UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Walton Westphalia Development Corporation

For the three months ended March 31, 2015 and March 31, 2014

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Section 4.3(3) of National Instrument 51-102, Continuous Disclosure Obligations, provides that if an auditor has not performed a review of the condensed interim consolidated financial statements, the condensed interim consolidated financial statements must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor. The Corporation's external auditors have not performed a review of these condensed interim consolidated financial statements of Walton Westphalia Development Corporation.

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2015 and December 31, 2014

(Expressed in Canadian dollars)

	March 31, 2015 $	December 31, 2014 $
ASSETS		
Land development inventory (note 4)	59,731,904	52,042,267
Interest rate cap (note 8)	11,117	38,527
Deferred financing and transaction costs (note 8)	1,385,171	1,396,409
Prepaid expenses	-	1,110
GST recoverable	1,838	242
Accounts receivable	110	-
Due from related party (note 5)	195,250	168,913
Restricted cash (note 6)	3,231,205	2,955,069
Cash	3,514,742	1,086,230
TOTAL ASSETS	68,071,337	57,688,767
LIABILITIES		
Debentures payable (note 7)	14,373,503	14,337,245
Interest debentures payable (note 7)	1,206,872	1,206,872
Project debt (note 8)	27,096,964	22,329,321
Derivative financial liability (note 8)	130,099	102,092
Deferred income tax liability (note 11)	1,034,868	362,457
Interest payable (note 7)	1,279,346	957,956
Deferred revenue (note 9)	1,110,516	1,015,777
Accounts payable and accrued liabilities	2,654,572	1,975,790
Due to related parties (note 5)	1,919,092	295,391
TOTAL LIABILITIES	50,805,832	42,582,901
SHAREHOLDERS' EQUITY		
Share capital	13,988,912	13,988,912
Accumulated deficit	429,995	(520,601)
Accumulated other comprehensive income	2,846,598	1,637,555
TOTAL EQUITY	17,265,505	15,105,866
TOTAL LIABILITIES & EQUITY	68,071,337	57,688,767

Commitments (note 13)

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

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2015 and March 31, 2014

(Expressed in Canadian dollars)

	Three Months ended	
	March 31, 2015 $	March 31, 2014 $
OTHER INCOME/(EXPENSES)		
Management fees (note 5)	(137,972)	(137,972)
Marketing expense	(63,226)	-
Servicing fees (note 5)	(34,493)	(34,493)
Professional fees	(27,572)	(10,999)
Directors' fees (note 5)	(12,771)	(13,032)
Office and other expenses	(10,588)	(14,640)
Interest income	1,203	947
TOTAL INCOME/(EXPENSES)	(285,419)	(210,189)
LOSS BEFORE OTHER ITEMS	(285,419)	(210,189)
Loss on derivative financial liability revaluation	(18,086)	(64,153)
Loss on interest rate cap revaluation	(30,341)	(42,222)
Foreign exchange gain	1,956,853	789,765
TOTAL OTHER ITEMS	1,908,426	683,390
NET INCOME BEFORE TAXES	1,623,007	473,201
Deferred tax (expense)/recovery (note 11)	(672,411)	4,995
NET INCOME AFTER TAX	950,596	478,196
OTHER COMPREHENSIVE INCOME		
Cumulative translation gain	1,209,043	420,775
COMPREHENSIVE INCOME	2,159,639	898,971
Basic net income per share (note 10)	0.32	0.16
Diluted net income per share (note 10)	0.16	0.08

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

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2015 and March 31, 2014

(Expressed in Canadian dollars)

