Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

REALnorth Opportunities Fund

For the Period Ended September 30, 2015

Unaudited – Prepared by Management

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51–102 released by the Canadian Securities Administrators, the Trust discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended September 30, 2015.

REALnorth Opportunities Fund

Condensed Interim Consolidated Statement of Financial Position
Expressed in Canadian dollars
Unaudited

		September 30, 2015		December 31, 2014
ASSETS				
Non-current assets				
Investment property (note 5)	**$**	**6,200,000**	$	6,200,000
Current assets				
Inventories (note 6)		**12,219,355**		–
Prepaid expenses		**7,037**		7,379
Amounts receivable		**143,444**		80
Due from related parties (note 17)		**230,265**		273,881
Deposits (note 8)		**2,550,763**		–
Restricted cash (note 10)		**189,890**		–
Cash held in trust (note 9)		**338,811**		9,976,167
Cash		**2,507,038**		63,551
		18,186,603		10,321,058
TOTAL ASSETS	**$**	**24,386,603**	$	16,521,058
LIABILITIES				
Non-current liabilities				
Mortgages payable (note 7)	**$**	**4,371,335**	$	4,449,218
Current liabilities				
Mortgages payable – current portion (note 7)		**5,269,870**		116,177
Accounts payable and accrued liabilities (note 10)		**371,583**		622,645
		5,641,453		738,822
TOTAL LIABILITIES		**10,012,788**		5,188,040
UNITHOLDERS' EQUITY				
Non-controlling interest (note 11)		**2,530,277**		1,574,447
Unitholders' equity (note 12)		**11,843,538**		9,758,571
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	**$**	**24,386,603**	$	16,521,058

See accompanying notes to condensed consolidated financial statements.

Approved on behalf of REALnorth Opportunities Fund by its Trustees:

"Antony Kalla" Trustee
Antony Kalla

"Stephen J. Evans" Trustee
Stephen J. Evans

REALnorth Opportunities Fund

Condensed Interim Consolidated Statement of Unitholders' Equity
Expressed in Canadian dollars
Unaudited

		Trust units	Non-controlling interest	Total
	Units	Amount	Amount	Amount
Balance, December 31, 2014	10,623	$ 9,758,571	$ 1,574,447	$ 11,333,018
Contributions	2,277	2,277,000	948,847	3,225,847
Acquisition of non-controlling interest	–	–	200	200
Offering costs	–	(182,160)	–	(182,160)
Net loss for the period	–	(9,873)	6,783	(3,090)
Unitholders' equity, September 30, 2015	**12,900**	**$ 11,843,538**	**$ 2,530,277**	**$ 14,373,815**

		Initial Contribution
	Units	Amount
Balance, August 27, 2014	–	$ –
Contributions	–	10
Unitholders' equity, September 30, 2014	–	**$ 10**

REALnorth Opportunities Fund
Condensed Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
Expressed in Canadian dollars
Unaudited

	Nine months ended		Three months ended	
	September 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
NET RENTAL AND SALES INCOME (EXPENSES)				
Rental revenue and recoveries	**$ 505,802**	$ –	**$ 169,121**	$ –
Sales revenue	**349,800**	–	**349,800**	–
Cost of sales	**(240,073)**	–	**(240,073)**	–
Inventory selling costs	**(10,494)**	–	**(10,494)**	–
Insurance	**(7,954)**	–	**(2,609)**	–
Management fees (note 17)	**(6,647)**	–	**(2,226)**	–
Property taxes	**(161,821)**	–	**(69,645)**	–
	428,613	–	**193,874**	–
NET FINANCE INCOME (EXPENSES)				
Interest income	**67,780**	–	**11,327**	–
Mortgage interest	**(139,948)**	–	**(46,414)**	–
	(72,168)	–	**(35,087)**	–
NET OTHER EXPENSES				
General and administrative	**(241,886)**	–	**(95,434)**	–
Asset management fees (note 17)	**(97,866)**	–	**(33,863)**	–
Fair value adjustments to investment property (note 5)	**(19,783)**	–	**(6,070)**	–
	(359,535)	–	**(135,367)**	–
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**(3,090)**	–	**23,420**	–
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Unitholders	**(9,873)**	–	**6,919**	–
Non-controlling interest	**6,783**	–	**16,501**	–
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$ (3,090)**	–	**$ 23,420**	–
Earnings per unit				
Basic and diluted	**$ (0.78)**	$ –	**$ 0.54**	$ –
Weighted average number of units				
Basic and diluted	**12,608**	–	**12,900**	–

The accompanying notes are an integral part of these condensed interim consolidated financial statements

REALnorth Opportunities Fund
Condensed Interim Consolidated Statement of Cash Flow
Expressed in Canadian dollars
Unaudited

