NORTH CONRICH JOINT VENTURE

ANNUAL FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

Independent Auditors' Report

To the Venturers of North Conrich Joint Venture

We have audited the accompanying financial statements of North Conrich Joint Venture, which comprise the balance sheet as at December 31, 2016, the statements of comprehensive income, partners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of North Conrich Joint Venture as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Calgary, Alberta

MNP LLP

July 19, 2017

Chartered Professional Accountants

MNP LLP

NORTH CONRICH JOINT VENTURE
BALANCE SHEETS
(In Canadian dollars)

		December 31, 2016	December 31, 2015
Assets	**Notes**		
Land held for future development	4	**16,781,899**	16,307,532
Total assets		**16,781,899**	16,307,532
Liabilities			
Amounts due to related parties	7	**707,105**	267,731
Total liabilities		**707,105**	267,731
Equity			
Genesis Land Development Corp.		**8,230,115**	8,212,199
Genesis Limited Joint Venture #4		**5,225,428**	5,214,053
GLP5 NE Calgary Development Inc.		**2,619,251**	2,613,549
Total equity		**16,074,794**	16,039,801
Total liabilities and equity		**16,781,899**	16,307,532

See accompanying notes to the financial statements.

Approved on behalf of:

Genesis Land Development Corp.
General Manager of the North Conrich Joint Venture

NORTH CONRICH JOINT VENTURE

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

(In Canadian dollars)

		2016	2015
Revenues	**Notes**		
Rental income and other revenue		**34,993**	38,822
		34,993	38,822
Earnings being comprehensive income		**34,993**	38,822

See accompanying notes to the financial statements.

NORTH CONRICH JOINT VENTURE

STATEMENTS OF PARTNERS' EQUITY

For the years ended December 31, 2016 and 2015

(In Canadian dollars)

	Net Partners' Contributions	Retained Earnings	Partners' Equity
At December 31, 2014	15,716,853	284,126	16,000,979
Earnings being comprehensive income	-	38,822	38,822
At December 31, 2015	15,716,853	322,948	16,039,801
Earnings being comprehensive income	-	34,993	34,993
At December 31, 2016	15,716,853	357,941	16,074,794

See accompanying notes to the financial statements.

1. ORGANIZATION AND OPERATION OF THE JOINT VENTURE

The North Conrich Joint Venture (the "Joint Venture") was established to acquire 615 acres of undeveloped land located in the Municipal District of Rockyview, Alberta (the "Property") and generate capital appreciation by obtaining various levels of municipal approvals for an area structure plan, rezoning, subdividing, developing and/or reselling for a profit (the "Project").

The development of the Property is managed by Genesis Land Development Corp. ("Genesis" or the "General Manager") pursuant to a joint venture agreement dated March 28, 2005 between Genesis Limited Partnership #4, GLP5 NE Calgary Development Inc. and Genesis (the "JV Agreement").

Each of the joint venture parties (the "Joint Venturers") has an undivided interest in the Property. As at December 31, 2016, the respective ownership interest of each Joint Venturer was as follows: Genesis (51.2%), Genesis Limited Partnership #4 (32.5%), GLP5 NE Calgary Development Inc. (16.3%).

The Joint Venture's financial statements for the year ended December 31, 2016 were authorized for issue by the General Manager on July 19, 2017. The Joint Venture's head office is located at 7315 - 8th Street N.E., Calgary, Alberta T2E 8A2.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Joint Venture 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 financial statements of the Joint Venture prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of presentation

The financial statements have been prepared under historical cost convention except for the financial assets classified as fair value through profit or loss that have been measured at fair value. The financial statements are presented in Canadian dollars, which is the Joint Venture's functional currency.

c) Revenue recognition

(i) Development land sales

Land sales to third parties are recognized when the risks and rewards of ownership have been transferred, the Joint Venture has substantially performed any agreed-to services pertaining to the property, the Joint Venture has received a minimum 15% non-refundable deposit and the collection of the remaining unpaid balance is reasonably assured.

