Consolidated Financial Statements
(Expressed in Canadian dollars)

REALnorth Opportunities Fund

For the Years Ended December 31, 2015 and 2014

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Trustees of REALnorth Opportunities Fund

We have audited the accompanying consolidated financial statements of REALnorth Opportunities Fund, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of unitholders' equity, income (loss) and comprehensive income (loss), and cash flow for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of REALnorth Opportunities Fund as at December 31, 2015 and 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

April 27, 2016
Vancouver, Canada

REALnorth Opportunities Fund

Consolidated Statement of Financial Position
Expressed in Canadian Dollars

		December 31, 2015		December 31, 2014
ASSETS				
Non-current assets				
Investment property (note 5)	**$**	**6,450,000**	$	6,200,000
Equity-accounted investments (note 6)		**9,877,289**		–
		16,327,289		6,200,000
Current assets				
Prepaid expenses		**26,101**		7,379
Amounts receivable		**1,560**		80
Due from related parties (note 15)		**542,485**		273,881
Cash held in trust (note 8)		–		9,976,167
Cash		**1,844,270**		63,551
		2,414,416		10,321,058
TOTAL ASSETS	**$**	**18,741,705**	$	16,521,058
LIABILITIES				
Non-current liabilities				
Mortgage payable (note 7)	**$**	**4,344,231**	$	4,449,218
Current liabilities				
Mortgage payable – current portion (note 7)		**120,529**		116,177
Distributions payable (note 10)		**230,047**		**–**
Accounts payable and accrued liabilities		**258,301**		622,645
		608,877		738,822
TOTAL LIABILITIES		**4,953,108**		5,188,040
UNITHOLDERS' EQUITY				
Non-controlling interest (note 9)		**1,624,977**		1,574,447
Unitholders' equity (note 10)		**12,163,620**		9,758,571
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	**$**	**18,741,705**	$	16,521,058

See accompanying notes to 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

Expressed in Canadian Dollars

		Trust units	Non-controlling interest	Total
	Units	Amount	Amount	Amount
Unitholders’ equity, December 31, 2014	10,623	$ 9,758,571	$ 1,574,447	$ 11,333,018
Contributions	2,277	2,277,000	230,104	2,507,104
Offering costs	–	(182,160)	(230,114)	(412,274)
Net income for the year	–	510,209	80,587	590,796
Distributions	–	(200,000)	(30,047)	(230,047)
Unitholders' equity, December 31, 2015	**12,900**	**$ 12,163,620**	**$ 1,624,977**	**$ 13,788,597**

		Trust units	Initial trust unit	Non-controlling interest	Total
	Units	Amount	Amount	Amount	Amount
Contributions	10,623	$ 10,623,000	$ 10	$ -	$ 10,623,010
Non-controlling interest on acquisition	-	-	-	1,577,108	1,577,108
Offering costs	-	(849,840)	-	-	(849,840)
Net loss for the period	-	(14,589)	-	(2,661)	(17,250)
Distributions	-	-	(10)	-	(10)
Unitholders' equity, December 31, 2014	**10,623**	**$ 9,758,571**	**$ -**	**$ 1,574,447**	**$ 11,333,018**

REALnorth Opportunities Fund
Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)
Expressed in Canadian Dollars

	For the Year Ended December 31, 2015	For the Period From Formation on 8/27/2014 to 12/31/2014
NET RENTAL INCOME (EXPENSES)		
Rental revenue and recoveries	**$ 674,998**	$ 3,373
Insurance	**(10,731)**	(57)
Property management fees (note 15)	**(8,901)**	(48)
Property taxes	**(185,880)**	(891)
	469,486	2,377
NET FINANCE INCOME (EXPENSES)		
Interest income	**175,435**	563
Mortgage interest	**(186,167)**	(1,042)
	(10,732)	(479)
NET OTHER INCOME (EXPENSES)		
General and administrative	**(265,843)**	(19,056)
Asset management fees (note 15)	**(131,728)**	(92)
Fair value adjustments to investment property (note 5)	**225,571**	–
	(172,000)	(19,148)
SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTMENTS (note 6)	**304,042**	–
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**590,796**	(17,250)
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:		
Unitholders	**510,209**	(14,589)
Non-controlling interest	**80,587**	(2,661)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	**$ 590,796**	(17,250)
Earnings (loss) per unit		
Basic and diluted	**$ 40.23**	$ (1.37)
Weighted average number of units		
Basic and diluted	**12,682**	10,623

