

LP RRSP Limited Partnership #2  
Consolidated Annual Financial Statements  
For the years ended December 31, 2011 and 2010  
(unaudited)

## NOTICE TO READER

These financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies in the notes to the financial statements. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality, and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

These financial statements have not been audited by an independent firm of chartered accountants. Readers are cautioned that these statements may not be appropriate for their purposes.

LP RRSP Limited Partnership #2  
Consolidated Balance Sheets  
(Unaudited)

	Dec. 31, 2011	Dec. 31, 2010 <sup>(1)</sup>	Jan. 1, 2010 <sup>(1)</sup>
<b>Assets</b>			
Investment in Limited Partnership Land Pool (2007)	3,999,833	4,213,275	3,864,148
	<u>3,999,833</u>	<u>4,213,275</u>	<u>3,864,148</u>
<b>Liabilities</b>			
Amounts due to related parties	140,787	133,339	122,691
	<u>140,787</u>	<u>133,339</u>	<u>122,691</u>
<b>Equity</b>			
General partner	10	10	10
Limited partners	3,859,036	4,079,926	3,741,447
	<u>3,859,046</u>	<u>4,079,936</u>	<u>3,741,457</u>
	<u>3,999,833</u>	<u>4,213,275</u>	<u>3,864,148</u>

See accompanying notes to the annual financial statements

<sup>(1)</sup> Refer to Note 3 for the effects of the adoption of IFRS

LP RRSP Limited Partnership #2  
 Statements of Comprehensive Income  
 For the years ended December 31, 2011 and 2010  
 (Unaudited)

	2011	2010 <sup>(1)</sup>
<b>Expenses</b>		
Loss (gain) on investments	213,442	(349,127)
General and administrative expenses	7,448	10,648
	220,890	(338,479)
<b>Earnings (loss) being comprehensive income (loss) for the year</b>	<b>(220,890)</b>	<b>338,479</b>

LP RRSP Limited Partnership #2  
 Consolidated Statements of Partners' Equity  
 For the years ended December 31, 2011 and 2010  
 (Unaudited)

	Net Partners' Contributions	Retained Earnings	Partners' Equity
<b>At January 1, 2010</b>	6,309,363	(2,567,906)	3,741,457
Earnings being comprehensive income for the year	-	338,479	338,479
<b>At December 31, 2010</b>	6,309,363	(2,229,427)	4,079,936
Loss being comprehensive loss for the year	-	(220,890)	(220,890)
<b>At December 31, 2011</b>	6,309,363	(2,450,317)	3,859,046

See accompanying notes to the annual financial statements

<sup>(1)</sup> Refer to Note 3 for the effects of the adoption of IFRS

**LP RRSP Limited Partnership #2**  
**Notes to the Consolidated Annual Financial Statements**  
**For the years ended December 31, 2011 and 2010**  
(Unaudited)

**1. Organization and Operation of the Partnership**

LP RRSP Limited Partnership #2 (the "Partnership") is a limited partnership formed under the laws of the Province of Alberta on January 15, 2008 pursuant to the Partnership Act (Alberta). It commenced operations on that date through the raising of funds from the sale of limited partnership units ("Units") through an offering memorandum dated January 16, 2008. As at September 30, 2011, the Partnership has 5,990,475 Units outstanding (Dec. 31, 2010 - 5,990,475 Units).

The Partnership was established to participate in the development of raw (primarily agricultural) land in Airdrie and Delacour (the "Properties") through an indirect interest in Limited Partnership Land Pool (2007) ("LPLP").

The affairs of the Partnership are managed by the General Partner, GP RRSP 2007 #2 Inc. The Partnership's head office is located at 200, 3115 - 12th Street N.E., Calgary, AB T2E 7J2.

The Partnership's financial statements for the year ended December 31, 2011 were authorized for issue in accordance with a resolution of the directors of the General Partner on March 16, 2012.

**2. Significant Accounting Policies**

The significant accounting policies of the Partnership are set out below. These policies have been consistently applied to each of the years presented, unless otherwise indicated.

