Management's Discussion & Analysis

For the period from January 4, 2012 to December 31, 2012

March 26, 2013

The following management's discussion and analysis ("**MD&A**") is a review of the consolidated financial condition and consolidated results of operations of Walton Westphalia Development Corporation (the "**Corporation**") for the period from January 4, 2012 to December 31, 2012. The MD&A should be read in conjunction with the Corporation's audited consolidated financial statements for the period from January 4, 2012 to December 31, 2012, and the prospectus ("**Prospectus**") of the Corporation dated February 27, 2012, which includes the Corporation's audited financial statements as at and for the period ended January 4, 2012.

All financial information is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. In limited situations, IFRS has not issued rules and guidance applicable to the real estate investment and development industry. In such instances, the Corporation has followed guidance issued by the Real Property Association of Canada to the extent that these do not conflict with the requirements under IFRS or the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the IFRS framework.

Additional information about the Corporation is available on SEDAR at **www.sedar.com**.

Critical Accounting Estimates

The preparation of financial information 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 revenues and expenses during the period. The estimates and assumptions that have the most significant affect on the amounts recognized in the Corporation's consolidated financial statements are related to the recoverability of land held for development and land development costs, and the recognition of future tax assets.

Recoverability of land held for development costs

In assessing the recoverability of land held for development and land development costs, management is required to make estimates and assumptions regarding the sale price for serviced lots, the costs to service the lots, the timing of lot sales, the completion date for the serviced lots and the Corporation's cost of capital. Changes in these estimates and assumptions could cause actual results to differ materially from those reported.

Deferred tax asset

In assessing the amount of deferred tax assets to recognize, significant judgment is required in estimating the likelihood, timing and level of future taxable profits. Changes in the timing and level of future taxable profits could cause the amount of the deferred tax assets to be recovered to differ materially from the carrying amount.

Forward-looking Statements

Certain information set forth in this material, including the disclosure of the anticipated completion dates of key project milestones, are based on the Corporation's current expectations, intentions, plans and beliefs, which are based on experience and the Corporation's assessment of historical and future trends. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond management's control. These risks and uncertainties include, but are not limited to, the timing of approval by municipalities, the estimated time required for construction and the business and general economic environment. These uncertainties may cause the Corporation's actual performance, as well as financial results in future periods, to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Investors are cautioned against attributing undue certainty to forward-looking statements as actual results could differ materially from management's targets, expectations or estimates.

Responsibility of Management

This MD&A has been prepared by, and is the responsibility of, the management of the Corporation.

Approval by the Board of Directors

The MD&A was authorized for issue by the Board of Directors on March 26, 2013.

Business Overview

The Corporation, which is managed by Walton Asset Management L.P. ("**WAM**"), was established on January 4, 2012 under the laws of the province of Alberta. The wholly-owned subsidiary of the Corporation ("**U.S. Subsidiary**"), Walton Westphalia Development (USA), LLC., is a limited liability company organized under the laws of the state of Maryland on January 6, 2012. The Corporation and the U.S. Subsidiary were formed for the purpose and objective of providing investors with the opportunity to participate in the acquisition and development of the approximately 310 acre "Westphalia" property located in Prince George's County in Maryland, U.S.A. (the "**Property**"), approximately 7 miles southeast of the District of Columbia.

The Property is located along the north side of Maryland State Route 4 directly across from Joint Base Andrews, approximately 1.5 miles east of the Capital Beltway. The Capital Beltway is the 64 mile long ring road that encompasses Washington D.C. and its inner suburbs in Maryland and Virginia. The southern edge of the Property runs parallel to Pennsylvania Avenue with over 1.5 miles of frontage. Pennsylvania Avenue is a major commuter route, which runs 13.5 miles from the Property all the way to the U.S. Capitol Hill, the site of the White House, the National Mall and the U.S. Capitol Building.

The preliminary development plan that has been prepared by Walton Development and Management (USA), Inc. ("**WDM**"), the manager of the project, includes three phases over an estimated seven-year time horizon. When completed, it is anticipated that the project will provide approximately 66 single family homes, 779 townhomes, 884 rental apartments, 533,759 square feet of retail space, 2,240,000 square feet of office space and 600 hotel rooms.

On August 20, 2012 the U.S. Subsidiary sold an 11.3% interest in the Property to Walton Westphalia Europe, LP ("**WWE**"), a company related by virtue of common management. On October 31, 2012 the U.S. Subsidiary sold an additional 3.1% interest in the Property bringing the aggregate sale of interests to WWE to 14.4%. As a co-owner of the Property, WWE will co-develop the Property with the Corporation, 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.

