UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Walton Westphalia Development Corporation

For the three and nine months ended September 30, 2016 and September 30, 2015

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Financial Position

Unaudited

As at September 30, 2016 and December 31, 2015

(Expressed in Canadian dollars)

	September 30, 2016 $	December 31, 2015 $
ASSETS		
Land development inventory (note 4)	78,363,133	78,252,645
Interest rate cap (note 9)	-	260
Deferred financing and transaction costs (note 9)	260,791	1,271,131
Due from related parties (note 5)	214,326	220,075
Prepaid expense (note 6)	44,870	-
Restricted cash (note 7)	4,168,311	4,963,247
Cash	917,382	1,786,817
TOTAL ASSETS	83,968,813	86,494,175
LIABILITIES		
Debentures payable (note 8)	14,609,861	14,487,525
Interest debentures payable (note 8)	3,866,677	2,486,218
Project debt (note 9)	38,211,148	38,639,883
Derivative financial liability (note 9)	-	42,852
Deferred income tax liability (note 13)	962,725	1,702,614
Interest payable (note 8)	733,327	1,033,622
Provision for land development costs (note 10)	1,087,488	344,744
Deferred revenue (note 11)	996,330	1,176,697
Accounts payable and accrued liabilities	1,282,573	3,022,838
Due to related parties (note 5)	5,105,785	4,277,344
TOTAL LIABILITIES	66,855,914	67,214,337
SHAREHOLDERS' EQUITY		
Share capital (note 12)	13,988,912	13,988,912
(Accumulated deficit)/retained earnings	(197,266)	927,899
Accumulated other comprehensive income	3,321,253	4,363,027
TOTAL EQUITY	17,112,899	19,279,838
TOTAL LIABILITIES & EQUITY	83,968,813	86,494,175

Commitments (note 15)

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 (Loss)/Income

Unaudited

For the three and nine months ended September 30, 2016 and September 30, 2015

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
REVENUE				
Land development sales	2,168,140	-	3,955,616	1,183,930
COST OF SALES				
Land development (note 4 and 10)	(1,993,673)	-	(3,613,607)	(1,023,407)
GROSS MARGIN	174,467	-	342,009	160,523
OTHER INCOME/(EXPENSES)				
Management fees (note 5)	(140,653)	(141,038)	(418,900)	(418,515)
Marketing expense	(48,516)	(35,361)	(178,682)	(118,004)
Servicing fees (note 5)	(35,163)	(35,260)	(104,725)	(104,629)
Professional fees	(37,423)	(47,641)	(103,243)	(85,155)
Directors' fees (note 5)	(25,575)	(12,500)	(76,726)	(37,802)
Office and other expenses	(8,963)	(15,961)	(18,654)	(32,563)
Interest income	681	1,219	3,401	3,909
TOTAL INCOME/(EXPENSES)	(295,612)	(286,542)	(897,529)	(792,759)
LOSS BEFORE OTHER ITEMS	(121,145)	(286,542)	(555,520)	(632,236)
Loss on reduction of loan facility (note 9)	-	-	(187,972)	-
(Loss)/gain on derivative financial liability revaluation	-	9,018	41,187	(1,563)
Loss on interest rate cap revaluation (note 9)	-	(3,946)	(249)	(41,386)
Foreign exchange (loss)/gain	192,317	1,291,455	(1,141,345)	3,000,016
TOTAL OTHER ITEMS	192,317	1,296,527	(1,288,379)	2,957,067
NET (LOSS)/INCOME BEFORE TAXES	71,172	1,009,985	(1,843,899)	2,324,831
Income tax (expense)/recovery (note 13)	82,686	(476,313)	718,734	(1,072,199)
NET (LOSS)/INCOME AFTER TAX	153,858	533,672	(1,125,165)	1,252,362
OTHER COMPREHENSIVE (LOSS)/INCOME				
Cumulative translation (loss)/gain	60,098	1,164,876	(1,041,774)	2,125,875
COMPREHENSIVE (LOSS)/INCOME	213,956	1,698,548	(2,166,939)	3,378,507
Basic net (loss)/income per share (note 12)	0.05	0.18	(0.37)	0.42
Diluted net (loss)/income per share (note 12)	0.02	0.08	(0.37)	0.19

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

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Unaudited

For the three and nine months ended September 30, 2016 and September 30, 2015

(Expressed in Canadian dollars)

