Acana Capital Corp.

Condensed Consolidated Interim Financial Statements

Three Months Ended December 31, 2012

Unaudited

Expressed in Canadian Dollars

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management, and were not reviewed by the Company's independent auditor.

Acana Capital Corp.
Condensed consolidated interim statements of financial position
(Unaudited - expressed in Canadian Dollars)

	Note	December 31, 2012	September 30, 2012
		$	$
Assets			
Current assets			
Cash		102,270	154,012
Marketable securities	6	821,439	812,943
HST receivable		71,665	71,479
Prepaid		7,881	5,066
		1,003,255	1,043,500
Properties	7	3,277,609	1,328,624
Total assets		4,280,864	2,372,124
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	11	15,400	14,589
Short-term loan	8	229,688	-
Note payable	9	709,532	-
		954,620	14,589
Non-current liabilities			
Convertible debenture	10	1,002,137	-
Total liabilities		1,956,757	14,589
Shareholders' equity			
Share capital	5	2,028,250	1,653,250
Accumulated other comprehensive loss	7	(5,915)	-
Reserves	5	918,000	918,000
Deficit		(616,228)	(213,715)
Total equity		2,324,107	2,357,535
Total liabilities and shareholders' equity		4,280,864	2,372,124

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)
Commitments (Note 13)

See accompanying notes to the condensed consolidated interim financial statements

Approved and authorized for issuance by the Board of Directors on January 30, 2013

"Eugene Beukman"
Director

"Brian Findlay"
Director

Acana Capital Corp.
Condensed consolidated interim statements of comprehensive Loss
(Unaudited - expressed in Canadian Dollars)

		Three months ended December 31,	
	Note	**2012**	**2011**
		$	$
Rental income	7	13,364	–
Rental expenses		1,826	–
Net Rental income		11,538	–
Expenses			
Amortization	7	11,010	–
Office and administration		9,907	–
Professional fees		11,061	449
Trust and filing fees		7,235	10,821
Total operating expenses		39,213	11,270
Gain (loss) before other items		(27,675)	(11,270)
Unrealized gain (loss) on marketable securities	6	(373,169)	–
Interest income (expenses)		(3,237)	–
Foreign exchange gain (loss) and finance charges		1,568	(141)
Net loss		(402,513)	(11,411)
Comprehensive loss:			
Translation loss	7	(5,915)	–
Total Comprehensive loss		(408,428)	(11,411)
Loss per share, basic and diluted		(0.04)	(0.02)
Weighted average number of outstanding shares		10,644,496	470,512

See accompanying notes to the condensed consolidated interim financial statements

Acana Capital Corp.
Condensed consolidated interim statements of cash flows
(Unaudited - expressed in Canadian Dollars)

		Three months ended December 31	
	Note	**2012**	**2011**
Cash (used in) provided by:		$	$
Operating activities			
Loss for the period		(402,513)	(11,411)
Items not involving cash :			
Amortization	7	11,010	-
Unrealized loss on marketable securities	6	373,169	-
Unrealized foreign exchange loss		(1,568)	
Accrued interest expenses	8,9	3,237	-
Changes in non-cash operating working capital			
HST receivable and prepaid		(3,001)	(1,310)
Accounts payable and accrued liabilities		811	-
Cash used in operating activities		(18,855)	(12,721)
Financing activities			
Shares issued for cash	5	375,000	-
Issuance of convertible debentures	10	1,000,000	-
Increase in due to related parties		-	200,000
Increase of promissory notes	9	710,000	-
Increase of short term loan	8	229,688	-
Cash provided by investing activities		2,314,688	200,000
Investing activities			
Acquisition of marketable securities	6	(381,665)	(108,000)
Acquisition of real properties	7	(1,965,910)	-
Cash provided by investing activities		(2,347,575)	(108,000)
Increase (decrease) in cash		(51,742)	79,279
Cash, beginning of period		154,012	-
Cash, end of period		102,270	79,279
Supplementary information:			
Cash paid for interest		-	-
Cash paid for income taxes		-	-
Non- cash transactions:			
2,446,670 shares issued for real estate interest	4	-	276,250

See accompanying notes to the condensed consolidated interim financial statements

Acana Capital Corp.

