Unaudited Condensed Interim Consolidated Financial Statements

Walton Westphalia Development Corporation

For the three months ended March 31, 2013 and the period January 4, 2012 to March 31, 2012

(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

Consolidated Statements of Financial Position

UNAUDITED

AS AT MARCH 31, 2013 and MARCH 31, 2012

(expressed in Canadian dollars)

	March 31, 2013 $	December 31, 2012 $
ASSETS		
Land development costs (note 4)	3,310,761	2,754,291
Land held for development (note 5)	21,835,462	21,390,406
Accounts receivable	3,659	3,871
GST recoverable	6,280	6,888
Due from related party (note 9)	-	26,427
Prepaid expenses	144,452	157,100
Deposits on land (note 6)	50,780	-
Cash	3,832,678	4,126,027
TOTAL ASSETS	29,184,072	28,465,010
LIABILITIES		
Debentures payable (note 7)	14,332,771	14,250,570
Debenture interest payable (note 7)	1,022,448	724,326
Accounts payable and accrued liabilities (note 8)	176,035	291,078
Due to related party (note 9)	211,434	13,733
TOTAL LIABILITIES	15,742,688	15,279,707
SHAREHOLDERS' EQUITY		
Share capital (note 10)	14,215,200	14,215,200
Accumulated deficit	(1,236,956)	(1,008,238)
Accumulated other comprehensive income/(loss)	463,140	(21,659)
TOTAL EQUITY	13,441,384	13,185,303
TOTAL LIABILITIES & EQUITY	29,184,072	28,465,010

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

Walton Westphalia Development Corporation

Consolidated Statements of Comprehensive Income and Loss

UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND THE PERIOD JANUARY 4, 2012 TO MARCH 31, 2012

(expressed in Canadian dollars)

	March 31, 2013 $	For the period January 4, 2012 to March 31, 2012 $
REVENUE		
Interest income	10,871	2,586
EXPENSES		
Management fees (note 9)	137,972	8,084
Amortization (note 7)	55,398	-
Servicing fees (note 9)	34,493	2,021
Director fees (note 9)	13,032	13,032
Professional fees	11,886	4,625
Office and other expenses	10,350	5,174
Organizational costs	-	216,345
Unrealized foreign exchange (gain)/loss	(23,542)	90
	239,589	249,371
NET LOSS	(228,718)	(246,785)
OTHER COMPREHENSIVE INCOME		
Foreign exchange gain on net investment in foreign operation	295,880	-
Foreign currency translation adjustment	188,919	-
	484,799	-
COMPREHENSIVE INCOME/(LOSS)	256,081	(246,785)
Basic and diluted net loss per share (note 10)	0.08	1.35

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

Walton Westphalia Development Corporation

Consolidated Statement of Changes in Shareholders' Equity

UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND THE PERIOD JANUARY 4, 2012 TO MARCH 31, 2012

(expressed in Canadian dollars)

	Class A Voting Common Shares (note 10)		Class B Non-voting Common Shares (note 10)		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	# of Shares	Amount $	# of Shares	Amount $	Amount $	Amount $	Amount $
Balance – January 4, 2012	100	100	-	-	-	-	100
Shares issued for cash	-	-	1,442,300	7,211,500	-	-	7,211,500
Share issuance costs	-	-	-	(378,604)	-	-	(378,604)
Net loss	-	-	-	-	(246,785)	-	(246,785)
Balance – March 31, 2012	100	100	1,442,300	6,832,896	(246,785)	-	6,586,211
Shares issued for cash	-	-	1,574,870	7,874,350	-	-	7,874,350
Share issuance costs	-	-	-	(492,146)	-	-	(492,146)
Net loss	-	-	-	-	(761,453)	-	(761,453)
Other comprehensive loss	-	-	-	-	-	(21,659)	(21,659)
Balance – December 31, 2012	100	100	3,017,170	14,215,100	(1,008,238)	(21,659)	13,185,303
Net loss	-	-	-	-	(228,718)	-	(228,718)
Other comprehensive income/(loss)	-	-	-	-	-	484,799	484,799
Balance – March 31, 2013	100	100	3,017,170	14,215,100	(1,236,956)	463,140	13,441,384