	Class A Voting Common Shares		Class B Non-voting Common Shares		Accumulated Deficit	Accumulated Other Comprehensive (Loss)/income	Total
	# of Shares	$	# of Shares	$	$	$	$
JANUARY 1, 2014	100	100	3,017,170	13,988,812	(646,271)	633,292	13,975,933
Net income after tax	-	-	-	-	478,196	-	478,196
Other comprehensive income	-	-	-	-	-	420,775	420,775
MARCH 31, 2014	100	100	3,017,170	13,988,812	(168,075)	1,054,067	14,874,904
Net loss after tax	-	-	-	-	(352,526)	-	(352,526)
Other comprehensive income	-	-	-	-	-	583,488	583,488
DECEMBER 31, 2014	100	100	3,017,170	13,988,812	(520,601)	1,637,555	15,105,866
Net income after tax	-	-	-	-	950,596	-	950,596
Other comprehensive income	-	-	-	-	-	1,209,043	1,209,043
MARCH 31, 2015	100	100	3,017,170	13,988,812	429,995	2,846,598	17,265,505

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

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2015 and March 31, 2014

(Expressed in Canadian dollars)

	Three Months Ended	
	March 31, 2015 $	March 31, 2014 $
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income for the year	950,596	478,196
Adjustments for:		
Unrealized foreign exchange gain	(1,884,219)	(789,818)
Deferred income tax (recovery)/expense	672,411	(4,995)
Loss on interest rate cap revaluation	30,341	42,222
Loss on derivative financial liability revaluation	18,086	64,153
Interest income	(1,203)	(947)
Changes in non-cash operating items		
Decrease/(increase) GST recoverable	(1,596)	529
Increase in due from related party	(10,357)	(12,052)
Decrease in prepaid expenses	1,110	89,416
Increase/(decrease) in accounts payable and accrued liabilities	491,475	(269,161)
Increase/(decrease) in due to related parties	119,550	(11,689)
Increase in land development inventory	(1,850,508)	(1,564,586)
Increase in restricted cash	(511)	(504)
Increase/(decrease) in deposits	-	1,753,540
Interest paid	243,070	-
Interest received	340	902
	(1,221,415)	(224,794)
FINANCING ACTIVITIES		
Advances from project debt	2,064,630	1,501,104
Advances from related parties	1,463,611	-
	3,528,241	1,501,104
Effect of exchange rate on cash	121,686	129,550
Increase in cash	2,428,512	1,405,860
Cash – Beginning of period	1,086,230	1,270,779
Cash – End of period	3,514,742	2,676,639

SUPPLEMENTAL NON-CASH INFORMATION		
Accretion related to Debentures payable capitalized to land development inventory	36,258	33,011
Deferred financing and transaction costs transferred to project debt	138,454	61,505-
Non-cash interest capitalized to land development inventory	701,780	834,071
Interest paid capitalized to land development inventory	243,069	63,107
Accretion on project debt	116,129	73,000

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

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2015 and March 31, 2014

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS

Walton Westphalia Development Corporation (the “**Corporation**”) was incorporated under the laws of the Province of Alberta on January 4, 2012. The wholly-owned subsidiary of the Corporation, Walton Westphalia Development Corporation (USA), LLC (“**U.S. Subsidiary**”) was incorporated under the laws of the state of Maryland on January 6, 2012. The Corporation and the U.S. Subsidiary were formed to provide investors with the opportunity to participate in the development of the approximately 310 acre “Westphalia” property located in Prince George’s County, Maryland, USA (the “**Property**”) through the purchase of units in the Corporation. Each unit issued by the Corporation (“**Unit**”) through its initial public offering (“**IPO**”) and private placement (“**Private Placement**”) was comprised of a $5.00 principal amount of offering debentures (“**Debentures**”) and one Class B non-voting share (“**Class B Shares**”) at a price of $5.00 per share.

During 2012, the U.S. Subsidiary sold a 14.4% interest in the Property to Walton Westphalia Europe, LP (“**WWE**”). As a co-owner of the Property, all revenues and expenses incurred for the development of the Property will be allocated proportionately based on each party’s ownership interest in the Property.