Condensed consolidated interim statements of changes in equity

(Unaudited - expressed in Canadian Dollars except for number of shares)

		Share capital					
	Note	Number	Amount	Warrant reserve	Accumulated other comprehensive loss	Deficit	Shareholders' equity (deficiency)
			$	$	$	$	$
Balance, September 30, 2012		7,546,670	1,653,250	918,000	–	(213,715)	2,357,535
Shares issuance for cash	5	7,500,000	375,000	–	–	–	375,000
Comprehensive loss	7	–	–	–	(5,915)	–	(5,915)
Net loss		–	–	–	–	(402,513)	(402,513)
Balance,December 31, 2012		15,046,670	2,028,250	918,000	(5,915)	(616,228)	2,324,107

		Share capital					
	Note	Number	Amount	Warrant reserve	Accumulated other comprehensive loss	Deficit	Shareholders' equity (deficiency)
			$	$	$	$	$
Balance, September 30, 2011		–	–	–	–	–	–
Share issuance on corporate restructuring	4	2,446,670	276,250	–	–	–	276,250
Net loss		–	–	–	–	(11,411)	(11,411)
Balance, December 31, 2011		2,446,670	276,250	–	–	(11,411)	264,839

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Acana Capital Corp. (the "Company") was incorporated on June 18, 2007 in British Columbia, Canada. The company's principal activity is the acquisition and development of real properties. The Company's head office, registered office, and record office are located at Suite 200 – 8338 120th Street, Surrey, BC, V3W 3N4. The Company's shares are traded on the Canadian National Stock Exchange ("CNSX") under the symbol "APB".

These unaudited condensed consolidated interim financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at December 31, 2012, the Company is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans, loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statements of financial position.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for the three months ended December 31, 2012, together with the comparative figures herein (the "2013 Q1 Consolidated Interim Financial Statements) have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These 2013 Q1 Consolidated Interim Financial Statements have been approved and authorized for issuance by the Board of Directors on January 30, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These 2013 Q1 Consolidated Interim Financial Statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value. These 2013 Q1 Consolidated Interim Financial Statements are presented in Canadian dollars, unless otherwise noted. These 2013 Q1 Consolidated Interim Financial Statements incorporate the accounts of the Company and the following subsidiaries:

Name	Country of incorporation	Ownership percentage as at December 31, 2012
JG Wealth Management Corp.	Canada	100%
Acana Capital USA Inc.	USA	100%
Acana Capital LLC.	USA	100%
Corning 106 LLC	USA	100%
Crocker Acana LLC	USA	100%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

All significant intercompany transactions and balances have been eliminated. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and the useful life and recoverability of the property.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments; and
- the determination of the functional currency of the parent company and its subsidiaries.

Change of accounting policies and accounting standards issued by not yet effective

The Company has not changed its significant accounting policies since it most recent year ended September 30, 2012. Accounting standards issued but not yet effective are as follows:

IFRS 9, Financial Instruments, introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change of accounting policies and accounting standards issued by not yet effective (continued)

IFRS 11, Joint Arrangements, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after October 1, 2012 with earlier application permitted.

IAS 19, Employee Benefits, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. This is consistent with the Company's current accounting policy. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

IAS 32, Financial Instruments: Presentation. These amendments address inconsistencies when applying the offsetting requirements, and are effective for annual periods beginning on or after January 1, 2014.

Financial statement presentation

In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after September 1, 2012.

(Unaudited - expressed in Canadian dollars)

4. CORPORATE RESTRUCTURING

On April 18, 2011, the Company, which is the former subsidiary of Grand Peak Capital Corp. ("Grand Peak"), entered into an agreement with Grand Peak to proceed with a corporate restructuring whereby Grand Peak will transfer its real estate interest (the "Interest") and loan $200,000 to the Company. In consideration, the Company will issue 24,466,702 common shares to Grand Peak. The transaction constitutes a spin-out under the regulations on the Canadian National Stock Exchange ("CNSX"). The Interest is composed of a cash deposit of $276,250 for the purchase of a real estate condominium with a balance of $828,750 due upon completion.

The arrangement agreement received interim approval by the BC Supreme Court on May 24, 2011 and was approved by the Company's shareholders at its annual general meeting on June 30, 2011. The court provided final approval for the arrangement by order dated July 13, 2011. The Company's shares started trading under the symbol "APB" on the CNSX on December 2, 2011. On December 21, 2011, Grand Peak's real estate interest and the $200,000 loan were transferred to the Company and the Company's shares were delivered to Grand Peak. The Company repaid the $200,000 loan to Grand Peak in January 2012.

5. CAPITAL STOCK

Authorized
Unlimited number of common shares without par value.
Unlimited number of Class B preferred shares without par value.

Issued and outstanding
On May 14, 2012, the Company consolidated its common shares on a 10:1 basis. The number of common shares , loss per share, exercise prices of warrants presented within these financial statements have been adjusted to reflect the consolidation.

On December 1, 2011, the Company issued 2,446,670 common shares to Grand Peak for a $276,250 cash deposit toward the purchase of a real estate condominium. (Note 4).

On January 19, 2012 the Company completed a private placement of 5,100,000 units at $0.50 per unit for gross proceeds of $2,550,000. Each unit consisted of one common share and one warrant of the Company. Each warrant is convertible to a common share of the Company at $0.5 per share. Finder fees of $255,000 were paid. The fair value of the warrants is estimated to be $918,000.