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

Walton Westphalia Development Corporation

Consolidated Statements of Cash Flows

UNAUDITED

FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND THE PERIOD JANUARY 4, 2012 TO MARCH 31, 2012

(expressed in Canadian dollars)

	March 31, 2013 $	For the period January 4, 2012 to March 31, 2012 $
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the period	(228,718)	(246,785)
Items not affecting cash		
Amortization	55,398	
Unrealized foreign exchange loss	(23,542)	90
Changes in non-cash working capital items		
Acquisition of land held for development	-	(25,080,991)
Deposit on land held for development	(50,417)	
Increase in land development costs	(494,712)	(544,902)
Decrease/(increase) in accounts receivable	210	(2,529)
Decrease/(increase) in GST recoverable	608	-
Decrease in due from related party (note 9)	26,784	-
Decrease/(increase) in prepaid expenses	15,800	-
Increase in interest payable	321,997	17,387
(Decrease)/increase in accounts payable and accrued liabilities	(119,322)	22,792
Increase in loan interest payable	-	96,083
Increase in due to related party (note 9)	197,474	864,537
	(298,440)	(24,874,318)
FINANCING ACTIVITIES		
Issuance of Class A voting common shares	-	100
Issuance of Class B non-voting common shares, net of issuance costs (note 10)	-	6,832,896
Issuance of debentures, net of issuance costs (note 7)	-	6,832,896
Loan proceeds received from Walton International Group Inc. (note 9)	-	15,376,158
	-	29,042,050
Effect of exchange rate on cash	5,091	2,073
(Decrease)/increase in cash	(293,349)	4,169,805
Cash – Beginning of period	4,126,027	-
Cash – End of period	3,832,678	4,169,805

SUPPLEMENTAL INFORMATION

Cash interest received	7,210	57

Excluded from the change in land development costs is capitalized non-cash interest on the Debentures (note 7)

Included in interest payable is non-cash interest on the Debentures

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

(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, U.S.A. (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.

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, which is not expected to impact the Corporation's ability to achieve its investment objective.

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:

a) acquire the Property;
b) 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;
c) construct municipal services infrastructure on the Property in phases to provide a controlled supply of serviced lots to the marketplace; and
d) 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**") (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.

(expressed in Canadian dollars)

These consolidated financial statements were authorized for issue by the Board of Directors on May 24th, 2013. The Board of Directors has the power to amend and reissue the consolidated financial statements.

2. Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34: *Interim Financial Reporting* and using accounting policies that are consistent with IFRS as issued by the International Accounting Standards Board. 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, 2012.

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

The 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 consolidated financial statements. With the exception of Land Development Costs (note 4), Land Held for Development (note 5) and Debentures Payable or Interest Payable (note 6), all assets and liabilities are current in nature and are expected to be settled in less than twelve months.

3. Current and Future Changes in Accounting Policy

Current Changes in Accounting Policy

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the period. The accounting policies used in the preparation of these financial statements are consistent with those which were disclosed in the Corporation's audited financial statements for the year ended December 31, 2012, except for the changes noted below.

Consolidated financial statements

The Corporation has adopted IFRS 10: Consolidated Financial Statements ("**IFRS 10**") for the annual year beginning on January 1, 2013. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12: *Consolidation - Special Purpose Entities* and parts of IAS 27: *Consolidated and Separate Financial Statements*. The adoption of IFRS 10 has not had a significant impact to the financial statements.

(expressed in Canadian dollars)

Disclosure of interests in other entities

The Corporation adopted IFRS 12: Disclosure of Interests in Other Entities (“**IFRS 12**”) for the annual year beginning on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity’s interests in other entities. The adoption of IFRS 12 has not had a significant impact to the financial statements.

Fair value measurement

The Corporation adopted IFRS 13: Fair Value Measurement (“**IFRS 13**”) for the annual year beginning on January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received upon the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard also requires an increase in the disclosure around valuation methods and inputs used in measuring fair value in the notes financial statements. Since the Corporation does not carry any assets, liabilities or equity at fair value in the statements of financial position, the adoption of IFRS 13 has only resulted in an increase in the disclosure around fair value contained in note 7 of these financial statements.