The Corporation intends to preserve the capital investment of the purchasers of Units in the Corporation, and provide cash distributions on the Units by executing the following four step strategy:

i. acquire the Property (Acquired on February 15, 2012);
ii. obtain letters of intent or expressions of interest from vertical developers and other end users to purchase lots and parcels to be serviced in each of the three planned phases of the development of the Property before construction commences on that phase;
iii. construct municipal services infrastructure on the Property in phases to provide a controlled supply of serviced lots to the marketplace; and
iv. use the revenue from the sale of the serviced lots and parcels to repay construction loans and other obligations of the Corporation and the U.S. Subsidiary and then pay the remainder to the holders of the Debentures and Class B Shares by paying the interest and principal on the Debentures and by declaring a dividend or dividends on the Class B Shares and/or winding up the Corporation and distributing its assets to the holders of the Class B Shares.

Distributions by the Corporation are neither guaranteed nor will they be paid in a steady or stable stream. The amount and timing of any distributions will be at the sole discretion of the Corporation and only after the Corporation has paid or reserved funds for its expenses, liabilities and commitments (other than with respect to the Debentures), including (i) the fees payable to Walton Asset Management L.P. (“**WAM**”) and Walton Development & Management (USA), Inc. (“**WDM**”) (related parties by virtue of the fact that they are controlled by Walton Global Investments Ltd. (“**WGI**”) (including the performance fee), and (ii) any amounts outstanding, on a phase by phase basis, under the construction loans required to develop the Property. The performance fee is only payable provided that the investors of Units in the Corporation have received distributions equal to their invested capital of $10.00 per Unit plus a cumulative compounded priority return thereon equal to 8% per annum on a declining basis.

The address of the registered office is 23rd Floor, 605 – 5th Avenue SW, Calgary, Alberta, T2P 3H5.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2015.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (**"IAS"**) 34: Interim Financial Reporting and using accounting policies that are consistent with International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**). They do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's audited annual financial statements for the year ended December 31, 2014.

Basis of Presentation

The Corporation's condensed interim consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are initially measured at fair value and those measured on a recurring basis at fair value, as explained in the accounting policies set out in note 3.

The condensed interim consolidated statement of financial position has been prepared using a liquidity based presentation because the operating cycle of the Corporation revolves around the sale of land, the timing of which is uncertain. As a result, presentation based on liquidity is considered by management to provide information that is more reliable and relevant to the users of the condensed interim consolidated financial statements. With the exception of land development inventory (note 4), interest rate cap (note 8), debentures payable (note 7), interest debentures payable (note 7), project debt (note 8), and derivative financial liability (note 8), all assets and liabilities are current in nature and are expected to be settled in less than twelve months.

3. ACCOUNTING POLICIES

The accounting policies used in preparation of these condensed interim financial statements are consistent with those which were disclosed in the Corporation's consolidated audited financial statements for the year ended December 31, 2014.

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and equity at the date of the financial statements and the reported amount of revenue and expenses during the period. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of these condensed interim consolidated financial statements from those judgments, estimates and assumptions disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2014.

(Expressed in Canadian dollars)

Future Changes in Accounting Policies

Financial instruments

IFRS 9 Financial instruments ("**IFRS 9**") (July 2014) replaces earlier versions of IFRS 9 that had not yet been adopted by the Corporation and supersedes IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new models for classification and measurement of financial instruments, hedge accounting and impairment of financial assets and is mandatorily effective for periods beginning on or after January 1, 2018. The Corporation continues to review the standard as it is updated and monitor its impact on the Corporation's financial statements.

Revenue from contracts with customers

IFRS 15, Revenue from Contracts with Customers ("**IFRS 15**"), was issued in May 2014 by the IASB and supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied retrospectively or through the recognition of the cumulative effect to opening retained earnings and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. We are currently in the process of evaluating the impact that IFRS 15 may have on our consolidated financial statements.

4. LAND DEVELOPMENT INVENTORY

	Three months ended March 31, 2015 $	Year ended December 31, 2014 $
BALANCE – BEGINNING OF PERIOD	52,042,267	34,192,040
Development costs	7,644,985	11,516,829
Effect of change in foreign exchange rates	44,652	6,333,398
BALANCE – END OF PERIOD	59,731,904	52,042,267

During the three months ended March 31, 2015, $1,097,235 (December 31, 2014 - $3,298,989) of interest was capitalized to development costs.

