CONSOLIDATED FINANCIAL STATEMENTS

Walton Westphalia Development Corporation

For the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012

(Expressed in Canadian Dollars)

April 30, 2014

Independent Auditor's Report
To the Shareholders of Walton Westphalia Development Corporation

We have audited the accompanying consolidated financial statements of Walton Westphalia Development Corporation and its subsidiaries which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, and the consolidated statements of comprehensive income (loss), cash flows and changes in shareholders' equity for the year ended December 31, 2013 and for the period from January 4, 2012 to December 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Walton Westphalia Development Corporation and its subsidiaries as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the year ended December 31, 2013 and for the period from January 4, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Consolidated Statements of Financial Position

As at December 31, 2013 and December 31, 2012

(Expressed in Canadian Dollars)

	December 31, 2013 $	December 31, 2012 $ (Restated – note 3)
ASSETS		
Land development inventory (note 5)	34,192,040	24,196,279
Interest rate cap (note 10)	138,317	-
Deferred financing and transaction costs (note 10)	1,616,216	-
Prepaid expenses	170,300	157,100
GST recoverable	560	6,888
Accounts receivable	123	3,871
Due from related party (note 6)	95,325	26,427
Deposits (note 7)	1,690,509	-
Restricted cash (note 8)	2,340,564	-
Cash	1,270,779	4,126,027
TOTAL ASSETS	41,514,733	28,516,592
LIABILITIES		
Debentures payable (note 9)	14,200,426	14,075,864
Project debt (note 10)	10,515,731	-
Derivative financial liability (note 10)	8,953	-
Interest payable (note 9)	909,288	724,326
Deferred revenue (note 11)	564,413	-
Accounts payable and accrued liabilities	869,603	291,078
Due to related parties (note 6)	51,379	13,733
Deferred income tax liability (note 13)	419,007	-
TOTAL LIABILITIES	27,538,800	15,105,001
SHAREHOLDERS' EQUITY		
Share capital (note 12)	13,988,912	13,988,912
Accumulated deficit	(646,271)	(555,662)
Accumulated other comprehensive income/(loss)	633,292	(21,659)
TOTAL EQUITY	13,975,933	13,411,591
TOTAL LIABILITIES & EQUITY	41,514,733	28,516,592

Commitments (note 15)

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

_______________________ Director
Clifford H. Fryers

_______________________ Director
Jon N. Hagan

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Consolidated Statements of Comprehensive Income (Loss)

For the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012

(Expressed in Canadian Dollars)

	December 31, 2013	December 31, 2012
	$	$
		(Restated – note 3)
REVENUE		
Land development sales (note 6)	-	3,771,118
COST OF SALES		
Land development (note 6)	-	(3,771,118)
GROSS MARGIN	-	-
OTHER INCOME/(EXPENSES)		
Management fees (note 6)	(559,552)	(336,602)
Servicing fees (note 6)	(139,888)	(84,151)
Professional fees	(57,443)	(62,627)
Directors' fees (note 6)	(52,129)	(52,129)
Office and other expenses	(50,189)	(30,515)
Interest income	20,468	41,275
TOTAL INCOME/(EXPENSES)	(838,733)	(524,749)
LOSS BEFORE OTHER ITEMS	(838,733)	(524,749)
Gain on derivative financial liability revaluation	8,123	-
Loss on interest rate cap revaluation (note 10)	(51,111)	-
Foreign exchange gain/(loss)	1,210,119	(30,913)
TOTAL OTHER ITEMS	1,167,131	(30,913)
NET INCOME/(LOSS) BEFORE TAXES	328,398	(555,662)
Deferred tax expense	419,007	-
NET LOSS AFTER TAX	(90,609)	(555,662)
OTHER COMPREHENSIVE INCOME		
Cumulative translation gain/(loss)	654,951	(21,659)
COMPREHENSIVE INCOME/(LOSS)	564,342	(577,321)
Basic and diluted net income/(loss) per share (note 12)	(0.03)	(0.30)

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

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012

(Expressed in Canadian Dollars)

	Class A Voting Common Shares (note 12)		Class B Non-voting Common Shares (note 12)		Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total
	# of Shares	$	# of Shares	(Restated – note 3) $	(Restated – note 3) $	(Restated – note 3) $	(Restated – note 3) $
JANUARY 4, 2012	100	100	-	-	-	-	100
Shares issued for cash	-	-	3,017,170	15,085,850	-	-	15,085,850
Share issuance costs	-	-	-	(1,097,038)	-	-	(1,097,038)
Net loss after tax	-	-	-	-	(555,662)	-	(555,662)
Other comprehensive loss	-	-	-	-	-	(21,659)	(21,659)
DECEMBER 31, 2012	100	100	3,017,170	13,988,812	(555,662)	(21,659)	13,411,591
Net loss after tax	-	-	-	-	(90,609)	-	(90,609)
Other comprehensive income	-	-	-	-	-	654,951	654,951
DECEMBER 31, 2013	100	100	3,017,170	13,988,812	(646,271)	633,292	13,975,933

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

WALTON WESTPHALIA DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows

For the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012

(Expressed in Canadian Dollars)

	December 31, 2013 $	December 31, 2012 $ (Restated – note 3)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net loss for the period	(90,609)	(555,662)
Adjustments for:		
Unrealized foreign exchange (gain)/loss	(1,210,119)	30,913
Deferred income tax expense	419,007	-
Loss on interest rate cap revaluation	51,111	-
Gain on derivative financial liability revaluation	(8,123)	-
Interest income	(20,468)	(41,275)
Changes in non-cash operating items		
Decrease/(increase) in accounts receivable	3,625	-
Decrease/(increase) GST recoverable	6,328	(6,888)
Increase in due from related party	(64,948)	(26,427)
Increase in prepaid expenses	(2,278)	(157,100)
Increase in deferred revenue	546,538	-
Increase in accounts payable and accrued liabilities	543,756	291,078
Increase in due to related parties	35,933	13,733
Increase in land development inventory	(7,053,498)	(23,340,659)
Increase in restricted cash	(2,266,437)	-
Placement of deposits	(1,636,969)	-
Acquisition of interest rate cap	(185,047)	-
Interest received	20,591	37,404
	(10,911,607)	(23,754,883)
FINANCING ACTIVITIES		
Issuance of Class B non-voting common shares,	-	14,707,247
Class B non-voting common share issuance costs	-	(718,435)
Issuance of Debentures	-	14,707,247
Debenture issuance costs	-	(718,435)
Loan proceeds received from related parties (note 6)	-	27,215,493
Repayment of loan to related parties (note 6)	-	(27,204,828)
Increase in project debt	9,566,233	-
Financing and transaction costs on origination of senior loan	(1,616,216)	-
Proceeds from demand loan (note 6)	2,863,255	-
Payment of demand loan (note 6)	(2,863,255)	-
	7,950,017	27,988,289
Effect of exchange rate on cash	106,342	(107,479)
(Decrease)/increase in cash	(2,855,248)	4,125,927
Cash – Beginning of period	4,126,027	100
Cash – End of period	1,270,779	4,126,027

SUPPLEMENTAL NON-CASH INFORMATION

Excluded from the statement of cash flows is $124,563 (December 31, 2012 - $87,052) of accretion relating to debentures payable and $1,525,054 (December 31, 2012 - $724,326) of non-cash interest capitalized to land development inventory. Interest paid on debentures of $1,022,448 (December 31, 2012 - $nil) is capitalized to land development inventory.