(a) Statement of compliance

The annual financial statements represent the first financial statements of the Partnership prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Partnership adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards ("IFRS 1") as discussed in Note 3. Consequently, the comparative figures for 2010 and the Partnership's balance sheet as at January 1, 2010 have been restated from accounting principles generally accepted in Canada ("CGAAP") to comply with IFRS.

**LP RRSP Limited Partnership #2**  
**Notes to the Consolidated Annual Financial Statements**  
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(Unaudited)

**2. Significant Accounting Policies (continued)**

(b) Basis of presentation

The annual financial statements have been prepared in accordance with IFRS. The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as at the reporting date. Actual results could differ from these estimates. Such estimates include the amounts relating to the determination of liabilities and accruals and the potential impairment of amounts receivable and land held for future development. By their nature these amounts are subject to measurement uncertainty and changes in such estimates may affect the financial statements in future years.

(c) Basis of consolidation

The consolidated annual financial statements include the accounts of the Partnership and its wholly-owned subsidiary, LPLP 2007 Subco #2 Inc. All intra-group transactions and balances are eliminated on consolidation.

(d) Financial assets

All financial assets are initially recognized on the balance sheet at fair value and designated at inception into one of the following classifications; at fair value through profit or loss ("FVTPL") and loans and receivables. Loans and receivables are recognized on the date of origination. All financial assets are recognized initially on the trade date at which the Partnership becomes a party to the contractual provisions of the instrument. Transaction costs related to financial assets classified as FVTPL are expensed, and for all other financial assets included in the initial carrying amount.

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets at FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income. The financial assets classified as FVTPL are investments.

Financial instruments classified as loans and receivables and FVTPL are subsequently measured at amortized cost using the effective interest rate method, less impairment. The amortization and losses arising from impairment are recognized in the statement of comprehensive income. The Partnership does not currently have any financial assets classified as loans and receivables.

**LP RRSP Limited Partnership #2**  
**Notes to the Consolidated Annual Financial Statements**  
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**2. Significant Accounting Policies (continued)**

(d) Financial assets (continued)

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or the Partnership transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained is recognized as a separate asset or liability.

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset. If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

(e) Financial liabilities

All financial liabilities are initially recognized on the balance sheet at fair value less directly attributable transaction costs and designated at inception as other financial liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The financial liabilities classified as other financial liabilities are accounts payable and accrued liabilities and amounts due to related parties. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented on the balance sheet when, and only when, the Partnership has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**LP RRSP Limited Partnership #2**  
**Notes to the Consolidated Annual Financial Statements**  
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**2. Significant Accounting Policies (continued)**

(f) Income taxes

The Partnership is not subject to income taxes. The income or loss for income tax purposes is allocated to the Partners based upon their proportionate share of the Partnership units. These financial statements include only the assets, liabilities and operations of the Partnership and do not include other assets or liabilities, including income taxes, of the Limited Partners.

(g) Change in accounting policy

The Partnership amended its accounting policy choice for presenting the statement of cash flows. IAS 7 "Statement of Cash Flows" provides an option to use either the direct or indirect method to present cash flows from operating activities. The Partnership has elected to change the presentation to the direct method. Prior to the change, cash flows from operating activities were presented using the indirect method. The change has been applied to the annual financial statements for the year ended December 31, 2011. As the Partnership does not have its own bank account or hold cash and cash equivalents, a Statement of Cash Flows has not been included in the annual financial statements for the year ended December 31, 2011.

(h) Future changes in accounting policies

(i) IAS 1: Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 requiring items within other comprehensive income that may be reclassified to the profit or loss section of the income statement to be grouped together. The amendments are to be applied retrospectively and will be effective for annual periods commencing on or after July 1, 2012, with earlier application permitted. This amendment will have no impact on the Partnership after initial application.

(ii) IFRS 7: Financial Instruments: Disclosures – Transfer of financial assets (Amendment)

In October 2009, IASB made amendments to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"). The amendment is effective for annual periods beginning on or after July 1, 2011. This amendment will result in an increase in disclosure with regards to the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment will have no impact on the Partnership after initial application.



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**2. Significant Accounting Policies (continued)**

(h) Future changes in accounting policies (continued)

(iii) IFRS 9: Financial Instruments - Classification and Measurement

On November 12, 2009, the IASB issued IFRS 9, "Financial Instruments" ("IFRS 9"), which will replace IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. It applies to classification and measurement of financial assets as defined in IAS 39. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The Partnership is currently evaluating the impact of IFRS 9 on its financial statements.

