UNAUDITED CONDENSED INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

Walton Westphalia Development Corporation

For the three months ended March 31, 2016 and March 31, 2015

(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

Unaudited

As at March 31, 2016 and December 31, 2015

(Expressed in Canadian dollars)

	March 31, 2016 $	December 31, 2015 $
ASSETS		
Land development inventory (note 4)	75,634,171	78,252,645
Interest rate cap (note 8)	-	260
Deferred financing and transaction costs (note 8)	1,118,196	1,271,131
Due from related party (note 5)	206,101	220,075
Restricted cash (note 6)	3,843,162	4,963,247
Cash	1,444,956	1,786,817
TOTAL ASSETS	82,246,586	86,494,175
LIABILITIES		
Debentures payable (note 7)	14,527,350	14,487,525
Interest debentures payable (note 7)	2,486,218	2,486,218
Project debt (note 8)	38,813,593	38,639,883
Derivative financial liability (note 8)	31,073	42,852
Deferred income tax liability (note 12)	1,041,237	1,702,614
Interest payable (note 7)	1,383,143	1,033,622
Provision for land development costs (note 9)	292,775	344,744
Deferred revenue (note 10)	1,102,813	1,176,697
Accounts payable and accrued liabilities	1,521,241	3,022,838
Due to related parties (note 5)	3,934,215	4,277,344
TOTAL LIABILITIES	65,133,658	67,214,337
SHAREHOLDERS' EQUITY		
Share capital (note 11)	13,988,912	13,988,912
Retained earnings (accumulated deficit)	(135,567)	927,899
Accumulated other comprehensive income	3,259,583	4,363,027
TOTAL EQUITY	17,112,928	19,279,838
TOTAL LIABILITIES & EQUITY	82,246,586	86,494,175

Commitments (note 14)

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

Unaudited

For the three months ended March 31, 2016 and March 31, 2015

(Expressed in Canadian dollars)

	Three Months ended	
	March 31, 2016 $	March 31, 2015 $
OTHER INCOME/(EXPENSES)		
Management fees (note 5)	(139,124)	(137,972)
Marketing expense	(41,710)	(63,226)
Servicing fees (note 5)	(34,781)	(34,493)
Professional fees	(22,264)	(27,572)
Directors' fees (note 5)	(25,575)	(12,771)
Office and other expenses	(4,604)	(10,588)
Interest income	1,455	1,203
TOTAL INCOME/(EXPENSES)	(266,603)	(285,419)
LOSS BEFORE OTHER ITEMS	(266,603)	(285,419)
Gain/(loss) on derivative financial liability revaluation	9,622	(18,086)
Gain/(loss) on interest rate cap revaluation (note 8)	(257)	(30,341)
Foreign exchange gain/(loss)	(1,445,666)	1,956,853
TOTAL OTHER ITEMS	(1,436,301)	1,908,426
NET INCOME/(LOSS) BEFORE TAXES	(1,702,904)	1,623,007
Deferred tax (expense)/recovery (note 12)	639,438	(672,411)
NET INCOME/(LOSS) AFTER TAX	(1,063,466)	950,596
OTHER COMPREHENSIVE INCOME/(LOSS)		
Cumulative translation gain/(loss)	(1,103,444)	1,209,043
COMPREHENSIVE INCOME/(LOSS)	(2,166,910)	2,159,639
Basic net income/(loss) per share (note 11)	(0.35)	0.32
Diluted net income/(loss) per share (note 11)	(0.35)	0.16

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

Unaudited

For the three months ended March 31, 2016 and March 31, 2015

(Expressed in Canadian dollars)

	Class A Voting Common Shares		Class B Non-voting Common Shares		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss)/Income	Total
	# of Shares	$	# of Shares	$	$	$	$
JANUARY 1, 2015	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	17,266,505
Net income after tax	-	-	-	-	497,904	-	497,904
Other comprehensive income	-	-	-	-	-	1,516,429	1,516,429
DECEMBER 31, 2015	100	100	3,017,170	13,988,812	927,899	4,363,027	19,279,838
Net loss after tax	-	-	-	-	(1,063,466)	-	(1,063,466)
Other comprehensive loss	-	-	-	-	-	(1,103,444)	(1,103,444)
MARCH 31, 2016	100	100	3,017,170	13,988,812	(135,567)	3,259,583	17,112,928