	Class A Voting Common Shares		Class B Non-voting Common Shares		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss)/Income	Total
	# of Shares	$	# of Shares	$	$	$	$
JANUARY 1, 2015	100	100	3,017,170	13,988,812	(520,601)	1,637,555	15,105,866
Net income after tax	-	-	-	-	1,252,632	-	1,252,632
Other comprehensive income	-	-	-	-	-	2,125,875	2,125,875
SEPTEMBER 30, 2015	100	100	3,017,170	13,988,812	732,031	3,763,430	18,484,373
Net income after tax	-	-	-	-	195,868	-	195,868
Other comprehensive income	-	-	-	-	-	599,597	599,597
DECEMBER 31, 2015	100	100	3,017,170	13,988,812	927,899	4,363,027	19,279,838
Net loss after tax	-	-	-	-	(1,125,165)	-	(1,125,165)
Other comprehensive loss	-	-	-	-	-	(1,041,774)	(1,041,774)
SEPTEMBER 30, 2016	100	100	3,017,170	13,988,812	(197,266)	3,321,253	17,112,899

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 Flow

Unaudited

For the three and nine months ended September 30, 2016 and September 30, 2015

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	$	$	$	$
CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net (loss)/income for the period:	153,858	533,672	(1,125,165)	1,252,632
Adjustments for:				
Unrealized foreign exchange loss/(gain)	(199,681)	(1,515,227)	1,141,345	(3,035,626)
Deferred income tax (recovery)/expense	(82,589)	476,313	(739,889)	1,072,199
Loss on interest rate cap revaluation	-	3,946	249	41,386
(Gain)/loss on derivative financial liability revaluation	-	(9,018)	(41,187)	1,563
Loss on reduction of loan facility	-	-	187,972	-
Interest income	(681)	(1,219)	(3,401)	(3,909)
Changes in non-cash operating items				
Decrease/(increase) in GST recoverable	-	1,431	-	242
Decrease/(increase) in due from related party	128,342	(1,625)	145,879	(11,930)
(Increase)/decrease in prepaid expenses	1,053	-	-	1,110
Increase/(decrease) in provision for land development costs	380,689	(58,076)	767,953	367,437
Decrease in deferred revenue	(57,325)	(634)	(120,022)	(31,979)
(Decrease)/increase in accounts payable and accrued liabilities	(763,090)	1,498,579	(1,602,253)	961,245
(Decrease)/increase in due to related parties	40,877	43,157	(460)	334,389
(Increase)/decrease in land development inventory	1,190,006	(3,452,352)	787,761	(6,813,955)
Decrease/(increase) in restricted cash	86,205	82	540,726	30,404
Interest paid	(558,744)	(335,670)	(1,552,211)	(975,753)
Interest received	681	127	3,401	2,065
	319,601	(2,816,514)	(1,609,302)	(6,808,480)
FINANCING ACTIVITIES				
Advances from project debt	2,119,225	2,388,660	5,401,375	7,422,200
Advances from related parties	9,137	-	580,674	1,999,842
Project debt repayment	(2,391,630)	-	(4,987,865)	(984,294)
	(263,268)	2,388,660	994,184	8,437,748
Effect of exchange rate on cash	(70,830)	(21,754)	(254,317)	146,446
Decrease in cash	(14,497)	(449,608)	(869,435)	1,775,714
Cash – Beginning of period	931,879	3,311,552	1,786,817	1,086,230
Cash – End of period	917,382	2,861,944	917,382	2,861,944
SUPPLEMENTAL INFORMATION				
Accretion related to Debentures payable capitalized to land development inventory	41,739	22,114	122,336	95,491
Deferred financing and transaction costs transferred to project debt	80,999	97,615	424,426	254,295
Non-cash interest capitalized to land development inventory	800,794	553,692	2,460,001	1,197,230
Interest paid capitalized to land development inventory	558,744	335,670	1,552,211	975,753
Non-cash issuance of interest debentures	-	-	1,380,459	1,279,346
Accretion on prepaid expense	212,779	-	283,231	-
Accretion on project debt	54,165	203,610	635,233	117,664

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

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited

For the three and nine months ended September 30, 2016 and September 30, 2015

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS

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

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

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

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

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

The address of the registered office is 25th Floor, 215 – 2nd Street SW, Calgary, Alberta, T2P 1M4.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 28, 2016.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (**"IAS"**) 34: *Interim Financial Reporting* and using accounting policies that are consistent with International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**). They do not include all of the information required for full annual financial statements and should be read in conjunction with the Corporation's audited annual financial statements for the year ended December 31, 2015.