In order to raise sufficient capital for the acquisition and development of the Property, the Corporation completed an initial public offering ("**IPO**") in March 2012. The completion of the IPO was followed by a private placement offering (the "**Private Placement**") which was completed in multiple closings under the offering memorandum ("**Offering Memorandum**") dated March 26, 2012. The final closing of the Private Placement was completed on October 31, 2012. Each unit issued by the Corporation ("**Unit**") through the IPO or Private Placement (collectively, the "**Offerings**") was comprised of a $5.00 principal amount of unsecured, subordinated, convertible, extendable debenture bearing simple interest at a rate of 8% ("**Debenture**") and one class B non-voting common share ("**Class B share**") having a price of $5.00.

The Corporation's investment objectives are to:

i) preserve the capital investment of the purchasers in the Units;
ii) make annual cash distributions on the Units beginning in June of 2013 until the final distribution of funds from the project, which is anticipated to be in March of 2019; and
iii) achieve a net internal rate of return of 15.0% on the $10.00 purchase price of the Units.

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 investment strategy:

i) acquire the Westphalia Property through the U.S. Subsidiary;
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 and parcels 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 through the life of the investment in the Property and/or winding up the Corporation and distributing its assets to the holders of the Class B shares.

Although management expects that the execution of the investment strategy will allow the Corporation to pay distributions on the Units, 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 WAM and 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 cash payments on the Debentures or cash distributions on the Class B shares equal to $10.00 per Unit, plus a cumulative compounded priority return thereon, equal to 8% per annum.

The registered office and principal place of business is 23rd floor, 605 – 5th Avenue SW, Calgary, Alberta, T2P 3H5.

Summary Consolidated Financial Data

	For the period January 4, 2012 to December 31, 2012
Total revenues ($)	3,771,118
Total cost of sales ($)	3,771,118
Gross margin ($)	-
Other income/(expenses) ($)	(1,008,238)
Net loss ($)	(1,008,238)
Comprehensive loss ($)	(1,029,897)
Weighted average shares outstanding[1]	1,832,208
Basic and diluted net loss per share ($)	(0.55)

1 – Weighted average shares outstanding exclude the 100 Class A voting common shares issued. Based on the Corporation's articles of incorporation, Class A shareholders are not entitled to participate in any dividends declared by the Corporation, or the distributions of any part of the assets of the Corporation.

	December 31, 2012
Total assets ($)	28,465,010
Total non-current liabilities ($)	14,290,951
Total liabilities ($)	15,279,707
Total equity ($)	13,185,303
Class B shares outstanding – end of period	3,017,170

Review of Operations

Summary

During the period from January 4, 2012 to December 31, 2012, the main priority of the Corporation was to raise capital through the Private Placement to help the Corporation carry out its investment strategy through the offering memorandum dated March 26, 2012. In working towards this objective, the Corporation completed several closings under the Private Placement during the period, which resulted in the issuance of a total of 1,574,870 Units for gross proceeds of $15,748,700. As at December 31, 2012 the corporation issued a total of 3,017,170 Units for gross proceeds of $30,171,700, of which $15,085,850 was received for the issued Debentures and $15,085,850 was received for the Class B shares.

The Corporation also undertook certain planning activities during the period January 4, 2012 to December 31, 2012. The following activities were undertaken by the Corporation during the period:

- On October 9, 2012, the Maryland State Highway Administration (SHA) approved the Interchange Analysis and Concept Plan for the Maryland 4/Woodyard Road interchange. In December 2012, preliminary design drawings were completed for submittal to SHA for the Phase 1 offsite construction relating to the reconfiguration and ramp improvements for the interchange. These drawings are currently under review.
- On October 18, 2012, the Prince George's County Planning Board unanimously approved the Detailed Site Plan for infrastructure. The Board adopted the Resolution in the same meeting. No appeals were filed during the following 30 day appeal period. The County Council, acting as District Council, did not elect to review the application during the mandatory thirty-day review period. On November 30, 2012 the Planning Board's decision was final. The steps remaining to obtain a grading permit following this approval are purely administrative. These plans have been submitted for certification.
- On December 7, 2012, the Washington Suburban Sanitary Commission approved an Amended Letter of Findings which updates and confirms line sizing, layout, phasing and alignments for water and sewer construction. Construction plans are nearing completion and will be submitted for review in January.

From a timing perspective, the project is proceeding as anticipated and management expects that the project will be completed within the approximate seven-year time frame disclosed in the Prospectus and Offering Memorandum (collectively, the "**Offering Documents**").

For the period January 4, 2012 to December 31, 2012 the Corporation recognized revenues of $3,771,118, cost of sales of $3,771,118, other income of $41,275, other expenses of $1,049,513 and comprehensive loss of $1,029,897. The revenues earned by the Corporation during the period from January 4, 2012 to December 31, 2012 were comprised of the proceeds from the land sale to WWE of $3,771,118 with a corresponding cost of sales of $3,771,118. The other expenses for the period January 4, 2012 to December 31, 2012 primarily consisted of $452,576 in costs incurred for the preparation of the IPO and Private Placement (collectively, the "**Offerings**") and $336,602 in costs for the management of the Corporation. The nature and amount of the expenses incurred by the Corporation for the period from January 4, 2012 to December 31, 2012 were consistent with management's expectations for the period. The net loss incurred by the Corporation for period from January 4, 2012 to December 31, 2012 was also consistent with management's expectations because the Corporation is not expected to generate significant revenue, except during periods when the sale of lots is completed.

