ACANA CAPITAL CORP.

Management's Discussion & Analysis

Six Months Ended March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
SIX MONTHS ENDED MARCH 31, 2014

FORM 51-102F1

DATE AND SUBJECT OF REPORT

The following Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of the operations of Acana Capital Corp. ("Acana" or the "Company") for the six months ended March 31, 2014.

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the same period (the "2014 Six Months Financial Statements") and the audited consolidated financial statements for the recent year ended September 30, 2013, which are both presented in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC). The Company's financial statements and other important information of the Company are available at www.sedar.com. This MD&A has been prepared effective as of May 29, 2014.

FORWARD LOOKING STATEMENTS

The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward looking statements involve a number of risks and uncertainties, including the impact of general economic conditions, industry conditions, and changes in Canadian and foreign laws and regulations, increased competition, fluctuations in real estate properties market, foreign exchange, and interest rates and stock market volatility. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and while many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. Acana Capital Corp. is not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Forwarding looking statements	*Assumptions*	*Risk factors*
As the development of residential/commercial/farming properties takes years to complete, the Company do not expect to have significant revenue in Fiscal 2014 and may incur more losses until the projects in development are completed.	*Management makes projections based on the Company's business plan*	*The Company have not have adequate financing to develop its properties as planned*
The working capital on hand may not adequate to finance the development in the next twelve months. Management will consider further equity or debt financing, or financing arrangements, including but not limited to disposition of some properties on hand or forming joint ventures with partners in the future if needed.	*Based on the Company's understanding of current capital market*	*The Company may loss support from the related party. The real estate market in USA may go down.*

OVERALL PERFORMANCE

Acana Capital Corp. (the "Company"), formerly 2801 Shangri-La Holdings Ltd., was incorporated on June 18, 2007 in British Columbia, Canada. The company's principal activity is the acquisition and development of real estate and farming properties in Canada and USA. In addition, it invests in shares of small and medium size Canadian public companies. The shares of the Company are traded on Canadian Securities Exchange under the symbol APB. Significant events of the Company year-to-date are summarized as follows:

Update on Properties Held by the Company

5575, S. Houghton Street (the "Tuscon Building")

On February 11, 2013, the Company acquired a warehouse building located in 5575, S. Houghton Street, Tuscon, Arizona from a company controlled by the Company's CEO (Lucky Janda).

In August 2013, the Tuscon Building was vandalized. Management estimates that the amount of the damage incurred is $428,310 and recorded an impairment charge in fiscal 2013. During the six months ended March 31, 2014 ("2014 Six Months"), insurance proceeds of $407,875 to cover the repair work done (totalling $466,710) by the Company.

Management is currently listing the building for sale. Management expects to sell the building in the next 12 months.

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

The Company acquired 106 Glenn through its 50% owned limited liability partnership JDLP during fiscal 2013. The Company's wholly owned subsidiary, Corning 106 LLC is the general partner of JDLP.

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

The Company acquired 860 Corning through its 50% owned limited liability partnership JDLP during fiscal 2013. The Company's wholly owned subsidiary, Corning 106 LLC is the general partner of JDLP.

The 860 Corning and 106 Glen are adjacent to each other. The Company plans to develop these two properties together. Currently, the fields of these two properties are in the process of preparation for walnuts planation.

74 acres of land located at 12749 River Road, Sacramento, California ("River Road Property")

On January 18, 2013, the Company acquired the River Road Property from Seymork, a company related to the Company's CEO. The Company plan to earn farming income from this property in the future. During the quarter ended December 31, 2013, the Company acquired a small parcel of land adjacent to the current property at $16,076 in order to facilitate the future use of this farm land. The Company is currently preparing the land for farming purpose.

***8374 Bradshaw Road, Sacramento, California, USA* ("Vineyard Plaza")**

On January 25, 2013, the Company completed the acquisition of a parcel of vacant land located at 8374 Bradshaw Road, Sacramento, California, USA. The Company plans to develop the Vineyard Plaza with construction of commercial buildings. During the quarter ended December 31, 2013, the Company incurred $92,271 in preparation work for construction a gas station and in this premises.

Land and Mineral Rights for land located in the Pershing County and Churchill County, Nevada, ("Pershing-Churchill Property")

On February 25, 2013, the Company acquired various net smelter returns over mineral rights issued by two separated Canadian public companies, various parcels of land and the related mineral rights in the Pershing County and Churchill County, Nevada, USA from a company controlled by the CEO. The Company is reviewing various options in connection with this property.

7461 Bradshaw Road, Sacramento, California, USA ("Bradshaw Residential")

On April 18, 2013, the Company acquired 7461 Bradshaw Road which is a parcel of land (10.36 Acres) with tentative map for 60 single family lots. During 2014 Six Months, the Company incurred $30,352 in preparation work for developing this property.