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

Unaudited

For the three months ended March 31, 2016 and March 31, 2015

(Expressed in Canadian dollars)

	Three Months Ended	
	March 31, 2016 $	March 31, 2015 $
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income for the period	(1,063,466)	950,596
Adjustments for:		
Unrealized foreign exchange loss/(gain)	1,387,522	(1,884,219)
Deferred income tax expense/(recovery)	(661,377)	672,411
Loss/(gain) on interest rate cap revaluation	257	30,341
Loss/(gain) on derivative financial liability revaluation	(9,622)	18,086
Interest income	(1,455)	(1,203)
Changes in non-cash operating items		
Decrease/(increase) in GST recoverable	-	(1,596)
Decrease/(increase) in due from related party	65,764	(10,357)
Decrease/(increase) in prepaid expenses	-	1,110
(Decrease)/increase in accounts payable and accrued liabilities	(1,393,543)	491,475
Decrease in provision for land development costs	(32,101)	-
(Decrease)/increase in due to related parties	(207,950)	119,550
Increase in land development inventory	(767,369)	(1,850,508)
(Increase)/decrease in restricted cash	855,856	(511)
Interest paid	(428,725)	243,070
Interest received	1,456	340
	(2,254,753)	(1,221,415)
FINANCING ACTIVITIES		
Advances from project debt	2,002,860	2,064,630
Advances from related parties	-	1,463,611
	2,002,860	3,528,241
Effect of exchange rate on cash	(89,968)	121,686
Increase/(decrease) in cash	(341,861)	2,428,512
Cash – Beginning of period	1,786,817	1,086,230
Cash – End of period	1,444,956	3,514,742
SUPPLEMENTAL INFORMATION		
Accretion related to Debentures payable capitalized to land development inventory	39,825	36,258
Deferred financing and transaction costs transferred to project debt	73,122	138,454
Non-cash interest capitalized to land development inventory	903,512	701,780
Interest paid capitalized to land development inventory	428,725	243,069
Accretion on project debt	336,412	116,129

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

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.

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, 2016.

2. BASIS OF PREPARATION

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, 2015.

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, ESTIMATES & JUDGMENTS

The accounting policies used in preparation of these condensed interim consolidated financial statements are consistent with those which were disclosed in the Corporation's consolidated audited financial statements for the year ended December 31, 2015.

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, 2015.

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, 2018, with earlier application permitted. We are currently in the process of evaluating the impact that IFRS 15 may have on our consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements
Unaudited
For the three months ended March 31, 2016 and March 31, 2015

(Expressed in Canadian dollars)

4. LAND DEVELOPMENT INVENTORY

	Three months ended March 31, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	78,252,645	52,042,267
Development costs	2,223,084	13,806,331
Cost of goods sold	-	(597,894)
Effect of change in foreign exchange rates	(4,841,558)	13,001,941
BALANCE – END OF PERIOD	75,634,171	78,252,645

During the three months ended March 31, 2016, $1,708,474 (December 31, 2015 - $5,259,118) of interest and accretion was capitalized to development costs.

5. RELATED PARTY TRANSACTIONS

The balance due from a related party as at March 31, 2016, is outlined in the table below:

	March 31, 2016	December 31, 2015
	$	$
WUSF 1 Westphalia, LLC (“**WUSF**”)	206,101	220,075
TOTAL DUE FROM RELATED PARTY	206,101	220,075

WUSF 1 Westphalia, LLC.

During the three months period ended March 31, 2016, the Corporation incurred $nil (December 31, 2015 – $52,402) in costs under the cost sharing agreement with WUSF. The Corporation received $nil (December 31, 2015 - $nil) payments from WUSF in relation to these costs during the three month period.