Nine months ended	September 30, 2015	September 30, 2014
Cash provided by (used in)		
OPERATIONS		
Loss for the period	**$ (3,090)**	$ –
Items not involving cash:		
Amortization of mortgage transaction costs	**11,860**	–
Interest income	**(67,780)**	–
Mortgage interest	**128,088**	–
Changes in non-cash working capital items:		
Increase in inventories	**(10,183,800)**	–
Decrease in prepaid expenses	**342**	–
Increase in amounts receivable	**(141,607)**	–
Decrease in due from related parties	**43,447**	–
Increase in deposits	**(2,550,763)**	–
Decrease in accounts payable and accrued liabilities	**(250,599)**	–
	(13,013,902)	–
INVESTING		
Cash assumed on acquisition of Western Canadian Properties Group VII Limited Partnership	**100**	–
Cash assumed on acquisition of FSJ Industrial Properties Limited Partnership	**100**	–
Interest received	**66,191**	–
	66,391	–
FINANCING		
Mortgage interest paid	**(141,433)**	–
Mortgage proceeds received	**3,150,563**	–
Payment of mortgage transaction costs	**(22,672)**	–
Proceeds from initial contribution	–	10
Proceeds from issuance of units	**2,277,000**	–
Proceeds from non-controlling interest	**948,847**	–
Repayment of mortgages	**(86,613)**	–
Unit issuance costs	**(182,160)**	–
	5,943,532	10
Change in cash, restricted cash and cash held in trust during the period	**(7,003,979)**	10
Cash, restricted cash and cash held in trust, beginning of period	**10,039,718**	–
CASH, RESTRICTED CASH AND CASH HELD IN TRUST, END OF PERIOD	**$ 3,035,739**	$ 10

The accompanying notes are an integral part of these condensed interim consolidated financial statements

1. TRUST INFORMATION

REALnorth Opportunities Fund (the "Trust") is an unincorporated, open-ended investment trust formed pursuant to the Declaration of Trust dated August 27, 2014 under and governed by the laws of the Province of British Columbia and resident in Canada. The Trust's head office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

The principal business of the Trust is to invest the proceeds from the issuance of Trust units in the acquisition of REALnorth Opportunities Master Limited Partnership (the "Master LP") units.

The Master LP is a limited partnership formed pursuant to and governed by the laws of British Columbia and created by the Master LP agreement on July 31, 2014. The Master LP's head office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

The general partner of the Master LP is REALnorth Opportunities Inc. (the "Master GP"), a corporation incorporated under the *Canada Business Corporations Act* on February 25, 2014, having its office at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

The principal business of the Master LP is to invest the proceeds from the issuance of Master LP units in:

- REALnorth Opportunities (Investments) Limited Partnership (the "Investments LP") units. REALnorth Opportunities (Investments) GP Ltd. (the "Investments GP") was incorporated under the *Business Corporations Act* (British Columbia) on June 19, 2014 and is engaged in identifying investment opportunities in revenue-producing real estate located in northwestern Canada. In order to take advantage of such investment opportunities, the Investments GP established the Investments LP on August 28, 2014 pursuant to the laws of British Columbia for the purposes of owning and operating a diversified portfolio of high quality, revenue-producing properties in northwestern Canada (or proportionate interests in such properties). The principal business of the Investments LP is to issue Investments LP units, to invest the proceeds from such issuance in the properties, and to own and operate such properties.

- REALnorth Opportunities (Developments) Limited Partnership (the "Developments LP") units. REALnorth Opportunities (Developments) GP Ltd. (the "Developments GP") was incorporated under the *Business Corporations Act* (British Columbia) on August 29, 2014 and is engaged in identifying investment opportunities in developing real estate located in northwestern Canada. In order to take advantage of such investment opportunities, the Developments GP established the Developments LP on August 29, 2014 pursuant to the laws of British Columbia for the purposes of developing high quality real estate in northwestern Canada (or proportionate interests in such properties). The principal business of the Developments LP is to issue Developments LP units, to invest the proceeds from such issuance in the properties, and to develop such properties.

The allocation of the net proceeds received by the Master LP from the issuance of Master LP units between Investments LP units and Developments LP units is determined by the Master GP from time to time based upon the individual economic fundamentals of the prospective investment opportunities.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

A. Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements for the period ended September 30, 2015 were authorized for issuance by the Board of Trustees (the "Board") on November 27, 2015.

B. Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for investment property which has been measured at fair value.

The preparation of these condensed interim consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Trust's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(N) to the Trust's audited consolidated financial statements for the period ended December 31, 2014.

C. Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Trust's functional currency.

D. Presentation of financial statements

The Trust uses a classified statement of financial position. The statement of financial position distinguishes between current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered or settled within twelve months of the reporting date and non-current assets and liabilities are those where the recovery or settlement is expected to occur more than twelve months from the reporting date. The Trust classifies the consolidated statements of income (loss) and comprehensive income (loss) using the function of expense method, which classifies expenses according to their functions, such as costs of operation or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Trust in these unaudited condensed interim consolidated financial statements are consistent with the significant accounting policies reported in the Trust's audited annual consolidated financial statements for the period ended December 31, 2014 except as set out below. The accounting policies have also been applied consistently by group entities unless otherwise stated. Additional disclosures are required in annual financial statements; therefore, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Trust's audited consolidated financial statements for the period ended December 31, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Accounting policy changes

a. Inventories

Inventories comprise properties held for sale in the ordinary course of business, in the process of production for sale or materials and supplies to be consumed in the production process. Inventories are measured at the lower of cost and net realizable value, with cost assigned to properties by specific identification. Where properties are further subdivided and sold, cost is assigned to subdivided lots using the net yield method.

Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. Write-downs are reversed when circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances.

B. Future accounting policy changes

a. Financial instruments: classification and measurement

In July 2014, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"), which replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for fiscal years beginning on or after January 1, 2018 and is available for early adoption. The Trust has not yet reviewed the impact of IFRS 9 on the consolidated financial statements.

b. Revenue recognition

The IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Trust has not yet reviewed the impact of IFRS 15 on the consolidated financial statements.

Expressed in Canadian dollars

4. ACQUISITION OF MASTER LP, WESTERN CANADIAN PROPERTIES GROUP VII LIMITED PARTNERSHIP AND FSJ INDUSTRIAL PROPERTIES LIMITED PARTNERSHIP

Acquisition of Master LP

On December 30, 2014, the Trust completed its initial offering of units and acquired an interest of approximately 85% in the Master LP for the aggregate purchase price of $10,623,000. The purchase price was allocated to the assets acquired and liabilities assumed as follows:

Cost of units	$	10,623,000
Less:		
Investment property		6,200,000
Prepaid expenses		7,379
Amounts receivable		80
Due from related parties		273,881
Cash		62,633
Mortgage payable		(4,565,333)
Accounts payable and accrued liabilities		(401,532)
Non-controlling interest		(1,577,108)
Cash retained as working capital	$	10,623,000

On February 5, 2015, the Trust completed its second offering of units and acquired an additional interest of approximately 2% in the Master LP for an aggregate purchase price of $2,277,000. The cash was retained as working capital.

Acquisition of Western Canadian Properties Group VII Limited Partnership

On May 7, 2015, the Developments LP subscribed for 262,500 units of Western Canadian Properties Group VII Limited Partnership ("WCPG VII LP") at $1 per unit for a total of $262,500, which resulted in the Developments LP having control of WCPG VII LP. Thus, the condensed interim consolidated financial statements for the period ended September 30, 2015 reflect the operating results and changes in cash flows of WCPG VII LP from May 7, 2015 to September 30, 2015. The purchase price was allocated to the assets acquired and liabilities assumed as follows:

Cost of units	$	262,500
Less:		
Cash		100
Non-controlling interest		(100)
Cash retained as working capital	$	262,500

Expressed in Canadian dollars

4. ACQUISITION OF MASTER LP, WESTERN CANADIAN PROPERTIES GROUP VII LIMITED PARTNERSHIP AND FSJ INDUSTRIAL PROPERTIES LIMITED PARTNERSHIP (continued)

Acquisition of FSJ Industrial Properties Limited Partnership

On September 3, 2015, the Developments LP subscribed for 10 Class B units of FSJ Industrial Properties Limited Partnership ("FSJ Industrial") at $1 per unit for a total of $10. On September 9, 2015, the Developments LP subscribed for a further 3,076,362 Class B units for a total of $3,076,362, which resulted in the Developments LP having control of FSJ Industrial. Thus, the condensed interim consolidated financial statements for the period ended September 30, 2015 reflect the operating results and changes in cash flows of FSJ Industrial from September 9, 2015 to September 30, 2015. The purchase price was allocated to the assets acquired and liabilities assumed as follows:

Cost of units	$	3,076,372
Less:		
Cash		110
Non-controlling interest		(110)
Cash retained as working capital	$	3,076,372

5. INVESTMENT PROPERTY

On September 12, 2014, the Master LP, through the Investments LP, completed the acquisition of 3851 22nd Avenue, Prince George, British Columbia ("22nd Avenue"), for a purchase price of $6,200,000 plus standard closing costs and adjustments. 22nd Avenue is a 39,494 square foot industrial facility with a site area of approximately 10.1 acres.

The balance of the investment property as at September 30, 2015 has been determined as follows:

		2015
Balance, January 1, 2015	$	6,200,000
Accrued rental revenue		19,783
Fair value adjustments to investment property		(19,783)
Balance, September 30, 2015	**$**	**6,200,000**

The fair value of the investment property has been determined based on market value. As set out in note 3 to the Trust's audited consolidated financial statements for the period ended December 31, 2014, in arriving at their estimates of market values, management has used its market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

Expressed in Canadian dollars

5. INVESTMENT PROPERTY (continued)

Management estimates the fair value of the Trust's investment property using the direct capitalization income method. The fair value is determined by applying a capitalization rate to stabilized net operating income. The result is further adjusted for potential leasing costs, capital expenditures, and costs to stabilize the income. Since significant adjustments are made to key inputs, including the capitalization rate and stabilized net operating income, the Trust measures the fair value of investment property under level 3 of the fair value hierarchy. Please refer to the Trust's Management's Discussion and Analysis for the period ended September 30, 2015 for a description of the fair value hierarchy.