(ii) Rental income and other revenue

Rental income is recognized on a straight-line basis over the term of the rental agreement.

d) Land held for future development

Land held for future development is measured at the lower of cost and estimated net realizable value ("NRV"). Cost includes land acquisition costs, other direct costs of development, borrowing costs, property taxes and legal costs. Non-refundable commission paid to sales or marketing agents on the sale of real estate property is expensed when incurred. NRV is the estimated selling price less estimated costs, including the cost to complete and selling costs. Land held for future development is reviewed at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. An impairment loss is recognized in the statements of comprehensive income when the carrying value exceeds the NRV.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Borrowing costs

Borrowing costs directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds. Borrowing costs are not capitalized on land held for future development where no development activity is taking place. Borrowing costs are capitalized from the date of commencement of development work until the date of completion. The capitalization of interest is suspended if the project development is suspended for a prolonged period. As at December 31, 2016 the Joint Venture has not capitalized any borrowing costs.

f) Financial liabilities

Other 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 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 Joint Venture 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.

g) Income taxes

The Joint Venture is not subject to income taxes. The income or loss for income tax purposes is allocated to the Joint Ventures based upon their proportionate interest in the Joint Venture. These financial statements include only the assets, liabilities and operations of the Joint Venture and do not include other assets or liabilities, including income taxes, of the Joint Venturers.

h) Significant judgments, accounting estimates and assumptions

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 materially affect the financial statements in future years.

(i) Net realizable value ("NRV")

NRV for land held for future development is estimated with reference to market prices and conditions existing at the balance sheet date and is determined by the Joint Venture having taken suitable external advice and in the light of recent market transactions of similar and adjacent lands in the same geographic area.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Standards and amendments to existing standards effective January 1, 2016

The Joint Venture adopted no new IFRSs and interpretations during 2016.

j) Future changes in accounting policies

The Joint Venture has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Joint Venture:

(i) IFRS 9, Financial Instruments

On November 12, 2009, the IASB issued IFRS 9, "Financial instruments" ("IFRS 9"), which will replace IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"). The standard was to be effective for annual periods beginning on or after January 1, 2015. In February 2014, the IASB tentatively decided the mandatory effective date of the final IFRS 9 would now be January 1, 2018. IFRS 9 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 Joint Venture is currently evaluating the impact of IFRS 9 on its financial statements.

(ii) IFRS 15, Revenues from contracts with customers

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". IFRS 15 will replace existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for entities for revenue recognition arising from contracts with customers. The Joint Venture is currently evaluating the impact of IFRS 15 on its financial statements.

(iii) IFRS 16, Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, "Leases". The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, "Revenue from contracts with customers". Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. The Joint Venture is currently evaluating the impact of IFRS 16 on its financial statements.

3. COMMITMENTS AND CONTINGENCIES

a) Term of the Joint Venture

The development period (the "Development Period") continues until the earlier of December 31, 2020 and the date on which the General Manager, after evaluating the results and progress of the project conducted to that time, determines that further expenditure of funds is not in the best interest of the Joint Ventures. The JV Agreement terminates upon the expiry of the Development Period.

b) Cash calls to Joint Venturers

To the extent that the Joint Venture has a requirement for additional equity capital in connection with its development and whether required by reason of credit or financing being unavailable to the Joint Venture or otherwise howsoever, each Joint Venturer is required to advance to the Joint Venture its proportionate share of such capital requirement. All monies advanced to the Joint Venture shall be treated as capital contributions to the Joint Venture from the Joint Venturer advancing the funds.

Notwithstanding the foregoing, no Joint Venturer shall be obligated to contribute funds to the Joint Venture. If a Joint Venturer fails to contribute funds to the Joint Venture as required (the "Non-Contributing Party"), one of the other Joint Venturers (the "Contributing Party") may advance funds to the Joint Venture on behalf of the Non-Contributing Party. Any advances made on behalf of a Non-Contributing Party shall be deemed to be a demand loan made by the Contributing Party to the Non-Contributing Party, which the Contributing Party has been irrevocably directed to advance to the Joint Venture for and on behalf of the Non-Contributing Party. Such loan shall bear interest, as between the Contributing Party and the Non-Contributing Party, at the rate of 3% above the prime rate of interest charged from time to time by the Canadian Imperial Bank of Commerce.