Given that the project remains on track both financially and from a timing perspective, management believes that the project remains on track for achieving its investment objectives.

Analysis of Financial Condition

As at December 31, 2012, the Corporation had total assets of $28,465,010, total liabilities of $15,279,707 and total shareholders' equity of $13,185,303. The most significant assets of the Corporation as at December 31, 2012 were land held for development of $21,390,406 and cash of $4,126,027. The most significant liabilities of the Corporation as at December 31, 2012 were Debentures payable of $14,290,951.

During the period ended December 31, 2012, the Corporation received $15,748,700 from the private placement and $3,771,118 from the sale of the Property to pay down the principal and accrued interest on the related party loan. On each close of the Private Placement a portion of the use of proceeds was set aside as working capital to fund the ongoing administrative and operating expenses, development fees, pre-development costs, construction costs, interest accruing on debentures and other expenses of the Corporation, until such time that the Corporation enters into a construction loan for Phase 1 of the project.

The balance of the Corporation's liabilities as at December 31, 2012 was significant relative to its cash and receivables. The Corporation plans to fund its liabilities as follows:

Debentures payable – The balance of the debentures payable will be repaid from the proceeds from completed lot sales after the repayment of project debt.

Initial Public Offering and Private Placement and Sale of Land

On February 27, 2012, the Corporation commenced the IPO of 3,450,000 Units of the Corporation at a price of $10 per Unit. The IPO of the Corporation was completed on March 20, 2012 and resulted in the issuance of 1,442,300 Units of the Corporation for gross proceeds of $14,423,000.

The closing of the IPO was followed by the commencement of the Private Placement on March 26, 2012, which offered a maximum of 2,007,700 Units for a maximum of $20,077,000. As at December 31, 2012, the Corporation has issued 1,574,870 Units of the Corporation for gross proceeds of $15,748,700 through the Private Placement.

As at December 31, 2012 the Offerings had raised gross proceeds of $30,171,700, of which $15,085,850 was received for the issued Debentures and $15,085,850 was received for the Class B shares. The total costs incurred to date by the Corporation in respect of the Offerings were $2,194,076. This amount is comprised of commissions paid to agents of $1,584,013, work fees of $157,487 and costs associated with the preparation of the Offering Documents of $452,576. The commissions and work fees have been allocated equally to the Debenture and share component based on their proportionate share of the gross proceeds raised. The costs associated with the preparation the Offering Documents have been expensed by the Corporation and totalled $2,194,076 for the period January 4, 2012 to December 31, 2012.

On August 20, 2012, the Corporation received $2,882,119 and sold an 11.3% interest in the Property in execution of this planned joint operation with WWE. On October 31, 2012, the Corporation sold a 3.1% interest in the Property for $888,999. 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 either the ability of the Corporation to achieve its investment objectives.

Acquisition of the Property

On October 26, 2011, Walton Maryland entered into a Purchase and Sale Agreement for an aggregate of 479 acres of real property, located in Prince George's County, Maryland. The purchase price payable under the Purchase and Sale Agreement was denominated in U.S. dollars. On February 6, 2012, the Corporation entered into an Assignment Option Agreement with Walton Maryland, whereby Walton Maryland assigned their right related to 310 acres of the total 479 acres of real property to the Corporation under the Purchase and Sale Agreement to the Corporation. In order to fix the cost of the Property in Canadian dollars, the Corporation entered into two forward contracts to exchange an aggregate of CDN $25,643,390 in return for U.S. $25,300,000.

On February 14, 2012, the Corporation exercised its rights under the Land Option Agreement for 310 acres of the property. The purchase price of the Property was U.S. $23,714,149 ($23,692,806 CDN), plus closing costs of U.S. $1,496,975 ($1,496,963 CDN).

The carrying amount of land held for development as at December 31, 2012 was comprised of the following:

	December 31, 2012 $
Cost of the property	23,692,806
Closing costs	1,496,963
Effect of changes in foreign exchange rates	(107,221)
Sale of land	(3,692,142)
Total – land held for development	21,390,406

Land Development Costs

Land development costs can be divided into two primary categories: hard construction costs, which are the costs related to the physical improvement of the land, and soft costs, which include, but are not limited to, costs associated with architectural control consultants, financing fees for establishing construction loans, interest on the construction loan and Debentures payable, legal fees, municipal taxes and construction management, and appraisal fees.