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

1. NATURE OF BUSINESS

Walton Westphalia Development Corporation (the "**Corporation**") was incorporated under the laws of the Province of Alberta on January 4, 2012. The wholly-owned subsidiary of the Corporation, Walton Westphalia Development Corporation (USA), LLC ("**U.S. Subsidiary**") was incorporated under the laws of the state of Maryland on January 6, 2012. The Corporation and the U.S. Subsidiary were formed to provide investors with the opportunity to participate in the development of the approximately 310 acre "Westphalia" property located in Prince George's County, Maryland, U.S.A. (the "**Property**") through the purchase of units in the Corporation. Each unit issued by the Corporation ("**Unit**") through its initial public offering ("**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. ("**WGIL**") (including the performance fee), and (ii) any amounts outstanding, on a phase by phase basis, under the construction loans required to develop the Property. The performance fee is only payable provided that the investors of Units in the Corporation have received distributions equal to their invested capital of $10.00 per Unit plus a cumulative compounded priority return thereon equal to 8% per annum.

The address of the registered office is 23rd Floor, 605 – 5th Avenue SW, Calgary, Alberta, T2P 3H5.

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2014.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in full compliance with International Financial Reporting Standard ("**IFRS**") and using accounting policies that are consistent with IFRS as issued by the International Accounting Standard Board ("**IASB**").

Basis of Presentation

The Corporation's 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 4.

The statement of financial position has been prepared using a liquidity based presentation because the operating cycle of the Corporation revolves around the sale of land, the timing of which is uncertain. As a result, presentation based on liquidity is considered by management to provide information that is more reliable and relevant to the users of the consolidated financial statements. With the exception of land development inventory (note 5), interest rate cap (note 10), debentures payable (note 9), project debt (note 10), and derivative financial liability (note 10), all assets and liabilities are current in nature and are expected to be settled in less than twelve months.

Change in Presentation

The Statement of Financial Position was changed for December 31, 2012 to combine land held for development and land developments costs as a single item referred to as land development inventory to be consistent with the current year presentation.

In addition to the above and the restatement discussed in note 3, the following changes in presentation have been made in the statement of cash flows to be consistent with the current year presentation:

Operating activities:

- (i) gross proceeds from issuance of shares and share issuance costs are now shown separately;
- (ii) gross proceeds from issuance of debentures and debenture issuance costs are now shown separately; and
- (iii) loan proceeds and repayments for all related party loans are consolidated for presentation purposes.

Financing Activities:

- (i) presentation of interest income to show cash received;
- (ii) land development inventory amounts were adjusted to remove the impact of non-cash interest capitalized; and
- (iii) unrealized foreign exchange loss for certain intercompany loans was corrected to be consistent with current year presentation.

3. RESTATEMENT OF PRIOR PERIOD

For the year ended, December 31, 2013, the Corporation has restated the prior period balance for offering costs which were charged to the profit and loss. The Corporation has determined that these costs are directly related to the issuance of share capital and debentures and therefore should be included as offering costs. As a result, $452,576 of offering costs expensed as at December 31, 2012 has been reversed, with $226,288 of the offering costs being recorded against share capital and $226,288, net of $11,201 of accretion, for that period being recorded against debentures payable as at December 31, 2012. There was also an adjustment to revise interest payable and land development costs by $40,381 for interest relating to the prior period not capitalized previously.

The change in presentation and the restatement has resulted in the following changes to the financial statements as at December 31, 2012:

	Previously Reported	Adjustment	Adjusted Amount
	$	$	$
Land development costs	2,754,291	51,582	2,805,873
Land held for development	21,390,406	-	21,390,406
Land development inventory	24,144,697	51,582	24,196,279
Debentures payable	14,290,951	(215,087)	14,075,864
Interest payable	683,945	40,381	724,326
Share capital	14,215,200	(226,288)	13,988,912
Accumulated deficit	(1,008,238)	452,576	(555,662)
Organizational costs	(452,576)	452,576	-
Cash used in operating activities	(24,207,459)	452,576	(23,754,883)
Cash provided by financing activities	28,440,865	(452,576)	27,988,289

4. ACCOUNTING POLICIES

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and equity at the date of the financial statements, and the reported amounts of revenue and expenses during the period. The estimates and assumptions that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows:

Recoverability of land development inventory - In assessing the recoverability of the land development inventory, 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 the net recoverable value of land development inventory to differ materially from the carrying amount.

Deferred tax asset - In assessing the amount of deferred tax asset 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 asset to be recovered to differ materially from the carrying amount.

Interest rate cap and derivative financial liability – In assessing the fair value of the interest rate cap and derivative financial liability, judgement is used to determine the inputs required. Management's assumptions rely on using external data including LIBOR (3 month USD-LIBOR) ("LIBOR") rates.

Intercompany loans – Exchange differences arising from intercompany loans that are not considered part of the net investment in the U.S. Subsidiary and are expected to be repaid in the foreseeable future are recognised in the statement of comprehensive income. The Corporation has certain intercompany loans expected to be repaid in the foreseeable future with the exchange differences being recognized in the statement of comprehensive income.

Capitalization of borrowing costs – The Corporation capitalizes borrowing costs to qualifying assets by determining if borrowings are general or specific to the property, the project will be active throughout the period of capitalisation and will take a substantial period of time to prepare the property for its intended use or sale. The Corporation considers a substantial period of time to be a period that is greater than one year.

Revenue recognition – In assessing when to recognise revenue, significant judgement is required in estimating when the purchaser can commence construction and when collection of sales proceeds are reasonably assured. Changes in the market and the economy or the credit worthiness of the purchaser may impact the amount of the deposit required prior to recognising revenues, which would impact the timing of revenue recognition.

Recognition of joint and several arrangements – The Corporation has a joint and several liability with WWE. The Corporation is required to record its proportion of the obligation in accordance with the agreement. In addition to the Corporation recording its proportionate share of the obligation, the Corporation would be required to recognise an additional provision for WWE's proportion of the obligation if it was determined to be probable that an economic outflow of resources would be required.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its U.S. Subsidiary from the date of acquisition of January 6, 2012. The date of acquisition is the date on which the Corporation obtained control of U.S. Subsidiary through the Corporation's acquisition of all outstanding voting rights. Control exists on this date as the Corporation has the power to direct the relevant activities of the U.S. Subsidiary. The consolidation is accounted for in accordance with IFRS 10: Consolidated Financial Statements.