Offsetting Financial Assets and Liabilities

IAS 32 *Financial Instruments - Presentation* (“**IAS 32**”) was issued with amendments in December 2011. The amendments clarify certain aspects of the existing guidance on offsetting financial assets and financial liabilities. The IASB also amended IFRS 7 *Financial Instruments - Disclosure* (“**IFRS 7**”) to require information about all recognized financial instruments that are set off in accordance with IAS 32. The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. However, the new offsetting disclosure requirements are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Corporation has adopted the offsetting disclosure requirements for the period beginning January 1, 2013. The Corporation has assessed that there is no impact of the adoption on the financial statements currently or retrospectively.

Future Changes in Accounting Policy

Financial instruments

IFRS 9: Financial Instruments (“**IFRS 9**”) was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standard 39 (“**IAS 39**”) for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(expressed in Canadian dollars)

IFRS 9 is effective for annual periods beginning after January 1, 2015, with early adoption permitted. The Corporation will adopt IFRS 9 for the annual year beginning on January 1, 2015. The adoption of IFRS 9 will result in a change in the classification of the Corporation's financial assets from amortized cost to fair value through profit or loss, this change is not expected to result in a material change to the carrying amount of these financial assets. IFRS 9 is not expected to result in any changes to the classification or carrying amount the Corporation's financial liabilities.

4. Land Development Costs

The following table provides a breakdown of costs capitalized to land development costs by nature as at March 31, 2013:

	March 31, 2013 $	December 31, 2012 $
Financing	1,760,076	1,284,215
Planning	1,595,023	1,428,616
Effect of changes in foreign exchange rates	50,880	136,678
Land development costs included in cost of land sales	(95,218)	(95,218)
	3,310,761	2,754,291

Land development costs are relieved through cost of goods sold at the time that revenue from sales is recognized. The timing of revenue recognition from the sale of lots is uncertain because it is dictated by factors that are beyond the control of management, such as market demand. As a result, while a portion of land development costs could be current in nature, it is not possible for management to reasonably estimate the portion that will be realized within the next twelve months.

5. Land Held for Development

Land held for development consists of the U.S. Subsidiary's interest in the Property which was acquired on February 14, 2012. A total of 14.4% interest in the Property was sold in 2012 to WWE, resulting in 85.6% interest in the Property remaining. The carrying amount of land held for development as at March 31, 2013 was comprised of the following:

	March 31, 2013 $	December 31, 2012 $
Purchase of land	23,692,806	23,692,806
Closing costs	1,496,963	1,496,963
Effect of changes in foreign exchange rates	337,835	(107,221)
Cost of land sales	(3,692,142)	(3,692,142)
	21,835,462	21,390,406

(expressed in Canadian dollars)

Land held for development is relieved through cost of land sales at the time that revenue is recognized. The timing of revenue recognition from the sale of lots is uncertain because it is dictated by factors that are beyond the control of management, such as market demand. As a result, while a portion of land held for development could be current in nature, it is not possible for management to reasonably estimate the portion that will be realized within the next twelve months.

6. Deposits on Land

The Corporation has placed two deposits totalling $50,780 on a 1.7 acres parcel of land in Prince George's County, Maryland adjacent to the Property, to be purchased in a subsequent period. On May 6, 2013, the U.S. Subsidiary, purchased 1.7 acres located in Prince George's County, Maryland for a purchase price of USD $990,145 (note 15).

7. Debentures Payable and Interest Payable

As at March 31, 2013, the Corporation has issued a total of 3,017,170 Debentures as part of the Offerings. The Debentures are unsecured and bear interest at a rate of 8%. Interest on the Debentures is calculated based on the face value of the Debentures on March 31, and is payable annually on June 30, commencing in the year 2013. The Debentures mature on March 31, 2019 at a face value of $5.00, although the maturity date can be extended by the Corporation at its sole discretion until March 31, 2021. The Corporation may also, at its sole discretion, (i) repay all or any portion of the principal amount of, or interest under, the Debentures payable through the issuance of Class B shares, (ii) evidence its obligation to pay all or any portion of the interest under the Debentures through the issuance of interest debentures, and/or (iii) convert all or any principal amount of the offering Debentures into Class B shares.