5. RELATED PARTY TRANSACTIONS

The balance due from a related party as at March 31, 2015, is outlined in the table below:

	March 31, 2015 $	December 31, 2014 $
WUSF 1 Westphalia, LLC	195,250	168,913
TOTAL DUE FROM RELATED PARTY	195,250	168,913

WUSF 1 Westphalia, LLC.

During the period ended March 31, 2015, the Corporation incurred $8,481 (December 31, 2014 – $15,810) in costs under the cost sharing agreement with WUSF 1 Westphalia, LLC ("**WUSF**"). During the period ended March 31, 2015, the Corporation received $nil (December 31, 2014 - $125,205) from WUSF in relation to these costs.

The balances due to related parties as at March 31, 2015 are outlined in the table below:

	March 31, 2015 $	December 31, 2014 $
Walton International Group (USA) Inc	1,495,573	-
Walton Asset Management	348,762	176,297
Walton Development & Management (USA), Inc	68,257	112,594
Walton International Group Inc.	6,500	6,500
TOTAL DUE TO RELATED PARTY	1,919,092	295,391

Walton International Group (USA) Inc.

The previous demand loan, dated May 16, 2013, has been replaced by a subordinated loan agreement with Walton International Group (USA) Inc. ("**WUSA**") for $4.1 USD million, bearing interest at 11% per annum, payable semi-annually. The Corporation can elect to defer the payment of interest and add to the principal balance of the loan. The subordinate loan has a 60 month term with a maturity date of February 1, 2020. The Corporation has the right and option to extend the term of the loan for up to two additional one-year terms. The loan is unsecured and subordinate to the senior and mezzanine loan described in note 8. Funds were advanced by WUSA to the Corporation in advance of the loan document being executed.

As at March 31, 2015, $1,495,573 was outstanding on the subordinate loan, which consisted of $1,478,394 (December 31, 2014 - $nil) of principal and $17,179 (December 31, 2014- $nil) of interest.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2015 and March 31, 2014

(Expressed in Canadian dollars)

Walton Asset Management L.P.

During the three months ended March 31, 2015 the total management fees and servicing fees charged to the Corporation by WAM were $137,972 (March 31, 2014 - $137,972) and $34,493 (March 31, 2014 - $34,493) respectively in relation to servicing fees.

Total amount paid to WDM for amounts funded on the Corporation's behalf was $99,599 (March 31, 2014 - $8,652).

Walton Development & Management (USA), Inc.

During the three months ended March 31, 2015, the total development fee charged to the Corporation was $53,686 (March 31, 2014 – $36,693). The development fees paid by the Corporation was $Nil (March 31, 2014 - $68,276). The development fees are capitalized to land development inventory as incurred.

No performance fee was incurred by the Corporation during the period ended March 31, 2015 and March 31, 2014 because the $10 per Unit amount and the cumulative priority return have not been received by the investors of the Units in the Corporation.

During the period ended March 31, 2015, the Corporation incurred a total amount payable to WDM of $1,576 (March 31, 2014 - $30,362) in costs initially funded by WDM on the Corporation's behalf. The total amount paid to WDM for amounts funded on the Corporation's behalf was $99,599 (March 31, 2014 - $8,652).

Key Management Compensation

Key management personnel are comprised of the Corporation's directors and executive officers. The total compensation expense incurred by the Corporation relating to its independent directors during the year was as follows:

	Three months ended March 31, 2015	Three months ended March 31, 2014
	$	$
Directors' fees	12,771	13,032

All services performed for the Corporation by its executive officers and its non-independent directors are governed by the Management Services Agreement. The annual management fee that WAM receives under the Management Services Agreement has been disclosed above.

