

# FORM 7

## MONTHLY PROGRESS REPORT

Name of CNSX Issuer: Alterrus Systems Inc. (the "Issuer").

Trading Symbol: ASI

Number of Outstanding Listed Securities: 95,816,003

Date: December 31<sup>st</sup>, 2012

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNSX.ca website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNSX Policies. The discussion in this report must be factual, balanced and non-promotional.

### General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

### Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.  
  
Management and staff continued to focus their efforts on completion and commissioning of the Local Garden Vancouver project. The system was essentially complete by November 30<sup>th</sup>, 2012. An official opening was held on November 20<sup>th</sup>, 2012. It is anticipated that it will take several months to resolve production and other operational issues.
2. Provide a general overview and discussion of the activities of management.  
  
Management is actively involved in all aspects of the Local Garden project. In addition future sites and financings for expansion of the business continue to be actively investigated.  
  
Alterrus's UK R&D operation continues to work with a potential customer developing a closed structure VertiCrop research initiative that could result in an installation in Europe.
3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports

required under Ontario securities law.

Not Applicable.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not Applicable.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

No change from prior month.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

During July a term loan in the sum of \$ 750,000 secured against company property came due. Management has negotiated an extension to this agreement to April 30<sup>th</sup>, 2013 in anticipation of the sale proceeds from a redundant real estate asset.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

During the month of December, 2012, the company continued to fund the installation of a VertiCrop vertical agriculture growing system through a wholly owned subsidiary, Local Garden Vancouver Inc. (LGV). The cash advances made in this period can be summarized as follows:

Activity	\$ Spent
Acquisition of greenhouse structure	\$ 41,321
Acquisition of VertiCrop System components.	\$ 165,993
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Total	\$ 207,314

8. Describe the acquisition of new customers or loss of customers.

Distribution of the LGV production has been successfully committed by the sales and marketing group. Management anticipates that all production will be sold locally.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

No new developments.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

During the month of December 2012, a recruiting exercise resulted in the appointment of a permanent CFO, Mr. David Andru. He commenced work on January 3<sup>rd</sup>, 2013. Details of his experience were included in a press release dated January 3<sup>rd</sup>, 2013.

11. Report on any labour disputes and resolutions of those disputes if applicable.

Not Applicable.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

Not Applicable.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

Not Applicable.

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds
Convertible Notes – 12%	4 notes totalling \$ 128,000	2 year note convertible to common shares at \$0.08 both as to principal and interest with a half warrant exercisable at \$0.12 for a three year period.	General Working Capital
Common Shares	NIL		

15. Provide details of any loans to or by Related Persons.

Not Applicable.

16. Provide details of any changes in directors, officers or committee members.

During December Alterrus recruited Mr David Andru as CFO of the Company. He started January 3<sup>rd</sup>, 2013. Refer to the Press Release issued January 3<sup>rd</sup>, 2013 and attached hereto.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

No specific change of trends noted or notable.

#### Certificate Of Compliance

The undersigned hereby certifies that:

- The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
- As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
- The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
- All of the information in this Form 7 Monthly Progress Report is true.

Dated January 7<sup>th</sup>, 2013

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Stephen Fane

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Signature  
Chair

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Issuer Details Name of Issuer	For Month End December 31 <sup>st</sup> , 2012	Date of Report YY/MM/DD 13/01/07
Issuer Address 120 Columbia Street,		
City/Province/Postal Code Vancouver BC V6A 3Z8		Issuer Telephone No. 778.835.7404
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