# ACANA CAPITAL CORP.

## Management’s Discussion & Analysis

## Three Months Ended December 31, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS
THREE MONTHS ENDED DECEMBER 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 three months ended December 31, 2014.

This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the same period (the "2015 Interim Financial Statements") and audited consolidated financial statements for the recent year ended September 30, 2014, which are 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 February 27, 2015.

## *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* |
|---|---|---|
| *After the completion of the Proposed Corporate Restructuring, management expects the operating expense will be significantly reduced until the Company acquires new projects.* | *Management makes projections based on the Company's business plan* | *The completion of the Proposed Corporate Restructuring is subject to approval from regulatory agencies which is out of the* |
| *The Company intends to finance the Company's operations and to eliminate the working capital deficiency by additional related party financing, equity financing, forming joint ventures, restructuring, or disposition of properties.* | *Based on the Company's understanding of current capital market* | *The Company may loss support from the related parties* |

## 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 ("CSE") under the symbol APB.  Significant events of the Company year-to-date are summarized as follows:

***Proposed Corporate Restructuring***

On July 15, 2014, the Company and two of its wholly owned subsidiaries, Ameri-Can Agri Co, Inc. ("Ameri-Can") and JG Wealth Management Corp. ("JG"), entered into a plan of arrangement in order to proceed with a corporate restructuring (the "Arrangement") by the way of a statutory plan of arrangement. Ameri-Can is the Company's wholly subsidiary incorporated in British Columbia of Canada on October 17, 2014.

In accordance with the Arrangement, the Company will transfer its properties, excluding the Shangri La Unit and the Tuscon Building, to Ameri-Can and its marketable securities and the Shangri La Unit, to JG in return for common shares of Ameri-Can and JG which will be distributed to  the shareholders of the Company on a pro-rata basis based on their relative shareholdings of the Company.  Ameri-Can and JG will concurrently seek to list their shares on the CSE. Upon the completion of the Arrangement, Ameri-Can and JG will no longer be subsidiaries of the Company.

This Arrangement received the approval from the BC Supreme Court and the Company's shareholders on October 28, 2014. As of the date of this report, the Arrangement is pending the final approval from the CSE for the listing of common shares of Ameri-Can and JG.

***Update on Properties Held by the Company***

***5575 S. Houghton Street, Tucson, Arizona, USA*** (the "Tuscon Building")
The Tuscon Building is a warehouse building located in 5575, S. Houghton Street, Tuscon, Arizona.

Commencing January 1, 2015, the Company entered into an agreement to lease out the Tuscon Building for three years for US$20,000 per month.

***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. This property is ready for farming operation in fiscal 2015.

***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. This property is ready for farming operation in fiscal 2015.

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

***8374 Bradshaw Road, Sacramento, California, USA* ("Vineyard Plaza")**
Vineyard Plaza is a parcel of vacant land located at 8374 Bradshaw Road, Sacramento, California, USA. During fiscal 2014 the Company has been preparing the site for the construction of commercial properties. During the year ended September 30, 2014, management recorded an impairment charge of $325,962 as management determined that the carrying value of the property exceeded its fair market value.

***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.

***2801 – 180 University Drive, Toronto, Ontario, Canada (the "ShangriLa Unit")***
Shangri La Unit is a residential unit located in University Avenue of Toronto, Canada. The Company is currently leasing the property for $6,017/month to a company that has a director common with the on a month-to-month basis. This lease may be terminated by either party with a 30-day notice.

Continuity of the above properties is available in the Note 9 to the Company's annual and quarterly interim consolidated financial statements.

All of the above properties will be transferred to JG and Ameri-Can upon the completion of the Arrangement.

***Outlook***
The Company is currently in negotiations of a definitive agreement in connection with the 100% acquisition of North American Magnesium Products, LLC ("NAMP") (the "Acquisition"). The main asset of NAMP is proprietary technology for the production of magnesium ("Mg") metal and Mg compounds in very competitive prices.

The Company is also in negotiations regarding an agreement to access and exploit a large mass of magnesium-silicate ore (serpentinite) in Asbestos, Quebec, Canada. Tests performed by NAMP have shown that serpentinite is highly amenable to processing by the NAMP methods. The Company anticipates closing the financing previously announced on November 12, 2014.

The Company is also in the process of completion of a non-brokered private placement of up to 1,000,000 units at a price of $0.50 per unit to raise up to an aggregate total of $500,000. (the "Proposed Financing"). Each unit consists of one common share and one share purchase warrant of the Company. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.60 per share for a period of two years. The proceeds of the Proposed Financing will be used for working capital purposes. As of the date of this report, this Financing is yet to be completed.

## SUMMARY OF QUARTERLY RESULTS

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.

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 and 2014 Q4 was significantly higher than the other quarters, which was mainly a result of having non-cash accounting adjustments for taking impairment of various assets. Details of the impairment charges are available in the Company's financial statements for Fiscal 2014 and 2013.

The Company had quarterly gain in 2014 Q2 and Q3 as the Company recorded un-realized gain from the marketable securities being held. Given the fluctuating nature of the fair value of market securities, the Company's quarterly result may subject to further fluctuation in the future.

After the completion of the Proposed Corporate Restructuring, management expects the operating expense will be significantly reduced until the Company acquires new projects.

