UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Walton Westphalia Development Corporation

For the three and nine months ended September 30, 2014 and September 30, 2013

(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 September 30, 2014 and December 31, 2013

(Expressed in Canadian Dollars)

	September 30, 2014 $	December 31, 2013 $
ASSETS		
Land development inventory (note 4)	47,528,952	34,192,040
Interest rate cap (note 8)	58,431	138,317
Deferred financing and transaction costs (note 8)	1,585,467	1,616,216
Prepaid expenses	1,110	170,300
GST recoverable	250	560
Accounts receivable	692	123
Due from related party (note 5)	151,854	95,325
Deposits	-	1,690,509
Restricted cash (note 6)	2,854,490	2,340,564
Cash	966,319	1,270,779
TOTAL ASSETS	53,147,565	41,514,733
LIABILITIES		
Debentures payable (note 7)	14,301,827	14,200,426
Interest debentures payable (note 7)	1,206,872	-
Project debt (note 8)	15,980,025	10,515,731
Derivative financial liability (note 8)	74,041	8,953
Interest payable (note 7)	629,423	909,288
Deferred revenue (note 9)	981,366	564,413
Accounts payable and accrued liabilities	4,551,364	869,603
Due to related parties (note 5)	92,646	51,379
Deferred income tax liability (note 11)	443,570	419,007
TOTAL LIABILITIES	38,261,134	27,538,800
SHAREHOLDERS' EQUITY		
Share capital	13,988,912	13,988,912
Accumulated deficit	(333,845)	(646,271)
Accumulated other comprehensive income	1,231,364	633,292
TOTAL EQUITY	14,886,431	13,975,933
TOTAL LIABILITIES & EQUITY	53,147,565	41,514,733

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/(Loss)

For the three and nine months ended September 30, 2014 and September 30, 2013

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2014 $	September 30, 2013 $	September 30, 2014	September 30, 2013
REVENUE				
Interest income	1,205	1,580	3,478	19,498
EXPENSES				
Management fees (note 5)	141,038	141,038	418,515	418,515
Servicing fees (note 5)	35,260	35,260	104,629	104,629
Professional fees	25,915	12,892	56,600	37,304
Directors' fees (note 5)	12,766	13,032	38,564	39,096
Office and other expenses	8,736	8,052	31,684	48,920
	223,715	210,274	649,992	648,464
LOSS BEFORE OTHER ITEMS	(222,510)	(208,694)	(646,514)	(628,966)
Loss on derivative financial liability revaluation	(7,666)	-	(63,073)	-
Gain/(loss) on interest rate cap revaluation (note 8)	10,989	(75,091)	(85,252)	(18,532)
Foreign exchange gain/(loss)	997,791	(377,373)	1,131,828	507,376
TOTAL OTHER ITEMS	1,001,114	(452,464)	983,503	488,844
NET INCOME/(LOSS) BEFORE TAXES	778,604	(661,158)	336,989	(140,122)
Deferred tax expense (note 11)	(344,394)	-	(24,563)	-
NET INCOME/(LOSS) AFTER TAX	434,210	(661,158)	312,426	(140,122)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Cumulative translation gain/(loss)	556,737	(234,546)	598,072	361,053
COMPREHENSIVE INCOME/(LOSS)	990,947	(895,704)	910,498	220,931
Basic net income/(loss) per share (note 10)	0.14	(0.22)	0.10	(0.05)
Diluted net income/(loss) per share (note 10)	0.07	(0.22)	0.05	(0.05)

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 nine months ended September 30, 2014 and September 30, 2013

(Expressed in Canadian Dollars)

	Class A Voting Common Shares		Class B Non-voting Common Shares		Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total
	# of Shares	$	# of Shares	$	$	$	$
JANUARY 1, 2013	100	100	3,017,170	13,988,812	(555,662)	(21,659)	13,411,591
Net loss after tax	-	-	-	-	(140,122)	-	(140,122)
Other comprehensive income	-	-	-	-	-	361,053	361,053
SEPTEMBER 30, 2013	100	100	3,017,170	13,988,812	(695,784)	339,394	13,632,522
Net income after tax	-	-	-	-	49,513	-	49,513
Other comprehensive income	-	-	-	-	-	293,898	293,898
DECEMBER 31, 2013	100	100	3,017,170	13,988,812	(646,271)	633,292	13,975,933
Net income after tax	-	-	-	-	312,426	-	312,426
Other comprehensive income	-	-	-	-	-	598,072	598,072
SEPTEMBER 30, 2014	100	100	3,017,170	13,988,812	(333,845)	1,231,364	14,886,431