	September 30, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment property	$ –	$ –	$6,200,000	$ –	$ –	$6,200,000

Significant assumptions made relating to the valuation are set out below:

	September 30, 2015	December 31, 2014
	Weighted average	Weighted average
Capitalization rate	7.00%	7.00%

Valuations determined using the direct capitalization income method are sensitive to changes in capitalization rates. The table below summarizes the sensitivity of the fair value of investment property to changes in the capitalization rate as at September 30, 2015.

Change in capitalization rate	Fair value	Change in fair value	Percentage change
- 0.75%	$ 6,910,000	$ 710,000	11.45%
- 0.50%	6,640,000	440,000	7.10%
- 0.25%	6,390,000	190,000	3.06%
September 30, 2015	6,200,000	-	-
+ 0.25%	5,950,000	(250,000)	(4.03%)
+ 0.50%	5,750,000	(450,000)	(7.26%)
+ 0.75%	5,570,000	(630,000)	(10.16%)

6. INVENTORIES

On May 29, 2015, the Trust, through WCPG VII LP, acquired approximately 29 acres of residential property ("Garrison Landing") in Fort St. John, British Columbia, for a purchase price of $6,200,000 plus standard closing costs and adjustments. Garrison Landing is expected to be developed in five phases, and to generate, in aggregate, approximately 153 single family lots which will be offered for sale after servicing is complete. As at September 30, 2015, two phases comprising 55 subdivision lots were in the process of being serviced.

The acquisition of Garrison Landing was financed with cash and a vendor take-back mortgage of $2,000,000 (note 7). The development of the property has been further financed with a mortgage of $2,856,577 (note 7). As at September 30, 2015, both mortgages were secured by the Garrison Landing inventories of $8,707,639.

Expressed in Canadian dollars

6. INVENTORIES (continued)

On September 10, 2015, the Trust, through FSJ Industrial, acquired approximately 17 acres of industrial property (the "BCR Lands") in Fort St. John, British Columbia, for a purchase price of $3,446,000 plus standard closing costs and adjustments. The BCR Lands comprise four lots which are accessible by rail and which may be sold in their current condition or further developed with either build-to-suit options or lay-down yards for industrial users depending upon market demands. The acquisition of the BCR Lands was financed with cash.

The carrying amount of the Trust's inventories was as follows:

	September 30, 2015	December 31, 2014
Unserviced land	$ 4,111,799	$ –
Work in progress	4,595,839	–
Finished goods	3,511,717	–
	$ 12,219,355	$ –

7. MORTGAGES PAYABLE

On September 12, 2014, the Master LP, through the Investments LP, financed the acquisition of 22nd Avenue with cash and a term loan in the amount of $4,650,000 bearing interest at 3.72% and maturing in 2019. The term loan is secured by a mortgage on the property.

On May 29, 2015, the Trust, through WCPG VII LP, entered into a vendor take-back mortgage agreement secured by Garrison Landing. The mortgage bears interest at 6.00%, matures in May 2016 and is repayable upon the sale of each single lot in the first two phases of development being sold after development financing has been paid.

On June 6, 2015, Ground Floor Capital Management Ltd. loaned $216,111 to WCPG VII LP to meet working capital needs for Garrison Landing (note 17). On June 12, 2015, the Trust, through WCPG VII LP, entered into an agreement under which the loan was secured by a mortgage on Garrison Landing. The mortgage has a maximum amount of $349,444, bears interest at 10% and matures in June 2016. The mortgage is repayable from the release by the City of Fort St. John of any security deposits held as security for the subdivision work to be completed at Garrison Landing and from the proceeds from sales of subdivision lots, after repayment of mortgages ranking in priority to this mortgage. As at September 30, 2015, the loan balance outstanding was $293,986 (December 31, 2014 – $nil).

On July 20, 2015, the Trust, through WCPG VII LP, financed the development of Garrison Landing with a term loan from a Canadian chartered bank with a maximum amount of $4,000,000 bearing interest at prime plus 1.50% and maturing on December 31, 2015, secured by a mortgage on Garrison Landing. The mortgage is payable interest only and as at September 30, 2015, the balance of the mortgage was $2,856,577. The mortgage is repayable from 100% of the net proceeds received from the sale of subdivision lots of Garrison Landing, in priority to other mortgages secured by the property.

The mortgages payable are recorded at amortized cost and bore a weighted effective interest rate of 4.55% as at September 30, 2015 (December 31, 2014 – 3.78%). The mortgages payable are secured by charges on the Trust's investment property and inventories.

The amount of mortgages payable on September 30, 2015 was $9,641,205 (December 31, 2014 – $4,565,395). Included in mortgages payable were the related unamortized mortgage transaction costs of $64,740 as at September 30, 2015 (December 31, 2014 – $76,600), which are amortized over the term of the respective mortgages using the effective interest rate method.