The following table provides a breakdown of the amounts capitalized to land development costs. Planning and financing costs are comprised of soft costs associated with the project.

	December 31, 2012 $
Financing	1,284,215
Planning	1,428,616
Effect of changes in foreign exchange rates	136,678
Land development costs included in land sale	(95,218)
Total – land development costs	2,754,291

The total development costs incurred during the period from January 4, 2012 to December 31, 2012 were consistent with the amounts anticipated by management for the work completed during that period.

Interest on Debentures

During the period January 4, 2012 to December 31, 2012, the Corporation issued a total of 3,017,170 Debentures with a face value of $15,085,850. The Debentures are unsecured and bear interest at a rate of 8%.

As at December 31, 2012, Walton International Group Inc. ("**WIGI**"), a related party of the Corporation by virtue of common management, owned approximately 6.3% of the Units of the Corporation. As a result, approximately 6.3% of the debentures payable and interest payable at December 31, 2012 is payable to WIGI.

Management Fees

On February 27, 2012, the Corporation and WAM entered into a Management Services Agreement. In accordance with the terms of the Management Services Agreement, WAM will provide management and administrative services to the Corporation in return for an annual management fee equal to:

i) from March 20, 2012 until the earlier of the date of termination of the Management Services Agreement and March 31, 2019, 2% of the aggregate of:
   a) the net proceeds raised from the IPO of $13,449,548, calculated as the gross proceeds raised of $14,423,101, net of selling commissions of $757,208 and organizational costs of $216,345;
   b) the net proceeds raised from the Private Placement; and
   c) the amount of the servicing fee (see below), which will be distributed by WAM on behalf of the Corporation; and

ii) thereafter, from April 1, 2019 until the termination date of the Management Services Agreement, an amount equal to 2% of the book value of the Properties.

Servicing Fees

Under the terms of the Agency Agreements between the Corporation, WAM, and the Corporation's agents, the Corporation has servicing fees payable to WAM (which it will then pay to the agents on behalf of the Corporation) equal to 0.5% of the net proceeds raised from the initial public offering and any follow-on Private Placement, until the earlier of the dissolution of the Corporation and December 31, 2018.

Transactions with Related Parties

Walton Maryland LLC, WAM, WIGI, WDM, WWE and 1389211 Alberta Ltd. are all related to the Corporation by virtue of common management. All transactions entered into between the related parties during the period from January 4, 2012 to December 31, 2012 were under terms and conditions agreed upon between the parties. With the exception of the amounts payable to WAM for the management and servicing fee and the amounts payable to WDM LP 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 to the related party as at December 31, 2012 is outlined in the table below.

	December 31, 2012 $
Walton Asset Management L.P.	10,467
Walton Development & Management (USA), Inc.	3,266
Total – Due to related parties	13,733

The balance due from the related party as at December 31, 2012 is outlined in the table below.

	December 31, 2012 $
Walton Westphalia Europe, LP	26,427
Total – Due from related party	26,427

The following transactions entered into between the related parties were under terms and conditions agreed upon between the parties.

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 because the loan was entered into for the purpose of acquiring the Property.

Walton Asset Management L.P.

In accordance with the Management Services Agreement between the Corporation and WAM, the Corporation incurred total management fees of $336,602 during the period January 4, 2012 to December 31, 2012.

In accordance with the Agency Agreements between the Corporation and its agents, the Corporation incurred total servicing fees of $84,151 during the period January 4, 2012 to December 31, 2012. The servicing fees are payable to WAM, which is responsible for the distribution of the servicing fees to the agents.

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 CDN $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 is 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, will be utilized by the Corporation to pay down the amounts owing under the loan within ten business days of receipt of the available funds.

The total amount owing under this loan was fully repaid on November 1, 2012. 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.

Walton Development and Management (USA), Inc.

In accordance with the Project Management Agreement between the Corporation and WDM, 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.
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 cash payments or distributions equal to $10 per Unit, plus a cumulative compounded priority return of 8% per annum. The priority return is calculated on that $10 amount per Unit, reduced by any cash payments or distributions by the Corporation.

During the period from January 4, 2012 to December 31, 2012, the total development fee charged to the Corporation was $23,440.

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 interest in the Property held for development. 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 $3,771,118. The cost of the sales amount of $3,771,118 was comprised raw land, other land costs, land development costs and capitalized foreign exchange.

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

Key Management Compensation

Key management personnel are comprised of the Corporation’s directors and executive officers. The independent directors are paid a fixed amount of compensation for the life of the Corporation, which is payable quarterly in advance. The amount of compensation expense incurred by the Corporation relating to its independent directors was as follows:

	For the period from January 4, 2012 to December 31, 2012
Director fees ($)	52,129

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

Non-Financial Indicators

The amount of revenues generated by the Corporation is not expected to be significant, until the sale of lots commences. As a result, the financial statements alone are not a good indicator of the progress of the Corporation toward its investment objectives. The Corporation makes use of the following non-financial indicators in evaluating its performance.