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 and nine months ended September 30, 2014 and September 30, 2013

(Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	$	$	$	$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net income/(loss) for the period	434,210	(661,158)	312,426	(140,122)
Adjustments for:				
Unrealized foreign exchange (gain)/loss	(997,791)	377,373	(1,131,828)	(507,381)
Deferred income tax expense	344,394	-	24,563	-
(Gain)/loss on interest rate cap revaluation	(10,989)	75,091	85,252	18,532
Loss on derivative financial liability revaluation	7,666	-	63,073	-
Interest income	(1,205)	(1,580)	(3,478)	(19,498)
Changes in non-cash operating items				
Decrease/(increase) GST recoverable	641	(2,220)	310	(1,987)
Increase in due from related party	(11,134)	(31,501)	(50,183)	(26,818)
(Increase)/decrease in prepaid expenses	(346)	(240,749)	174,088	(85,215)
Increase in accounts payable and accrued liabilities	2,882,341	346,035	3,551,857	382,195
Increase in deferred revenue	-	-	377,425	-
Increase in due to related parties	59,033	25,024	37,774	51,083
Increase in land development inventory	(6,106,780)	(2,016,447)	(10,283,604)	(7,178,960)
Increase in restricted cash	(447)	(431)	(378,842)	(1,708,739)
Return of/(issuance of) deposits	-	-	1,739,152	(1,626,758)
Interest received	838	2,436	2,911	23,027
	(3,399,569)	(2,128,127)	(5,479,104)	(10,820,641)
FINANCING ACTIVITIES				
Increase in project debt	2,746,660	790,009	4,897,388	7,251,028
Proceeds from demand loan	-		-	2,845,393
Payment of demand loan	-		-	(2,845,393)
	2,746,660	790,009	4,897,388	7,251,028
Effect of exchange rate on cash	115,165	(20,677)	277,256	68,904
Decrease in cash	(537,744)	(1,358,795)	(304,460)	(3,500,709)
Cash – Beginning of period	1,504,063	1,984,113	1,270,779	4,126,027
Cash – End of period	966,319	625,318	966,319	625,318
SUPPLEMENTAL NON-CASH INFORMATION				
Accretion relating to debentures payable	34,596	31,497	101,401	92,318
Accretion on project debt	62,122	-	117,664	-
Non-cash interest capitalized to land development inventory	861,943	811,656	2,520,085	2,344,367
Non-cash issuance of interest debentures	-	-	1,206,872	-

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, 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 and 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 and Interest 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. ("**WGIL**")) (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 Corporation's 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 November 18, 2014.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements including comparatives have been prepared in accordance with International Accounting Standards ("**IAS**") 34: *Interim Financial Reporting* and using accounting policies that are in full compliance 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 consolidated financial statements for the year ended December 31, 2013.

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.

The condensed interim consolidated statements of financial position have 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.

Change in Presentation

The condensed interim consolidated statement of comprehensive income was changed for September 30, 2013 to present the foreign exchange gain on net investment in foreign operation in net income to be consistent with the current period presentation.

The condensed interim consolidated statement of cash flows was changed for September 30, 2013 to be consistent with the current year presentation.

3. ACCOUNTING POLICIES

Changes in accounting policies

The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those which were disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2013, except for the following accounting standards and interpretations that were adopted on January 1, 2014:

IAS 32 'Financial instruments: Presentation – Offsetting financial instruments' amendment was issued by the IASB in December 2011, for retrospective application in annual periods beginning on or after January 1, 2014. The amendment addresses inconsistencies in practice when applying the current criteria for offsetting financial instruments by clarifying the meaning of 'currently has a legally enforceable right to set-off', and clarifying that some gross settlement systems may be considered equivalent to net settlement. The amendment did not have an impact on the condensed interim consolidated financial statements of the Corporation.