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

The condensed interim consolidated statement of financial position has been prepared using a liquidity based presentation because the operating cycle of the Corporation revolves around the sale of land, the timing of which is uncertain. As a result, presentation based on liquidity is considered by management to provide information that is more reliable and relevant to the users of the condensed interim consolidated financial statements. With the exception of land development inventory (note 4), interest rate cap (note 9), debentures payable (note 8), interest debentures payable (note 8), project debt (note 9), and derivative financial liability (note 9), all assets and liabilities are current in nature and are expected to be settled in less than twelve months.

3. ACCOUNTING POLICIES, ESTIMATES & JUDGMENTS

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

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and equity at the date of the financial statements and the reported amount of revenue and expenses during the period. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of these condensed interim consolidated financial statements from those judgments, estimates and assumptions disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2015.

Future Changes in Accounting Policies

Financial instruments

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

(Expressed in Canadian dollars)

Revenue from contracts with customers

IFRS 15, Revenue from Contracts with Customers ("**IFRS 15**"), was issued in May 2014 by the IASB and supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied retrospectively or through the recognition of the cumulative effect to opening retained earnings and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. We are currently in the process of evaluating the impact that IFRS 15 may have on our consolidated financial statements.

4. LAND DEVELOPMENT INVENTORY

	Nine months ended September 30, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	78,252,645	52,042,267
Development costs	7,617,696	13,806,331
Cost of sales	(2,734,187)	(597,894)
Effect of change in foreign exchange rates	(4,773,021)	13,001,941
BALANCE – END OF PERIOD	78,363,133	78,252,645

Cost of sales recognized of $3,613,607 (December 31, 2015 - $1,023,407) during the nine months ended September 30, 2016 is comprised of $2,734,187 (December 31, 2015 - $597,894) allocated to land development inventory and $879,420 (December 31, 2015 - $425,513) (note 10) allocated to the provision for land development costs.

5. RELATED PARTY TRANSACTIONS

The balance due from and to a related party as at September 30, 2016, is outlined in the table below:

	September 30, 2016	December 31, 2015
	$	$
WUSF 1 Westphalia, LLC ("**WUSF**")	208,578	220,075
Walton Westphalia Europe, LP	5,748	-
TOTAL DUE FROM RELATED PARTIES	214,326	220,075

(Expressed in Canadian dollars)

WUSF 1 Westphalia, LLC.

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	$	$	$	$
Other expenses incurred	-	55	-	9,468

Walton Westphalia Europe, LP.

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	$	$	$	$
Other expenses incurred	5,748	-	5,748	-

The balances due to related parties as at September 30, 2016 are outlined in the table below:

	September 30, 2016	December 31, 2015
	$	$
Walton International Group (USA) Inc ("**WUSA**")	4,122,135	3,487,612
Walton Asset Management	940,989	699,440
Walton Development & Management (USA), Inc	38,887	71,328
Walton International Group Inc.	3,774	18,964
TOTAL DUE TO RELATED PARTY	5,105,785	4,277,344

Walton International Group (USA) Inc.

The Corporation has a USD$4.1 million subordinate loan facility with WUSA, bearing interest at 11% per annum, payable semi-annually. Interest is capitalized to land development inventory. The Corporation can elect to defer the payment of interest and add to the principal balance of the loan. The subordinate loan has a 60 month term with a maturity date of February 1, 2020. The Corporation has the right and option to extend the term of the loan for up to two additional one-year terms. The loan is unsecured and subordinate to the Senior Loan and Mezzanine Loan described in note 9.

(Expressed in Canadian dollars)

	Nine months ended September 30, 2016 $	Year ended December 31, 2015 $
BALANCE – BEGINNING OF PERIOD	3,432,012	-
Advances	580,674	2,959,883
Interest incurred	285,482	199,786
Effect of change in foreign exchange rates	(176,387)	272,343
BALANCE – END OF PERIOD	4,121,781	3,432,012

The following table provides a summary of the WUSA balances outstanding at September 30, 2016 and December 31, 2015:

	September 30, 2016 $	December 31, 2015 $
Principal	3,635,844	3,219,762
Interest payable	485,937	212,250
BALANCE	4,121,781	3,432,012

In addition, during the nine months ended September 30, 2016, WUSA incurred $354 (December 31, 2015 - $55,600) in costs initially funded by WUSA on the Corporation's behalf. The total amount paid to WUSA for costs funded on the Corporation's behalf was $55,600 (December 31, 2015 - $nil). The total amount payable to WUSA for costs funded by WUSA on the Corporation's behalf at September 30, 2016 is $354 (December 31, 2015 - $55,600).