The following table shows the change in Debentures payable during the period:

	Three months ended March 31, 2013 $	January 4, 2012 to December 31, 2012 $
BALANCE – BEGINNING OF PERIOD	14,250,570	-
Debentures issued through the IPO & Private Placement	-	15,085,850
Debenture issue costs	-	(870,750)
Amortization of debenture issuance costs	55,398	-
Non-cash interest on the Debentures	26,803	35,470
BALANCE – END OF PERIOD	14,332,771	14,250,570

(expressed in Canadian dollars)

The following table shows the change in interest payable during the period:

	Three months ended March 31, 2013 $	January 4, 2012 to December 31, 2012 $
BALANCE – BEGINNING OF PERIOD	724,326	-
Accrued interest on the Debentures payable	298,122	724,326
BALANCE – END OF PERIOD	1,022,448	724,326

8. Financial Instruments

The Corporation's financial instruments consist of accounts receivable, due from related party, cash, debentures payable, interest payable, accounts payable and accrued liabilities, and amounts due to related parties. Due from related party and cash are classified as loans and receivables, and are carried at amortized cost using the effective interest rate method. Debentures payable, interest payable, accounts payable and accrued liabilities and amounts due to related parties have been classified as other financial liabilities, and are carried at amortized cost using the effective interest rate method. With the exception of debentures payable and the interest payable, the fair value of these financial instruments approximate their carrying value due to the short-term nature of these items.

The fair value of debentures payable and interest debentures payable is determined using the net present value 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 credit adjusted risk free rate. As at March 31, 2013, the carrying amount of these financial liabilities approximates the fair value because there have not been any significant changes in the Corporation's risk premium or to market interest rates, since the issuance of these financial liabilities.

(expressed in Canadian dollars)

Risk – overview

The Corporation's financial instruments and the nature of the risks to which they may be subject are as set out in the following table:

	RISK			
	CREDIT	LIQUIDITY	INTEREST RATE	CURRENCY
Cash	X		X	X
Due from related party	X			
Accounts receivable	X			
Debentures payable		X	X	
Debenture interest payable		X		
Accounts payable and accrued liabilities		X		
Due to related party		X	X	X

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash held with banks, accounts receivable and due from related party. While the maximum exposure to credit risk is equal to the carrying value of these financial instruments, management believes the Corporation's exposure to credit risk is minimal for the following reasons:

Cash – Cash is on deposit with a major financial institution, which substantially minimizes the exposure of cash to credit risk.

Due from related party – The balance of due from related party settled in accordance with the terms of the contract with the related party, and as a result, the Corporation's exposure to credit risk from due from related party is not significant.

b) Liquidity risk

Liquidity risk arises from the possibility that the Corporation will encounter difficulties in meeting its financial obligations as they become due. The Corporation manages its liquidity risk by continuously monitoring the adequacy of its capital resources (note 13) and by managing cash receipts and payments. The liabilities which expose the Corporation to liquidity risk are as follows:

(expressed in Canadian dollars)

Accounts payable and accrued liabilities, and due to related party - These liabilities are a result of the normal operations of the Corporation and are current in nature. Management considers exposure to liquidity risk from these financial instruments to be minimal because the balances owing at March 31, 2013 will be funded by cash held by the Corporation. The obligations relating to such future commitments will be funded through a combination of future revenues generated by the Corporation, and the capital resources available to the Corporation, (note 13).

Debentures payable and interest payable - The Corporation manages the liquidity risk associated with the debentures payable by continuously monitoring its working capital to ensure it has sufficient capital to fund the annual interest payments due on the debentures payable. Such capital is derived from a combination of future revenues generated by the Corporation, and the capital resources available to the Corporation, (note 12) Management also has the ability to settle any interest payable through the issuance of interest debentures. The debentures have a maturity date of March 31, 2019, however, the maturity date can be extended to March 31, 2021 at the sole discretion of the Corporation. The Corporation intends to repay the debentures payable through future revenues generated by the Corporation.