In May 2013, the IASB issued International Financial Reporting Interpretation Committee ("**IFRIC**") 21 – Levies ("**IFRIC 21**"), which provided guidance on when to recognize a liability for a levy imposed by the government, both for levies that are accounted for in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets, and those where the timing and the amount of the levy is certain. The Corporation has adopted the interpretation effective January 1, 2014. The adoption of IFRIC 21 did not result in any change to the condensed interim consolidated financial statements of the Corporation.

Future changes in accounting policies

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. The Corporation is currently evaluating the impact that IFRS 15 may have on the consolidated financial statements.

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 year. 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, 2013.

(Expressed in Canadian Dollars)

4. LAND DEVELOPMENT INVENTORY

	September 30, 2014 $	December 31, 2013 $
BALANCE – BEGINNING OF PERIOD	34,192,040	24,196,279
Acquisition of land	-	881,623
Development costs	10,992,003	7,149,359
Effect of change in foreign exchange rates	2,344,909	1,964,779
BALANCE – END OF PERIOD	47,528,952	34,192,040

During the period ended September 30, 2014, $2,070,784 (December 31, 2013 - $1,968,017) of interest relating to Debentures and project debt has been capitalized to development costs.

5. RELATED PARTY TRANSACTIONS

The balances due from related parties as at the date of these consolidated financial statements are outlined in the table below:

	September 30, 2014 $	December 31, 2013 $
WUSF 1 Westphalia, LLC	151,854	95,325
	151,854	95,325

During the three and nine months ended September 30, 2014, the Corporation incurred $43,807 (September 30, 2013 – $82,552) and $165,827 (September 30, 2013 – $82,552), respectively, in costs under the cost sharing agreement with WUSF 1 Westphalia, LLC ("**WUSF**"). During the three and nine months ended September 30, 2014, the Corporation received $32,047 (September 30, 2013 - $23,412) and $114,424 (September 30, 2013 - $23,412), respectively, from WUSF in relation to these costs.

The balances due to related parties as at the date of these consolidated financial statements are outlined in the table below:

	September 30, 2014 $	December 31, 2013 $
Walton Development & Management (USA), Inc.	86,106	50,410
Walton International Group Inc.	6,540	969
	92,646	51,379

Walton Development and Management (USA), Inc.

During the three and nine months ended September 30, 2014, the Corporation incurred $46,610 (September 30, 2013 – $16,688) and $116,176 (September 30, 2013 – $29,506), respectively, in relation to the development fees. The development fees are capitalized to land development inventory as incurred. During the three and nine months ended September 30, 2014, the Corporation paid development fees of $12,203 (September 30, 2013 - $nil) and $80,480 (September 30, 2013 - $nil), respectively.

No performance fee was incurred by the Corporation during the three and nine months ended September 30, 2014 and September 30, 2013 because the $10 per Unit amount and the cumulative priority return have not been received by the investors of the Units in the Corporation.

Walton International Group Inc.

During the three and nine months ended September 30, 2014, the Corporation incurred $919 (September 30, 2013 - $2,220) and $7,459 (September 30, 2013 - $18,046), respectively, in costs initially funded by WIGI. The total costs paid to WIGI for amounts funded on the Corporation's behalf during the three and nine months ended September 30, 2014 was $920 (September 30, 2013 - $8,941) and $1,888 (September 30, 2013 - $18,046), respectively.

Walton Asset Management L.P.

Management fees of $141,038 (September 30, 2013 - $141,038) and $418,515 (September 30, 2013 - $418,515) were incurred during the three and nine months ended September 30, 2014, respectively.

During the three and nine months ended September 30, 2014, $35,260 (September 30, 2013 - $35,260) and $104,629 (September 30, 2013 - $104,629), respectively, were incurred in relation to servicing fees.

During the three and nine months ended September 30, 2014, $176,298 (September 30, 2013 - $176,297) and $523,144 (September 30, 2013 - $523,143), respectively, was paid to WAM in relation to the management and servicing fees.

Walton International Group (USA) Inc.

During the three and nine months ended September 30, 2013 the Corporation incurred $nil and $29,491, respectively, in costs initially funded by Walton International Group (USA) Inc. ("**WUSA**"). During the three and nine months ended September 30, 2013, the total costs paid to WIGI for amounts funded on the Corporation's behalf was $nil and $1,168, respectively. No costs were funded by WUSA on the Corporation's behalf for the three and nine months ended September 30, 2014.