Walton Asset Management L.P.

	For the three months ended		For the nine months ended	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
Management fees charged	140,653	141,038	418,900	418,515
Servicing fees charged	35,163	35,260	104,725	104,629
Payments made	-	(176,297)	(282,076)	(176,297)

The balance payable to WAM as at September 30, 2016 was in respect of the management fees and servicing fees. Notwithstanding the payment terms for such fees, due to cash constraints of the Corporation, management has communicated to WAM that it does not expect to make payments for the management fees and servicing fees until such time that the Corporation has sufficient capital for the payment of such amounts. WAM continues to provide its services as manager of the Corporation and to fund the servicing fee on behalf of the Corporation. All amounts that exceed the regular payment terms are due on demand and bear no interest.

Notes to the Condensed Interim Consolidated Financial Statements

Unaudited

For the three and nine months ended September 30, 2016 and September 30, 2015

(Expressed in Canadian dollars)

Walton Development & Management (USA), Inc.

	For the three months ended		For the nine months ended	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
Development fees charged	5,825	48,062	58,356	238,280
Development fees paid	-	(67,312)	(68,231)	(203,047)
Other expenses incurred	-	-	12,088	-
Other expenses paid	-	-	(30,929)	-

The development fees are capitalized to land development inventory as incurred.

No performance fee was incurred by the Corporation during the period ended September 30, 2016 and September 30, 2015 because the $10 per Unit amount and the cumulative priority return have not been received by the investors of the Units in the Corporation.

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		For the nine months ended	
	September 30, 2016 $	September 30, 2015 $	September 30, 2016 $	September 30, 2015 $
Directors' fees	25,575	12,500	76,726	37,802

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

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

(Expressed in Canadian dollars)

6. PREPAID EXPENSE

The amount of prepaid expenses as at September 30, 2016 are as follows:

	September 30, 2016 $	December 31, 2015 $
BALANCE – BEGINNING OF PERIOD	-	-
Transaction fees related to the unused loan facility (note 9)	328,332	-
Amortized to land development inventory	(283,231)	-
Effect of changes in foreign exchange rates	(231)	-
BALANCE – END OF PERIOD	44,870	-

7. RESTRICTED CASH

The restricted cash balance at September 30, 2016, is outlined in the table below.

	September 30, 2016 $	December 31, 2015 $
Funds pledged as security for the senior loan	2,196,289	2,315,891
Cost Overrun	975,692	1,470,659
Customer deposits (note 11)	996,330	1,176,697
	4,168,311	4,963,247

The cost overrun contains funds deposited by the Corporation for forecasted project cost overruns to be incurred during the 4th quarter 2016. The customer deposits consist of deposits received from homebuilders for lots which revenue recognition criteria have not been met. The deposits are being held in trust with a lawyer.

(Expressed in Canadian dollars)

8. DEBENTURES PAYABLE, INTEREST DEBENTURES PAYABLE AND INTEREST PAYABLE

The following table reconciles the change in Debentures payable:

	Nine months ended September 30, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	14,487,525	14,337,245
Accretion on debentures	122,336	150,280
BALANCE – END OF PERIOD	14,609,861	14,487,525

The following table reconciles the change in Interest Debentures payable:

	Nine months ended September 30, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	2,486,218	1,206,872
Interest Debentures issued	1,380,459	1,279,346
BALANCE – END OF PERIOD	3,866,677	2,486,218

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

	Nine months ended September 30, 2016	Year ended December 31, 2015
	$	$
BALANCE – BEGINNING OF PERIOD	1,033,622	957,956
Accrued interest on the Debentures	903,502	1,206,868
Accrued interest on the Interest Debentures	176,662	148,144
Settlement of interest through issuance of Interest Debentures	(1,380,459)	(1,279,346)
BALANCE – END OF PERIOD	733,327	1,033,622

As at September 30, 2016 and December 31, 2015, WIGI owned approximately 6.3% of the outstanding Units of the Corporation. As a result, approximately 6.3% of the share capital and approximately 6.3% of the balance of Debentures payable, Interest Debentures and interest payable is payable to WIGI.