The compensation of key management does not include the remuneration paid to individuals who are paid directly by WGI and WIGI. The Officers of the Corporation are also Officers and Directors of numerous entities controlled or managed by WGI and it is not practicable to make a reasonable apportionment of their compensation in respect of each of those entities.

(Expressed in Canadian dollars)

6. RESTRICTED CASH

The restricted cash balance at March 31, 2015, is outlined in the table below.

	March 31, 2015 $	December 31, 2014 $
Funds pledged as security for the senior loan	2,120,689	1,939,292
Customer deposits	1,110,516	1,015,777
	3,231,205	2,955,069

The customer deposits consist of deposits received from homebuilders for lots which revenue recognition criteria have not been met. The deposits are non-refundable and are being held in trust with a lawyer.

7. DEBENTURES PAYABLE AND INTEREST PAYABLE

The following table reconciles the change in debentures payable:

	Three months ended March 31, 2015 $	Year ended December 31,2014 $
BALANCE – BEGINNING OF PERIOD	14,337,245	14,200,426
Accretion on Debentures	36,258	136,819
BALANCE – END OF PERIOD	14,373,503	14,337,245

The following table reconciles the change in Interest Debentures Payable:

	March 31, 2015 $	December 31, 2014 $
BALANCE – BEGINNING OF PERIOD	1,206,872	-
Interest Debentures issued	-	1,206,872
BALANCE – END OF PERIOD	1,206,872	1,206,872

(Expressed in Canadian dollars)

Interest payable is comprised of accrued interest on the Debentures payable and Interest Debentures payable. The following table reconciles the change in interest payable:

	March 31, 2015	December 31, 2014
	$	$
BALANCE – BEGINNING OF PERIOD	957,956	909,288
Accrued interest on the Debentures	321,390	1,255,540
Settlement of interest through cash distribution	-	-
Settlement of interest through issuance of Interest Debentures	-	(1,206,872)
BALANCE – END OF PERIOD	1,279,346	957,956

As at March 31, 2015 and December 31, 2014, WIGI owned approximately 6.3% of the outstanding Units of the Corporation. As a result, approximately 6.3% of the share capital and approximately 6.3% of the balance of Debentures payable, Interest Debentures and interest payable is payable to WIGI.

8. PROJECT DEBT

The following table provides a continuity of the project debt:

	Senior Loan	Mezzanine Loan	Total
	$	$	$
BALANCE – JANUARY 1, 2014	3,656,282	6,859,449	10,515,731
Advances, net of transaction costs	9,032,392	-	9,032,392
Interest incurred	427,875	1,232,734	1,660,609
Interest paid	(427,875)	-	(427,875)
Accretion on debt	89,155	156,866	246,021
Effect of changes in foreign exchange rates	615,256	687,187	1,302,443
BALANCE – DECEMBER 31, 2014	13,393,085	8,936,236	22,329,321
Advances, net of transaction costs	2,153,958	-	2,153,958
Interest incurred	243,069	380,389	623,458
Interest paid	(243,069)	-	(243,069)
Accretion on debt	77,694	38,435	116,129
Effect of changes in foreign exchange rates	1,281,575	835,592	2,117,167
BALANCE – MARCH 31, 2015	16,906,312	10,190,652	27,096,964

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2015 and March 31, 2014

(Expressed in Canadian dollars)

The following table provides a summary of the project debt balances outstanding as at March 31, 2015 and December 31, 2014:

	Senior Loan	Mezzanine Loan	Total
	$	$	$
Principal, net of transaction costs	13,393,085	6,417,127	19,810,212
Interest payable	-	2,519,109	2,519,109
BALANCE – DECEMBER 31, 2014	13,393,085	8,936,236	22,329,321
Principal, net of transaction costs	16,906,312	7,291,154	24,197,466
Interest payable	-	2,899,498	2,899,498
BALANCE – MARCH 31, 2015	16,906,312	10,190,652	27,096,964

During 2015, certain conditions concerning deadlines for the delivery of the WGI financial statements to the Phase 1 lender were not met within the required timeline. The financial statements have since been delivered and the matter rectified.

