LIMITED PARTNERSHIP LAND POOL (2007)

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBLITY

To the unitholders of Limited Partnership Land Pool (2007):

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.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

MNP LLP, an independent firm of certified professional accountants, was engaged to audit the financial statements in accordance with International Financial Reporting Standards and provide an independent auditor's opinion.

Michael Pereira, President
GP LPLP 2007 Inc.
General Partner of Limited Partnership Land Pool (2007)
April 21, 2020

Independent Auditor's Report

To the Unitholders of Limited Partnership Land Pool

Opinion

We have audited the financial statements of Limited Partnership Land Pool (the "Partnership"), which comprise the balance sheet as at December 31, 2019 and December 31, 2018, and the statements of profit and other comprehensive income, changes in equity and cash flows for the years 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 Partnership as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 Partnership in accordance with the ethical requirements that are relevant to our audits 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 and Those Charged with Governance 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 Partnership’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 Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership’s financial reporting process.

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 Partnership’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

MNP

- 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 Partnership'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 Partnership 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Calgary, Alberta
April 21, 2020

MNP LLP
Chartered Professional Accountants

MNP

LIMITED PARTNERSHIP LAND POOL (2007)
BALANCE SHEETS
As at December 31, 2019 and 2018
(In Canadian dollars)

		2019	2018
Assets	**Notes**		
Cash		**9,433**	9,433
Restricted cash		**10,390,875**	-
Vendor take-back mortgage receivable	4	**-**	20,558,411
Total assets		**10,400,308**	20,567,844
Liabilities			
Accounts payable and accrued liabilities		**9,333**	10,000
Loan payable to related *p*arty	4	**-**	11,659,392
Total liabilities		**9,333**	11,669,392
Commitments and contingencies	5		
Equity			
General partner		**100**	100
Limited partners		**10,390,875**	8,898,352
Total equity		**10,390,975**	8,898,452
Total liabilities and equity		**10,400,308**	20,567,844

See accompanying notes to the financial statements.

GP LPLP 2007 Inc.
General Partner of Limited Partnership Land Pool (2007)

LIMITED PARTNERSHIP LAND POOL (2007)
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2019 and 2018
(In Canadian dollars)

		2019	2018
Revenues	**Notes**		
Interest income		**1,089,349**	1,332,500
Miscellaneous income	4	**418,383**	-
		1,507,732	1,332,500
Expenses			
Interest	4	**-**	803,895
General and administrative		**15,209**	17,883
		15,209	821,778
Earnings being comprehensive income		**1,492,523**	510,722

See accompanying notes to the financial statements.

LIMITED PARTNERSHIP LAND POOL (2007)
STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
For the years ended December 31, 2019 and 2018
(In Canadian dollars)

	Net Partners' Contributions	Deficit	Partners' Equity (Deficit)
At December 31, 2017	39,523,155	(31,135,425)	8,387,730
Earnings being comprehensive income for the year	-	510,722	510,722
At December 31, 2018	39,523,155	(30,624,703)	8,898,452
Earnings being comprehensive income for the year	-	1,492,523	1,492,523
At December 31, 2019	39,523,155	(29,132,180)	10,390,975

See accompanying notes to the financial statements.

LIMITED PARTNERSHIP LAND POOL (2007)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018
(In Canadian dollars)

	Notes	2019	2018
Cash from (used for):			
Operating activities			
Sale of vendor take-back mortgage		**22,039,144**	-
Interest on restricted cash		**27,000**	-
Interest on vendor take-back mortgage receivable		**-**	1,332,500
Sales commissions		**-**	57,333
Payments for legal and professional services		**(15,877)**	(39,962)
Cash flows from operating activities		**22,050,267**	1,349,871
Financing activities			
Advances from related party	4	**15,877**	42,058
Repayment of loan payable to a related party	4	**(11,675,269)**	(1,382,496)
Cash flows used for financing activities		**(11,659,392)**	(1,340,438)
Increase (decrease) in cash		**10,390,875**	9,433
Cash, beginning of year		**9,433**	-
Increase (decrease) in cash		**10,390,875**	9,433
Cash, end of year		**10,400,308**	9,433

See accompanying notes to the financial statements.