(Expressed in Canadian dollars)

9. PROJECT DEBT

The following table provides a continuity of the project debt:

	Senior Loan	Mezzanine Loan	Total
	$	$	$
BALANCE – JANUARY 1, 2015	13,393,085	8,936,236	22,329,321
Advances, net of transaction costs	10,007,542	-	10,007,542
Payment on loan	(876,116)	(108,178)	(984,294)
Interest incurred	1,242,326	1,645,012	2,887,338
Interest paid	(1,242,326)	(120,984)	(1,363,310)
Accretion	479,232	187,470	666,702
Effect of changes in foreign exchange rates	3,277,479	1,819,105	5,096,584
BALANCE – DECEMBER 31, 2015	26,281,222	12,358,661	38,639,883
Advances, net of transaction costs	4,976,949	-	4,976,949
Payment on loan	(4,524,615)	(463,250)	(4,987,865)
Interest incurred	1,249,470	1,397,096	2,646,566
Interest paid	(1,249,470)	(302,741)	(1,552,211)
Accretion	531,965	103,268	635,233
Effect of changes in foreign exchange rates	(1,485,993)	(661,414)	(2,147,407)
BALANCE – SEPTEMBER 30, 2016	25,779,528	12,431,620	38,211,148

The following table provides a summary of the project debt balances outstanding as at September 30, 2016 and December 31, 2015:

	Senior Loan	Mezzanine Loan	Total
	$	$	$
Principal, net of transaction costs	26,281,222	8,315,524	34,596,746
Interest payable	-	4,043,137	4,043,137
BALANCE – DECEMBER 31, 2015	26,281,222	12,358,661	38,639,883
Principal, net of transaction costs	25,779,528	7,607,040	33,386,568
Interest payable	-	4,824,580	4,824,580
BALANCE – SEPTEMBER 30, 2016	25,779,528	12,431,620	38,211,148

On May 31, 2016, the Company entered into a Fourth Modification Agreement of the Senior Loan with a financial institution. The agreement extended the original maturity date of May 31, 2016 for one additional one hundred thirty-seven day period beginning on the original maturity date and ending upon October 15, 2016. Further extensions have been obtained, with the most recent extending the maturity date to November 30, 2016.The maximum loan amount has been amended to USD $39.36 million from USD $43.01 million.

During 2016, certain conditions concerning deadlines for the delivery of the guarantor's financial statements to the senior lender were not met within the required timeline. The financial statements have since been delivered and the matter rectified. Also, the guarantor has not satisfied certain covenants to the senior lender relating to minimum cash balances and minimum net worth. This could, at the option of the senior lender, if not cured, constitute a potential event of default under the Senior Loan, which would then allow the lender to demand immediate repayment of amounts owing by the Corporation under the Senior Loan. No notice of such non-satisfaction has been provided by the senior lender.

On June 6, 2016, the Company entered into a Fourth Modification Agreement of the Mezzanine Loan with a financial institution. The agreement extended the original maturity date of June 6, 2016 for one additional one hundred thirty-seven day period beginning on the original maturity date and ending upon October 21, 2016. Further extensions have been obtained, with the most recent extending the maturity date to December 5, 2016.There was no change to the maximum loan amount or the interest rate.

During 2016, certain conditions concerning deadlines for the delivery of the guarantor's financial statements to the mezzanine lender were not met within the required timeline. The financial statements have since been delivered and the matter rectified. Also, the guarantor has not satisfied certain covenants to the mezzanine lender relating to minimum cash balances and minimum net worth. This could, at the option of the mezzanine lender, if not cured, constitute a potential event of default under the Mezzanine Loan, which would then allow the lender to demand immediate repayment of amounts owing by the Corporation under the Mezzanine Loan. No notice of such non-satisfaction has been provided by the mezzanine lender.

The senior lender has advised that it has approved the extension of the Senior Loan to June 30, 2017 subject to certain terms and conditions.

