NORTH CONRICH JOINT VENTURE

ANNUAL FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

Independent Auditor's Report

To the Venturers of North Conrich Joint Venture:

Opinion

We have audited the financial statements of North Conrich Joint Venture (the "Joint venture"), which comprise the balance sheet as at December 31, 2019, and the statements of comprehensive income (loss) income, changes in partners' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Joint venture as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Joint venture in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Joint venture’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Joint venture or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Joint venture’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Joint venture’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Joint venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

MNP LLP

Calgary, Alberta
April 21, 2020

Chartered Professional Accountants

NORTH CONRICH JOINT VENTURE
BALANCE SHEETS
(In Canadian dollars)

		December 31, 2019	December 31, 2018
Assets	**Notes**		
Land held for future development	4	**18,422,899**	17,884,868
Total assets		**18,422,899**	17,884,868
Liabilities			
Accrued liabilities		**16,000**	16,000
Amounts due to related parties	7	**-**	10,700
Total liabilities		**16,000**	26,700
Equity			
Genesis Land Development Corp.		**9,424,126**	9,143,182
Genesis Limited Joint Venture #4		**5,983,510**	5,805,149
GLP5 NE Calgary Development Inc.		**2,999,263**	2,909,837
Total equity		**18,406,899**	17,858,168
Total liabilities and equity		**18,422,899**	17,884,868

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 (LOSS) INCOME
For the years ended December 31, 2019 and 2018
(In Canadian dollars)

		Year ended December 31,	
	Notes	**2019**	2018
Revenues			
Rental income and other revenue		**39,130**	39,090
		39,130	39,090
Expenses			
General and administrative		**16,000**	16,000
Consulting		**9,680**	-
Advertising and marketing		**57,025**	7,094
		82,705	23,094
(Loss) earnings being comprehensive (loss) income		**(43,575)**	15,996

See accompanying notes to the annual financial statements.

NORTH CONRICH JOINT VENTURE

STATEMENTS OF PARTNERS' EQUITY

For the years ended December 31, 2019 and 2018

(In Canadian dollars)

	Net Partners' Contributions	Retained Earnings	Partners' Equity
At December 31, 2017	17,109,422	348,026	17,457,448
Earnings being comprehensive income	-	15,996	15,996
Contributions from joint venturers	384,724	-	384,724
At December 31, 2018	17,494,146	364,022	17,858,168
Loss being comprehensive loss	-	(43,575)	(43,575)
Contributions from joint venturers	592,306	-	592,306
At December 31, 2019	18,086,452	320,447	18,406,899

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 Rocky View, 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, 2019, 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, 2019 were authorized for issue by the General Manager on April 21, 2020. The head office of the General Manager is located at 7315 - 8th Street N.E., Calgary, Alberta.

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) 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.

d) Revenue recognition

(i) Development land sales

Development sales to third parties are recognized when the Joint Venture's performance obligations are satisfied and transfer of control has passed to the purchaser. Performance obligations are satisfied after agreed to services pertaining to the property have been substantially performed.

Indications of transfer of control include transferring title of the land to the purchaser on receipt of full payment indicating significant risk and rewards of ownership are transferred to the purchaser. In situations where extended payment terms are provided to a purchaser, an appropriate rate of interest is included and the Joint Venture secures adequate security for the remaining unpaid portion before title to the land is transferred to the purchaser.

Deposits received upon signing of contracts for purchases of land on which revenue recognition criteria have not been met are recorded as customer deposits.

(ii) Rental income and other revenue

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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 (loss) income when the carrying value exceeds the NRV.

f) 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, 2019 the Joint Venture has not capitalized any borrowing costs.

g) Financial liabilities

The classification of financial liabilities is determined by the Joint Venture at initial recognition. The classification categories are: amortized cost and FVTPL.

Financial liabilities classified as amortized cost are financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the statements of comprehensive income (loss).

Financial liabilities measured at FVTPL are financial liabilities measured at fair value with changes in fair value and interest expense recognized in the statements of comprehensive income (loss).

Financial liabilities are derecognized when the contractual obligation 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.

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.

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, 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 Joint Ventures 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

Gross Book Value	**Land Held for Development**
As at December 31, 2017	17,457,448
Development activities in 2018	427,420
As at December 31, 2018	17,884,868
Development activities in 2019	538,031
As at December 31, 2019	**18,422,899**

As at December 31, 2019, the Property comprised 610 acres.

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, 2019, the Joint Venture was 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 the General Manager to meet its debt obligations. As at December 31, 2019, the Joint Venture was not exposed to any liquidity risk.

5. 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-term periods to maturity. The fair value of the Joint Venture's related party balances approximates their carrying 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).

The estimated fair value of financial assets and liabilities as at December 31, 2019 and December 31, 2018 are presented in the following table:

		Carrying Value		Fair Value	
	Measurement Basis	**As at Dec. 31, 2019**	**As at Dec. 31, 2018**	**As at Dec. 31, 2019**	**As at Dec. 31, 2018**
Financial Liabilities					
Accounts payable and accrued liabilities	Amortized cost	16,000	16,000	16,000	16,000
Amounts due to related parties	Amortized cost	-	10,700	-	10,700

The fair values of the Joint Venture's accounts payable and accrued liabilities and amounts due to related parties are classified as Level 2 of the hierarchy. During the year ended December 31, 2019 and 2018, no transfers were made between the levels in the fair value hierarchy.

6. CAPITAL MANAGEMENT/ECONOMIC DEPENDENCE

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, 2019, the Joint Venture's capital structure consisted solely of Joint Venturer's equity.

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, 2019, the Joint Venture made cash calls of $592,306 (2018 - $384,724). Genesis contributed $303,254 (2018 - $196,975) to the Joint Venture for its own capital account and advanced $192,541 (2018 - $125,062) on behalf of Genesis Limited Partnership #4 and $96,511 (2018 - $62,687) on behalf of GLP5 NE Calgary Development Inc.

During the year ended December 31, 2019, Genesis advanced $581,606 (2018 - $395,424) to the Joint Venture and was repaid $592,306 ($2018 - $384,724). The amount due to Genesis as at December 31, 2019 was nil (2018 – $10,700).

For the year ended December 31, 2019, no general and administrative costs were charged by Genesis in its capacity as the General Manager (2018 – nil).