Key Milestones

For Phase 1 of the project, the key milestones used by management include those presented in the Offering Documents. The Corporation's progress toward these milestones has been summarized in the following table.

Walton Westphalia Development Corporation – Key Project Milestones for Phase 1		
Anticipated steps to completion	Anticipated completion date per the Prospectus	Status
Obtain detailed site plan approval	September, 2012	Completed October 2012
Negotiate final terms of bank financing for construction loan and obtain lender commitment	September, 2012	Completed March 2013
Recorded Plat of Subdivision	November, 2012	Amended to April 2013
Obtain permits	February, 2013	Amended to April 2013
Close construction loan	February, 2013	Amended to April 2013
Commence Phase 1 construction	February, 2013	Amended to May 2013
Deliver finished lots to builders	January, 2014	Unchanged from Prospectus
Grand Opening	March, 2014	Unchanged from Prospectus

The first of our key critical path approvals towards our ability to obtain a grading permit by April 2013 is the approval of our Detailed Site Plan for infrastructure by the Prince George's County Planning Board. On October 18, 2012, the Planning Board unanimously approved our application. We were also able to get the Board to adopt the Resolution in the same meeting. We were then subject to a 30 day appeal period during which any party of record could appeal the approval. No appeals were filed. We worked with our Councilman's staff to get the Resolution on the Council Agenda in the category of "Pending Finality" on November 5, to finalize the approval pending the expiration of the appeal period. The desired outcome, which can be described as taking no action, was achieved. Acting on the agenda item would have meant referring the item to District Council, which would have caused a delay in the approval. On November 30, 2012 we were officially notified that the Planning Board's decision was final. We will be back in front of the Planning Board for additional approvals prior to subdividing lots for builders, but this approval is the one that will enable us to break ground on the project. The steps remaining to obtain a grading permit following this approval are purely administrative. Subsequently, we have submitted the plans for certification. We would not expect this variance in time from the original Prospectus schedule to materially impact the schedule going forward.

The anticipated date for the completion of the Record Plat of Subdivision has been revised to April 2013. The recordation of this plat is no longer a pre-requisite to receiving a grading permit, and is not anticipated to impact other scheduled items.

The negotiation of the terms of the construction loan and subsequent closing has been delayed to early 2013. We do not expect this variance in time from the original Prospectus schedule to materially impact the schedule going forward.

On July 31, 2012, the Corporation announced that it had refined and updated its preliminary development plan for the Property to better align the development plan with current and future market opportunities.

The significant changes to the Phase 1 development plan are as follows:

- increase in the number of townhomes from 300 units to 347 units;
- approximately 250,000 square feet of retail will be accelerated from Phase 2 to Phase 1; and
- approximately 150,000 square feet of the Phase 1 portion of the office component will be shifted to Phase 2.

Overall, these changes are not expected to have a material impact on the project or the ability of the Corporation to achieve its investment objectives. Management believes the Corporation remains on track for achieving its projected internal rate of return of 15%.

Phases 2 and 3

The steps to complete Phases 2 and 3 of the project are substantially the same as the milestones for Phase 1. The commencement dates for Phase 2 and 3 have not yet been determined, and the expected completion dates of their key milestones will be determined closer to the commencement of those phases.

Review of Fourth Quarter Operations

During the fourth quarter of 2012, the Corporation generated total revenues of $888,999, cost of sales of $888,999, other income of $17,117, other expenses of $277,143 and comprehensive loss of $281,685. The revenues earned by the Corporation were comprised of the proceeds from the land sale to WWE of $888,999 with a corresponding cost of sales of $888,999. The other expenses for the fourth quarter primarily consisted of $58,465 in costs incurred for the Private Placement and $135,074 in costs incurred for the management of the Corporation. The nature and amount of the expenses incurred by the Corporation during the fourth quarter of 2012 were consistent with management’s expectations. The net loss incurred by the Corporation during the fourth quarter of 2012 was also consistent with management’s expectations because the Corporation is not expected to generate significant revenue, except during periods when the sale of lots is completed.