The balances due to related parties as at March 31, 2016 are outlined in the table below:

	March 31, 2016	December 31, 2015
	$	$
Walton International Group (USA) Inc (“**WUSA**”)	3,299,276	3,487,612
Walton Asset Management	591,269	699,440
Walton Development & Management (USA), Inc	24,706	71,328
Walton International Group Inc. (“**WIGI**”)	18,964	18,964
TOTAL DUE TO RELATED PARTY	3,934,215	4,277,344

Walton International Group (USA) Inc.

The Corporation has a USD$4.1 million subordinate loan facility with WUSA, bearing interest at 11% per annum, payable semi-annually. Interest is capitalized to land development inventory. 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 Loan and Mezzanine Loan described in note 8.

(Expressed in Canadian dollars)

	Three months ended March 31, 2016 $	Year ended December 31, 2015 $
BALANCE – BEGINNING OF PERIOD	3,432,012	-
Advances	-	2,959,883
Interest incurred	86,289	199,786
Effect of change in foreign exchange rates	(219,025)	272,343
BALANCE – END OF YEAR	3,299,276	3,432,012

During the three months ended March 31, 2016, WUSA incurred $nil (December 31, 2015 - $55,600) in costs initially funded by WUSA on the Corporation's behalf. The total amount paid to WUSA for costs funded on the Corporation's behalf was $55,600 (December 31, 2015 - $nil).

Walton Asset Management L.P.

During the three months ended March 31, 2016, the total management fees and servicing fees charged to the Corporation by WAM were $139,124 (March 31, 2015 - $137,972) and $34,781 (March 31, 2015 - $34,493) respectively in relation to servicing fees.

During the three months ended March 31, 2016, $282,076 (March 31, 2015 - $nil) was paid to WAM in relation to the management and service fees.

The balance payable to WAM as at March 31, 2016 was in respect of the management fees and servicing fees. Notwithstanding the payment terms for such fees, due to cash constraints of the Corporation, management has communicated to WAM that it does not expect to make payments for the management fees and servicing fees until such time that the Corporation has sufficient capital for the payment of such amounts. WAM has indicated that it will continue to provide its services as manager of the Corporation and to fund the servicing fee on behalf of the Corporation. All amounts that exceed the regular payment terms are due on demand and bear no interest.

Walton Development & Management (USA), Inc.

During the three months ended March 31, 2016, the total development fee charged to the Corporation was $23,852 (March 31, 2015 – $53,686). The development fees paid by the Corporation was $67,472 (March 31, 2015 - $nil). 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, 2016 and March 31, 2015 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 three months ended March 31, 2016, the Corporation incurred a total amount payable to WDM of $7,355 (March 31, 2015 - $1,576) 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 $5,879 (March 31, 2015 - $99,599).

Walton International Group Inc.

During the three months ended March 31, 2016, the Corporation incurred $nil (March 31, 2015 - $nil) in costs initially funded by WIGI. The total costs paid to WIGI for amounts funded on the Corporation's behalf during the three months ended March 31, 2016 was $nil (March 31, 2015 - $nil).

(Expressed in Canadian dollars)

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 period was as follows:

	Three months ended March 31, 2016	Year ended December 31, 2015
	$	$
Directors' fees	25,575	12,771

All services performed for the Corporation by its executive officers and its non-independent directors are governed by the Management and Services Fee Agreement. The quarterly 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.

6. RESTRICTED CASH

The restricted cash balance at March 31, 2016, is outlined in the table below.

	March 31, 2016	December 31, 2015
	$	$
Funds pledged as security for the senior loan	2,171,020	2,315,891
Cost Overrun	569,329	1,470,659
Customer deposits (note 10)	1,102,813	1,176,697
	3,843,162	4,963,247

The cost overrun contains funds deposited by the Corporation for forecasted project cost overruns to be incurred during the 2nd quarter 2016 (Note 8). The customer deposits consist of deposits received from homebuilders for lots which revenue recognition criteria have not been met. The deposits are being held in trust with a lawyer.