Lot 9, Bader Road, Elk Grove, California, USA ("Bader Road Lot")

In June 2013, the Company acquired the Bader Road Lot which is a parcel of land, whereby the Company intends to develop into residential housing units. The Company is currently making a plan to develop this property.

Continuity of the above properties is as follows:

	September 30, 2013	Acquisition	Deferred development cost	Change of exchange rate	March 31, 2014
	$	$	$	$	$
Shangri La Unit	1,166,062	-	-	-	1,166,062
Crocker Drive Property	232,857	-	-	16,628	249,485
106 Glenn	629,437	-	-	46,444	675,881
860 Corning	2,744,580	-	-	202,512	2,947,092
Vineyard Plaza	2,641,259	-	92,271	170,228	2,903,758
River Road Property	414,616	16,076	46,452	33,952	511,096
Pershing-Churchill Property	37,444	-	-	2,760	40,204
Bradshaw Residential	556,925	-	30,352	24,645	611,922
Bader Road Lot	284,652	-	-	21,003	305,655
Total	**8,707,832**	**16,076**	**169,075**	**518,172**	**9,411,155**

Other

In addition, the Company entered into a 1 year lease agreement to lease the condominium located in Toronto ("Shangri La Unit") that was acquired in fiscal 2012, for monthly rent of $6,107 commencing November 1, 2012. This lease was ended on November 2013 and continued on a monthly basis with the same tenant, which is a Canadian public company (Desert Gold Ventures Inc.) that has a director (Sonny Janda) common to the Company.

RESULTS OF OPERATIONS

2014 Six Months

The Comparison of the Company's results of during 2014 Six Months to the same period in the last year is as follows:

	2014 Six Months	**2013 Six Months**	**2014-2013 Six Months**	**Ref**
	$	$	$	
Net Rental income	26,939	28,845	(1,906)	
Expenses				
Amortization	–	23,320	(11,010)	1
Office and administration	93,316	11,095	82,221	2
Professional fees	14,098	22,521	(8,423)	
Trust and filing fees	10,271	9,864	407	
Total operating expenses	117,685	66,800	50,885	
Others				
Dividends expenses on retractable preferred shares	(212,500)	–	(212,500)	3
Gain (losses) on marketable securities	342,031	(489,093)	831,124	4
Foreign exchange gain (loss) and finance charges	(3,554)	(65,763)	62,209	
Net income (loss)	35,231	(592,811)	628,042	

1	*The amount of $23,320 amortization expense was taken in 2013 Six Months as the Company's Shangri La Unit was available for use commencing 2013. At the recent year ended September 30, 2013, management was in the opinion that the fair value of this property has greatly exceeded the carrying value given Canadian real properties generally have significant appreciation in recent years. It will be misleading of taking further amortization on this property. As a result, amortization expense taken in 2014 Six Months was $nil.*
2	*Most of the properties of the Company were acquired after the first quarter of 2013 and the Company became more active since then. As a result, there the office and administration in 2014 Six Months was higher.*
3	*The Company did not have outstanding cumulative retractable preferred shares in 2013Six Months, as a result, there was no dividend recorded in 2013Six Months.*
4	*The Company expects that the unrealized gains and losses arising from marketable securities held by the Company will fluctuate from time to time depending on the market prices of the marketable securities held on hand.*

Three Months Ended March 31, 2014 (2014 Q2)

The Comparison of the Company's results of during 2014 Q2 to the same quarter in the last year is as follows:

	2014 Q2	2013 Q2	2014-2013 Q2	Ref
	$	$	$	
Net Rental income	11,358	17,307	(5,949)	
Expenses				
Amortization	–	12,310	(12,310)	1
Office and administration	45,271	1,188	44,083	2
Professional fees	8,523	11,460	(2,937)	
Trust and filing fees	4,269	2,629	1,640	
Total operating expenses	58,063	27,587	30,476	
Others				
Dividends on retractable preferred shares	(106,250)	–	(106,250)	3
Gain (losses) on marketable securities	316,671	(115,924)	432,595	4
Foreign exchange gain (loss) and finance charges	(1,824)	(64,094)	62,270	
Net income (loss)	161,892	(10,298)	352,190	

1	*The amount of $12,310 amortization expense was taken in 2013 Q2 as the Company's Shangri La Unit was available for use commencing 2013. At the recent year ended September 30, 2013, management was in the opinion that the fair value of this property has greatly exceeded the carrying value given Canadian real properties generally have significant appreciation in recent years. It will be misleading of taking further amortization on this property. As a result, amortization expense taken in 2014 Q2 was $nil.*
2	*The Company became more active after the second quarter of 2013. As a result, there the office and administration in 2014 Q2 was higher than the same quarter of last year.*
3	*The Company did not have outstanding cumulative retractable preferred shares in 2013 Q2, as a result, there was no dividend recorded in 2013 Q2.*
4	*The Company expects that the unrealized gains and losses arising from marketable securities held by the Company will fluctuate from time to time depending on the market prices of the marketable securities held on hand.*

SUMMARY OF QUARTERLY RESULTS

The table below sets out the recent eight quarterly information of the Company.