Investment in Joint Operations

Where the Corporation undertakes its activities as a joint operation through a direct interest in the joint operation's assets and a direct obligation for the joint operation's liabilities, rather than through the establishment of a separate entity, the Corporation's proportionate share of the joint operation's assets, liabilities, revenues, expenses and cash flow are recognized in the consolidated financial statements and classified according to their nature.

Foreign Currency Translation

The Corporation accounts for foreign exchange translation in accordance with International Accounting Standards ("**IAS**") 21: The Effects of Changes in Foreign Exchange Rates. Items included in the consolidated financial statements of the Corporation and its U.S. Subsidiary are measured using the currency of the primary economic environment in which the individual entity operates (the "**Functional Currency**"). The Corporation's Functional Currency is the Canadian dollar while the U.S. Subsidiary's Functional Currency is the U.S. dollar. These consolidated financial statements are presented in Canadian dollars, the Corporation's Functional Currency.

(a) Foreign Currency Transactions

Transactions completed in a currency other the Functional Currency are translated into the Functional Currency using the foreign currency exchange rate prevailing at the time of the transaction. Each reporting period, monetary assets and liabilities denominated in foreign currencies are translated in the statement of financial position at the foreign currency exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the historical foreign currency exchange rate at the date of the transaction.

(b) Translation to the Presentation Currency

The U.S. Subsidiary's Functional Currency is the U.S. dollar, however, the presentation currency for the consolidated financial statements is the Canadian dollar. As a result, the financial statements of the U.S. Subsidiary are required to be translated into the Canadian dollar presentation currency before they can be consolidated with the Corporation's Canadian dollar financial statements. The financial statements of the U.S. Subsidiary are translated into the Canadian dollar using the following procedures:

(i) revenues and expenses for each statement of comprehensive income and loss is translated using the average foreign currency exchange rate for the period;

(ii) assets and liabilities for each statement of financial position is translated using the foreign currency exchange rate prevailing at the reporting date;

(iii) exchange difference resulting from the Corporation's net investment in U.S. Subsidiary are recognized within Other Comprehensive Income/(Loss) ("**OCI**") and accumulated in Accumulated Other Comprehensive Income/(Loss)("**AOCI**"). Exchange difference on intercompany loans which do not form part of the net investment in the subsidiary are recognized in earnings; and

iv) all amounts previously recognized in AOCI are recognized in net earnings when there is a reduction in the net investment as a result of a disposal, partial disposal or loss of control.

Land Development Inventory

Land development inventory consists of land held for development and land development costs. Land development inventory is acquired or constructed for sale in the ordinary course of business and is held as inventory and measured at the lower of cost and net realizable value. The land is recorded at the acquisition cost, which is based on the price paid by the Corporation for the Property. All direct costs related to land development are capitalized to land development inventory. These costs include, but are not limited to, construction costs, consultant costs, project management fees, property taxes, accretion on debentures, and borrowing (financing) costs such as interest on debt specifically related to the land development inventory, but exclude general and administrative overhead expenses. Land development inventory is then relieved through cost of sales proportionately, based on the discounted sale price of each lot.

Where the carrying amount exceeds the net realizable value, the difference is recognized as an impairment loss. If in a future period, the net realizable value of the land development inventory increases, the impairment is reversed up to the original cost of the inventory.

Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Corporation considers land development inventory to be a qualifying asset.

Financing and Transaction Costs

Issuance costs of project debt obligations are capitalized against the associated debt and amortized using the effective interest method. Issuance costs incurred on debt that is fully expected to be utilized and that has not been drawn upon are deferred until draws are made, at which point a pro rata share of the deferred costs are capitalized against the associated debt and amortized using the effective interest method. Issuance costs incurred on the portion of facilities not expected to be drawn are amortized over the related life of the facility.

Financial Instruments

Financial instruments are any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged.

Financial instruments are recognized initially at fair value, which 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.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

At each reporting period, the Corporation will assess whether there is any objective evidence that a financial asset, other than those classified as fair value through profit or loss, is impaired. Impairment, if any, is recorded in net income.

Financial assets and liabilities designated upon initial recognition at fair value through profit or loss are initially measured at fair value with subsequent changes in fair value recorded in net income.

The following table lists the Corporation's financial instruments and the method of measurement subsequent to initial recognition:

Financial Instrument	Category	Measurement Method
Interest rate cap	At fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from related party	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Debentures payable	Other financial liabilities	Amortized cost
Project debt	Other financial liabilities	Amortized cost
Derivative financial liability	At fair value through profit or loss	Fair value
Interest payable	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

Cash

Cash consists of amounts in demand deposits at financial institutions.

Debentures Payable

Debentures payable consist of the Corporation's convertible debentures. As the debentures are convertible at the sole discretion of the Corporation by dividing the principal amount of the Debentures and/or the amount of the accrued and unpaid interest by the current fair value per Class B shares at the time of conversion, the full amount of the debentures are recorded as a financial liability and are initially recorded at fair value and subsequently carried at amortized cost using the effective interest rate method.

The debentures payable issued by the Corporation are extendable at the option of the Corporation for a period of two years. This extension feature is considered a loan commitment under International Accounting Standard 39: Recognition and Measurement ("**IAS 39**"), and as a result, no embedded derivative has been recognized is respect of this extension feature.

Share Capital

Class A voting common shares ("**Class A shares**") have been classified as equity because they represent residual assets of the entity after the deduction of all its liabilities, and do not provide the holder of the shares with the right to put the shares back to the Corporation.

Class B non-voting shares (“**Class B shares**”) issued by the Corporation have been classified as equity because the shares represent a residual interest in the Corporation after the payment of all its liabilities, and do not provide the holder of the shares with the right to put the shares back to the Corporation. Costs directly attributable to the issuance of such shares are recognized as a deduction from equity, net of tax.

Accumulated Deficit

Accumulated deficit comprises the accumulated balance of income less losses arising from the operation of the Corporation, after taking into account dividends declared by the Corporation.

Revenue Recognition

Land is sold by way of an agreement of purchase and sale. Revenue is recognized on these sales once the agreement is duly executed and delivered, the collection of sales proceeds is reasonably assured, the purchaser can commence construction, and all other material conditions are met, including a deposit of not less than 20%.

Customer deposits received for purchases of lots on which the revenue recognition criteria above have not been met are recorded as deferred revenue.

The Corporation recognizes interest income on an accrual basis in the period when it is earned.

Current and Deferred Income Tax

Income tax expense for the period comprises current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

The deferred income tax method is used to account for income taxes. Under this method, deferred income taxes are recognized for the deferred income tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis. Deferred income tax assets and liabilities are measured using tax rates that have been enacted, or substantively enacted, by the date of the financial statements and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date. Deferred income tax assets are recognized to the extent they are more likely than not of being realized.

Current Changes in Accounting Policies

Consolidated financial statements

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

Disclosure of interests in other entities

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

Fair value measurement

The Corporation adopted IFRS 13: Fair Value Measurement ("**IFRS 13**") for the annual year beginning on January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The standard also requires an increase in the disclosure around valuation methods and inputs used in measuring fair value in the notes financial statements. Besides the interest rate cap and the derivative financial liability, the corporation does not carry any assets, liabilities or equity at fair value. The adoption of IFRS 13 has resulted in increased disclosure around fair value contained in note 14 of these financial statements.