On August 26, 2016, the Corporation's U.S. Subsidiary and WWE entered into an agreement (the "**Loan Agreement**") with MCFI Global Fund Westphalia, LLC ("**MCFI**"). Under the Loan Agreement, MCFI proposes to loan (the "**Loan**") to the Corporation and WWE jointly, up to USD$58 million for the primary purposes of repaying the Senior Loan, Mezzanine Loan and the WUSA loan and funding certain qualifying hard and soft costs for phases 1 and 1A. The loan term will be for 6 years, subject to a 1 year extension at MCFI's election or, if it elects not to extend, up to 1 year at the Corporation's U.S. Subsidiary's and WWE's election. Loan advances made in each calendar quarter will mature 6 years from the end of that quarter. Subject to minor exceptions, the loan cannot be repaid prior to its maturity.

Interest is calculated at the simple, non-compounded annual interest rate of 5.25% and is payable quarterly, with the first payment being payable in the quarter in which the final loan draw occurs. Interest paid will be capitalized to land development inventory.

The Loan will be secured by the Borrowers' assets including the Property.

A precondition to the funding on the Loan is the approval of the Senior and Mezzanine lenders in regards to an inter-creditor agreement. There is no guarantee that the Senior lender or the Mezzanine lender will approve the inter creditor agreement or that MCFI will be able to raise all, or any, of the $58 million under the MCFI EB-5 Offering. If sufficient funds are not raised to permit the Borrowers to repay the Senior, Mezzanine and Walton-loaned facilities, the Corporation will have to source lending from other lenders to (i) obtain extensions to, or repay, those loans including the Senior loan facility and the Mezzanine loan facility, and (ii) fund the remainder of its Phase 1 and 1A development costs, which it may not be able to do. As at September 30, 2016 the loan has not been drawn upon.

(Expressed in Canadian dollars)

The interest rate cap expired on May 31, 2016 and was not renewed. The balance on the interest rate cap as at September 30, 2016 is outlined in the table below.

	September 30, 2016 $	December 31, 2015 $
Interest rate cap purchase price	182,527	182,527
Interest rate cap revaluation	(199,864)	(199,620)
Effect of changes in foreign exchange rates	17,337	17,353
FAIR VALUE OF INTEREST RATE CAP	-	260

The balance on the derivative financial liability as at September 30, 2016 is outlined in the table below.

	September 30, 2016 $	December 31, 2015 $
Derivative financial liability initial measurement	147,746	147,746
Derivative financial liability revaluation	(171,501)	(129,034)
Effect of changes in foreign exchange rates	23,755	24,140
FAIR VALUE OF INTEREST RATE FLOOR	-	42,852

The amount of deferred financing and transaction costs as at September 30, 2016 are as follows:

	September 30, 2016 $	December 31, 2015 $
BALANCE – BEGINNING OF PERIOD	1,271,131	1,396,409
Reclass to prepaid for portion relating to unused facility (note 6)	(328,332)	-
Write off of transaction fees related to the reduced loan facility	(187,972)	-
Transfer to Senior loan	(424,426)	(394,786)
Effect of changes in foreign exchange rates	(69,610)	269,508
BALANCE – END OF PERIOD	260,791	1,271,131

(Expressed in Canadian dollars)

Interest Costs Incurred

The following table provides a breakdown of interest costs incurred:

	September 30, 2016 $	December 31, 2015 $
Interest incurred on Senior Loan	1,249,470	1,242,326
Interest incurred on Mezzanine Loan	1,397,096	1,645,012
Accrued interest on the Debentures (note 8)	903,502	1,206,868
Accrued interest on the Interest debentures (note 8)	176,662	148,144
Interest incurred on WUSA loan (note 5)	285,482	199,786
TOTAL INTEREST	4,012,212	4,442,136
Accretion on Senior Loan	531,965	479,232
Accretion on Mezzanine Loan	103,268	187,470
Accretion on debentures (note 8)	122,336	150,280
Amortization of transaction fees related to the unused loan facility (note 6)	283,231	-
TOTAL ACCRETION	1,040,800	816,982
TOTAL INTEREST AND ACCRETION	5,053,012	5,259,118

Total interest and accretion incurred is capitalized to land development inventory.

10. PROVISION FOR LAND DEVELOPMENT COSTS

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

	Nine months ended September 30, 2016 $	Year ended December 31, 2015 $
BALANCE – BEGINNING OF PERIOD	344,744	-
Additional provisions	879,420	425,513
Less actual costs incurred during the period	(107,945)	(123,638)
Effect of changes in foreign exchange rates	(28,731)	42,869
BALANCE – END OF PERIOD	1,087,488	344,744

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

11. 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.