All loans deemed to arise between a Contributing Party and a Non-Contributing Party will be secured by a first and paramount lien and charge upon the interest of the Non-Contributing Party in the Joint Venture and the Contributing Party shall be entitled to all the rights of a lienholder or encumbrancer in connection therewith. Until the Contributing Party shall have been repaid the loan in full, the Non-Contributing Party shall not be entitled to any share of any distribution of cash or capital or otherwise until the debt and interest owed by the Non-Contributing Party to the Contributing Party have been repaid in full.

c) Related venture

The General Manager may allocate a portion of its interest in the Property to limited partnerships or joint ventures formed by the General Manager to participate with the Joint Venture in the development of the Project.

d) Sale of Joint Venture interests

A Joint Venturer that wishes to sell its interest in the Property (the "Selling Venturer") shall establish a minimum selling price for such interest (the "Selling Price") and offer in writing such interest for sale at the Selling Price to all other Joint Venturers. If no Joint Venturer accepts the offer, the Selling Venturer shall be at liberty to sell its interest in the Joint Venture at no less than the Selling Price to anyone else within two (2) months from the date of the offer made to the Joint Venturers by the Selling Venturer.

4. LAND HELD FOR FUTURE DEVELOPMENT

	2016	2015	Change
Acquisition cost	15,716,853	15,716,853	-
Capital expenditures	1,183,342	708,975	474,367
Gross book value	16,900,195	16,425,828	474,367
Dispositions	(118,296)	(118,296)	-
Net book value	**16,781,899**	**16,307,532**	**474,367**

As at December 31, 2016, the Property comprised 610 acres. In 2011, the Joint Venture sold five acres of land to the City of Calgary.

5. FINANCIAL INSTRUMENTS

a) Risks associated with financial instruments

The General Manager has overall responsibility for the establishment and oversight of the Joint Venture's risk management framework. The General Manager has implemented and monitors compliance with risk management policies. The Joint Venture 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. At December 31, 2016, the Joint Venture is not exposed to any credit risk.

(ii) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, and interest rates, will affect the Joint Venture'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 Joint Venture is exposed to market risk in terms of its reliance on the strength of the local economies in which it operates. The land held for future development that the Joint Venture holds is on the outskirts of the Calgary Metropolitan Area and is therefore subject to the economic conditions of this region.

The General Manager continually monitors economic indicators to position the Joint Venture in the market place and ensure it can meet its financial obligations, both short and long term.

(iii) 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 Joint Venture will be exposed to interest rate risk to the extent that any future financings are at a floating rate of interest.

(iv) Liquidity risk

Liquidity risk is the risk that the Joint Venture will not be able to meet its financial obligations as they are due. The Joint Venture has limited liquidity to meet its obligations and is wholly dependent on Genesis to meet its debt obligations. As at December 31, 2016, financial liabilities consisted of $707,105 in amounts due to related parties, due on demand.

5. FINANCIAL INSTRUMENTS (continued)

b) Fair value of financial instruments

The fair value of the Joint Venture's related party balances approximate their fair values due to the relatively short-term periods to maturity.

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 Joint Venture'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).

6. CAPITAL MANAGEMENT/ECONOMIC INDEPENDENCE

The Joint Venture's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. As at December 31, 2016, the Joint Venture's capital structure comprised Joint Venturer's equity and working capital.

As the Joint Venture currently does not have operating cash flows in order to obtain financings or otherwise maintain or adjust its capital structure, the Joint Venture currently needs to make periodic cash calls to Joint Venturers to fund capital expenditures and operating expenses. However, the JV Agreement specifies that no Joint Venturer shall be obligated to contribute funds to the Joint Venture (see Note 3b). Consequently, the Joint Venture is wholly dependent on the General Manager to provide resources to complete the projects.

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, Genesis advanced $439,374 (2015 - $4,806) to the Joint Venture to cover pre-development planning costs and property taxes. As at December 31, 2016, the amount due to Genesis was $707,105 (2015 - $267,731). The advances made by Genesis have no fixed terms of repayment and are non-interest bearing.

For the year ended December 31, 2016, no general and administrative costs were charged by the General Manager (2015 – nil). Pursuant to the JV Agreement, the General Manager is responsible for providing all office space, equipment and staff for the Project, including all accounting, secretarial, corporate and administrative services of every kind.