(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:

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	2014	2013
	$	$	$	$
Directors' fees	12,766	13,032	38,564	39,096

All services performed for the Corporation by its executive officers and its non-independent directors are governed by the Management Services 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 WGIL and WIGI. The officers of the Corporation are also officers and directors of numerous entities controlled or managed by WGIL 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 September 30, 2014, is outlined in the table below.

	September 30, 2014	December 31, 2013
	$	$
Funds pledged as security for the senior loan	1,873,124	1,776,151
Customer deposits	981,366	564,413
	2,854,490	2,340,564

7. DEBENTURES, INTEREST DEBENTURES AND INTEREST PAYABLE

Interest Debentures were issued by the Corporation on June 30, 2014 to settle the interest payment due on the Debentures. The Interest Debentures are unsecured and bear interest at a rate of 8% per annum. Interest on the Interest Debentures is calculated annually based on the face value of the Interest Debentures on March 31, and is payable annually on June 30. The Debentures and Interest Debentures mature on March 31, 2019, at a face value of $5.00, however, the maturity date can be extended by the Corporation at its sole discretion until March 31, 2021.

(Expressed in Canadian Dollars)

The Corporation may also, at its sole discretion, (i) repay all or any portion of the principal amount of, or interest under, the Debentures or Interest Debentures through the issuance of Class B Shares, (ii) evidence its obligation to pay all or any portion of the interest under the Debentures or Interest Debentures through the issuance of Interest Debentures, and/or (iii) convert all or any principal amount of the Debentures into Class B Shares. The Debentures may be converted into the number of shares obtained by dividing the principal amount of the Debentures by the current fair value of the Class B Shares.

The following table reconciles the change in Debentures payable:

	September 30, 2014 $	December 31, 2013 $
BALANCE – BEGINNING OF PERIOD	14,200,426	14,075,864
Accretion on Debentures	101,401	124,562
BALANCE – END OF PERIOD	14,301,827	14,200,426

The following table reconciles the change in interest payable:

	September 30, 2014 $	December 31, 2013 $
BALANCE – BEGINNING OF PERIOD	909,288	724,326
Accrued interest on the Debentures payable	927,007	1,207,410
Settlement of interest through cash distribution	-	(1,022,448)
Settlement of interest through issuance of Interest Debentures	(1,206,872)	-
BALANCE – END OF PERIOD	629,423	909,288

The following table reconciles the change in Interest Debentures payable:

	September 30, 2014 $	December 31, 2013 $
BALANCE – BEGINNING OF PERIOD	-	-
Interest Debentures issued	1,206,872	-
BALANCE – END OF PERIOD	1,206,872	-

As at September 30, 2014 and December 31, 2013, 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, Interest Debentures and interest payable is due to WIGI.

(Expressed in Canadian Dollars)

8. PROJECT DEBT

The project debt balances, net of financing and transaction costs, at September 30, 2014, are outlined in the table below.

	September 30, 2014 $	December 31, 2013 $
Senior loan principal draws	7,558,957	3,797,805
Accrued interest	276,338	28,803
Deferred financing and transaction costs	(170,793)	(155,701)
Effect of changes in foreign exchange rates	32,473	(14,625)
Total – Senior loan	7,696,975	3,656,282
Mezzanine loan principal draws	7,005,835	6,648,292
Accrued interest	1,480,802	587,225
Deferred financing and transaction costs	(238,533)	(388,031)
Effect of changes in foreign exchange rates	34,946	11,963
Total – Mezzanine loan	8,283,050	6,859,449
	15,980,025	10,515,731

Senior Loan

At September 30, 2014, the interest reserve utilized was $276,338 (December 31, 2013 - $28,803) of the $365,400 interest reserve within the Senior Loan facility.

On January 14, 2014, the facility under the Senior Loan was increased from USD $40.95 million to USD $43.01 million. The loan agreement was also amended to allow for up to $6.15 million in letters of credit to Prince George's County, Maryland for purposes of providing required credit assurances with respect to the Corporation's performance bond facility agreement.

The Senior Loan matures May 31, 2016, but may be extended, subject to the satisfaction of certain conditions for two additional 12 month-terms. The Senior Loan is secured by, among other things, a first priority deed of trust lien on the Property. The Senior Loan is being used to fund the first phase of construction on the Property. As at September 30, 2014 the interest rate floor is in effect since LIBOR plus 5.1% was less than 6.2% per annum.