Summary of Quarterly Results

A summary of operating results for the past four quarters is as follows:

	Three months ended			
	December 31, 2012	September 30, 2012	June 30, 2012	March 30, 2012[2]
Total assets ($)	28,465,010	28,885,604	30,780,363	29,799,092
Total liabilities ($)	15,279,707	17,245,631	20,225,813	23,212,881
Total equity ($)	13,185,303	11,639,973	10,554,550	6,586,211
Total revenues ($)	888,999	2,882,119	-	-
Total cost of sales ($)	888,999	2,882,119	-	-
Gross margin ($)	-	-	-	-
Other income/(expenses) ($)	(260,026)	(226,382)	(275,045)	(246,785)
Net income (loss)	(260,026)	(226,382)	(275,045)	(246,785)
Comprehensive income / (loss) ($)	(281,685)	(226,382)	(275,045)	(246,785)
Weighted average shares outstanding[1]	2,896,887	2,436,074	1,722,655	182,360
Basic and diluted net income (loss) per share ($)	(0.09)	(0.09)	(0.16)	(1.35)
Class B shares issued during the period	389,763	279,852	905,255	1,442,300
Class B shares outstanding – end of period	3,017,170	2,627,407	2,347,555	1,442,300

1 - 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

2 – The Corporation was formed on January 4, 2012. As a result, the period ended March 31, 2012 was from January 4, 2012 – March 31, 2012

Supplemental Information

Liquidity and Capital Resources

As at December 31, 2012, the Corporation's capital resources consisted of cash which the Corporation raised through the Offerings. Out of the net proceeds raised through the Offerings, $4.1 million of cash remains. The cash on hand will be used by the Corporation to pay for the ongoing administrative and operating expenses, management fees, development fees, pre-development costs, grading costs, construction costs 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 December 31, 2012, sufficient capital exists to fund the Corporation's activities for at least the next 12 months.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements as at December 31, 2012.

Financial Instruments

The Corporation's financial instruments consist of 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, 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 approximates the carrying amount of these liabilities because the interest rate on these liabilities approximates the interest rate on debt issued by comparable entities.

Financial instruments often expose an entity to liquidity, credit, currency or interest rate risk. While it is management's opinion that the financial instruments of the Corporation do not give rise to significant liquidity or credit risk, the Corporation is exposed to significant interest rate risk and currency risk.

The Corporation is exposed to foreign exchange risk because the operations, development expenditures and 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 asset of the Corporation as follows:

	Rate Analysis – January 4, 2012 to 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. During the period of January 4, 2012 to December 31, 2012, the Corporation entered into foreign exchange forward contracts to fix the purchase price of the Property thereby eliminating the foreign exchange risk from raising funds in Canadian dollars while property costs were in U.S. dollars. These contracts were settled during the first quarter of 2012. 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 December 31, 2012, the Corporation did not have any outstanding foreign currency forward contracts.

Outstanding Shares

As of the date of this MD&A, the Corporation had 100 Class A shares outstanding and 3,017,170 Class B shares outstanding.

Outstanding Debentures

As of the date of this MD&A, the Corporation had 3,017,170 Debentures payable outstanding with a principal value of $14.2 million. The Corporation may in its sole discretion, convert all or any principal amount of the Debentures payable into a variable number of Class B shares, based on the fair market value per Class B share on the date of the conversion.

Commitments

The following table presents future commitments of the Corporation under the Management Services Agreement and the Agency Agreements over the next five years. It does not include the WDM's performance fee under the Project Management Agreement, which is calculated based on the amount of distributions paid by the Corporation. These commitments will be funded through future revenues generated by the Corporation and the capital resources available to the Corporation.

	Servicing fee $	Management fee $	Total $
2013	139,888	559,552	699,440
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	839,328	3,495,285	4,334,613

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.

Changes in Accounting Policies and Future Changes in Accounting Policy

Early Adoption of IFRS 11: Joint Arrangements

IFRS 11: *Joint Arrangements* ("**IFRS 11**") is effective for annual periods beginning after January 1, 2013. The Corporation has elected to early adopt IFRS 11 for the fiscal year beginning on January 1, 2012.

IFRS 11 establishes the accounting principles for parties to a joint arrangement in classifying its interest in the joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation each party will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

Under the pre-existing IFRS, entities have the choice to proportionately consolidate or to account under the equity method for interests in joint ventures. IFRS 11 supersedes IAS 31: *Interests in Joint Ventures*, and SIC-13: *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

During the period ended December 31, 2012, the Corporation entered into a joint arrangement with a related party which was assessed by management to be a joint operation in accordance with IFRS 11. This arrangement is discussed further in the Transactions with related parties section.

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.

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.

Consolidated financial statements

IFRS 10: Consolidated Financial Statements ("**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 existing 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*.

IFRS 10 is effective for annual periods beginning after January 1, 2013. The Corporation will adopt IFRS 10 for the annual year beginning on January 1, 2013. The Corporation has assessed the impact that IFRS 10 will have on the consolidated financial statements of the Corporation, and concluded that the accounting for the Corporation's 100% interest in the U.S. Subsidiary will be unaffected by the adoption of IFRS 10.

Disclosure of interests in other entities

IFRS 12: *Disclosure of Interests in Other Entities* ("**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 disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 12 is effective for annual periods beginning after January 1, 2013. The Corporation will adopt IFRS 12 for the annual year beginning on January 1, 2013 and prepare financial statement note disclosures in full compliance with IFRS 12 beginning for the first quarter of 2013.