Maturity Analysis of liabilities – As at March 31, 2012

	Less than 90 days ($)	Between 91 days and 1 year ($)	Greater than 1 year ($)	Total ($)
Debentures payable	-	-	14,332,771	14,332,771
Interest payable	1,022,448	-	-	1,022,448
Accounts payables and accrued liabilities	152,410	23,625	-	176,035
Due to related party	211,434	-	-	211,434
	1,386,292	23,625	14,332,771	15,742,688

Maturity Analysis of liabilities – As at December 31, 2012

	Less than 90 days ($)	Between 91 days and 1 year ($)	Greater than 1 year ($)	Total ($)
Debentures payable	-	-	14,250,570	14,250,570
Interest payable	-	724,326	-	724,326
Accounts payables and accrued liabilities	291,078	-	-	291,078
Due to related parties	13,733	-	-	13,733
	304,811	724,326	14,250,570	15,279,707

(expressed in Canadian dollars)

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The financial instruments of the Corporation which give rise to interest rate risk are as follows:

Cash – Changes in market interest rates will cause fluctuations in the future interest earned on cash balances. Any resulting impact on the Corporation's financial results would not be considered material.

Debentures payable and debentures interest payable – The debentures payable have a fixed 8% interest rate and, as a result, do not expose the Corporation to any interest rate risk. The fair value of debentures payable may fluctuate from time to time due to changes in market interest rates. Since the holders of the debentures are also the Class B shareholders of the Corporation, management does not plan on taking any action to address any interest rate differential between the stated interest rate on the debentures and market interest rates because this has no impact on the overall investment objectives of the Corporation.

d) Currency risk

Foreign exchange risk arises when future recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Corporation is exposed to foreign exchange risk because the operations, development expenditures and construction loans are denominated in currencies other than in the Canadian dollar, primarily being the U.S. dollar. A change in the exchange rate between the Canadian and U.S. dollar would have impacted the net assets of the Corporation as follows:

	Rate Analysis – at March 31, 2013		
	Carrying Amount of Assets	5% increase in CAD to USD exchange rates	5% decrease in CAD to USD exchange rates
	$	$	$
Net assets exposed to currency risk (CDN)	25,232,073	1,261,604	(1,261,604)

	Rate Analysis – at December 31, 2012		
	Carrying Amount of Assets	5% increase in CAD to USD exchange rates	5% decrease in CAD to USD exchange rates
	$	$	$
Net assets exposed to currency risk (CDN)	24,302,713	1,215,136	(1,215,136)

To manage this risk, the Corporation monitors changes in foreign exchange rates to determine if and when U.S. dollars should be converted to Canadian dollars and vice versa. As part of the Corporation's on-going risk management strategy, U.S. construction funding will be used for U.S. denominated expenditures to further mitigate foreign currency risk exposure.

As at March 31 2013, the Corporation did not have any outstanding foreign currency forward contracts.

9. Related Party Transactions

WAM, WIGI, WDM, 1389211 Alberta Ltd., Walton Maryland, LLC ("**Walton Maryland**"), and WWE are all related to the Corporation by virtue of common management. All transactions entered into between the related parties during the three months ended March 31, 2013 were under terms and conditions agreed upon between the parties. With the exception of the loan due to WIGI, the amounts payable to WAM for the management and servicing fee and the amounts payable to WDM for the development fee, all amounts receivable from related parties and payable to related parties are unsecured, due on demand, bear no interest and have no fixed terms of repayment.

The balance due from related party as at March 31, 2013 is outlined in the table below.

	March 31, 2013 $	December 31, 2012 $
Walton Westphalia Europe, LP	-	26,427
Total	-	26,427

The balances due to related parties as at March 31, 2013 are outlined in the table below.

	March 31, 2013 $	December 31, 2012 $
Walton Asset Management L.P.	182,931	10,467
Walton International Group Inc.	28,183	-
Walton Development & Management (USA), Inc.	320	3,266
Total	211,434	13,733

(expressed in Canadian dollars)

Walton International Group Inc.

The Corporation entered into a loan agreement dated February 6, 2012, as amended February 27, 2012, with WIGI whereunder WIGI agreed to provide the Corporation with a loan in the maximum amount of $23,100,000 bearing an interest rate of the U.S. "base rate" of HSBC Bank of Canada, from time to time, plus 1.75%.

The loan was secured by security over the assets of the Corporation and the U.S. Subsidiary, including over the Property. All available funds from the Offerings, other than amounts placed into working capital, were utilized by the Corporation to pay down the amounts owing under the loan within ten business days of receipt of the available funds. On October 31, 2012 the Private Placement was completed which resulted in the repayment of the outstanding principal and all interest associated with the loan being repaid from the Corporation to WIGI. All interest incurred on the loan has been capitalized to land development costs because the proceeds of the loan were used to finance the acquisition of the Property.