1. ORGANIZATION AND OPERATION OF THE PARTNERSHIP

Limited Partnership Land Pool (2007) (the "Partnership") is a limited partnership formed under the laws of the Province of Alberta on June 28, 2007 pursuant to the Partnership Act (Alberta), and its governed by the terms of a limited partnership agreement dated as of June 28, 2007 (the "Partnership Agreement"). It commenced operations on June 28, 2007 and raised funds from the sale of limited partnership units ("Units") through an offering memorandum dated June 30, 2007 (the "Offering Memorandum"). As at December 31, 2019, the Partnership had 43,840,421 Units outstanding (December 31, 2018 – 43,840,421 Units).

The affairs of the Partnership, including the liquidation and distribution of the Partnership's assets, are managed by GP-LPLP 2007 Inc. (the "General Partner"), a wholly owned subsidiary of Genesis Land Development Corp. ("Genesis").

The Partnership was established to acquire raw (primarily agricultural) land near Airdrie and Delacour, Alberta (the "Properties") and generate capital appreciation by obtaining various levels of municipal approvals leading eventually towards the re-designation of land use (rezoning) of the Properties from farm land to commercial, industrial, residential, recreational, or any combination thereof. Pursuant to a project management agreement dated June 29, 2007 (the "Management Agreement"), Genesis was appointed as the project manager (the "Manager").

The Partnership did not raise sufficient equity capital to acquire the Properties and used short term debt from a first position third party lender and from Genesis to complete these purchases and to service the debts as permitted by the Partnership Agreement. The long-term continuation of these Partnership debts was approved as required by the Partnership Agreement by a special resolution of limited partners at a meeting of limited partners held on October 10, 2013. Pursuant to the Management Agreement, Genesis guaranteed the Partnership's third-party debt and advanced additional funds that could not be obtained from third-party lenders to the Partnership at an interest rate of prime + 3%.

The Partnership's financial statements for the year ended December 31, 2019 were authorized for issue in accordance with a resolution of the directors of the General Partner on April 21, 2020. The Partnership'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 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 financial statements represent the financial statements of the Partnership prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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 Partnership's functional currency.

c) 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 outstanding 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.

d) 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. By their nature these amounts are subject to measurement uncertainty and changes in such estimates may materially affect the financial statements in future years.

e) Revenue recognition

(i) Sale of real estate assets

The sale of real estate assets (including vendor take-back mortgages receivable) are recognized when transfer of control has passed to the purchaser.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest rate method.

f) Allocation of expenses

The Partnership and the Manager are equally responsible for the Partnership's development costs. Any general and administrative expenses charged directly by Genesis, and not by a third party retained by the General Partner or Genesis, are limited to $150,000 per year. For the years ended December 31, 2019 and 2018, no general and administrative costs were charged by the Manager.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and restricted cash held in lawyers' trust accounts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial assets

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The three primary measurement categories for financial assets are: amortized cost, fair value through profit and loss ("FVTPL"), and fair value through other comprehensive income ("FVOCI").

Financial assets measured at amortized cost are assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial instruments classified as amortized cost 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 statements of comprehensive income.

Financial assets at FVOCI are assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL are assets that do not meet the criteria for amortized cost or FVOCI. Financial assets classified as FVTPL are carried on the balance sheet at fair value with changes in fair value recognized in the statements of comprehensive income.

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.

i) Financial liabilities

The classification of financial liabilities is determined by the Partnership 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.

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.

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.

The Partnership's financial instruments (assets and liabilities) are classified as follows:

- Cash — FVTPL
- Restricted cash — FVTPL
- Accounts payable and accrued liabilities — Amortized cost

j) Future changes in accounting policies

The Partnership has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and has determined that these IFRSs will not have an impact on the Partnership.

3. 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. As at December 31, 2019 the Partnership 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 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. As at December 31, 2019, the Partnership was not exposed to any market risk.

(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 Partnership is exposed to interest rate risk on its restricted cash.

