2016, agents had Agent Options to acquire 6,000 Common shares remaining.

(Expressed in Canadian dollars, except for number of securities)

12. SHARE CAPITAL (cont'd)

	Number of Agent Options	Exercise Price	Remaining Contractual Term in years
Balance, January 1, 2016	547,000	$0.102	0.32
Exercised / Forfeited	(541,000)	$0.100	
Balance June 30, 2016	6,000	$0.20 / $0.30	2.04
Exercisable at June 30, 2016	6,000	$0.20 / $0.30	2.04

d. Stock Options

The Company has an incentive stock option plan that provides that the Board of Directors of the Company, from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, employees, and consultants of the Company, non-transferable options to purchase Common shares, provided that the number of Common shares reserved for issuance will not exceed 10% of the issued and outstanding Common shares of the Company at the time of grant.

The term of such options will be fixed by the Board of Directors of the Company, subject to the limitations that they will be exercisable for a period of up to ten (10) years from the date of grant. In connection with the foregoing, the number of Common shares reserved for issuance to any individual who is not a consultant will not exceed 5% in any 12-month period. The number of Common shares reserved for issuance to a consultant will not exceed 2% in any 12-month period.

Presented below is the summary of stock options activity:

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average remaining contractual term (Years)
Outstanding as at January 1, 2016	7,088,300	$0.140	3.768
Granted	-	-	-
Exercised	-	-	-
Forfeited and Expired	(250,000)	-	-
Outstanding at June 30, 2016	6,838,300	$0.138	3.25
Exercisable at June 30, 2016	5,275,801	$0.131	3.18

13. INFORMATION INCLUDED IN THE STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

Expenses by nature

	Three months ended June 30,		Six months ended June 30,	
Cost of goods sold	2016	2015 Restated	2016	2015 Restated
Salaries and benefits	7,818	6,066	14,944	11,374
Amortization	1,114	399	2,228	2,228
Materials	106,333	274,414	150,397	325,037
Transport	25,192	47,030	22,057	48,349
Total	140,457	327,909	189,626	386,988

(Expressed in Canadian dollars, except for number of securities)

13. INFORMATION INCLUDED IN THE STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS (Cont'd)

	Three months ended June 30,		Six months ended June 30,	
Operating expenses	2016	2015 Restated	2016	2015 Restated
Advertising and promotion	14,561	6,878	40,991	11,904
Consulting fees	76,852	25,197	113,539	76,751
Amortization	31,396	44,186	72,438	89,475
Office and general	23,897	10,785	45,667	24,434
Professional fees	57,390	73,629	127,587	136,939
Rent	11,594	10,884	23,077	21,726
Research and development	51,288	33,141	73,791	67,414
Sales commissions	25,674	84,485	22,067	84,662
Salaries and benefits	200,754	155,581	408,391	328,992
Stock based compensation	10,287	64,462	68,710	92,970
Stock trading costs	24,963	20,684	39,690	25,351
Telecommunications	6,135	6,592	12,382	12,608
Travel and living costs	52,295	46,230	126,315	92,007
Total	587,086	582,734	1,174,645	1,065,233

	Three months ended June 30,		Six months ended June 30,	
	2016	2015 Restated	2016	2015 Restated
Financial income				
Foreign exchange gain	16,648	-	-	-
Other interest income	20	1,701	805	2,827
Total	16,668	1,701	805	2,827
Financial expenses				
Accretion expense on convertible debentures	25,281	-	49,246	-
Accretion expense on LFP consideration payable in cash	1,970	4,114	4,853	7,923
LFP contingent consideration adjustment	250,000	32,316	82,604	55,297
Bank charges	1,455	2,852	2,812	3,513
Foreign exchange loss	-	9,096	7,760	2,886
Interest expense on convertible debentures	49,319	-	98,638	-
Total	328,025	48,378	245,913	69,619

(Expressed in Canadian dollars, except for number of securities)

14. COMMITMENTS

The Company leases warehouse space under a month to month lease which is cancellable at any time. It also rents offices under a month to month lease after its expiration on May 31, 2016, pending negotiation for renewal terms. The Company also leases an automobile under a lease that expires on November 30, 2018.

Minimum lease payments recognized as an expense during the period total $25,030 ($21,726 in 2015).

Future aggregate minimum lease payments under these leases are as follows:

	2016	2015
No later than 1 year	3,906	28,769
Later than 1 year and no later than 5 years	5,543	-
Later than 5 years	-	-
Total	9,449	28,769

15. LOSS PER SHARE

Loss per share is calculated by dividing the net loss by the weighted average number of outstanding Common shares during the period.