Significantly all of the properties on hand are still under development and are not ready to use. As a result, the Company's operation in these past eight quarters are not subject to seasonality. This may change once the Company's farming properties are ready for use and the Company starts to earn farming income in the future.

As the development of residential/commercial/farming properties takes years to complete, the Company do not expect to have significant revenue in Fiscal 2014 and may incur more losses until the projects in development are completed.

Loss of the Company have been increasing since fiscal 2012 when the Company's operating expenses increased with the amount of business activities increased. Management expects the Company's operation expenses may increase further in the future when more development works of the Company's properties are done.

The loss in 2013 Q4 was significantly higher than the other quarters, which was mainly a result of having a non-recurring non-cash accounting adjustment for convertible debentures issued and redeemed in fiscal 2013. Nature of this accounting adjustment is discussed in the MD&A of the Company for the year ended September 30, 2013.

	Q2 2014	**Q1 2014**	**Q4 2013**	**Q3 2013**	**Q2 2013**	**Q1 2013**	**Q4 2012**	**Q3 2012**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Rental revenue, net of direct rental cost	11,358	15,581	9,917	12,748	17,307	11,538	--	--
Net Loss attributable to the equity holders	164,586	114,689	2,911,680	261,315	190,298	402,513	178,725	5,148
Income (loss) per share, basic and diluted	0.01	(0.00)	(0.10)	(0.01)	(0.01)	(0.04)	(0.02)	(0.00)

LIQUIDITY & CAPITAL RESOURCES

Financing of operations has been achieved primarily by equity and debt financing. On March 31, 2014, the Company had a cash balance of $159,615, marketable securities of $1,764,364 and working capital of $1,742,096. The Company is not subject to external working capital requirements.

During 2014 Six Months, the Company did not have cash inflow or outflow in connection with its financing activities.

During 2014 Six Months the Company used $1,202,229 in investing activities which was mainly a combined result of using $723,794 in net acquisition of marketable securities and $472,435 in investing in the Company's properties.

Management realizes that the capital and liquidity on hand may not adequate for the Company to achieve its long term business objectives as the development of real properties, including farming properties takes years to finish before these properties can generate positive operating cash flow. The working capital on hand may not adequate to finance the development in the next twelve months. Management will consider further equity or debt financing, or financing arrangements, including but not limited to disposition of some properties on hand or forming joint ventures with partners in the future if needed. While the Company was able to raise financing when needed in the past, there is no guarantee that the Company can do so in the future.

TRANSACTIONS WITH RELATED PARTIES

During 2014 Six Months, the Company acquired common shares and warrants of Canadian public companies that have directors or officers in common with the Company with purchase proceeds totaling of $346,880 (2013 Six Months-$40,010).

During 2014 Six Months, the Company incurred rent expense of $15,000 (2013 Six Months-$15,000) to a company controlled by a director of the Company (Lucky Janda).

The Company has an agreement with a company (Desert Gold Ventures Inc.) with a director in common (Sonny Janda) to lease the Shangri La Unit for $6,107 per month.

As at September, 2013, the Company owed $5,636 (September 30, 2013-$20,984) to the spouse of a Company's director (Lucky Janda). The amount owing does not bear any interest, is unsecured and is due on demand.

During 2014 Six Months, the amount of remuneration charged by the Company's key management personnel was $Nil (2013 Six Months - $Nil).

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 30,646,670 common shares, 8,000,000 Class B preferred shares, and 2,250,000 Class B Series A Preferred Shares issued and outstanding. The Company does not have outstanding warrants, options or other instrument that can be converted into the Company's common or preferred shares.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company does not have other proposed transactions that have material effects to the Company to discuss at this time.

CHANGES IN ACCOUNTING POLICIES

Adoption of new accounting standards

Since the recent year ended September 30, 2013, there were no significant changes in the accounting policies except the adoption of the following new standards commencing October 1, 2013:

IAS 1 – Presentation of Financial Statements amendment issued by the IASB in June 2011 provides improved consistency and clarity of the presentation of items of other comprehensive income. The main change was a requirement to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

IFRS 10 – Consolidated Financial Statements supersedes SIC 12 – Consolidation – Special Purpose Entities and the requirements relating to consolidated financial statements in IAS 27 – Consolidated and Separate

Financial Statements. IFRS 10 establishes the principle and application of control as the basis for an investor to identify whether an investor controls an investee and thereby requiring consolidation.