12. SHARE CAPITAL

Per Share Amount

Basic net income per share ("**EPS**") is calculated by dividing the Corporation's net income (prior to other comprehensive income) by the weighted average number of shares outstanding. The Class A shares outstanding have not been included in the weighted average shares outstanding because the Class A shares do not participate in the profits or losses of the Corporation. The weighted average number of Class B shares outstanding for the period ended September 30, 2016 and December 31, 2015 was 3,017,170.

As the Corporation has the right to convert any portion of the Debentures and Interest Debentures into Class B shares, this conversion feature could result in potentially dilutive shares in the determination of the weighted average diluted shares outstanding. For the three month period ended September 30, 2016, the potentially dilutive shares were 3,937,171. For the nine month period ended September 30, 2016, the potentially dilutive shares were nil because the Corporation generated losses during the period. For the three and nine month period ended September 30, 2015, the potentially dilutive shares were 3,650,853.

Share Issuance Price

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

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

(Expressed in Canadian dollars)

13. INCOME TAXES

The following table reconciles the tax recovery calculated on the Corporation's consolidated net income before tax using the weighted average tax rate to the income tax recovery recognized. The Alberta Government enacted a two percent increase in the corporate tax rate effective July 1, 2015.

	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	$	$	$	$
Consolidated net income/(loss) before tax	71,172	1,009,985	(1,843,899)	2,324,831
Applicable tax rate	27%	26%	27%	26%
EXPECTED TAX (RECOVERY) EXPENSE	19,216	262,596	(497,853)	604,456
Increase/(decrease) in income taxes resulting from:				
Effect of rate change	-	-	-	(21,941)
Impact of tax rate in foreign jurisdiction	(161,887)	164,899	(405,995)	349,995
Change in deferred tax asset not recognized	60,081	48,818	163,958	139,689
Net income tax expense not previously recognized	(96)	-	21,156	-
INCOME TAX (RECOVERY) EXPENSE	(82,686)	476,313	(718,734)	1,072,199

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

	September 30, 2016	December 31, 2015
	$	$
Share issuance costs	15,538	59,887
Non-capital loss carry forward	1,080,902	853,775
Timing difference on interest expense	482,850	498,356
Timing difference on accretion of debentures	154,625	131,628
Unrealized gain on foreign exchange	(2,143,789)	(2,599,105)
Debenture issuance costs	(280,662)	(236,313)
Other	632,843	330,232
Unrecognized deferred tax asset	(905,032)	(741,074)
NET DEFERRED TAX LIABILITY	(962,725)	(1,702,614)

Deferred income tax assets and liabilities are a result of temporary differences between the carrying amount of assets and liabilities in the financial statements and their carrying amount for income tax purposes, as well as recognition of tax losses. Deferred income tax expense is mainly a result of a foreign exchange loss in the $1,141,345 (December 31, 2015 - $3,711,364) which has not been recognized.

(Expressed in Canadian dollars)

The unused non-capital losses of $4,003,339 will expire as follows:

	$
2032	847,219
2033	647,600
2034	711,846
2035	955,466
2036	841,208
	4,003,339

14. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of interest rate cap, due from related parties, restricted cash, cash, Debentures payable, Interest Debentures payable, project debt, interest payable, accounts payable and accrued liabilities, derivative financial liability, and amounts due to related parties.

With the exception of the interest rate cap, Debentures payable, Interest Debentures payable, project debt, and derivative financial liability, the fair value of these financial instruments approximate their carrying value due to the short-term nature of these items. The fair value of the interest rate cap and derivative financial liability are determined using a third party valuator who uses a discounted future cash flow approach, making use of level 2 (other than quoted prices) inputs to arrive at a current value. The discount rate applicable to a transaction is generally LIBOR for the relevant currency, however other discount rates may be used where the valuator feels that LIBOR is not appropriate. This interest rate cap and derivative financial liability are recorded at fair value with changes being recorded through profit and loss. At September 30, 2016, the interest rate cap and derivative financial liability have been extinguished.

The fair value of Debentures payable, Interest Debentures payable, and project debt are determined using the income approach, primarily making use of level 3 (unobservable) inputs. Using the income approach, the expected future cash commitments arising from these financial liabilities are discounted by the Corporation's market rate. As at September 30, 2016, the fair value of Debentures payable and Interest Debentures payable approximate the carrying amount because there have been no significant changes in the Corporation's risk premium or to market interest rates, since the issuance of these financial liabilities.