Diluted loss per share is calculated by adjusting the weighted average number of Common shares outstanding to assume conversion of all dilutive potential Common shares.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net loss attributable to shareholders	(788,888)	(397,535)	(1,287,069)	(857,916)
Weighted average number of shares outstanding	95,191,571	87,520,321	93,645,776	89,943,275
Diluted weighted average number of shares outstanding	95,191,571	87,520,321	93,645,776	89,943,275
Basic loss per share	($0.008)	($0.005)	($0.014)	($0.010)
Fully diluted loss per share	($0.008)	($0.005)	($0.014)	($0.010)

16. NON CASH PROFIT OR LOSS ITEMS

Non cash profit or loss items are as follows:

		Six months ended June 30,	
	Note	2016	2015
Accretion expense on convertible debentures		49,246	-
Accretion expense on LFP consideration payable in cash	11	4,853	7,923
LFP contingent consideration adjustment	11	82,604	55,297
Deferred income taxes		(16,651)	(24,610)
Depreciation and amortization expense	9&10	74,666	91,703
Stock based compensation		68,710	92,970
		263,428	223,283

(Expressed in Canadian dollars, except for number of securities)

17. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

Changes in non-cash working capital items include:

	Six months ended June 30,	
	2016	2015 Restated
Trade and other receivables	(28,445)	(161,465)
Inventory	(49,748)	(43,863)
Prepaid	(19,402)	17,927
Due from shareholders	83,637	(76,011)
Trade and other payables	33,450	330,570
Deferred revenue	98,389	-
Income taxes payable	155	-
Total	118,036	67,158

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as those derived from prices.
- Level 3 inputs are unobservable inputs for the asset or liability.

There have been no transfers to or from Level 3 during the year.

a) Fair value of financial instruments

Financial instruments of the Company consist of cash and cash equivalents, accounts receivable, accounts payable, due from shareholder and purchase consideration payable in cash. The Company has determined that the carrying value of its short-term financial assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments (classified as Level 1).

The convertible debentures have been initially measured at fair value as described in Note 14 (classified as Level 2).

b) Assets and liabilities measured at fair value on a recurring basis

As at June 30, 2016, the Company's only liability recorded at fair value on a recurring basis is the purchase consideration payable in shares which is classified as Level 3 as described in Note 11.

19. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel – The Company considers its directors and executives to be key management personnel. Key management personnel compensation for the year ended December 31, consisting of stock based compensation, consulting fees, salaries and benefits are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Salaries and benefits	99,419	94,699	214,323	206,250
Sales commissions	-	18,926	12,168	19,374
Consulting fees	44,131	52,814	73,127	83,631
Stock based compensation	12,558	9,886	29,165	27,866
Total	156,108	176,325	328,783	337,121

20. SEGMENTED INFORMATION

The Company is divided into two operating segments, Agriculture and Dust Suppression. The Company essentially operates a single line of business, i.e. using the latest innovations in microbial technology, which, once blended with a host of other proprietary natural ingredients, allow the Company to formulate and patent innovative environmentally sustainable products for a variety of industries. Segment reporting follows the same accounting policies as those used to prepare the consolidated financial statements.

For management purposes, the Company is organized into two business units or operating segments as follows:

- The Agriculture segment, which provides environmentally friendly products for retail and industrial used such as fertilizers and soil amendments.
- The Dust Suppression segment, which provides a biodegradable microbial product that abates dust.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision-maker is identified as the Chief Executive Officer, who assesses the performance and operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based at the revenue and gross margin level as well as operating costs directly attributable to the segments, and is measured consistently with revenue and gross margins in the consolidated financial statements.

Product and services revenues come from four geographical areas: Canada, the United States, Central and South America, Europe and East Africa.

Profit or loss and statement of financial position items are allocated between the segments on the following basis:

- Revenues and gross margins are allocated to the segment where revenues have been invoiced. There are no inter-segment revenues.
- General and administrative expenses are incurred in Canada and in Chile. Expenses in Chile are allocated to the Dust Suppression segment. Expenses related to stock based compensation for Directors, and stock trading costs are not allocated. Remaining costs are allocated according to revenue for each segment on a year to date basis, unless they pertain specifically to a segment.
- Sales and Marketing expenses are incurred in Canada and in Chile. Expenses in Chile are allocated to the Dust Suppression segment. Expenses are generally allocated to the segments that benefit from the cost incurred in the reporting period.
- Amortization expenses related to intangible assets have been allocated to each operating segment based on which segment has the benefit of the asset in question.
- Research and development costs are allocated based on revenue on a year to date basis.
- The Company's financing (including finance costs and finance income) and income taxes are managed on a consolidated basis and are not allocated to operating segments.
- Assets and Liabilities in our Chilean operations are allocated to the Dust Suppression segment. The remaining trade and other receivables and inventory are allocated based on the products or services sold to the debtor and the type of materials or finished goods in inventory, respectively. Amounts receivable for refundable taxes have not been allocated. Remaining prepaid assets are not allocated as they benefit both segments.
- Cash, due from shareholder and deferred income taxes have not been allocated.
- Intangible assets have been allocated to each operating segment based on which segment has the benefit of the asset in question.
- Property and equipment have been allocated to each operating segment based on which segment has the benefit of the asset in question. Property and equipment which benefit both segments have not been allocated.
- Trade and other payables have been allocated to each operating segment based on which segment has the benefit of the liability in question. Remaining liabilities which benefit both segments have not been allocated. The purchase consideration payable for the acquisition of LFP has been allocated to the Agriculture segment.