Fair value measurement

IFRS 13: *Fair Value Measurement* ("**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 to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

IFRS 13 is effective for annual periods beginning after January 1, 2013. The Corporation will adopt IFRS 13 for the annual year beginning on January 1, 2013. All financial instruments of the Corporation are initially recognized at fair value and subsequently carried at amortized cost. The Corporation also discloses the fair value of financial instruments in the notes to the financial statements. The adoption of IFRS 13 is not expected to result in any changes to the measurement and disclosure of the fair value of land or its financial instruments.

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. These amendments need to be applied retrospectively to all comparative periods. The Corporation is currently assessing the impact of adopting these amendments on the financial statements.

Corporate Governance

Board of Directors

The mandate of the Board of Directors is to oversee the management of the business of the Corporation, with a view to maximizing the Corporation's shareholder value, and ensuring corporate conduct in an ethical and legal manner via an appropriate system of corporate governance and internal control processes and procedures.

The Board of Directors facilitates its exercise of independent supervision over management through, among other things:

- The adoption by the Board of Directors of a written mandate requiring that a majority of the members of the board of directors be independent of management; and
- The requirement, in the Board of Directors' written mandate for its audit committee, that the audit committee be comprised solely of directors that are independent of management.

The Board of Directors is comprised of Clifford H. Fryers, Jon N. Hagan and Richard R. Singleton. Within the meaning of National Instrument 52-110 – Audit Committees ("**NI 52-110**"), Jon N. Hagan and Richard R. Singleton are independent of management of the Corporation, while Clifford H. Fryers is not independent as his spouse is the Corporate Secretary of the Corporation. Mr. Fryers is the Chairman of the Board of Directors.

The only standing committee of the Board of Directors is the audit committee (the "**Audit Committee**"), which consists of Richard R. Singleton and Jon N. Hagan. Mr. Hagan is the Chairman of the Audit Committee.

Personal Profiles

Clifford H. Fryers – Mr. Fryers has been Chairman and Chief Executive Officer of the White Iron Group of Companies (a media production house) since 1997. He also is the chair of the board of the Manning Centre for Building Democracy and is on the board of directors of several companies in the Walton Group, including the following reporting issuers: Walton Ontario Land 1 Corporation, being the general partner of Walton Ontario Land L.P. 1; Walton Big Lake Development Corporation, being the general partner of Walton Big Lake Development L.P.; Walton Yellowhead Development Corporation; and Walton Westphalia Development Corporation. He was on the Board of Advisors of Walton Global Investments Ltd. for eight years, retiring as Vice Chairman in November of 2011.

From 1997 until 2000, Mr. Fryers was Chief of Staff to the Leader of Her Majesty's Official Opposition in the House of Commons. Prior to that, he was a Senior Tax Partner and Managing Partner with the law firm of Milner Fenerty (now Fraser Milner Casgrain LLP) which he joined in 1980. He worked in the Tax Litigation Section of the Department of Justice, Ottawa from 1971 to 1977 and then as General Tax Counsel for Mobil Oil Canada, Ltd. until 1980. Mr. Fryers holds the ICD.D certification granted by the Institute of Corporate Directors.

Jon N. Hagan - Mr. Hagan has been the principal of JN Hagan Consulting since December 2000. He provides assistance to major corporations regarding real estate capital markets, and acquisition and disposition transactions covering situations in Canada, the United States of America, Mexico and China. Mr. Hagan is also a director and member of the audit and executive committees of the board of directors of First Capital Realty Inc., which is a reporting issuer in Canada. He was formerly a director and member of the audit, human resources, corporate governance and investment committees of Bentall Kennedy Group from 2001 to 2011. He was a trustee of Sunrise Senior Living Real Estate Investment Trust from 2004 to 2007 and was the chair of the audit committee thereof. He was the Chairman of Teranet Income Fund from 2006 to 2008. He was a director and on the audit committee of the board of directors of The Mills Corporation for the first three months of 2007 to assist in the sale of The Mills Corporation. Mr. Hagan is also on the board of directors of the following reporting issuers within the Walton Group: Walton Ontario Land 1 Corporation, being the general partner of Walton Ontario Land L.P. 1; Walton Big Lake Development Corporation, being the general partner of Walton Big Lake Development L.P.; Walton Yellowhead Development Corporation; and Walton Westphalia Development Corporation.

Mr. Hagan has held a number of executive finance positions in the real estate industry, beginning with Oxford in the 1970s. His career took him to Cambridge Shopping Centres in 1980, where he eventually became Senior Vice-President, Corporate Group and Chief Financial Officer. He then joined the Empire Company Limited where he was Executive Vice-President, Finance and Corporate Development. From 1996 through 2000, he was Executive Vice President and Chief Financial Officer of Cadillac Fairview Corporation. Mr Hagan's experience spans corporate strategy, corporate and real estate finance, real estate acquisition and disposition, compensation programs, computer systems, financial reporting, forecasting and budgeting.