7. DEBENTURES PAYABLE, INTEREST DEBENTURES PAYABLE AND INTEREST PAYABLE

The following table reconciles the change in Debentures payable:

	Three months ended March 31, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	14,487,525	14,337,245
Accretion on debentures	39,825	150,280
BALANCE – END OF PERIOD	14,527,350	14,487,525

(Expressed in Canadian dollars)

The following table reconciles the change in Interest Debentures payable:

	Three months ended March 31, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	2,486,218	1,206,872
Interest Debentures issued	-	1,279,346
BALANCE – END OF PERIOD	2,486,218	2,486,218

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

	Three months ended March 31, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	1,033,622	957,956
Accrued interest on the Debentures	300,068	1,206,868
Accrued interest on the Interest Debentures	49,453	148,144
Settlement of interest through issuance of Interest Debentures	-	(1,279,346)
BALANCE – END OF PERIOD	1,383,143	1,033,622

As at March 31, 2016 and December 31, 2015, 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, 2015	13,393,085	8,936,236	22,329,321
Advances, net of transaction costs	10,007,542	-	10,007,542
Payment on loan	(876,116)	(108,178)	(984,294)
Interest incurred	1,242,326	1,645,012	2,887,338
Interest paid	(1,242,326)	(120,984)	(1,363,310)
Accretion	479,232	187,470	666,702
Effect of changes in foreign exchange rates	3,277,479	1,819,105	5,096,584
BALANCE – DECEMBER 31, 2015	26,281,222	12,358,661	38,639,883
Advances, net of transaction costs	1,929,738	-	1,929,738
Interest incurred	428,725	467,702	896,427
Interest paid	(428,725)	-	(428,725)
Accretion	278,751	57,661	336,412
Effect of changes in foreign exchange rates	(1,765,162)	(794,980)	(2,560,142)
BALANCE – MARCH 31, 2016	26,724,549	12,089,044	38,813,593

(Expressed in Canadian dollars)

The following table provides a summary of the project debt balances outstanding as at March 31, 2016 and December 31, 2015:

	Senior Loan	Mezzanine Loan	Total
	$	$	$
Principal, net of transaction costs	26,281,222	8,315,524	34,596,746
Interest payable	-	4,043,137	4,043,137
BALANCE – DECEMBER 31, 2015	26,281,222	12,358,661	38,639,883
Principal, net of transaction costs	26,724,549	7,578,205	34,302,754
Interest payable	-	4,510,839	4,510,839
BALANCE – MARCH 31, 2016	26,724,549	12,089,044	38,813,593

The Senior Loan matures May 31, 2016 and the Mezzanine Loan matures June 6, 2016. Both of these loans may be extended by the U.S Subsidiary and WWE, subject to the satisfaction of certain conditions, for two additional 12 month-terms. The U.S. Subsidiary and WWE, collectively, have exercised their extension options to request the Senior Lender and Mezzanine Lender to extend the Senior Loan and Mezzanine Loan, respectively, for an additional 12 months. Certain of the conditions to the automatic extension of the loans upon such exercises may not have been satisfied, including:

- as a result of the delays in the project disclosed in previous press releases of the Corporation, all requirements for the final loan advance with respect to Subphase 1 of the Property, which is a requirement for the extension, have not been satisfied. The lenders are aware of the delays and have continued to fund under the loans; and
- the full payment by the U.S. Subsidiary and WWE of certain principal reduction payments. Final calculation of the amounts remaining outstanding in this regard has not been made by the lenders.

The requested extensions are in the discretion of the lenders. The Corporation is currently in discussions with the lenders and the lenders are currently undertaking due diligence in this regard, including the finalization of the required appraisal. The Senior Lender has agreed to a grace period of 10 days after the original maturity date of the Senior Loan to allow the parties to continue to complete the work on the potential extension. The Corporation believes the lenders will extend the loans, however there can be no assurances that they will do so or that they will do so on terms and conditions that are acceptable to the Corporation. In the event that the lenders do not grant an extension or grant extensions on terms that are not acceptable to the Corporation or demand repayment of the loans, the Corporation will be required to repay the loans. The Corporation does not currently have sufficient cash resources to do so which will result in the Corporation being in default on the loans. Such default would entitle the lenders to, among other things, enforce their security on, and take possession of, the assets of the Corporation, including the Property. However, the Corporation believes that, even if the extension is not granted, the lenders will allow the Corporation a reasonable period of time to find alternative financing.