Offsetting Financial Assets and Liabilities

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

Future Changes in Accounting Policies

Financial instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments. It contained requirements for the classification and measurement of financial assets, and was updated in October 2010 to incorporate financial liabilities. In November 2013, the IASB issued amendments to include the new general hedge accounting model and to postpone the mandatory effective date of this standard indefinitely. The full impact of this standard will not be known until the amendments addressing impairments, classification and measurement have been completed. When these projects are completed, an effective date will be added by the IASB.

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 amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Corporation has assessed that there will be no impact of the adoption on the financial statements currently or retrospectively.

Levies

International Financial Reporting Interpretation Committee (“**IFRIC**”) 21 is an interpretation of IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”(“**IAS 37**”). IAS 37 sets out criteria for the recognition of a liability to pay a levy imposed by government, other than income tax. The interpretation requires the recognition of a liability when the event, identified by the legislation as triggering the obligation to pay the levy occurs. This standard is required to be applied for accounting periods beginning on or after January 1, 2014. The Corporation has not yet determined the impact of IFRIC 21 on its consolidated financial statements.

5. LAND DEVELOPMENT INVENTORY

	December 31, 2013 $	December 31, 2012 $ (Restated – note 3)
BALANCE – BEGINNING OF PERIOD	24,196,279	-
Acquisition of land	881,623	25,189,769
Development costs	7,149,359	2,764,413
Cost of sales	-	(3,787,360)
Effect of change in foreign exchange rates	1,964,779	29,457
BALANCE – END OF PERIOD	34,192,040	24,196,279

Land development inventory is relieved through cost of goods sold at the time that revenue from lot sales is recognized. The timing of future lot sales is estimated by management, however, is subject to uncertainty because lot sales are influenced by factors that are beyond the control of management, such as market demand for residential lots and the timing of cash flows of the homebuilder. As a result, while a portion of land development inventory could be current in nature, it is not possible for management to reasonably estimate the portion that will be realized within the next twelve months. During the year, $1,968,017 (December 31, 2012 - $1,284,215) of interest relating to Debentures and project debt has been capitalized to development costs.

6. RELATED PARTY TRANSACTIONS

See notes 1, 9, 12, 14, and 16 for additional disclosures relating to certain related parties and other related party transactions.

WAM, Walton International Group Inc. ("**WIGI**"), WDM, Walton Capital Management Inc. ("**WCMI**"), 1389211 Alberta Ltd., Walton Maryland, LLC ("**Walton Maryland**"), WWE, Walton International Group (USA) Inc. and WUSF 1 Westphalia, LLC are all related to the Corporation by virtue of the fact that they are all controlled by WGIL. With the exception of the loans due to WIGI and Walton International Group (USA) Inc., the amounts payable to WAM for the management and servicing fee and the amounts payable to WDM for the development fee, all amounts receivable from related parties and payable to related parties are unsecured, due on demand, bear no interest and have no fixed terms of repayment.

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

	December 31, 2013 $	December 31, 2012 $
WUSF 1 Westphalia, LLC	95,325	-
Walton Westphalia Europe, LP	-	26,427
	95,325	26,427

WUSF 1 Westphalia, LLC.

On February 27, 2012, WUSF 1 Westphalia, LLC entered into a cost sharing agreement with the U.S. Subsidiary for costs incurred for roadway improvements in accordance with pre-approved plans on both the Property owned by Corporation and property owned by WUSF 1 Westphalia, LLC. Either, WUSF1 Westphalia, LLC or the U.S. Subsidiary may elect to construct any of the required improvements by providing notice to the other party of its intent to do so, and each non-constructing party shall acknowledge receipt of any such commencement notice. Each non-constructing party shall reimburse the constructing party for any costs and expenses related to the non-constructing party's property via an invoice delivered to the non-constructing party. The proportion of costs for each party to this agreement is determined pro rata in proportion to that party's property interest in accordance with an allocation of property interest schedule within the cost-sharing agreement.

Walton Westphalia Europe, LP

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

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

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

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

	December 31, 2013 $	December 31, 2012 $
Walton Development & Management (USA), Inc.	50,410	3,266
Walton International Group Inc.	969	-
Walton Asset Management L.P.	-	10,467
	51,379	13,733

Also on August 20, 2012, U.S. Subsidiary and WWE entered into a co-ownership agreement for the purpose of setting forth their respective rights and obligations in connection with certain matters related to the Property. In accordance with this agreement, U.S. Subsidiary and WWE will (a) hold the Property as an investment, develop the property and sell the property in lots or parcels; (b) own and sell their respective participating interest; (c) provide for the management of the Property and utilize funds for the benefit of the Owners for the purposes of operating, managing, developing and maintaining the property; and (d) perform other activities as may be incidental or ancillary to or arise from the foregoing purposes as may be reasonably determined by U.S. Subsidiary. Under this agreement, all benefits, advantages, losses and liabilities derived from or incurred in respect of the Property from time to time shall be borne by U/S Subsidiary and WWE in proportion to their respective participating interests as at the time they were derived or incurred.

Walton Development and Management (USA), Inc.

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

i. WDM will receive a development fee, plus applicable taxes, equal to 2% of certain development costs incurred in the calendar quarter, payable within 60-days of the end of such quarter; and
ii. WDM will receive a performance fee, plus applicable taxes, equal to 25% of cash distributions after all investors of Units in the Corporation have received cash payments or distributions equal to $10.00 per Unit, plus an 8% priority return. The priority return is calculated on the $10.00 amount per unit, reduced by any cash payments or distributions by the Corporation.

The term of the Project Management Agreement will continue until the latest of the date (i) that the whole of the Property has been sold by or on behalf of the owners thereof to one or more third party purchases; and (ii) upon which the parties to the Project Management Agreement have satisfied their obligations under the development agreements with respect to the property.

During the year ended December 31, 2013, and the period January 4, 2012 to December 31, 2012, the Corporation incurred $85,518 and $20,054, respectively, in relation to the development fees. The development fees are capitalized to land development inventory as incurred. Total development fees paid by the Corporation was $122,244 (2012 - $30,920).

No performance fee was incurred by the Corporation during the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012 because the $10 per unit amount and the cumulative priority return have not been received by the investors of the units in the Corporation.

Walton International Group Inc.

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

Security for the loan includes the assets of the Corporation and the U.S. Subsidiary, including over the Property. All available funds from the Offerings, other than amounts placed into working capital, were utilized by the Corporation to pay down the amounts owing under the loan within ten business days of receipt of the available funds. On October 31, 2012, the Private Placement was completed which resulted in the repayment of the outstanding principal and all interest associated with the loan being repaid from the Corporation to WIGI. $393,907 of interest incurred on the loan has been capitalized to land development inventory because the proceeds of the loan were used to finance the acquisition and development of the Property.