(iv) IFRS 10: Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements", issued by IASB on May 12, 2011, will replace Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The Partnership is currently evaluating the impact of IFRS 10 on its financial statements.

(v) IFRS 12: Disclosure of Interests in Other Entities

IFRS 12, "Disclosure of Interests in Other Entities", issued by IASB on May 12, 2011, outlines the required disclosures for interests in subsidiaries and joint arrangements. The standard is effective for annual periods beginning on or after January 1, 2013. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. The Partnership is currently evaluating the impact of IFRS 12 on its financial statements.

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**2. Significant Accounting Policies (continued)**

(h) Future changes in accounting policies (continued)

(vi) IFRS 13: Fair Value Measurement

IFRS 13, "Fair Value Measurement", issued by IASB on May 12, 2011, is effective for annual periods beginning on or after January 1, 2013. The new standard provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. The Partnership is currently evaluating the impact of IFRS 13 on its financial statements.

**3. First Time Adoption of IFRS**

The Partnership adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010 (the "Transition Date"). An opening balance sheet has been prepared effective the Transition Date. The Partnership followed CGAAP prior to the adoption of IFRS.

(a) Exemptions elected

IFRS 1 allows certain optional exemptions from full retrospective application of IFRS. The Partnership has not applied any exemptions in the preparation of these annual financial statements.

(b) Mandatory exemptions

IFRS 1 requires certain mandatory exemptions from full retrospective application of IFRS. In accordance with IFRS 1, the Partnership has not used hindsight to create or revise estimates.

The following is a reconciliation of the Partnership's total equity as reported under CGAAP to IFRS at the Transition Date:

	Net Partners' Contributions	Retained Earnings	Partners' Equity
At December 31, 2009 under CGAAP	6,309,363	(2,567,906)	3,741,457
Adjustments	-	-	-
At January 1, 2010 under IFRS	6,309,363	(2,567,906)	3,741,457

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3. First Time Adoption of IFRS (continued)

The following is a reconciliation of the Partnership's total equity as reported under CGAAP to IFRS at December 31, 2010:

	Net Partners' Contributions	Retained Earnings	Partners' Equity
At December 31, 2010 under CGAAP	6,309,363	(2,229,427)	4,079,936
Adjustments	-	-	-
At December 31, 2010 under IFRS	6,309,363	(2,229,427)	4,079,936

The following is a reconciliation of the Partnership's loss being comprehensive loss as reported under CGAAP to IFRS for the year ended December 31, 2010:

	Note	2010
Loss under CGAAP		338,479
Adjustments		-
Loss being comprehensive loss under IFRS		338,479

The first time adoption of IFRS has not impacted the actual cash flows of the Partnership.

4. Financial Instruments

(a) Risks associated with financial instruments

The General Partner has overall responsibility for the establishment and oversight of the Partnership's risk management framework. The General Partner has implemented and monitors compliance with risk management policies. The Partnership has exposure to the following risks from its use of financial instruments:

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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4. Financial Instruments (continued)

(a) Risks associated with financial instruments (continued)

(ii) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, and interest rates, will affect the Partnership's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

The Partnership is exposed to market risk in terms of its reliance on the strength of the local economies in which it operates. The real estate assets the Partnership indirectly holds are on the outskirts of the Calgary Metropolitan Area and are therefore is subject to the economic conditions of this region.

(iii) Liquidity risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they are due. The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Partnership.

(iv) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Partnership could become exposed to interest rate cash flows risk to the extent that agreements receivable are at a floating rate of interest.

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**4. Financial Instruments (continued)**

(b) Fair value of financial instruments

The fair values of accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity.

The fair value of the Partnership's related party balances as at December 31, 2011, December 31, 2010 and January 1, 2010 were considered indeterminable due to the inability to obtain market prices.

Fair value measurements recognized in the balance sheet are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. All of the Partnership's financial instruments recorded at fair value are categorized under Level 1 as defined below.

The three fair value hierarchy levels are as follows:

- 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**5. Comparative Figures**

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