As a result of entering into the subordinated loan agreement with WUSA (note 5), the Corporation has amended the loan agreements for the senior loan and the mezzanine loan to acknowledge the subordinated loan agreement and to modify the existing arrangement to address cost over runs.

The balance on the interest rate cap as at March 31, 2015 is outlined in the table below.

	March 31, 2015	December 31, 2014
	$	
Interest rate cap purchase price	182,527	182,527
Interest rate cap revaluation	(188,664)	(157,661)
Effect of change in foreign exchange rates	17,254	13,661
	11,117	38,527

The balance on the derivative financial liability as at March 31, 2015 is outlined in the table below.

	March 31, 2015	December 31, 2014
	$	$
Derivative financial liability initial measurement	118,332	101,002
Derivative financial liability revaluation	6,734	5,582
Effect of change in foreign exchange rates	5,033	(4,492)
	130,099	102,092

(Expressed in Canadian dollars)

The amount of deferred financing and transaction costs as at March 31, 2015 are as follows:

	March 31, 2015 $	December 31, 2014 $
BALANCE – BEGINNING OF PERIOD	1,396,409	1,616,216
Transfer to Senior loan	(138,454)	(348,868)
Transfer to Mezzanine loan	-	
Effects of changes in foreign exchange rates	127,216	129,061
BALANCE – END OF PERIOD	1,385,171	1,396,409

9. DEFERRED REVENUE

Deferred revenue is comprised of deposits received from homebuilders for lots, for which revenue recognition criteria have not been met. The deposits are non-refundable and are paid in accordance with the terms of the purchase and sales agreements between the Corporation and the homebuilders. In addition to cash deposits received from builders, on March 4, 2014, in lieu of a deposit, an irrevocable letter of credit in the amount of USD $367,200 has been received from the second homebuilder. The letter of credit will be reduced proportionately as gross proceeds are received from the sale of lots in accordance with the purchase and sale agreement with this builder.

10. SHARE CAPITAL

Basic net income per share ("**EPS**") is calculated by dividing the Corporation's net income (prior to other comprehensive income) by the weighted average number of shares outstanding. Class A shares outstanding have not been included in the weighted average shares outstanding because the Class A shares do not participate in the profits or losses of the Corporation. The weighted average number of shares outstanding for the period ended March 31, 2015 and December 31, 2014 was 3,017,170.

As the Corporation has the right to convert any portion of the Debentures payable and Interest Debentures payable into Class B shares, this conversion feature could result in potentially dilutive shares in the determination of the weighted average diluted shares outstanding. For the period ended March 31, 2015, the potentially dilutive shares were 3,014,950 and December 31, 2014 was 3,450,136.

The dilutive impact of the convertible debentures has been determined using a fair value of the Class B shares of $5.00 per share. To effect a + 0.01 change in diluted earnings per share, the fair value of the Class B shares would have to change by 114% or $0.78 per Class B Share. To effect a - 0.01 change in diluted earnings per share, the fair value of the Class B shares would have to change by 88% or $0.68 per Class B Share.

Share Issuance Price

The Class A shares issued and outstanding of the Corporation were issued at a price of $1.00/share.

The Class B shares issued and outstanding of the Corporation were issued at a price of $5.00/share.

(Expressed in Canadian dollars)

11. INCOME TAXES

The following table reconciles the tax recovery calculated on the Corporation's consolidated net income before tax using the weighted average tax rate to the income tax recovery recognized:

	Three months ended March 31, 2015 $	Three months ended March 31, 2014 $
Consolidated net income before tax	1,623,007	473,201
Applicable tax rate	25%	25%
Expected tax expense	405,752	118,300
Increase/(decrease) in income taxes resulting from:		
Impact of tax rate in foreign jurisdiction	252,155	4,995
Change in deferred tax asset not recognized	14,504	(118,300)
DEFERRED TAX EXPENSE	672,411	4,995