During the year ended December 31, 2013, the Corporation incurred $19,015 in costs initially funded by WIGI (December 31, 2012 - $29,830). The total costs paid to WIGI for amounts funded on the Corporation’s behalf was $18,046 (December 31, 2012 - $29,830).

Walton Asset Management L.P.

On February 27, 2012, the Corporation and WAM entered into a Management Services Agreement whereunder WAM will provide certain management related services to the Corporation in return for 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, an amount equal to 2% annually of the aggregate of the net proceeds raised from the Offerings, paid quarterly at the end of each fiscal calendar quarter; and

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

In accordance with the Management Services Agreement, WAM is subject to the following covenants. It shall: (a) perform all services at all times in compliance with applicable laws; (b) manage, administer and operate the Corporation and the Subsidiary in an efficient manner with the objective of maximizing the profitability of the Corporation and the Subsidiary; (c) comply with all reasonable instructions of the Corporation in relation to the performance of its services; and (d) observe and perform, or cause to be observed and performed, on behalf of the Corporation and the Subsidiary in every material respect the provisions of 9i) the agreements from time to time entered into in connection with the activities of the Corporation and the Subsidiary and (ii) all applicable laws.

During the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012 the Corporation incurred $559,552 and $336,602, respectively, in management fees.

Also in accordance with the Management Services Agreement, commencing on September 30, 2012, and continuing until the earlier of the dissolution of the Corporation and December 31, 2018, the Corporation will pay to WAM a servicing fee equal to 0.50% annually of the net proceeds for each Unit sold under the Offerings. WAM is then responsible for paying the servicing fee to the Corporation's agents in accordance with the Agency Agreements between WAM, WDM and the Corporation. The servicing fee is calculated from the date of the applicable closing, calculated semi-annually and paid as soon as practicable after that date. During the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012 the total servicing fees charged to the Corporation was $139,888 and $84,151, respectively, and this was expensed within servicing fees in the statement of comprehensive income/(loss).

During 2012, the Corporation paid to WAM $826,807 in consideration of the Agent Services as described in the Agency Agreement which was equivalent to a fee equal to $0.525 (5.25%) for each Unit Issued and sold at each closing of the Private Placement. WAM was responsible for then paying the Agent Servicing Fee to the Corporation's agents in accordance with the Agency Agreements. The Agency fees were recorded as offering costs associated with the issuance of the shares and debentures.

Walton International Group (USA) Inc.

On May 16, 2013, the U.S. Subsidiary entered into a demand loan agreement (the "**Demand Loan**") with Walton International Group (USA), Inc., a related party by virtue of the fact that it is controlled by WGIL, for an amount up to US$3,500,000. The funds were used to cover pre-development costs incurred prior to obtaining arm's length project debt. The Demand Loan is unsecured, non-revolving, bears 10.5% annual interest, is payable monthly, and was fully repaid from the proceeds of future construction loans. The term of the Demand Loan is 36 months expiring at the earlier of (1) May 16, 2016; (2) such earlier date as the Corporation wishes to repay the Demand Loan; or (3) the date payment is demanded by the lender. On May 31, 2013, $2,780,089 was drawn. On June 7, 2013, this amount was repaid along with $5,598 of interest incurred which was capitalized to land development inventory. $719,911 of the Demand Loan facility remains available for future draws by the U.S. Subsidiary.

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, with 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 Initial Public Offering. $61,050 of interest incurred on this loan has been capitalized to land development inventory (note 5) because the loan was entered into for the purpose of acquiring and developing the Property.

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:

	Year ended	For the period
	December 31, 2013	January 4, 2012 to December 31, 2012
	$	$
Directors’ fees	52,129	52,129

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

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

7. DEPOSITS

Deposits consist of two performance bonds totalling $1,690,509 (December 31, 2012 - $nil) that the Corporation has provided to Prince George’s County for the rough grading permits. These performance bonds are used as construction guarantees and will be terminated once Prince George’s County is satisfied with the work requirements performed on the development of the Westphalia property and discharges the bonds. Forfeiting of the bonds is triggered in the event that the Corporation does not comply with the requirements set out by the Prince George’s County. The Corporation has not been required to forfeit any payments under these performance bonds.

8. RESTRICTED CASH

The restricted cash balance at December 31, 2013, is outlined in the table below.

	December 31, 2013 $	December 31, 2012 $
Funds pledged as security for the senior loan	1,776,151	-
Customer deposits (note 11)	564,413	-
	2,340,564	-

9. DEBENTURES PAYABLE AND INTEREST PAYABLE

As at December 31, 2013, the Corporation has issued a total of 3,017,170 (December 31, 2012 – 3,017,170) Debentures as part of the Offerings. The Debentures are unsecured and bear interest at a rate of 8%. Interest on the Debentures is calculated based on the face value of the Debentures on March 31 of each respective year and is payable annually on June 30, commencing in the year 2013. The Debentures mature on March 31, 2019, at a face value of $5.00, although the maturity date can be extended by the Corporation at its sole discretion until March 31, 2021. The Corporation may also, at its sole discretion, (i) repay all or any portion of the principal amount of, or interest under, the debentures payable through the issuance of Class B shares, (ii) evidence its obligation to pay all or any portion of the interest under the Debentures through the issuance of interest debentures, and/or (iii) convert all or any principal amount of the offering Debentures into Class B shares. The Debentures may be converted into the number of shares obtained by dividing the principal amount of the Debentures by the current fair value of the Class B Shares.

The following table reconciles the change in debentures payable:

	Year ended December 31, 2013 $	For the period January 4, 2012 to December 31, 2012 $ (Restated - note 3)
BALANCE – BEGINNING OF PERIOD	14,075,864	-
Debentures issued through the IPO & Private Placement	-	15,085,850
Debenture issue costs	-	(1,097,039)
Accretion on Debentures	124,562	87,053
BALANCE – END OF PERIOD	14,200,426	14,075,864

The following table reconciles the change in interest payable:

	Year ended December 31, 2013 $	For the period January 4, 2012 to December 31, 2012 $ (Restated – note 3)
BALANCE – BEGINNING OF PERIOD	724,326	-
Accrued interest on the debentures payable	1,207,410	724,326
Settlement of interest through cash distribution	(1,022,448)	-
BALANCE – END OF PERIOD	909,288	724,326

As at December 31, 2013 and December 31, 2012, WIGI owned approximately 6.3% of the outstanding Units of the Corporation. As a result, WIGI owns approximately 6.3% of the share capital and approximately 6.3% of the balance of debentures payable and interest payable is due to WIGI.

10. PROJECT DEBT

The Project debt balances net of financing and transaction costs at December 31, 2013, are outlined in the table below.