Any failure by the Corporation to repay the indebtedness under the Senior Loan and/or Mezzanine Loan as referred to above could result in the acceleration of the maturity date of the Debentures and Interest Debentures under the terms thereof and permit WUSA to demand payment under the USD$4.1 million subordinate loan facility that is has with the Corporation.

(Expressed in Canadian dollars)

The balance on the interest rate cap as at March 31, 2016 is outlined in the table below.

	March 31, 2016 $	December 31, 2015 $
Interest rate cap purchase price	182,527	182,527
Interest rate cap revaluation	(199,864)	(199,620)
Effect of changes in foreign exchange rates	17,337	17,353
FAIR VALUE OF INTEREST RATE CAP	-	260

The balance on the derivative financial liability as at March 31, 2016 is outlined in the table below.

	March 31, 2016 $	December 31, 2015 $
Derivative financial liability initial measurement	147,746	147,746
Derivative financial liability revaluation	(138,124)	(129,034)
Effect of changes in foreign exchange rates	21,451	24,140
FAIR VALUE OF INTEREST RATE FLOOR	31,073	42,852

The amount of deferred financing and transaction costs as at March 31, 2016 are as follows:

	March 31, 2016 $	December 31, 2015 $
BALANCE – BEGINNING OF PERIOD	1,271,131	1,396,409
Transfer to Senior loan	(73,122)	(394,786)
Effect of changes in foreign exchange rates	(79,813)	269,508
BALANCE – END OF PERIOD	1,118,196	1,271,131

9. PROVISION FOR LAND DEVELOPMENT COSTS

The following table reconciles the change of the provision for land development costs:

	Three months ended March 31, 2016 $	Year ended December 31, 2015 $
BALANCE – BEGINNING OF PERIOD	344,744	-
Additional provisions	-	425,513
Less actual costs incurred during the period	(112,557)	(123,638)
Effect of changes in foreign exchange rates	60,588	42,869
BALANCE – END OF PERIOD	292,775	344,744

The provision for land development costs includes accrued costs based on the estimated cost to complete for the land development projects for which revenue has been recognized. These amounts have not been discounted as the majority are expected to be incurred within one year.

10. 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.

11. SHARE CAPITAL

Per Share Amount

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. The 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 Class B shares outstanding for the period ended March 31, 2016 and December 31, 2015 was 3,017,170.

As the Corporation has the right to convert any portion of the Debentures and Interest Debentures 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 three months ended March 31, 2016, the potentially dilutive Class B shares were nil because the Corporation generated losses during the period. For the three months ended March 31, 2015, the potentially dilutive Class B shares were 3,014,950.

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 for the three months ended March 31, 2015, the fair value of the Class B shares would need 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 need to change by 88% or ($0.68) per share.

Share Issuance Price

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

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

(Expressed in Canadian dollars)

12. 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. The Alberta Government enacted a two percent increase in the corporate tax rate effective July 1, 2015.

	Three months ended March 31, 2016 $	Year ended December 31, 2015 $
Consolidated net income/(loss) before tax	(1,702,904)	1,623,007
Applicable tax rate	27%	25%
Expected tax expense	(459,784)	405,752
Increase/(decrease) in income taxes resulting from:		
Impact of tax rate in foreign jurisdiction	(231,084)	252,155
Change in deferred tax asset not recognized	51,430	14,504
DEFERRED TAX RECOVERY	(639,438)	672,411

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

	March 31, 2016 $	December 31, 2015 $
Share issuance costs	45,158	59,887
Non-capital loss carry forward	921,026	853,775
Timing difference on interest expense	516,624	498,356
Timing difference on accretion of debentures	142,381	131,628
Unrealized gain on foreign exchange	(2,022,228)	(2,599,105)
Debenture issuance costs	(251,042)	(236,313)
Other	399,348	330,232
Unrecognized deferred tax asset	(792,504)	(741,074)
NET DEFERRED TAX LIABILITY	(1,041,237)	(1,702,614)

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 mainly a result of a foreign exchange loss in the US $1,445,666 (December 31, 2015 - $3,711,364) which has not been recognized.