(Expressed in Canadian Dollars)

On June 6, 2013, an interest rate cap was purchased to mitigate the interest rate risk on the Senior Loan. The Corporation has purchased an interest rate cap which caps the LIBOR on the notional amount of $39,000,000 as follows:

From:	To:	Rate:
June 6, 2013	But excluding July 1, 2015	1.2000%
July 1, 2015	July 1, 2016	1.6000%

The balance on the interest rate cap as at September 30, 2014 is outlined in the table below.

	September 30, 2014 $	December 31, 2013 $
Interest rate cap purchase price	182,527	182,527
Interest rate cap revaluation	(135,708)	(51,608)
Effect of change in foreign exchange rates	11,612	7,398
	58,431	138,317

The Senior Loan contains an interest rate floor of 6.2%. At the time that the first draw was made on the Senior Loan, the floor rate of 6.2% exceeded the Senior Loan's rate of LIBOR plus 5.1%. Therefore, an embedded derivative resulted which requires that the value of the interest rate floor be separated from the carrying value of project debt. The interest rate floor is accounted for as a separate derivative financial liability measured at fair value with gains and losses on re-measurement included in profit and loss in the period in which they arise. As of September 30, 2014, the fair value of the interest rate floor value has been recorded at $74,041 (December 31, 2013 - $8,953).

The balance on the derivative financial liability as at September 30, 2014 is outlined in the table below.

	September 30, 2014 $	December 31, 2013 $
Derivative financial liability initial measurement	58,770	17,019
Derivative financial liability revaluation	13,972	(8,387)
Effect of change in foreign exchange rates	1,299	321
	74,041	8,953

Mezzanine Loan

At September 30, 2014 the interest reserve utilized was $1,480,802 (December 31, 2013 - $587,225).

(Expressed in Canadian Dollars)

During the year ended December 31, 2013, the Corporation incurred financing and transaction costs of $388,031 on the origination of the Mezzanine Loan and $1,771,917 on the origination of the Senior Loan. As the Mezzanine Loan is fully drawn, all financing and transaction costs have been netted against the principal and are amortized using the effective interest rate into land development inventory. As only 10.72% (December 31, 2013 - 8.79%) of the Senior Loan has been drawn upon, the Corporation has netted a pro rata share of the financing and transaction costs incurred against the loan and has deferred the remaining portion as an asset on the statements of financial position to be netted against future draws. The amount of deferred financing and transaction costs as at September 30, 2014 are as follows:

	September 30, 2014 $	December 31, 2013 $
BALANCE – BEGINNING OF PERIOD	1,616,216	-
Deferred financing and transaction costs	-	2,159,948
Transfer to Senior Loan	(117,644)	(155,701)
Transfer to Mezzanine Loan	-	(388,031)
Effect of changes in foreign exchange rates	86,895	-
BALANCE – END OF PERIOD	1,585,467	1,616,216

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 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 period was 3,017,170 (December 31, 2013 - 3,017,170).

As the Corporation has the right to convert any portion of the Debentures 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. If all of the Debentures and Interest Debentures were converted to Class B Shares, an additional 3,429,767 Class B Shares would be issued.

(Expressed in Canadian Dollars)

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 September 30, 2014 $	Three months ended September 30, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Consolidated net income/(loss) before tax	778,604	(661,158)	336,989	(140,122)
Applicable tax rate	25%	25%	25%	25%
Expected tax expense/(recovery)	194,651	(165,290)	84,247	(35,031)
(Decrease)/increase in income taxes resulting from:				
Impact of tax rate in foreign jurisdiction	32,520	-	(74,309)	-
Adjustments for OCI	-	-	8,663	-
Change in deferred tax asset not recognized	117,223	165,290	5,962	35,031
DEFERRED TAX EXPENSE	344,394	-	24,563	-

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

	September 30, 2014 $	December 31, 2013 $
Share issuance costs	124,129	165,155
Non-capital losses	503,727	373,705
Timing difference on interest expense	354,287	132,800
Timing difference on accretion of debentures	75,454	50,103
Unrealized gain on foreign exchange	(906,965)	(454,447)
Debenture issuance costs	(150,131)	(109,104)
Other	79,989	21,150
Unrecognized deferred tax asset	(524,060)	(598,369)
NET DEFERRED TAX LIABILITY	(443,570)	(419,007)

(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 consolidated financial statements and their carrying amount for income tax purposes, as well as recognition of tax losses. Deferred income tax recovery is a result of the impact of tax rates in a foreign jurisdiction and deferred tax assets not recognized, resulting in a deferred tax recovery. Temporary differences in Canada result in a future income tax asset of $524,060 (December 31, 2013 - $598,369) which has not been recognized.