On November 23, 2012, the Company closed a private placement for the issuance of 7,500,000 units at $0.05/unit for the gross proceeds of $375,000. Each unit consists of one common share and one share purchase warrant which can be converted to the Company's common share on a one-to-one basis at $0.05/share. These share purchase warrants will expire on June 6, 2013.

Warrants
As at December 31, 2012 the Company had 12,600,000 warrants outstanding. The weighted average life and exercise price of the warrants outstanding as at December 31, 2012 are 0.28 years and $0.23/share respectively. There were no warrants exercised since inception. Details of outstanding warrants are as follows:

Exercise Price	Number of warrants outstanding	Remaining life
$		Year
0.50	5,100,000	0.05
0.05	7,500,000	0.44

(Unaudited - expressed in Canadian dollars)

5. CAPITAL STOCK (Continued)

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

6. MARKETABLE SECURITIES

As at December 31 and September 30, 2012, the Company's marketable securities comprise of investments in common shares and share purchase warrants of Canadian public companies. The Company designates its marketable securities at fair value through profit or loss. Details are as follows:

December 31, 2012	**Cost**	**Unrealized gain (loss)**	**Fair value**
	$	$	$
Common shares	1,272,990	(493,512)	779,478
Warrants	39,700	2,261	41,961
	1,312,690	(491,251)	821,439

September 31, 2012	**Cost**	**Unrealized gain (loss)**	**Fair value**
	$	$	$
Common shares	891,325	(173,776)	717,549
Warrants	39,700	55,694	95,394
	931,025	(118,082)	812,943

7. PROPERTIES

Suite 2801, 180 University Avenue, Toronto, Ontario, Canada ("Toronto Condo")

During the year ended September 30, 2012, the Company issued 2,446,670 common shares to Grand Peak for a cash deposit of $276,250 for the purchase of the Toronto Condo. The Company paid and additional $824,771in cash and completed the acquisition of the property on September 5, 2012. On October 1, 2012, the Company entered into a 1 year lease agreement to lease the Toronto Condo for rent of $6,682 per month commencing November 1, 2012.

1329, Crocker Drive, EI Corado Hills, CA 95762, USA ("Crocker Drive Property")

During the year ended September 30, 2012, the Company acquired a parcel of land in California, USA. The Company paid $227,603 in consideration for the property and completed the acquisition on July 31, 2012.

106 acres of vacant land, Glenn Road, Corning, California, USA ("Glenn Road Property)

On November 30, 2012, the Company acquired 106 acres of vacant lands located on Glenn Road, Corning, California, USA, for US$455,800 ($452,200). In January 2013, the Company sold 50% interest of their interest in the property at cost to an arm's length party.

860 acres of land, 19542,19544, Corning Road, Corning, California, USA (Corning Road Property)

On December 24, 2012, the Company acquired a 50% interest of 860 acres of land located at 19542 and 19544 Corning Road, Corning, California, USA. with the consideration of US$1,254,685 ($1,254,601).

7. PROPERTIES (Continued)

74 acres of land located at 12749 River Road, Sacramento, California ("River Road Property")
On December 24, 2012, the Company entered into an agreement to acquire this property from a company controlled by a shareholder of the Company for $400,000. Subsequent to the three months ended December 31, 2012, the Company paid the $400,000 consideration on January 18, 2013.

An office building in Tuscon, Arizona ("Tuscon Office Building")
On December 24, 2012, the Company entered into an agreement to acquire this property, from a company controlled by a shareholder for the purchase price of $2,300,000 which will be delivered to the vendor as a $1,300,000 convertible debenture and a $1,000,000 promissory note. This convertible debenture bears interest at 4% annually, is due in 5 years, and is convertible to preferred shares of the Company. The promissory note is due on demand and bears interest at 3% annually. As of the date of this report, the acquisition is not completed and the $1,300,000 convertible debenture and $1,000,000 promissory have not been issued pending the transfer of the title of this property to the Company.

8374 Bradshaw Road, Sacramento, California, USA ("Bradshaw Road Property")
On January 25, 2013, the Company completed the acquisition of a parcel of vacant land located at 8374 Bradshaw Road, Sacramento, California, USA for US$2,515,481. As at December 31, 2012, US$250,000 ($250,000) deposit was paid to the escrow agent in connection to this acquisition.

The Company capitalizes the direct costs incurred to maintain and develop the vacant land until the development is completed and available for use. The carrying value of the properties owned through the Company's foreign subsidiaries in the USA are recorded in US dollar. The carrying value of these foreign properties are translated to Canadian dollar at each report date at the foreign exchange rate of that report date. The differences from the translation are the Company's other comprehensive income and are recorded to the account of "Accumulated Other Comprehensive Income."