(Expressed in Canadian dollars, except for number of securities)

20. SEGMENTED INFORMATION (cont'd)

Three Months ended June 30, 2016	Dust Suppression	Agriculture	Not Allocated	Total
Revenue	-	243,166	-	243,166
Cost of goods sold	-	140,457	-	140,457
Gross Margin	-	102,709	-	102,709
General & administration	13,285	131,908	51,159	196,352
Sales & Marketing	111,784	221,872	-	333,656
Research & development	3,385	53,693	-	57,078
Operating Expenses	128,454	407,473	51,159	587,086
Income from Operations	(128,454)	(304,764)	(51,159)	(484,377)
Financial Expenses	-	-	311,357	311,357
Deferred income taxes	-	-	(6,846)	(6,846)
Net Loss	(128,454)	(304,764)	(355,670)	(788,888)
Other Information				
Depreciation & amortization	3,384	29,126	-	32,510

Three Months ended June 30, 2015	Dust Suppression	Agriculture	Not Allocated	Total
Revenue	292,236	257,744	-	549,980
Cost of goods sold	197,772	130,137	-	327,909
Gross Margin	94,464	127,607	-	222,071
General & administration	104,411	12,192	31,536	148,139
Sales & Marketing	168,980	226,906	-	395,886
Research & development	38,030	679	-	38,709
Operating Expenses	311,421	239,777	31,536	582,734
Income from Operations	(216,957)	(112,170)	(31,536)	(360,663)
Financial Expenses	-	-	46,677	46,677
Deferred income taxes	-	-	(9,805)	(9,805)
Net Loss	(216,957)	(112,170)	(68,408)	(397,535)
Other Information				
Depreciation & amortization	7,249	33,617	3,719	44,585

(Expressed in Canadian dollars, except for number of securities)

20. SEGMENTED INFORMATION (cont'd)

Six Months ended June 30, 2016	Dust Suppression	Agriculture	Not Allocated	Total
Revenue	-	305,659	-	305,659
Cost of goods sold	-	189,626	-	189,626
Gross Margin	-	116,033	-	116,033
General & administration	30,330	256,492	112,895	399,717
Sales & Marketing	254,682	435,409	-	690,091
Research & development	5,416	79,421	-	84,837
Operating Expenses	290,428	771,322	112,895	1,174,645
Income from Operations	(290,428)	(655,289)	(112,895)	(1,058,612)
Financial Expenses	-	-	245,108	245,108
Deferred income taxes	-	-	(16,651)	(16,651)
Net Loss	(290,428)	(655,289)	(341,352)	(1,287,069)
Other Information				
Depreciation & amortization	5,415	69,251	-	74,666

Six Months ended June 30, 2015 Restated	Dust Suppression	Agriculture	Not Allocated	Total
Revenue	292,236	344,251	-	636,487
Cost of goods sold	197,772	189,216		386,988
Gross Margin	94,464	155,035	-	249,499
General & administration	109,832	127,041	41,586	278,459
Sales & Marketing	297,591	406,510		704,101
Research & development	38,030	44,643		82,673
Operating Expenses	445,453	578,194	41,586	1,065,233
Income from Operations	(350,989)	(423,159)	(41,586)	(815,734)
Financial Expenses	-	-	66,792	66,792
Deferred income taxes	-	-	(24,610)	(24,610)
Net Loss	(350,989)	(423,159)	(83,768)	(857,916)
Other Information				
Depreciation & amortization	7,249	80,735	3,719	91,703

	Dust Suppression	Agriculture	Not Allocated	Total
Components of Consolidated Statement of Financial Position - June 30 2016				
Assets	358,390	1,036,125	1,450,772	2,845,287
Liabilities	48,724	658,038	1,535,576	2,242,338
Net Assets (Liabilities)	309,666	378,087	(84,804)	602,949
Components of Consolidated Statement of Financial Position - June 30, 2015				
Assets	351,369	962,477	582,795	1,896,641
Liabilities	209,954	869,596	147,834	1,227,384
Net Assets (Liabilities)	141,415	92,881	434,961	669,257

(Expressed in Canadian dollars, except for number of securities)

20. SEGMENTED INFORMATION (cont'd)

Information about major customers

For the six months ended June 30, 2016, revenues from three customers in the Agriculture Segment represented approximately $234,000 or 76.6% (one customer in 2015 - $208,000 or 60.5%) of the Company's Agriculture revenue. There were no revenues from the Dust Segment in the first half. For the same period in 2015, two customers accounted for approximately $255,000 or 87.1% Dust Segment revenues for the six-month period.

Its largest customer for the period represented approximately $145,000 or 47.6% (2015 - $208,000 or 32.7`%) of total revenue.

Information about revenues

Six months ended June 30, 2016	Canada	USA	Central and South America	Europe	Total
Dust Suppression	-	-	-	-	-
Agriculture	100,456	9,843	132,867	-	243,166
Total Revenue	100,456	9,843	132,867	-	243,166

Six months ended June 30, 2016	Canada	USA	Central and South America	Europe	Total
Dust Suppression	-	-	150,382	141,854	292,236
Agriculture	136,087	-	208,165		344,252
Total Revenue	136,087	-	358,547	141,854	636,488