Expressed in Canadian dollars

7. MORTGAGES PAYABLE (continued)

Principal repayments, as of September 30, 2015, based on scheduled repayments to be made on the mortgages payable over the next five years were as follows:

Remaining in 2015	$	2,886,142
2016		2,414,515
2017		125,168
2018		129,870
2019		4,150,250
	$	**9,705,945**

8. DEPOSITS

Deposits consist of refundable deposits held by the City of Fort St. John as security for the subdivision work to be completed at Garrison Landing.

9. CASH HELD IN TRUST

On December 30, 2014, the Trust received net proceeds from the initial public offering, which was temporarily held in a lawyer's trust account on behalf of the Trust. As at December 31, 2014, the balance of cash held in trust was $9,976,167. The funds were released to the Trust in January 2015.

On September 30, 2015, the Trust, through WCPG VII LP, received net proceeds from the sale of two subdivision lots at Garrison Landing, which were temporarily held in a lawyer's trust account on behalf of WCPG VII LP. As at September 30, 2015, the balance of cash held in trust was $338,811.

10. RESTRICTED CASH

On September 30, 2015, the Trust, through WCPG VII LP, transferred cash of $189,890 into a holdback account as required under builder's lien regulations. Funds in the holdback account are to be held until substantial completion of the related development work. As at September 30, 2015, $189,890 was held in the holdback account (December 31, 2014 – $nil) and $189,890 in holdback accounts payable was included in accounts payable and accrued liabilities (December 31, 2014 – $nil).

11. NON-CONTROLLING INTEREST

On December 30, 2014, the Trust purchased 10,623 limited partnership units of the Master LP at $1,000 per unit for a total of $10,623,000, which resulted in the Trust owning approximately 85% of the Master LP and having control of the Master LP. On February 5, 2015, the Trust purchased an additional 2,277 limited partnership units of the Master LP at $1,000 per unit for a total of $2,277,000, which increased the Trust's ownership of the Master LP to approximately 87%.

On May 7, 2015, the Developments LP subscribed for 262,500 units of WCPG VII LP at $1 per unit for a total of $262,500, which resulted in the Developments LP owning approximately 89% of WCPG VII LP and having control of WCPG VII LP. On May 27, 2015, the Developments LP subscribed for a further 3,737,500 units of WCPG VII LP at $1 per unit for a total of $3,737,500 and maintained its ownership interest at approximately 89% of WCPG VII LP.

Expressed in Canadian dollars

11. NON-CONTROLLING INTEREST (continued)

On September 3, 2015, the Developments LP subscribed for 10 Class B units of FSJ Industrial at $1 per unit for a total of $10. On September 9, 2015, the Developments LP subscribed for a further 3,076,362 Class B units for a total of $3,076,362, which resulted in the Developments LP owning 87.5% of FSJ Industrial. On September 24, 2015, the Developments LP subscribed for a further 65,625 Class B units for a total of $65,625 and maintained its ownership interest at 87.5% of FSJ Industrial.

As at September 30, 2015, the initial limited partners of the Master LP, the general partner of the Master LP, the general partner of the Investments LP, the general partner of the Developments LP, the general partner of WCPG VII LP, the other limited partner of WCPG VII LP, the general partner of FSJ Industrial and the other limited partner of FSJ Industrial collectively represented the non-controlling interest of the Trust.

12. UNITHOLDERS' EQUITY

On February 5, 2015, the Trust issued an additional 2,277 trust units at $1,000 per unit for gross proceeds of $2,277,000. The proceeds were used to acquire Master LP units. There have been no other changes to the Trust's unitholders' equity since December 31, 2014. Please refer to the Trust's audited consolidated financial statements for the period ended December 31, 2014 for a discussion of the Trust's unitholders' equity.

During the nine months ended September 30, 2015, total cash distributions of $nil (period ended December 31, 2014 – $nil) were paid to the trust unitholders.

13. CAPITAL MANAGEMENT

The Trust defines capital as the aggregate of unitholders' equity and mortgages payable. The Trust's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to its initial offering prospectus dated December 22, 2014 (the "Prospectus"), complies with existing debt covenants, funds its business strategies and builds long-term unitholders' value. The Trust's capital structure is approved by the Board through its periodic reviews.

On a monthly basis, the Trust monitors the "loan-to-value ratio", which is defined as overall mortgage loans divided by the purchase price of the properties plus the amount of any property improvement reserve account approved by the lenders as a whole and which serves as an indicator of the Trust's financial leverage. The overall loan-to-value ratio is targeted at not more than 70%, as indicated in the Prospectus. However, if deemed appropriate by the Trust, having regard to all of the circumstances including the potential value of the properties identified for investment, the Trust may cause the overall loan-to-value ratio of the mortgage loans to exceed this threshold. The Trust's loan-to-value ratio was 61% as at September 30, 2015 (December 31, 2014 – 74%). The Trust was in compliance with all restrictions during the periods ended September 30, 2015 and December 31, 2014.