The unused non-capital losses of $2,014,907 will expire as follows:

	$
2032	847,219
2033	647,600
2034	520,088
	2,014,907

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. The following tables set out the Corporation's classification and carrying amount of the financial instruments along with the fair value as at September 30, 2014 and December 31, 2013:

SEPTEMBER 30, 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	58,431	-	-	-	58,431	58,431
Accounts receivable	-	-	692	-	692	692
Due from related party	-	-	151,854	-	151,854	151,854
Restricted cash	-	-	2,854,490	-	2,854,490	2,854,490
Cash	-	-	966,319	-	966,319	966,319
Debentures payable	-	-	-	(14,301,827)	(14,301,827)	(14,301,827) [1]
Interest Debentures payable	-	-	-	(1,206,872)	(1,206,872)	(1,206,872) [1]
Project debt	-	-	-	(15,980,025)	(15,980,025)	(15,980,025) [1]
Interest payable	-	-	-	(629,423)	(629,423)	(629,423)
Accounts payable and accrued liabilities	-	-	-	(4,551,364)	(4,551,364)	(4,551,364)
Derivative financial liability	-	(74,041)	-	-	(74,041)	(74,041)
Due to related parties	-	-	-	(92,646)	(92,646)	(92,646)
	58,431	(74,041)	3,973,355	(36,762,157)	(32,804,412)	(32,804,412)

(Expressed in Canadian Dollars)

DECEMBER 31, 2013	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	138,317	-	-	-	138,317	138,317
Accounts receivable	-	-	123	-	123	123
Deposits	-	-	1,690,509	-	1,690,509	1,690,509
Due from related party	-	-	95,325	-	95,325	95,325
Restricted cash	-	-	2,340,564	-	2,340,564	2,340,564
Cash	-	-	1,270,779	-	1,270,779	1,270,779
Debentures payable	-	-	-	(14,200,426)	(14,200,426)	(14,200,426)[1]
Project debt	-	-	-	(10,515,731)	(10,515,731)	(10,515,731)[1]
Interest payable	-	-	-	(909,288)	(909,288)	(909,288)
Accounts payable and accrued liabilities	-	-	-	(869,603)	(869,603)	(869,603)
Derivative financial liability	-	(8,953)	-	-	(8,953)	(8,953)
Due to related parties	-	-	-	(51,379)	(51,379)	(51,379)
	138,317	(8,953)	5,397,300	(26,546,427)	(21,019,763)	(21,019,763)

[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 assigned to 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)	+/- $50,301	+/- $150,297	+/- $249,492
Interest Debentures payable (8% interest per annum)	+/- $3,632	+/- $10,860	+/- $18,038
Mezzanine Loan (15% interest per annum)	+/- $18,711	+/- $55,959	+/- $92,977

(Expressed in Canadian Dollars)

The future undiscounted obligations of the Corporation as at September 30, 2014 are as follows:

	Debentures payable	Interest Debentures payable	Interest payable	Project debt	Accounts payables and accrued liabilities	Due to related party	Total
	$		$	$	$	$	$
2014	-	-	-	-	4,551,364	92,646	4,644,010
2015	-	-	1,279,346	-	-	-	1,279,346
2016	-	-	1,311,544	18,130,108	-	-	19,441,652
2017	-	-	1,319,760	-	-	-	1,319,760
2018 and thereafter	15,085,850	1,206,872	2,648,921	-	-	-	18,941,643

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 September 30, 2014 this amount is $2,165,969.

13. COMMITMENTS

The following table presents future commitments of the Corporation under the Management Services Agreement. 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
	$	$	$
2014	35,259	141,038	176,297
2015	139,888	559,552	699,440
2016	139,888	559,552	699,440
2017	139,888	559,552	699,440
2018 and thereafter	139,888	697,524	837,412
	594,811	2,517,218	3,112,029

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 USD $7,583,558 which are used as construction guarantees.