(iv) 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 has limited liquidity to meet its obligations and is wholly dependent on Genesis to meet its debt and other obligations. The following are the contractual maturities of financial liabilities as at December 31, 2019:

	<1 Year	>1 Year	Total
Accounts payable and accrued liabilities	9,333	-	**9,333**
	9,333	-	**9,333**

3. 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 Partnership'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 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).

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 Assets					
Cash	FVTPL	9,433	9,433	9,433	9,433
Vendor-take-back mortgage receivable	Amortized cost	-	20,558,411	-	20,558,411
Financial Liabilities					
Accounts payable and accrued liabilities	Amortized cost	9,333	10,000	9,333	10,000
Loans payable to related party	Amortized cost	-	11,659,392	-	11,659,392

Cash is classified under Level 1 of the hierarchy. The fair values of the Partnership's vendor-take-back mortgage receivable, accounts payable and accrued liabilities and loans and credit facilities 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.

4. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, Genesis purchased the vendor take-back mortgage ("VTB") from the Partnership for $22,039,144, representing a $418,383 premium to the amount of the principal on the VTB plus accrued interest of $1,120,761. The cash consideration paid for the VTB was $10,363,875, with the balance of the purchase price consisting of repayment of the $11,675,269 Genesis loan.

Interest on the Genesis loan for the period from January 1, 2019 to October 19, 2019 was waived (2018 - $803,895). During the year ended December 31, 2019, the Partnership received advances from Genesis of $15,877 (2018 – $42,058) and made principal and interest repayments of $11,675,269 (2018 – $1,382,496). As at December 31, 2019, the amount due to Genesis was nil (2018 - $11,659,392).

5. COMMITMENTS AND CONTINGENCIES

The Partnership, the General Partner, Genesis, two limited partners (LPLP 2007 Subco Inc. and LPLP 2007 Subco #2 Inc.), two affiliated limited partnerships (LP RRSP Limited Partnership #1 & LP RRSP Limited Partnership #2) and various third parties were named as co-defendants in a 13th amended statement of claim filed on December 9, 2019 in the Alberta Court of Queens' Bench by a unitholder of the Partnership, a unitholder in LP RRSP Limited Partnership #1 and a unitholder in LP RRSP Limited Partnership #2. The 13th amended statement of claim is brought pursuant to the Class Proceedings Act and seeks pecuniary and non-pecuniary damages of at least $16.585 million, damages representing income raised by the investment projects but not properly paid to investors, damages for all amounts paid toward interest, carrying costs and legal costs, and special damages. The General Partner's view is that this claim is completely without merit. Any potential liability to the Partnership is currently indeterminate.

6. DISTRIBUTIONS TO LIMITED PARTNERS

At a special meeting of unitholders held on October 10, 2019, unitholders approved a special resolution (the "Sale and Winding-up Resolution") authorizing the Partnership to, among other things, make a payment of $0.2364 per Unit (the "Distribution"), subject to applicable Court approval, to each Limited Partner who signs a letter of transmittal containing a Release and Undertaking (as defined below).

A Limited Partner will receive a Distribution only if the Limited Partner executes a letter of transmittal ("Letter of Transmittal") including a release and undertaking (the "Release and Undertaking"), in which the Limited Partner: (i) grants a full and final release of any claims it may have in respect of the Partnership, whether against the Partnership, Genesis, their related entities, directors, officers, successors or assigns, or any person who might claim over against them (including but not limited to claims that might be adjudicated in the Proposed Class Action, if the Limited Partner were to participate in that proceeding); (ii) agrees not to commence, support, encourage or participate in any legal action or proceeding in respect of the rights it is releasing; (iii) agrees to opt out of, or cooperate to bring about the discontinuance or dismissal of, the Proposed Class Action and any other existing or future proceeding, as it relates to that Limited Partner; and (iv) agrees to take such other procedural steps as Genesis may reasonably require to give effect to the Release and Undertaking.

7. SUBSEQUENT EVENTS

On January 2, 2020, the Partnership made a distribution of $2,350,468 to 2474514 Ontario Inc. ("Cajubi"), as contemplated by the Sale and Winding-up Resolution. As at April 8, 2020, the Partnership has also paid aggregate Distributions of $2,728,657 to Limited Partners holding 11,542,544 Units who submitted a Letter of Transmittal.