	December 31, 2013 $
Senior loan principal draws	3,797,805
Accrued interest	28,803
Deferred financing and transaction costs	(155,701)
Effect of changes in foreign exchange rates	(14,625)
Total – Senior loan	3,656,282
Mezzanine loan principal draws	6,648,292
Accrued interest	587,225
Deferred financing and transaction costs	(388,031)
Effect of changes in foreign exchange rates	11,963
Total – Mezzanine loan	6,859,449
	10,515,731

Senior Loan

On May 31, 2013, the U.S. Subsidiary and WWE collectively entered into the Senior Loan ("Senior Loan"). The Senior Loan is a secured loan for up to USD $40.95 million with an interest rate of LIBOR plus 5.1% with a minimum interest rate floor of 6.2% per annum, however no interest is payable on this loan until the interest reserve of $365,400 is fully utilized. At December 31, 2013, the interest reserve utilized was $28,803. The Senior Loan is to be repaid with proceeds from the sale of the Property and other assets of the Corporation at the greater of (i) 80% of net sales proceeds with deductions for necessary and actual closing expenses incurred, which shall not exceed 8% of gross sales price and shall exclude any brokerage or other form of commission or compensation paid to any affiliate of the Corporation, or (ii) 130% of lender's determination of the loan amount properly allocable to the Property sold, which shall be made based on appraised value information then available to the lender.

The Senior Loan matures May 31, 2016, but may be extended, subject to the satisfaction of certain conditions for two additional 12 month-terms. The Senior Loan is secured by, among other things, a first priority deed of trust lien on the Property. The Senior Loan is being used to fund the first phase of construction on the Property. As at December 31, 2013, the interest rate floor is in effect since LIBOR plus 5.1% was less than 6.2% per annum.

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

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

The balance on the interest rate cap as at December 31, 2013 is outlined in the table below.

	December 31, 2013 $	December 31, 2012 $
Interest rate cap purchase price	182,527	-
Interest rate cap revaluation	(51,608)	-
Effect of change in foreign exchange rates	7,398	-
	138,317	-

The Senior Loan contains an interest rate floor of 6.2%. At the time that the first draw was made on the Senior loan, the floor rate of 6.2% exceeded the Senior loan's rate of LIBOR plus 5.1%. Therefore, an embedded derivative resulted which requires that the value of the interest rate floor be separated from the carrying value of project debt. The interest rate floor is accounted for as a separate derivative financial liability measured at fair value with gains and losses on re-measurement included in profit and loss in the period in which they arise. As of December 31, 2013, the fair value of the interest rate floor value has been recorded at $8,953 (December 31, 2012 - $nil).

The balance on the derivative financial liability as at December 31, 2013 is outlined in the table below.

	December 31, 2013 $	December 31, 2012 $
Derivative financial liability initial measurement	17,019	-
Derivative financial liability revaluation	(8,387)	-
Effect of change in foreign exchange rates	321	-
	8,953	-

WGIL entered into an agreement with the lender of the Senior Loan which guarantees that U.S. Subsidiary will make the payments of principal and interest due under the loan documents. WGIL also provided a guarantee that U.S. Subsidiary will complete the development of the project in accordance with the plans and on a lien-free basis. The lender has the obligation to continue making advances to facilitate the completion, but WGIL has to cover cost overruns. WGIL also guarantees any losses incurred by the lender in connection with certain bad acts or particular events under the Senior Loan, including, but not limited to, waste or intentional/grossly negligent damage to the property, and the misappropriation of funds. WGIL becomes fully liable for the Senior Loan if U.S. Subsidiary or WWE file bankruptcy or take advantage of other laws protecting debtors.

Bill Doherty, CEO of WGIL has also provided a personal guarantee for the Senior Loan in certain limited circumstances.

Mezzanine Loan

On June 6, 2013, the U.S. Subsidiary and WWE collectively entered into the Mezzanine Loan ("Mezzanine Loan") (subordinate financing). The Mezzanine Loan is a second priority secured loan for up to USD $7,285,850 with interest accruing at 15% per annum, however no interest is payable on this loan until the interest reserve is fully utilized. At December 31, 2013 the interest reserve utilized was $587,225. Repayment of the Mezzanine Loan is to be repaid with 100% of the Corporation's proceeds from the sale of the Property and other assets of the Corporation after payment to the Senior Loan as described under the Senior Loan and payment of necessary and actual closing expenses incurred, excluding brokerage or other commission or compensation paid to any affiliate of the Corporation and limited to the following: (a) actual brokerage fees not to exceed 6%; (b) actual transfer taxes levied on the sale to the extent paid; and (c) other actual, out of pocket closing costs not to exceed 2.5%.

The Mezzanine Loan matures June 6, 2016, but may be extended, subject to the satisfaction of certain conditions for two additional 12 month-terms. The Mezzanine Loan is subordinate to the terms of the Senior Loan and is secured by, among other things, a second-priority deed of trust lien on the Property. The Mezzanine Loan was used to fund the first phase of purchase and construction on the Property.

The loan agreements provide non-financial covenants that require the Corporation maintain sufficient insurance on the Property in that it (i) be with insurers authorized to do business in the state in which the Property is situated and who have and maintain a rating of at least A-, V or better from the Best's Insurance Guide; (ii) contain the complete address of the Property; (iii) be for a term of at least (1) year; (iv) contain deductibles no greater than $10,000; and (v) be subject to the approval of the lender as to insurance companies, amounts, content, forms of policies, method by which premiums are paid and expiration dates. Also, the Corporation shall permit a representative of the lender to inspect the Property at reasonable times. There are no financial covenants provided as part of the loan agreements. As at December 31, 2013, the Corporation is in compliance with the above-noted debt covenants.

WGIL has entered into an agreement for the Mezzanine Loan with the lenders whereby WGIL guarantees that U.S. Subsidiary will complete the development of the project in accordance with the plans and on a lien-free basis. The lender will continue making advances to facilitate the completion, but WGIL has to cover cost overruns. WGIL also guarantees any losses incurred by the lender in connection with certain bad acts or particular events under the Mezzanine Loan, including, but not limited to, waste or intentional/grossly negligent damage to the property, and misappropriation of funds. WGIL becomes fully liable for the loan if U.S. Subsidiary or WWE file bankruptcy or take advantage of other laws protecting debtors.

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

	December 31, 2013 $	December 31, 2012 $
BALANCE – BEGINNING OF PERIOD	-	-
Deferred financing and transaction costs	2,159,948	-
Transfer to Senior loan	(155,701)	
Transfer to Mezzanine loan	(388,031)	
BALANCE – END OF PERIOD	1,616,216	-

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.

12. SHARE CAPITAL

Authorized:
Unlimited Class A Shares
Unlimited Class B Shares

Outstanding:

	December 31, 2013		December 31, 2012	
	Number of shares	Amount $	Number of shares	Amount $ (Restated – note 3)
Class A voting common shares	100	100	100	100
Class B non-voting common shares	3,017,170	15,085,850	3,017,170	15,085,850
Share issuance costs	-	(1,097,038)	-	(1,097,038)
	3,017,270	13,988,912	3,017,270	13,988,912

All Class A shares of the Corporation are held by 1389211 Alberta Ltd., a wholly owned subsidiary of WIGI. WIGI is a wholly owned subsidiary of WGIL. All or substantially all of the shares of WGIL are owned by or for the benefit of the Doherty family, including William K. Doherty, the Chief Executive Officer and director of WGIL.