The components of the deferred tax assets (liabilities) are as follows:

	March 31, 2015 $	December 31,2014 $
Share issuance costs	96,778	110,303
Non-capital losses	584,157	551,666
Timing difference on interest expense	429,741	393,070
Timing difference on accretion of debentures	93,372	84,308
Unrealized gain on foreign exchange	(1,878,997)	(1,125,309)
Debenture issuance costs	(177,481)	(163,956)
Other	377,813	333,207
Unrecognized deferred tax asset	(560,251)	(545,746)
NET DEFERRED TAX LIABILITY	(1,034,868)	(362,457)

Deferred income tax assets and liabilities are a result of temporary differences between the carrying amount of assets and liabilities in the financial statements and their carrying amount for income tax purposes, as well as recognition of tax losses. Deferred income tax expense is a result of a foreign exchange gain in the US $560,251 (December 31, 2014 - $545,746) which has not been recognized.

(Expressed in Canadian dollars)

The unused non-capital losses of $2,336,626 will expire as follows:

	$
2032	847,219
2033	647,600
2034	711,846
2035	129,961
	2,336,626

12. FINANCIAL INSTRUMENTS

The Corporation’s financial instruments consist of interest rate cap, accounts receivable, due from related party, deposits, restricted cash, cash, debentures payable, interest debentures payable, project debt, interest payable, accounts payable and accrued liabilities, derivative financial liability, and amounts due to related parties.

With the exception of the interest rate cap, debentures payable, interest debentures payable, project debt, and derivative financial liability, the fair value of these financial instruments approximate their carrying value due to the short-term nature of these items. The fair value of the interest rate cap and derivative financial liability are determined using a third party valuator who uses a discounted future cash flow approach, making use of level 2 (other than quoted prices) inputs to arrive at a current value. The discount rate applicable to a transaction is generally LIBOR for the relevant currency, however other discount rates may be used where the valuator feels that LIBOR is not appropriate. This interest rate cap and derivative financial liability are recorded at fair value with changes being recorded through profit and loss.

The fair value of debentures payable, interest debentures payable, and project debt are determined using the income approach, primarily making use of level 3 (unobservable) inputs. Using the income approach, the expected future cash commitments arising from these financial liabilities are discounted by the Corporation’s market rate. As at March 31, 2015, the fair value of debentures payable and interest debentures payable approximate the carrying amount because there have been no significant changes in the Corporation’s risk premium or to market interest rates, since the issuance of these financial liabilities.

(Expressed in Canadian dollars)

The following tables set out the Corporation's classification and carrying amount of the financial instruments along with the fair value as at March 31, 2015 and December 31, 2014:

MARCH 31, 2015	Fair Value		Amortized Cost		Totals	
	Through profit and loss	Derivatives	Loans and receivables	Other financial liabilities	Carrying amount	Fair Value
Asset (liability):	$	$	$	$	$	$
Interest rate cap	11,117	-	-	-	11,117	11,117
Due from related party	-	-	195,250	-	195,250	195,250
Restricted cash	-	-	3,231,205	-	3,231,205	3,231,205
Cash	-	-	3,514,742	-	3,514,742	3,514,742
Debentures payable	-	-	-	(14,373,503)	(14,373,503)	(14,373,503)
Interest Debentures payable	-	-	-	(1,206,872)	(1,206,872)	(1,206,872)
Project debt	-	-	-	(27,096,964)	(27,096,964)	(27,096,964)
Derivative financial liability	-	(130,099)	-	-	(130,099)	(130,099)
Interest payable	-	-	-	(1,279,346)	(1,279,346)	(1,279,346)
Accounts payable and accrued liabilities	-	-	-	(2,654,570)	(2,654,570)	(2,654,570)
Due to related parties	-	-	-	(1,919,092)	(1,919,092)	(1,919,092)
	11,117	(130,099)	6,941,197	(48,530,347)	(41,708,132)	(41,708,132)

(Expressed in Canadian dollars)