IFRS 11 – Joint Arrangements establishes the principle a joint arrangement is classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangement, rather than its legal form.

IFRS 12 – Disclosure of Interests in Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 – Fair value measurements establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

The adoption of these standards did not have a material impact on the accompanying condensed consolidated interim financial statements.

Accounting standards issued but not yet in effective

IFRIC 21 – Levies, an interpretation of IAS 37 was issued by the IASB in May 2013 and provides interpretation on when to recognize a liability for a levi imposed by a government and clarifies the criteria for the recognition of a liability. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

New standard IFRS 9 "Financial Instruments" - This is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company is still in the process of assessing the impact of these new accounting standards

FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	March 31, 2014	September 30, 2013
	$	$
Cash	159,615	1,363,152
Financial assets held at fair value through profit and loss:		
Marketable securities	1,764,364	698,539
Loans and receivable		
Receivable from JDLP's 50% partner	207,211	141,163
Insurance proceeds receivable	-	401,875
	2,131,190	2,604,729

Financial liabilities included in the statement of financial position are as follows:

	March 31, 2014	September 30, 2013
	$	$
Non-derivative financial liabilities:		
Trade payables	32,766	320,166
Due to related party	5,636	20,894
Note payable	182,490	169,950
Other financial liabilities		
Retractable preferred shares	8,500,000	8,500,000
	8,720,892	9,011,010

Fair value

The fair values of the Company's financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at March 31, 2014 and September 30, 2013:

	As at September 30, 2013		
	Level 1	Level 2	Level 3
	$	$	$
Cash	1,363,152	-	-
Marketable securities	593,423	105,116	-
	1,956,575	105,116	-
	As March 31, 2014		
	Level 1	Level 2	Level 3
	$	$	$
Cash	159,615	-	-
Marketable securities	1,718,113	46,251	-
	1,877,728	46,251	-

RISK FACTORS

Risks of the Company's business include the following:

Development and Construction Risk

The Company's real estate development are subject to risks generally attributable to construction projects which include: (i) design risk including delays involving zoning or other approvals from local authorities; (ii) construction cost overruns; and (iii) lease-up and rental achievement risk.

(i) Planning and design risk - Planning and design encompasses a review of local development requirements, the acquisition of suitable land, the selection of an appropriate building configuration with suitable amenities and appearance, zoning or other approvals from local authorities, identification of a skilled workforce, available contractors and selection of a project manager. Planning and design risk is mitigated by understanding local building codes, contracting the design to qualified professionals, obtaining development permits and meeting all other legal requirements. The process of obtaining approvals may take months or years, and there can be no assurance that the necessary approvals for any project will be obtained. Significant delays could render future developments uneconomical.

(ii) Construction risk is the risk that development will not be completed by the expected turnover date or that the costs will exceed budgeted amount or health and safety concerns. The Company will minimize its exposure to construction risk by entering into fixed price contracts when possible, analyzing project costs compared to budget, management approval of change orders, utilizing qualified project managers and the use of a robust internal health and safety program. Management monitors the construction costs by analyzing variances between actual and budgeted costs.

(iii) Lease-up and potential rent risk includes the risk that tenants will fail to occupy the completed project on a timely basis following completion and (or) pay the forecast rents.

Government Regulation

Real estate development are subject to various applicable federal and local laws governing real estate development, taxes, labour standards, and occupational health and safety, and environment protection matters.

Management will monitor the Company's activities closely to ensure they are implemented in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's activities. Amendments to current laws and regulations could have substantial impacts on the Company.

Permits and Licenses

The real estate development may require the Company to obtain regulatory permits and licenses from various governmental licensing bodies. There can be no assurance that the Company will be able to obtain all necessary permits and licenses that may be required.

Prices of Real Estate Properties

The profitability of real estate development is significantly affected by changes in the market price of real estate properties may significantly fluctuate with the change of economic condition, interest rate, and rate of employment which are not predictable.

Conflicts of Interest
Certain of the directors of the Company also serve as directors and/or officers of other companies involved in real estate development or management. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Land Title
Although the Company has obtained title opinions with respect to certain of its properties, there may still be undetected title defects affecting such properties. Accordingly, such properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's operations.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim Filings (“NI 52-109”). In particular, the Company’s certifying officers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company’s generally accepted accounting principles.

The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company’s certifying officers to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

OFFICERS AND DIRECTORS

Lucky Janda, CEO, Director
Sandy Janda, CFO
Sonny Janda, Director
Charn Deol, Director