Per Share Amount

Basic net loss per share is calculated by dividing the Corporation's net loss (prior to OCI) by the weighted average number of shares outstanding. Class A shares outstanding have not been included in the weighted average shares outstanding because the Class A shares do not participate in the profits or losses of the Corporation. The weighted average number of shares outstanding during the year was 3,017,170 (December 31, 2012 - 1,832,208).

As the Corporation has the right to convert any portion of the debentures payable into Class B shares, this conversion feature could result in potentially dilutive shares in the determination of the weighted average diluted shares outstanding. For the year ended December 31, 2013 and the period January 4, 2012 to December 31, 2012, the diluted loss per share amount has not been presented as the impact of the conversion feature of the debentures would be anti-dilutive. If all of the debentures were converted to non-voting common shares, an additional 3,017,170 shares would be issued.

Share Issuance Price

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

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

13. INCOME TAXES

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

	Year ended December 31, 2013 $	For the period January 4, 2012 to December 31, 2012 $
Consolidated net income/(loss) before tax	328,398	(555,662)
Applicable tax rate	25%	25%
Expected tax expense/(recovery)	82,100	(138,916)
Increase/(decrease) in income taxes resulting from:		
Share issuance costs deducted in share equity	-	(274,260)
Impact of tax rate in foreign jurisdiction	160,376	-
Change in deferred tax asset not recognized	176,531	413,176
DEFERRED TAX EXPENSE	419,007	-

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

	Year ended December 31, 2013 $	For the period January 4, 2012 to December 31, 2012 $
Share issuance costs	165,155	220,007
Non-capital losses	373,705	211,805
Timing difference on interest expense	132,800	8,924
Timing difference on accretion of debentures	50,103	18,963
Unrealized (gain)/loss on foreign exchange	(454,447)	7,729
Debenture issuance costs	(109,104)	(54,252)
Other	21,150	-
Unrecognized deferred tax asset	(598,369)	(413,176)
NET DEFERRED TAX LIABILITY	(419,007)	-

Movement in deferred tax balances during the year:

	Year ended December 31, 2013 $	For the period January 4, 2012 to December 31, 2012 $
NET DEFERRED TAX LIABILITY, BEGINNING OF PERIOD	-	-
Charged to statement of comprehensive income and loss	419,007	-
NET DEFERRED TAX LIABILITY, END OF PERIOD	419,007	-

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 a result of a foreign exchange gain in the US Subsidiary, resulting in a deferred tax expense. Temporary differences in Canada result in a future income tax asset of $598,369 (2012 - $421,838) which has not been recognized.

The unused non-capital losses of $1,494,819 will expire as follows:

	$
2032	847,219
2033	647,600
	1,494,819

14. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of interest rate cap, accounts receivable, due from related party, deposits, restricted cash, cash, 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, project debt, and derivative financial liability, the fair value of these financial instruments approximate their carrying value due to the short-term nature of these items. The fair value of the interest rate cap and derivative financial liability are determined using a third party valuator who uses a discounted future cash flow approach, making use of level 2 (other than quoted prices) inputs to arrive at a current value. The discount rate applicable to a transaction is generally LIBOR for the relevant currency, however other discount rates may be used where the valuator feels that LIBOR is not appropriate. This interest rate cap and derivative financial liability are recorded at fair value with changes being recorded through profit and loss.

The fair value of debentures payable 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 effective interest rate.

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, 2013 and December 31, 2012:

DECEMBER 31, 2013	Fair Value		Amortized Cost		Totals	
	Through profit and loss	Derivatives	Loans and receivables	Other financial liabilities	Carrying amount	Fair Value
Asset (liability):						
Interest rate cap	138,317	-	-	-	138,317	138,317
Accounts receivable	-	-	123	-	123	123
Deposits	-	-	1,690,509	-	1,690,509	1,690,509
Due from related party	-	-	95,325	-	95,325	95,325
Restricted cash	-	-	2,340,564	-	2,340,564	2,340,564
Cash	-	-	1,270,779	-	1,270,779	1,270,779
Debentures payable	-	-	-	(14,200,426)	(14,200,426)	(14,200,426)[1]
Project debt	-	-	-	(10,515,731)	(10,515,731)	(10,515,731)[1]
Interest payable	-	-	-	(909,288)	(909,288)	(909,288)
Accounts payable and accrued liabilities	-	-	-	(869,603)	(869,603)	(869,603)
Derivative financial liability	-	(8,953)	-	-	(8,953)	(8,953)
Due to related parties	-	-	-	(51,379)	(51,379)	(51,379)
	138,317	(8,953)	5,397,300	(26,546,427)	(21,019,773)	(21,019,773)

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

DECEMBER 31, 2012	Fair Value		Amortized Cost		Totals	
	Through profit and loss	Derivatives	Loans and receivables	Other financial liabilities	Carrying amount	Fair Value
Asset (liability):						
Accounts receivable	-	-	3,871	-	3,871	3,871
Due from related party	-	-	26,427	-	26,427	26,427
Cash	-	-	4,126,027	-	4,126,027	4,126,027
Debentures payable	-	-	-	(14,075,864)	(14,075,864)	(14,075,864)[1]
Interest payable	-	-	-	(724,326)	(724,326)	(724,326)
Accounts payable and accrued liabilities	-	-	-	(291,078)	(291,078)	(291,078)
Due to related parties	-	-	-	(13,733)	(13,733)	(13,733)
	-	-	4,156,325	(15,105,001)	(10,948,676)	(10,948,676)

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

The interest rate cap (note 10) was purchased to mitigate the interest rate risk on the senior loan. The following table shows the impact on the fair value assigned to debentures payable and Mezzanine loan (note 10) included in project debt if the market interest rate were to change.

	Sensitivity Analysis		
Change in market interest rate	+/- 1%	+/- 3%	+/- 5%
Debentures payable (8% interest per annum)	+/- $55,719	+/- $166,407	+/- $276,100
Mezzanine loan (15% interest per annum)	+/- $24,281	+/- $72,544	+/- $120,412

Risk – overview

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

	RISK			
	CREDIT	LIQUIDITY	INTEREST RATE	CURRENCY
Interest rate cap			X	
Accounts receivable	X			X
Due from related party	X			X
Deposits	X			
Restricted cash	X			
Cash	X		X	X
Debentures payable		X	X	
Project debt		X	X	X
Derivative financial liability			X	
Interest payable		X		
Accounts payable and accrued liabilities		X		
Due to related parties		X		X

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash held with banks, including restricted cash, accounts receivable and due from related party. The maximum exposure to credit risk is equal to the carrying value of these financial instruments.

Accounts receivable – The balance of accounts receivable as at December 31, 2013 and December 31, 2012 were outstanding less than 90 days were collected subsequent to year end. Exposure to credit risk relating to these receivables is not significant.

Due from related party - The balance of due from related parties are short-term in nature and are under the terms of the cost sharing agreement (note 6). As a result, the Corporation's exposure to credit risk from due from related parties is not significant.