[1] – Note that sensitivity table below shows that the carrying value approximates fair value

DECEMBER 31, 2014	Fair Value		Amortized Cost		Totals	
	Through profit and loss	Derivatives	Loans and receivables	Other financial liabilities	Carrying amount	Fair Value
Asset (liability):	$	$	$	$	$	$
Interest rate cap	38,527	-	-	-	38,527	38,527
Due from related party	-	-	168,913	-	168,913	168,913
Restricted cash	-	-	2,955,069	-	2,955,069	2,955,069
Cash	-	-	1,086,230	-	1,086,230	1,086,230
Debentures payable	-	-	-	(14,337,245)	(14,337,245)	(14,337,245)
Interest Debentures payable	-	-	-	(1,206,872)	(1,206,872)	(1,206,872)
Project debt	-	-	-	(22,329,321)	(22,329,321)	(22,329,321)
Derivative financial liability	-	(102,092)	-	-	(102,092)	(102,092)
Interest payable	-	-	-	(957,956)	(957,956)	(957,956)
Accounts payable and accrued liabilities	-	-	-	(1,975,790)	(1,975,790)	(1,975,790)
Due to related parties	-	-	-	(295,391)	(295,391)	(295,391)
	38,527	(102,092)	4,210,212	(41,102,575)	(36,955,928)	(36,955,928)

[1] – Note that sensitivity table below shows that the carrying value approximates fair value

The interest rate cap (note 8) was purchased to mitigate the interest rate risk on the senior loan. The following table shows the impact on the fair value to debentures payable, interest debentures payable, and Mezzanine loan (note 5, 7 and 8) included in project debt if the market interest rate were to change.

	Sensitivity Analysis		
Change in market interest rate	+/- 1%	+/- 3%	+/- 5%
Debentures payable (8% interest per annum)	47,885	143,113	237,621
Interest Debentures payable (8% interest per annum)	3,463	10,356	17,204
Mezzanine Loan (15% interest per annum)	16,703	49,975	83,058

(Expressed in Canadian dollars)

The future undiscounted obligations of the Corporation as at March 31, 2015 are as follows:

	2015	2016	2017	2018	2019 and thereafter
	$	$	$	$	$
Debentures payable	-	-	-	-	15,085,850
Interest debentures payable	-	-	-	-	1,206,872
Interest payable	1,279,246	1,315,606	1,323,037	1,324,461	326,194
Project debt	-	-	25,404,628	-	-
Accounts payable and accrued liabilities	2,654,572	-	-	-	-
Due to related parties	440,698	162,623	162,623	162,623	1,478,394
Total	4,374,516	1,478,229	26,890,288	1,487,084	16,618,916

In addition to these items in the table, based on the current loan amount outstanding and as a result of the joint and several nature of the Senior Loan and Mezzanine Loan, the U.S. Subsidiary may be liable for WWE's portion of these loans. As at March 31, 2015 this amount is $4,674,684 (December 31, 2014 - $3,868,240).

13. COMMITMENTS

The following table presents future commitments of the Corporation under the Management Services Agreement (note 5). It does not include the performance fee payable to WDM under the Project Management Agreement, which is determined at the time land sales are completed.

	Servicing fee	Management fee	Total
	$	$	$
2015	105,395	421,580	526,975
2016	139,888	559,552	699,440
2017	139,888	559,552	699,440
2018	139,888	559,552	699,440
2019 and thereafter	-	137,972	137,972
	525,059	2,238,208	2,763,267

The commitment for the management fee will extend for the length of the project however after April 1, 2019, it is calculated based on the book value of the Property at the end of the previous calendar quarter, which cannot be reasonably estimated at this time.

The Corporation also has a commitment to complete the construction of onsite water and sewer and lines, as well as the construction of an offsite sewer outfall as part of the permits issued by Prince George's County, Maryland. In April

2014, the Corporation provided the Washington Suburban Sanitary Commission with two bonds totalling US $7,583,558 which are used as construction guarantees.

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