(Expressed in Canadian dollars)

The unused non-capital losses of $3,411,207 will expire as follows:

	$
2032	847,219
2033	647,600
2034	711,846
2035	955,466
2036	249,076
	3,411,207

13. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of interest rate cap, due from related party, 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, 2016, 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, 2016:

MARCH 31, 2016	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	-	-	-	-	-	-
Due from related party	-	-	206,101	-	206,101	206,101
Restricted cash	-	-	3,843,162	-	3,843,162	3,843,162
Cash	-	-	1,444,956	-	1,444,956	1,444,956
Debentures payable	-	-	-	(14,527,350)	(14,527,350)	(14,527,350)
Interest Debentures payable	-	-	-	(2,486,218)	(2,486,218)	(2,486,218)
Project debt	-	-	-	(38,813,593)	(38,813,593)	(38,813,593)
Derivative financial liability	-	(31,073)	-	-	(31,073)	(31,073)
Interest payable	-	-	-	(1,383,143)	(1,383,143)	(1,383,143)
Accounts payable and accrued liabilities	-	-	-	(1,521,241)	(1,521,241)	(1,521,241)
Due to related parties	-	-	-	(3,934,215)	(3,934,215)	(3,934,215)
	-	(31,073)	5,494,219	(62,665,760)	(57,202,614)	(57,202,614)

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

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

DECEMBER 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	260	-	-	-	260	260
Due from related party	-	-	220,075	-	220,075	220,075
Restricted cash	-	-	4,963,247	-	4,963,247	4,963,247
Cash	-	-	1,786,817	-	1,786,817	1,786,817
Debentures payable	-	-	-	(14,487,525)	(14,487,525)	(14,487,525)
Interest Debentures payable	-	-	-	(2,486,218)	(2,486,218)	(2,486,218)
Project debt	-	-	-	(38,639,883)	(38,639,883)	(38,639,883)
Derivative financial liability	-	(42,852)	-	-	(42,852)	(42,852)
Interest payable	-	-	-	(1,033,622)	(1,033,622)	(1,033,622)
Accounts payable and accrued liabilities	-	-	-	(3,022,838)	(3,022,838)	(3,022,838)
Due to related parties	-	-	-	(4,277,344)	(4,277,344)	(4,277,344)
	260	(42,852)	6,970,139	(63,947,430)	(57,019,883)	(57,019,883)

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

(Expressed in Canadian dollars)

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 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)	36,199	108,298	179,998
Interest Debentures payable (8% interest per annum)	5,283	15,812	26,291
Mezzanine Loan (15% interest per annum)	5,356	16,050	26,718

The future undiscounted obligations of the Corporation as at March 31, 2016 are as follows:

	2016	2017	2018	2019	2020 and thereafter
	$	$	$	$	$
Debentures payable	-	-	-	15,085,850	-
Interest debentures payable	-	-	-	2,486,218	-
Interest payable	1,071,310	1,437,859	1,447,442	356,483	-
Project debt	2,602,709	40,259,545	-	-	-
Accounts payable and accrued liabilities	1,521,241	-	-	-	-
Due to related parties	907,130	362,920	362,920	362,920	3,329,519
Total	6,102,390	42,060,324	1,810,362	18,291,471	3,329,519

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, 2016, this amount is $6,583,063 (December 31, 2015 - $6,595,105).

14. COMMITMENTS

The following table presents future commitments of the Corporation under the Management Services Agreement (note 5). It does not include the development fee or the performance fee payable to WDM under the Project Management Agreement, which cannot be reasonably estimated at this time.

	Servicing fee	Management fee	Total
	$	$	$
2016	105,107	420,429	525,536
2017	139,888	559,552	699,440
2018	139,888	559,552	699,440
2019	-	137,972	137,972
	384,883	1,677,505	2,062,388

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.