Restricted cash, cash, and deposits – Restricted cash, cash, and deposits are each on deposit with financial institutions, which substantially minimizes the exposure of cash to credit risk.

ii) Liquidity risk

Liquidity risk arises from the possibility that the Corporation will encounter difficulties in meeting its financial obligations as they become due. The Corporation manages its liquidity risk by continuously monitoring the progress of the development, ensuring timely collection of lot sales, and managing cash receipts and payments. The liabilities which expose the Corporation to liquidity risk are as follows:

Debentures payable and interest payable - Management has the ability to settle any interest payable through the issuance of interest debentures. The Debentures have a maturity date of March 31, 2019, however, the maturity date can be extended to March 31, 2021 at the sole discretion of the Corporation. The Corporation intends to repay the debentures payable through proceeds from completed lot sales.

Project debt - Project debt is comprised of Senior and Mezzanine debt with arm's length institutional lenders. The loans are secured by among other things, first and second priority trust on the Property. It is anticipated that further construction loans will be required to fund the costs of development for Phase 2, 3, and 4 of the Project. In order to minimize the Corporation's exposure to liquidity risk as a result of the project debt, management ensures that all conditions and requirements under the loan agreements are adhered to. Balances owing at December 31, 2013 will be funded through proceeds from completed lot sales. WGIL has guaranteed the Senior Loan and Mezzanine Loan (note 10).

As a result of collectively entering into the Senior Loan with WWE, while each party accounts for its proportionate share of the long-term debt, management has assessed that risk resulting from U.S. Subsidiary's relative size and proportion of interest in the project from the joint and several nature of the collective agreement whereby in the unlikely event of a default on the long-term debt, U.S. Subsidiary may have a greater than it's proportionate share of exposure to any default conditions. The total amount (face value) of the Senior Loan and the Mezzanine Loan and accrued interest is $11,062,125, and the unrecorded portion to which the Corporation may be party to is $1,861,851.

Management has mitigated this risk by entering into a co-ownership agreement (note 6) with WWE, dated August 20, 2012, to provide a method of recovery for such remote instances.

Accounts payable and accrued liabilities - These liabilities are a result of the normal operations of the Corporation and are current in nature. Management considers exposure to liquidity risk from these financial instruments to be minimal because the balances owing at December 31, 2013, will be funded by cash held by the Corporation and project debt. As at December 31, 2013, the Corporation has total cash on hand of $1,270,779 and the amount available on loan facilities is USD $38,543,318.

Due to related parties - These liabilities are a result of the normal operations of the Corporation and are payable in accordance with the terms of the related party agreements. Management considers exposure to liquidity risk from these financial instruments to be low because balances owing at December 31, 2013 will be funded through proceeds from the sale of lots, recoverable costs and construction loans. There is no assurance that the related parties will provide future funding.

The future undiscounted obligations of the Corporation as at December 31, 2013 are as follows:

	Debentures payable	Interest payable	Project debt	Accounts payables and accrued liabilities	Due to related party	Total
	$	$	$	$	$	$
2014	-	1,206,868	-	869,603	51,379	2,127,850
2015	-	1,206,868	-	-	-	1,206,868
2016	-	5,464,551	10,446,097	-	-	15,910,648
2017	-	1,204,383	-	-	-	1,204,383
2018 and thereafter	15,085,850	2,413,736	-	-	-	17,499,586
	15,085,850	11,496,406	10,446,097	869,603	51,379	37,949,335

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 December 31, 2013 this amount is $1,861,980.

iii) Interest rate risk

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

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

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

Project debt, interest rate cap and derivative financial liability – The Corporation is exposed to interest rate risk on its Senior Loan which is based on LIBOR (note 10). Within the Senior Loan is an interest rate floor which has been classified as a derivative financial liability. This ensures that a minimum interest rate is charged on the Senior Loan. In order to mitigate the maximum interest rate risk on the Senior Loan the Corporation entered into an interest rate cap (note 10).

iv) Currency risk

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

The Corporation is exposed to foreign exchange risk because the operations, development expenditures and construction loans are denominated in currencies other than in the Canadian dollar, primarily being the U.S. dollar.

At December 31, 2013 if the Canadian dollar had strengthened by 10% against USD with all other variables held constant, comprehensive income for the year would have been $1,236,191 less, mainly as a result of foreign exchange losses on USD denominated intercompany loans and debentures.

Conversely, if the Canadian dollar had weakened by 10% against USD with all other variable held constant, comprehensive income for the year would have been $1,236,191 higher.

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

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

15. COMMITMENTS

The following table presents future commitments of the Corporation under the Management Services Agreement (note 6). It does not include the performance fee payable to WAM under the Management Services Agreement, which is determined at the time land sales are completed.

	Servicing fee	Management fee	Total
	$	$	$
2014	139,888	559,552	699,440
2015	139,888	559,552	699,440
2016	139,888	559,552	699,440
2017	139,888	559,552	699,440
2018 and thereafter	139,888	697,524	837,412
	699,440	2,935,732	3,635,172

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.

16. CAPITAL MANAGEMENT

The Corporation defines capital as total Shareholders' Equity, Debentures Payable, Project Debt and Due to Related Parties. At December 31, 2013, the total capital managed was $38,543,318 (December 31, 2012 - $27,501,188).

The Corporation's objectives when managing capital are to:

(i) ensure adequate capital is retained by the Corporation to obtain construction loans to fund construction of the project;
(ii) ensure that the Corporation is able to meet all obligations relating to the entity and the development of the land, through sale of the lots; and
(iii) maximize the rate of return to our Shareholders.

The Corporation manages the capital structure by using short and long term cash flow projections to determine that the amount of cash available to meet on-going obligations is either retained by the Corporation, available through construction loan facilities or is available through agreements with related parties. The Corporation may elect to use interest debentures to settle debentures payable interest payments and has the ability to convert debentures payable to share capital if needed to maintain adequate capital levels. Project Debt is intended to be utilized to finance future phases of development which may require partial or full guarantees by WGIL to obtain or maintain facilities at market rates.

There were no changes to the way we define capital, our objectives, and our policies and processes for managing capital from the prior fiscal year.

The loan agreements described in note 10 provide non-financial covenants that require the Corporation to maintain sufficient insurance on the Property and shall permit a representative of the Lender to inspect the Property at reasonable times. There are no financial covenants provided as part of the Senior Loan or Mezzanine Loan other than as provided for in the form of a "Material Adverse Change" as defined in the definitions and included in Article V – Covenants of Borrower in each loan agreement. As at December 31, 2013, the Corporation is in compliance with all debt covenants.

17. SUBSEQUENT EVENTS

The amount available under the Senior Loan has been increased from USD $40.95 million prior to the amendment to USD $43.01 million. The loan agreement has also been amended to allow for up to $6.15 million in letters of credit to Prince George's County, Maryland for purposes of providing required credit assurances with respect to the Corporation's performance bond facility agreement (note 10).