The following table summarizes the properties held by the Company as at September 30 and December 31, 2012:

	Cost, September 30, 2012 ($)	Acquisition ($)	Maintenance ($)	Cost, December 31, 2012 ($)
Toronto Condo	1,101,021		-	1,101,021
Crocker Drive Property	227,603		3,253	230,856
Glenn Road Property	-	452,200	5,856	458,056
Corning Road Property	-	1,254,601	-	1,254,601
Bradshaw Road Property	-	250,000	-	250,000
Total	**1,328,624**	**1,956,801**	**9,109**	**3,294,534**

	Accumulated amortization, September 30, 2012 ($)	Addition ($)	Accumulated amortization, December 31, 2012 ($)
Toronto Condo	-	11,010	11,010
Crocker Drive Property	-	-	-
Glenn Road Property	-	-	-
Corning Road Property	-	-	-
Bradshaw Road Property	-	-	-
Total	**-**	**11,010**	**11,010**

(Unaudited - expressed in Canadian dollars)

7. PROPERTIES (Continued)

	Net, September 30, 2012 ($)	Increase (decrease) ($)	Effect of foreign exchange translation ($)	Net , December 31, 2012 ($)
Toronto Condo	1,101,021	(11,010)	-	1,090,011
Crocker Drive Property	227,603	3,253	(2,933)	227,923
Glenn Road Property	-	458,056	2,050	460,106
Corning Road Property	-	1,254,601	(4,182)	1,250,419
Bradshaw Road Property	-	250,000	(850)	249,150
Total	**1,328,624**	**1,954,900**	**(5,915)**	**3,277,609**

8. SHORT TERM LOAN

On December 24, 2012, the Company acquired a 50% interest of 860 acres of land located at 19542 and 19544 Corning Road, Corning, California, USA. with the consideration of $1,254,601. The Company obtained a short-term loan of $229,688 from an arm's length business partner who bought another 50% of this property. This short term loan is fully settled in January 2013.

9. NOTE PAYABLE

On November 1, 2012, the Company borrowed $250,000 from the spouse of a shareholder of the Company. The loan does not bear interest and is due on demand. In January 2013, the note was fully repaid.

On December 4, 2012, the Company borrowed US$460,000 from the spouse of a shareholder of the Company. The promissory note bears interest at 2% per annum and will mature on June 4, 2013. The promissory note is secured by a general collateral security. On January 18, 2013, the note was fully repaid. As at December 31, 2012, the accrued interest in connection with note payable was $1,100.

10. CONVERTIBLE DEBENTURE

On December 18, 2012, the Company issued a $1,000,000 convertible debenture that will be due on December 18, 2017 to the spouse of a shareholder of the Company. The convertible debenture is unsecured and accrues interest at 6% per annum which is payable semi-annually. The lender has the option to convert the convertible debenture into preferred shares of the Company at $0.50 per share. As at December 31, 2012, the accrued interest in connection with note payable was $2,137.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	September 30, 2012
	$	$
Trade payables	8,000	4,589
Accrued liabilities	7,400	10,000
	15,400	14,589

12. RELATED PARTY TRANSACTIONS

During the three months ended December 31, 2012, the Company acquired 800,000 common shares of a Canadian public company that has an officer in common with the Company. The cost of these marketable securities was $40,010 and their market value as at December 31, 2012 was $24,000. During the three months ended December 31, 2012, the Company recorded an unrealized loss of $16,010 on these securities.

During the three months ended December 31, 2012, the Company incurred rent expense of $7,500 to a company controlled by a shareholder of the Company.

13. SUBSEQUENT EVENTS

Subsequent events not disclosed elsewhere in these financial statements are as follows:

On January 10, 2013, the Company issued a $1,000,000 convertible debenture due on January 10, 2018 to the spouse of a shareholder of the Company. The convertible debenture is unsecured and accrues interest at 6% per annum which is payable semi-annually. The lender has the option to convert the convertible debenture into preferred shares of the Company at $0.50 per share.

On January 18, 2013, the Company closed and a private placement for the issuance of 7,500,000 common shares in the capital of the Company at $0.05/share for gross proceeds of $375,000.

On January 21, 2013, the Company issued a $1,000,000 convertible debenture due on January 21, 2018 to a shareholder of the Company. The convertible debenture is unsecured and accrues interest at 6% per annum which is payable semi-annually. The lender has the option to convert the convertible debenture into preferred shares of the Company at $0.50 per share.

On January 22, 2013, the Company issued a $1,000,000 convertible debenture due on January 22, 2018 to a shareholder of the Company. The convertible debenture is unsecured and accrues interest at 6% per annum which is payable semi-annually. The lender has the option to convert the convertible debenture into preferred shares of the Company at $0.50 per share.