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

| | **Q1 2015** | **Q4 2014** | **Q3 2014** | **Q2 2014** | Q1 2014 | **Q4 2013** | **Q3 2013** | **Q2 2013** |
|---|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | $ | **$** | **$** | **$** |
| Rental revenue, net of direct rental cost | 15,239 | 15,512 | 29,946 | 11,358 | 15,581 | 9,917 | 12,748 | 17,307 |
| Net earnings (loss) to the equity holders | (713,813) | (939,587) | 248,440 | 164,586 | (114,689) | (2,911,680) | (261,315) | (190,298) |
| Income (loss) per share, basic and diluted | (0.02) | (0.03) | 0.01 | 0.01 | (0.00) | (0.10) | (0.01) | (0.01) |

## *RESULTS OF OPERATIONS*

***Three months ended December 31, 2014 ("2015 Q1")***

The Comparison of the Company's results of 2015 Q1 to 2014 Q1is as follows:

| | **2015 Q1** | **2014Q1** | **2015Q1-2014Q1** | **Ref** |
|---|---|---|---|---|
| | $ | $ | $ | |
| Net Rental income | 15,239 | 15,581 | (342) | |
| **Expenses** | | | | |
| Office and administration | 16,312 | 48,045 | (31,733) | 1 |
| Professional fees | 8,090 | 5,575 | 2,515 | |
| Trust and filing fees | 12,728 | 6,002 | 6,726 | |
| Total operating expenses | 37,130 | 59,622 | (22,492) | |
| Others | | | | |
| Gain (losses) on marketable securities | (521,392) | 25,360 | (546,752) | 3 |
| Dividends on retractable preferred shares | – | (106,250) | 106,250 | 2 |
| Foreign exchange gain (loss) and interest ( | (170,555) | (1,730) | (168,825) | 2 |
| **Earnings (loss)** | (713,838) | (126,661) | (587,177) | |

| | |
|---|---|
| 1 | *Operating expenses are generally lower in 2015Q1 as the Company slowed down its operation due to inadequate resources on hands.* |
| 2 | *The Company's operations were financed from issuance of preferred shares in 2014Q1 and promissory notes in 2015 Q1. The amount of interests and dividends expenditures depended on the amount of outstanding of these instruments throughout 2014 and 2015Q1 respectively.* |
| 3 | *The fluctuation of the gain (loss) in connection with marketable securities depends on the market price of the marketable securities on hands and will future fluctuate in the future* |

As at December 31, 2014, the Company had $113,868 cash (September 30, 2014 - $117,747), $788,749 marketable securities (September 30, 2014 - $1,353,570), $10,899,575 properties (September 30, 2014 - $10,711,496), due to related party of $294,342 (September 30, 2014 - $445,446), debenture of $7,234,342 (September 30, 2014 - $7,064,401) and share capital of $2,808,250 (September 30, 2014 - $2,808,250). The slight decrease of cash was mainly a combined result of changes in working capital and making payments to finance the operations of 2015 Q1.

## LIQUIDITY & CAPITAL RESOURCES

Financing of operations has been achieved primarily by equity and debt financing. On December 31, 2014, the Company had a cash balance of $113,868, marketable securities of $788,749 and working capital deficiency of $6,597,407. The Company is not subject to external working capital requirements.

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 Company intends to finance the Company's operations and to eliminate the working capital deficiency by additional related party financing, equity financing, forming joint ventures, restructuring (see the discussion in the section "Proposed Corporate Restructuring"), or disposition of properties.

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.

During 2015 Q1, the Company did not have financing activities.

During 2015 Q1 the Company received $43,429 from investing activities which was mainly the net proceeds received from disposition (acquisition) of marketable securities.

## TRANSACTIONS WITH RELATED PARTIES

During three months ended December 31, 2014, the Company acquired common shares and warrants of Canadian public companies that have directors or officers in common with the Company with purchase proceeds of $10,010 (three months ended December 31, 2013-$7,500).

During three months ended December 31, 2014, the Company leased the Shangri La Unit to a company with a director in common (Sonny Janda) for $6,107 per month on a month to month basis and earned rental income of $18,320 (three months ended December 31, 2013 - $18,320).

As at December 31, 2014, the Company owed $294,342 (September 30, 2014 -$288,445) to the spouse of the CEO of the Company. The Company had a $130,000 and $157,000 payable balance owing to Innovative

Properties Inc. ("Innovative") as at December 31, 2014 and September 30, 2014 respectively. A director of the Company was also the CEO of Innovative during some times in the Company's fiscal 2014. As a result, the $130,000 owing to Innovative was included in the Company's accounts payable as at December 31, 2014 but the $157,000 owing to Innovative was included in the Company's due to related parties as at September 30, 2014.

The amounts owing to related parties do not bear any interest, are unsecured and are due on demand.

**Key Management Compensation**

Fees paid to the Company's management during three months ended December 31, 2014 and 2013 were $Nil.

**Debenture**

As at December 31, 2014, the Company had a debenture owing to the Company's CEO and his spouse of $7,234,956 (September 30, 2014 - $7,064,401). This debenture bears interest at 10% per annum, is due on June 18, 2015 and is secured against the Company's wholly owned subsidiary Ameri-Can Agri Co. The increase of the debenture is solely a result of accruing unpaid interest of 170,555 during 2015 Q1.

## *OUTSTANDING SHARE DATA*

As of the date of this MD&A, the Company has 30,646,670 common 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*

Other than the Proposed Corporate Restructuring and Proposed Financing discussed in the previous section, the Company does not have proposed transactions that have material effects to the Company to discuss at this time.

## *CHANGES IN ACCOUNTING POLICIES*

Refer to Note 3 of the Company's condensed consolidated interim financial statements for three months ended December 31, 2014.

## *FINANCIAL INSTRUMENTS*

Refer to Note 3 and 17 of the Company's consolidated financial statements for the year ended September 30, 2014 and Note 3 of the Company's condensed consolidated interim financial statements for three months ended December 31, 2014.

## *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