As at March 31, 2013 and December 31, 2012, Walton International Group Inc. ("**WIGI**") owned approximately 6.3% of the outstanding Units of the Corporation. As a result WIGI owns approximately 6.3% of the share capital and approximately 6.3% of the balance of debentures payable and interest payable is due to WIGI.

Walton Maryland, LLC

On February 6, 2012, Walton Maryland, the U.S. Subsidiary and the Corporation entered into a loan agreement whereunder Walton Maryland agreed to loan the amount of U.S. $12,000,000 to the U.S. Subsidiary at an interest rate of the U.S. "base rate" of HSBC Bank Canada, from time to time, plus 1.75%. The purpose of the loan was to provide the U.S. Subsidiary with cash to acquire an interest in the Property. On March 23, 2012, the U.S. Subsidiary repaid the full amount of the loan, plus accrued interest, through the U.S. dollars provided to the U.S. Subsidiary by the Corporation. The funds were provided to the U.S. Subsidiary from the net proceeds received from the IPO. All interest incurred on this loan has been capitalized to land development costs (note 4) because the loan was entered into for the purpose of acquiring the Property.

Walton Development and Management (USA), Inc.

On February 14, 2012, U.S. Subsidiary, WDM, Walton Maryland and the Corporation entered into a Project Management Agreement. In accordance with the terms of the Project Management Agreement, the fees and costs for services provided by WDM are divided into the following two categories:

i. WDM will receive a development fee, plus applicable taxes, equal to 2% of certain development costs incurred in the calendar quarter, payable within 60-days of the end of such quarter; and

ii. WDM will receive a performance fee, plus applicable taxes, equal to 25% of cash distributions after all investors of Units in the Corporation have received an cash payments or other distributions equal to $10.00 per Unit, plus an 8% priority return. The priority return is calculated on that $10.00 amount, reduced by any cash payments or distributions by the Corporation.

(expressed in Canadian dollars)

During the three months ended March 31 2013, the Corporation incurred $3,505 (March 31, 2012 - $nil) in relation to the development fees.

Walton Asset Management L.P.

On February 27, 2012, the Corporation and WAM entered into a Management Services Agreement whereunder WAM will provide certain management related services to the Corporation in return for a management fee. The fee shall consist of the following:

i. from March 20, 2012 until the earlier of the date of termination of the Management Services Agreement and March 31, 2019, an amount equal to 2% annually of the aggregate of the net proceeds raised from the Offerings, paid quarterly at the end of each fiscal calendar quarter; and

ii. for each calendar quarter after April 1, 2019 until the date of the termination of the Management Services Agreement, an amount to be paid on the last day of the quarter equal to 0.5% of the book value of the Property at the end of the previous fiscal quarter.

Also in accordance with the Management Services Agreement, commencing on June 30, 2012 and continuing until the earlier of the dissolution of the Corporation and December 31, 2018, the Corporation will pay to WAM a servicing fee equal to 0.50% annually of the net proceeds for each Unit sold under the Offerings. WAM is then responsible for paying the servicing fee to the Corporation’s agents. The servicing fee is calculated from the date of the applicable closing, calculated semi-annually and paid as soon as practicable after that date.

During the three months ended March 31 2013, the Corporation incurred $137,972 (March 31, 2012 - $8,084) in management fees, and $34,493 (March 31, 2012 - $2,021) in servicing fees.

Walton Westphalia Europe, LP

On May 15, 2012, Walton Maryland, the U.S. Subsidiary and WWE entered into an assignment agreement under which WWE had an option to acquire certain interests in the Property from the Corporation.

On August 20, 2012 and October 31, 2012 WWE acquired 11.3% and 3.1% respectively of undivided interest in the Property held for development. WWE’s purchase price represented the original purchase price of the land by the US subsidiary plus other land costs and land development costs incurred by the US subsidiary from the acquisition to the date of sale. WWE’s purchase price for the August 20, 2012 and October 31, 2012 acquisitions were $2,882,119 (USD $2,917,420) and $888,999 (USD $889,355) respectively for a total price of price of $3,771,118 (USD $3,806,775). The cost of the sales amount of $3,771,118 (USD $3,806,775) was comprised raw land, land development costs and other land costs.