The capital structure consisted of the following components at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014	Change
Capital			
Mortgages payable	$ 9,641,205	$ 4,565,395	$ 5,075,810
Unitholders' equity	11,843,538	9,758,571	2,084,967
Total capital	$ 21,484,743	$ 14,323,966	$ 7,160,777

Expressed in Canadian dollars

13. CAPITAL MANAGEMENT (continued)

During the nine months ended September 30, 2015, the Trust's total capital increased due to obtaining financing for Garrison Landing and issuing trust units, offset in part by offering costs and the net loss for the period.

14. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of the Trust's financial instruments, including cash, cash held in trust, restricted cash, amounts receivable, due from related parties and accounts payable and accrued liabilities, the carrying amounts approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The fair values of amounts due for mortgages payable are determined by discounting the future contractual cash flow under current financing arrangements at discount rates which represent borrowing rates presently available to the Trust for loans with similar terms and maturity and are measured under level 2 of the fair value hierarchy since the discount rates are either provided by the lenders or are observable on the open market.

The following table presents the carrying amounts and fair values of the Trust's financial instruments:

		September 30, 2015		December 31, 2014	
Financial instruments	Fair value hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages payable	Level 2	$ 9,641,205	$ 9,705,945	$ 4,565,395	$ 4,641,995
Accounts payable and accrued liabilities	Level 2	371,583	371,583	622,645	622,645
Amounts receivable	Level 2	143,444	143,444	80	80
Due from related parties	Level 2	230,265	230,265	273,881	273,881
Restricted cash	Level 1	189,890	189,890	–	–
Cash held in trust	Level 1	338,811	338,811	9,976,167	9,976,167
Cash	Level 1	2,507,038	2,507,038	63,551	63,551

15. RISK MANAGEMENT

The Board has the overall responsibility for the establishment and oversight of the Trust's risk management framework. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Trust's activities. In the normal course of business, the Trust is exposed to a number of risks from its use of financial instruments. These risks include, but are not limited to, credit risk, interest rate risk, income tax risk, liquidity risk, currency risk, environmental risk, lease rollover risk and trust unit redemption risk.

There have been no changes to the Trust's assessment of its risk factors since December 31, 2014. Please refer to the Trust's audited consolidated financial statements for the period ended December 31, 2014 and management's discussion and analysis for the period ended September 30, 2015 for a discussion of risk factors that have been identified by the Trust.

Expressed in Canadian dollars

16. LEASES

The Trust, through the Investments LP, has entered into a lease agreement with the tenant of 22nd Avenue. The lease is for seven years and the tenant has the option to renew for two terms of three years each at prevailing market rates. The Trust can recover property tax, insurance and management fees from the tenant. The management fee is 2.0% of the basic rent according to the lease agreement.

Future minimum rental revenue receivable under the non-cancellable operating lease was as follows:

	As at September 30, 2015
Within one year	$ 451,377
After one year, but not more than five years	1,897,608
More than five years	471,557
	$ 2,820,542

17. RELATED PARTY TRANSACTIONS

Transactions with Pure Commercial Real Estate Advisors Inc.

Pure Commercial Real Estate Advisors Inc. (“Pure Commercial”) is related to the Trust by virtue of having officers and directors/trustees in common. The Trust, through the Master LP, has entered into an asset management agreement with Pure Commercial, whereby Pure Commercial provides asset management, administrative and reporting services to the Trust. In consideration of these services, the Trust pays to Pure Commercial an annual asset management fee equal to 1.0% of net asset value plus any applicable taxes. Net asset value is equal to the greater of the total gross cash proceeds from all the Trust’s public offerings and the total purchase price of the properties including all fees, expenses and cash reserves, less outstanding mortgage debt. During the nine months ended September 30, 2015, Pure Commercial charged the Trust asset management fees of $97,866 (period ended December 31, 2014 – $92). As at September 30, 2015, asset management fees of $11,288 (December 31, 2014 – $4,232) were included in accounts payable and accrued liabilities.

The Trust, through the Investments LP, entered into a property management agreement with Pure Commercial, whereby Pure Commercial provides property management services to 22nd Avenue and collects 2.0% of the basic annual rent as a property management fee. During the nine months ended September 30, 2015, Pure Commercial charged the Trust property management fees of $6,647 (period ended December 31, 2014 – $48). Property management fees of $nil were included in accounts payable and accrued liabilities as at September 30, 2015 (December 31, 2014 – $48).

Transactions with Triple E Ventures Inc.

Triple E Ventures Inc. (“Triple E”) is related to the Trust by virtue of having officers and directors/trustees in common. In September 2014, Triple E paid a deposit for the acquisition of 22nd Avenue and a commitment fee for the mortgage on 22nd Avenue in the aggregate amount of $123,250. Triple E also advanced $1,000 to the Trust to cover administration expenses. In September 2015, the Trust, through the Investments LP, repaid $123,250 to Triple E. As at September 30, 2015, $1,000 was included in accounts payable and accrued liabilities (December 31, 2014 – $124,250).