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, 2016:

(Expressed in Canadian dollars)

SEPTEMBER 30, 2016	Fair Value		Amortized Cost		Totals	
	Through profit and loss	Derivatives	Loans and receivables	Other financial liabilities	Carrying amount	Fair Value
Asset (liability):	$	$	$	$	$	$
Due from related parties	-	-	214,326	-	214,326	214,326
Restricted cash	-	-	4,168,311	-	4,168,311	4,168,311
Cash	-	-	917,382	-	917,382	917,382
Debentures payable	-	-	-	(14,609,861)	(14,609,861)	(14,609,861)[1]
Interest Debentures payable	-	-	-	(3,866,677)	(3,866,677)	(3,866,677)[1]
Project debt	-	-	-	(38,211,148)	(38,211,148)	(38,211,148)
Interest payable	-	-	-	(733,327)	(733,327)	(733,327)
Accounts payable and accrued liabilities	-	-	-	(1,282,573)	(1,282,573)	(1,282,573)
Due to related parties	-	-	-	(5,105,785)	(5,105,785)	(5,105,785)
	-	-	5,300,019	(63,809,371)	(58,509,352)	(58,509,352)

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

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

DECEMBER 31, 2015	Fair Value		Amortized Cost		Totals	
	Through profit and loss	Derivatives	Loans and receivables	Other financial liabilities	Carrying amount	Fair Value
Asset (liability):	$	$	$	$	$	$
Interest rate cap	260	-	-	-	260	260
Due from related parties	-	-	220,075	-	220,075	220,075
Restricted cash	-	-	4,963,247	-	4,963,247	4,963,247
Cash	-	-	1,786,817	-	1,786,817	1,786,817
Debentures payable	-	-	-	(14,487,525)	(14,487,525)	(14,487,525)[1]
Interest Debentures payable	-	-	-	(2,486,218)	(2,486,218)	(2,486,218)[1]
Project debt	-	-	-	(38,639,883)	(38,639,883)	(38,639,883)
Derivative financial liability	-	(42,852)	-	-	(42,852)	(42,852)
Interest payable	-	-	-	(1,033,622)	(1,033,622)	(1,033,622)
Accounts payable and accrued liabilities	-	-	-	(3,022,838)	(3,022,838)	(3,022,838)
Due to related parties	-	-	-	(4,277,344)	(4,277,344)	(4,277,344)
	260	(42,852)	6,970,139	(63,947,430)	(57,019,883)	(57,019,883)

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

The interest rate cap (note 9) was purchased to mitigate the interest rate risk on the Senior Loan. The following table shows the impact on the fair value to Debentures payable, Interest Debentures payable, and Mezzanine Loan (note 9) included in project debt if the market interest rate were to change.

(Expressed in Canadian dollars)

	Sensitivity Analysis		
Change in market interest rate	+/- 1%	+/- 3%	+/- 5%
Debentures payable (8% interest per annum)	31,278	93,611	155,651
Interest Debentures payable (8% interest per annum)	6,981	20,902	34,767
Mezzanine Loan (15% interest per annum)	3,952	11,836	19,692

The future undiscounted obligations of the Corporation as at September 30, 2016 are as follows:

	2016	2017	2018	2019	2020 and thereafter
	$	$	$	$	$
Debentures payable	-	-	-	15,085,850	-
Interest debentures payable	-	-	-	3,866,677	-
Interest payable	379,473	1,516,202	1,516,202	377,991	-
Project debt	38,384,121	-	-	-	-
Accounts payable and accrued liabilities	1,282,573	-	-	-	-
Due to related parties	1,323,696	453,396	453,396	453,396	4,159,564
Total	41,369,863	1,969,598	1,969,598	19,783,914	4,159,564

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, 2016, this amount is $6,438,882 (December 31, 2015 - $6,595,105).

15. COMMITMENTS

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

	Servicing fee	Management fee	Total
	$	$	$
2016	35,164	140,652	175,816
2017	139,888	559,552	699,440
2018	139,888	559,552	699,440
2019	-	137,972	137,972
	314,940	1,397,728	1,712,668

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. During the nine months ended September 30, 2016, USD $574,393 was refunded from the total value of the bonds.