The funds were used by the Corporation to repay the principal and accrued interest owing on the WIGI loan.

(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, 2013 $	Three months ended March 31, 2013 $
Director fees	13,032	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.

10. Share Capital

Authorized:
- Unlimited Class A voting common shares
- Unlimited Class B non-voting common shares

Outstanding:

	March 31, 2013		December 31, 2012	
	# of shares	Amount $	# of shares	Amount $
Class A voting common shares	100	100	100	100
Class B non-voting common shares	3,017,170	15,085,850	3,017,170	15,085,850
Share issuance costs	-	(870,750)	-	(870,750)
	3,017,270	14,215,200	3,017,270	14,215,200

All Class A shares of the Corporation are held by 1389211 Alberta Ltd., which is a related party of the Corporation by virtue of common management.

(expressed in Canadian dollars)

Per Share Amount

Basic net loss per share is calculated by dividing the Corporation's Net Loss (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 during the first quarter of 2013 was 3,017,170.

As the Corporation has the right to convert any portion of the 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 three months ended the diluted loss per share amount has not been presented as the impact of the conversion feature of the debentures would be anti-dilutive.

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.

11. Income Taxes

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

	Three months ended	
	March 31, 2013 $	March 31, 2012 $
Consolidated net loss before tax	228,718	246,785
Applicable tax rate	25%	25%
Expected tax recovery	57,180	61,696
Tax effects of:		
Timing difference related to interest income	(18,463)	67,506
Recognition of valuation allowance	(38,717)	(129,202)
Income tax recovery	-	-

(expressed in Canadian dollars)

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. Deferred income tax expense is a result of changes in the amount of temporary differences in the expected deferred tax rates of the Corporation.

The Corporation's temporary differences include non-capital loss carry forwards of $691,896 and deductible temporary differences of $836,504 arising from differences in debt and share issuance costs, interest and organizational costs. These temporary differences result in a future income tax asset of $382,100 which has been fully offset by a valuation allowance.

The unused non-capital losses of $691,896 will expire as follows:

	$
2032	484,226
2033	207,670
	691,896

12. Commitments

The following table presents future commitments of the Corporation under the Management Services Agreement (note 9). It does not include the performance fee payable to WAM under the Management Services Agreement, which is determined at the time land sales are completed.

	Servicing fee	Management fee	Total
	$	$	$
2013	105,395	421,581	526,976
2014	139,888	559,552	699,440
2015	139,888	559,552	699,440
2016	139,888	559,552	699,440
2017 and thereafter	279,776	1,257,077	1,536,853
Total	804,835	3,357,314	4,162,149

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.

(expressed in Canadian dollars)

13. Capital Management

As at March 31, 2013, the Corporation's capital resources consisted of shares, Debentures and cash which the Corporation raised through the offerings. Out of the net proceeds raised through the Offerings, $3.8 million of cash remains. The cash on hand will be used by the Corporation to pay for the ongoing administrative and operating expenses, development fees, pre-development costs, grading costs, construction costs, interest accruing on Debentures and other expenses of the Corporation.

Management regularly reviews the levels of its capital resources to determine if sufficient capital is available to fund the ongoing costs of the Corporation over the next twelve months. As at March 31, 2013, sufficient capital exists to fund the Corporation's activities for at least the next 12 months.

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation adopted.

15. Subsequent Event

On May 6, 2013, the U.S. Subsidiary, purchased 1.7 acres located in Prince George's County, Maryland for a purchase price of USD $990,145. The land will be exchanged for road and infrastructure construction.

On May 16, 2013, the U.S. Subsidiary entered into a demand loan agreement (the "**Demand Loan**") with Walton International Group (USA), Inc., a related party by virtue of common management, for an amount up to US$3,500,000. The funds will be used to cover pre-development costs incurred prior to obtaining arm's length construction loans. The Demand Loan is unsecured, bears 10.5% annual interest, is payable monthly, and is anticipated to be fully repaid from the proceeds of future construction loans. The term of the Demand Loan is 36 months expiring at the earlier of (1) May 16, 2016, (2) such earlier date as the Corporation wishes to repay the Demand Loan, or (3) the date payment is demanded by the lender.

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