17. RELATED PARTY TRANSACTIONS (continued)

Transactions with the Initial Limited Partners of the Master LP

The initial limited partners of the Master LP are related to the Trust by virtue of the fact that three of the initial limited partners are trustees of the Trust. According to the Prospectus, the maximum expenses of the offering, inclusive of agents' fees and expenses, were not to exceed 1.5% of the maximum offering or 2.0% of the minimum offering. Due to the size of the initial and second offerings, actual offering expenses exceeded the maximum amount. Certain of the initial limited partners of the Master LP agreed to pay the offering expenses above the maximum amount. The total of $230,114 is included in due from related parties and was still outstanding as at September 30, 2015 (December 31, 2014 – $135,896).

Transactions with the Master GP

The Master GP is related to the Trust by virtue of having officers and directors/trustees in common. The Master GP held cash on behalf of the Master LP before the Master LP opened its bank account. The total amount of $137,985 was included in due from related parties as at December 31, 2014. The full amount was received by the Master LP in January 2015. During the nine months ended September 30, 2015, the Trust paid a $148 expense on behalf of the Master GP and the Master GP received interest on the funds held on the Master LP's behalf in the amount of $91. The Master LP received $88 from the Master GP in April 2015. As at September 30, 2015, $151 was still outstanding and included in due from related parties.

Transactions with Ground Floor Capital Management Ltd.

Ground Floor Capital Management Ltd. ("GFCM") is the only other limited partner of WCPG VII LP and therefore represents the non-controlling interest of approximately 11% of WCPG VII LP. During the nine months ended September 30, 2015, GFCM loaned $293,986 to WCPG VII LP to fund working capital requirements, secured by a mortgage on Garrison Landing. As at September 30, 2015, the full balance of $293,986 remained outstanding and was included in mortgages payable (December 31, 2014 – $nil). As at September 30, 2015, interest on the loan totaling $8,682 was included in accounts payable and accrued liabilities (December 31, 2014 – $nil).

Transactions with WCPG Southview Townhomes Ltd.

WCPG Southview Townhomes Ltd. ("WCPG Southview") is related to WCPG VII LP by virtue of having common ownership with GFCM. The Trust, through WCPG VII LP, has entered into a development management agreement whereby WCPG Southview provides development management services to Garrison Landing and collects development management fees as follows:

- $100,000 upon completion of the purchase of Garrison Landing, which occurred on May 29, 2015;
- $25,000 per month for 20 months following the purchase of Garrison Landing; and
- $150,000 in aggregate by way of equal payments upon the sale of the last lot within each phase of the development of Garrison Landing.

During the nine months ended September 30, 2015, the Trust, through WCPG VII LP, paid WCPG Southview development management fees of $200,000 (period ended December 31, 2014 – $nil). Interest on unpaid fees, inclusive of GST, is charged at a rate of 10%. During the nine months ended September 30, 2015, the Trust paid WCPG Southview interest of $2,380 (period ended December 31, 2014 – $nil).

17. RELATED PARTY TRANSACTIONS (continued)

Transactions with Western Canadian Construction Company Ltd.

Western Canadian Construction Company Ltd. ("WCCC") is related to WCPG VII LP by virtue of having common ownership with GFCM. During the nine months ended September 30, 2015, the Trust paid $298,910 to WCCC to cover invoices associated with the development of Garrison Landing which were paid by WCCC, of which $149,455 was returned to the Trust due to overpayment (period ended December 31, 2014 – $nil and $nil respectively). In June 2015, the Trust advanced $1,760,207 to WCCC to cover a security deposit required by the City of Fort St. John in relation to the development of Garrison Landing. On July 2, 2015, WCCC paid $1,556,207 to the City of Fort St. John as a security deposit. On July 3, 2015, the Trust received $204,000 from WCCC, representing the return of excess funds advanced to cover the security deposit.

18. SEGMENTED INFORMATION

The Trust operates in two business segments in a single geographic location, being the owner and operator of investment properties and the owner and developer of development properties in northwestern Canada. For each of the business segments, the Acting Chief Executive Officer ("CEO") reviews operations based on earnings from property operations and sales. As at September 30, 2015, the Trust operated one investment property and owned two development properties. As at December 31, 2014, the Trust operated one investment property and the CEO reviewed the Trust's operations on a consolidated basis rather than in segments.

Expressed in Canadian dollars

18. SEGMENTED INFORMATION

Assets and liabilities are reviewed on a total basis by management and therefore are not included in the segmented disclosure below:

Nine months ended September 30, 2015	Development	Investment	Trust	Total
NET RENTAL AND SALES INCOME (EXPENSES)				
Rental revenue and recoveries	$ –	$ 505,802	$ –	$ 505,802
Sales revenue	349,800	–	–	349,800
Cost of sales	(240,073)	–	–	(240,073)
Inventory selling costs	(10,494)	–	–	(10,494)
Insurance	–	(7,954)	–	(7,954)
Management fees	–	(6,647)	–	(6,647)
Property taxes	(22,793)	(139,028)	–	(161,821)
	76,440	352,173	–	428,613
NET FINANCE INCOME (EXPENSES)				
Interest income	–	892	66,888	67,780
Mortgage interest	–	(139,948)	–	(139,948)
	–	(139,056)	66,888	(72,168)
NET OTHER INCOME (EXPENSES)				
General and administrative	(162,289)	(10,457)	(69,140)	(241,886)
Asset management fees	–	–	(97,866)	(97,866)
Fair value adjustments to investment property	–	(19,783)	–	(19,783)
	(162,289)	(30,240)	(167,006)	(359,535)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(85,849)	182,877	(100,118)	(3,090)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Unitholders	(81,823)	158,991	(87,041)	(9,873)
Non-controlling interest	(4,026)	23,886	(13,077)	6,783
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (85,849)	$ 182,877	$ (100,118)	$ (3,090)
Earnings per unit				
Basic and diluted	$ (6.49)	$ 12.61	$ (6.90)	$ (0.78)
Weighted average number of units				
Basic and diluted	12,608	12,608	12,608	12,608

Expressed in Canadian dollars

19. SUBSIDIARIES

The Trust has a voting interest of approximately 89% in WCPG VII LP, which owns Garrison Landing, and a voting interest of 87.5% in FSJ Industrial, which owns the BCR Lands. Since the Trust has power over the investees, the Trust consolidates these entities as subsidiaries and recognizes the non-controlling interest on its financial statements. Both WCPG VII LP and FSJ Industrial principally conduct their business in Fort St. John, where Garrison Landing and the BCR Lands are located.

The following tables represent the Trust's share of its subsidiaries:

	WCPG VII LP		FSJ Industrial	
	September 30, 2015	December 30, 2014	September 30, 2015	December 30, 2014
Percentage of ownership interest	88.9%	nil%	87.5%	nil%
Non-current assets	$ –	$ –	$ –	$ –
Current assets	12,330,409	–	3,588,753	–
Total assets	12,330,409	–	3,588,753	–
Non-current liabilities	–	–	–	–
Current liabilities	5,461,736	–	29,970	–
Total liabilities	5,461,736	–	29,970	–
Net assets at 100%	6,868,673	–	3,558,783	–
Carrying amount of non-controlling interest	$ 763,186	$ –	$ 444,848	$ –

	WCPG VII LP		FSJ Industrial	
Nine months ended September 30	2015	2014	2015	2014
Rental & sales income (expenses)	$ 97,262	$ –	$ (20,821)	$ –
Finance income (expenses)	–	–	–	–
Other income (expenses)	(80,578)	–	(11,349)	–
Net income (loss) at 100%	16,683	–	(32,170)	–
Net income (loss) allocated to non-controlling interest	$ 1,854	$ –	$ (4,021)	$ –

Expressed in Canadian dollars

20. RESTATEMENT

Subsequent to the issuance of the condensed interim consolidated financial statements for the period ended June 30, 2015, it came to management's attention that development expenditures for Garrison Landing which had been incurred on or before June 30, 2015 had been inadvertently omitted from the financial results reported for this property for the period. As a result, the following financial statement line items were incorrectly stated and have now been restated:

As at June 30, 2015	Originally reported	Correction	**Restated**
Inventories	$ 6,615,509	$ 660,273	**$ 7,275,782**
Amounts receivable	19,387	31,769	**51,156**
Current assets	14,863,497	692,042	**15,555,539**
Total assets	21,063,497	692,042	**21,755,539**
Accounts payable and accrued liabilities	430,076	692,042	**1,122,118**
Current liabilities	2,764,268	692,042	**3,456,310**
Total liabilities	7,162,059	692,042	**7,854,101**
Total liabilities and unitholders' equity	21,063,497	692,042	**21,755,539**

21. SUBSEQUENT EVENTS

On October 9, 2015, the Trust, through WCPG VII LP, sold an additional subdivision lot at Garrison Landing for a sale price of $174,900 less standard closing costs and adjustments.

On October 22, 2015, the Trust subscribed for 2,300,000 limited partnership units of FSJ Aurora Developments Limited Partnership ("FSJ Aurora LP") for a total of $2,300,000, thereby acquiring a 50% interest in FSJ Aurora LP. On October 23, 2015, FSJ Aurora LP completed the acquisition of approximately 144 acres of bare land (the "Aurora Lands") for a purchase price of $4,500,000 plus standard closing costs and adjustments. The Aurora Lands are located immediately outside of the current northeast boundary of the City of Fort St. John, which has confirmed that it intends to pursue the extension of the city's boundary and that the Aurora Lands are part of the intended expansion. The Aurora Lands are currently in the Agricultural Land Reserve (the "ALR"); FSJ Aurora LP intends to pursue an application to exclude the property from the ALR.

On November 17, 2015, the Trust, through WCPG VII LP, sold four additional subdivision lots at Garrison Landing for a total sale price of $714,600 less standard closing costs and adjustments.

On November 18, 2015, the Trust, through WCPG VII LP, sold one additional subdivision lot at Garrison Landing for a sale price of $174,900 less standard closing costs and adjustments.