Mr. Hagan is a chartered accountant. He holds a BSc in Mechanical Engineering from the University of Saskatchewan and attended the Executive MBA program at the University of Alberta.

Richard R. Singleton – Mr. Singleton was one of the lead architectural partners with Cohos Evamy Partners, Architects, Engineers, Planners (now called Dialogue Design) for 36 years. He primarily focused on larger commercial projects and planning work in Alberta and throughout Canada. Mr. Singleton has been retired since 2008, and, during that time, he has consulted and provided assistance to developers in various planning and building projects. During his career, Mr. Singleton's work included major land planning and land parcel development projects primarily in Alberta and other major commercial projects in other parts of Canada. His experience spanned land use project financial proforma analyses, budgeting for land use and development projects, concept design and approval agency policy planning initiatives. Mr. Singleton is also on the board of directors of the following reporting issuers within the Walton Group: Walton Ontario Land 1 Corporation, being the general partner of Walton Ontario Land L.P. 1; Walton Big Lake Development Corporation, being the general partner of Walton Big Lake Development L.P.; Walton Yellowhead Development Corporation; and Walton Westphalia Development Corporation.

Mr. Singleton is presently a director of the National Music Centre (Cantos Foundation), a member of the Advisory Board of Thermal Systems KWC Ltd., a past member of the Calgary Arts Development Authority and a board member of a private real estate investment group. He was previously a member of the Board of Advisors of Walton Global Investments Ltd.

Mr. Singleton holds a Bachelor of Architecture from the University of Manitoba and is LEED (Leadership in Energy and Environmental Design) accredited. LEED is a set of rating systems for the design, construction and operation of high performance green buildings, homes and neighbourhoods.

Compensation

The Corporation has agreed to pay to each of the directors who are "independent" within the meaning of NI 52-110, an annual retainer of $25,000 per year, paid quarterly in advance. This amount was determined by the Corporation and the directors prior to the retention of the directors.

The executive officers of the Corporation do not receive any compensation from the Corporation.

Orientation and Continuing Education

New directors will attend a briefing with existing directors on all aspects of the nature and operation of the Corporation's business from the existing directors and the senior management of the Corporation.

Directors will be afforded the opportunity to attend and participate in seminars and continuing education programs and are encouraged to identify their continuing education needs through a variety of means, including discussions with senior management of the Corporation and at meetings of the directors. Outside experts may be retained, as appropriate, to provide directors with ongoing education on specific subject matters.

Nomination of Directors

The original members of the Board of Directors were appointed by the Class A shareholder of the Corporation. If and when a director resigns, the remaining directors will identify a new director with a view to ensuring overall diversity of experience and skill. The new director may be appointed by the remaining directors or by the Class A shareholder of Corporation.

Assessments

The directors will regularly assess themselves with respect to their effectiveness and contribution.

Audit Committee

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling their responsibility of oversight and supervision of the Corporation's accounting and financial reporting practices and procedures, the adequacy of internal controls and procedures, and the quality and integrity of its financial statements. In addition, the Audit Committee will be responsible for directing the auditors' examination of specific areas, for the selection of the Corporation's independent auditors and for the approval of all non-audit services for which its auditors may be engaged, including the fees for such services.

The Audit Committee currently consists of Jon N. Hagan and Richard R. Singleton. Each member of the Audit Committee is "independent" as contemplated by NI 52-110 and each is financially literate, meaning that each has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the financial statements of the Corporation.

Ethical Business Conduct

Directors who have, or may be reasonably perceived to have, a personal interest in a transaction or agreement being contemplated by the Corporation are required to declare such interest at any meeting at which the matter is being considered and, where appropriate, leave the meeting during the discussion and abstain from voting on such matter. The directors encourage and promote a culture of ethical business conduct by expecting each director, as well as the officers of the Corporation, to act in a manner that exemplifies ethical business conduct.

The Corporation has established a *Code of Business Conduct and Ethics* to which all directors, officers and employees of the Corporation are required to adhere. This code requires that all such individuals conduct themselves in a professional and ethical manner, and that they must not condone or encourage unethical conduct. This code also requires that any individuals who are aware of dishonest activities or conduct to report the conduct to the President and CEO.

Whistleblower Policy

The Corporation has established a *Whistleblower Policy* to ensure the integrity of the accounting records and financial statements of the Corporation and its compliance with applicable laws. Under the whistleblower policy, any employee who becomes aware of any questionable accounting, internal accounting controls, auditing matters or potential violations of law are encouraged to contact their immediate supervisor, their immediate supervisor's manager, the President or the Chief Operating Officer. Employees also have the option of reporting such matters directly to the chair of the Audit Committee or the chair of the board of directors. Appropriate procedures are then undertaken to ensure that the report is promptly and thoroughly investigated.