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

REALnorth Opportunities Fund

Consolidated Statement of Cash Flow
Expressed in Canadian Dollars

	For the Year Ended December 31, 2015	For the Period From Formation on 8/27/2014 to 12/31/2014
Cash provided by (used in)		
OPERATIONS		
Income (loss) for the year	**$ 590,796**	$ (17,250)
Items not involving cash:		
Amortization of mortgage transaction costs	**15,542**	62
Fair value adjustments to investment property	**(225,571)**	–
Straight-line rent adjustment	**(24,429)**	–
Share of profit of equity-accounted investments	**(304,042)**	–
Interest income	**(175,435)**	(563)
Mortgage interest	**170,625**	980
Changes in non-cash working capital items:		
Increase in prepaid expenses	**(18,722)**	–
Decrease (increase) in amounts receivable	**(579)**	5
Decrease (increase) in due from related parties	**(268,773)**	11
Decrease (increase) in accounts payable and accrued liabilities	**(364,261)**	220,184
	(604,849)	203,429
INVESTING		
Cash assumed on acquisition of REALnorth Opportunities Master Limited Partnership	**–**	62,633
Acquisition of equity-accounted investments	**(9,573,247)**	–
Interest received	**174,703**	547
	(9,398,544)	63,180
FINANCING		
Mortgage interest paid	**(170,708)**	(51)
Proceeds from issuance of units	**2,277,000**	10,623,000
Contributions from non-controlling interest	**230,104**	–
Repayment of mortgage	**(116,177)**	–
Unit issuance costs	**(412,274)**	(849,840)
	1,807,945	9,773,109
Change in cash and cash held in trust during the year	**(8,195,448)**	10,039,718
Cash and cash held in trust, beginning of year	**10,039,718**	–
CASH AND CASH HELD IN TRUST, END OF YEAR	**$ 1,844,270**	$ 10,039,718

There were no significant non-cash transactions for the year ended December 31, 2015 or the period ended December 31, 2014.

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 consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs") and effective for the year ended December 31, 2015, or issued and early adopted.

These consolidated financial statements for the year ended December 31, 2015 were authorized for issuance by the Board of Trustees (the "Board") on April 27, 2016.

B. Basis of measurement

These 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 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(O).

C. Functional and presentation currency

These 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 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 significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries, over which the Trust has control. Control exists when the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The non-controlling interest is included in unitholders' equity. The financial statements of subsidiaries are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of consolidation (continued)

On September 12, 2014, the Master LP invested $1,802,340 in the Investments LP, which resulted in the Master LP having control of the Investments LP. On December 30, 2014, the Trust raised $10,623,000 from its initial public offering and used the proceeds to purchase 10,623 Master LP units, which resulted in the Trust having control of the Master LP commencing December 30, 2014. Thus, the consolidated financial statements reflect the operating results and changes in cash flows of the Master LP and the Investments LP from December 30, 2014 to December 31, 2015.

On April 21, 2015, the Master LP invested $306 in the Developments LP, which resulted in the Master LP having control of the Developments LP. Thus, the consolidated financial statements reflect the operating results and changes in cash flows of the Developments LP from April 21, 2015 to December 31, 2015.

As at December 31, 2015, the initial limited partners of the Master LP, the general partner of the Master LP, the general partner of the Investments LP and the general partner of the Developments LP collectively represented the non-controlling interest of the Trust.

Intra-group transactions and balances are eliminated in preparing the consolidated financial statements. The Trust's consolidated financial statements reflect the financial position, results of operations and cash flows of the Trust and its subsidiaries.

The Trust has subscribed to units in limited partnerships where it does not have control over the entity. The Trust accounts for its interests in entities over which it has significant influence using the equity method.

Balances due from equity-accounted investments and the associated interest income are not eliminated in preparing the consolidated financial statements. The interest expense incurred by equity-accounted investments on loans from the Trust or its subsidiaries is expensed as incurred.

B. Property acquisitions and business combinations

Where property is acquired, management considers the substance of the agreement in determining whether the acquisition represents an asset acquisition or a business combination. The basis of the judgment is set out in note 3(O).

Where such acquisitions are not determined to be business combinations, they are treated as asset acquisitions. The cost to acquire the property is allocated between the identifiable assets acquired and liabilities assumed based on their relative fair values at the acquisition date. Otherwise, acquisitions are accounted for as business combinations.

C. Investment properties

Investment properties comprise property held to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Investment properties (continued)

Subsequent to initial recognition, investment properties are measured at fair value and related gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset on the date the transaction occurred. The Trust defines fair value to be the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after the acquisition date, would be the new basis for the fair value recorded on the investment property. Gains or losses arising from changes in fair values are included in the consolidated statement of income (loss) and comprehensive income (loss) in the year in which they arise.

The Trust includes accrued straight-line rental revenue differences in the fair value of investment properties.

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the year of retirement or disposal.

D. Leases

The Trust is the lessor in all leasing arrangements. Leases are classified according to the substance of the transaction. Leases that transfer substantially all the risks and benefits of ownership from the Trust to the lessees are accounted for as finance leases. The Trust's current lease is classified as an operating lease.

E. Property inventories

Property inventories comprise properties held for sale in the ordinary course of business, property under development for sale or materials and supplies to be consumed in the development process. Property 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.

Property inventories are written down to net realizable value when the cost of property inventories is determined not to be recoverable. Write-downs are reversed when circumstances that previously caused property 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.

As the Trust does not have property inventories recorded within its consolidated financial statements, this accounting policy applies to the associates the Trust has an interest in, which are accounted for under the equity method.

F. Cash and cash equivalents

Cash consists of cash on hand and cash held at banks. Cash equivalents include short-term investments with original maturities of three months or less from the acquisition date.

G. Revenue recognition

Rental revenue is recognized in income on a straight-line basis over the lease term subject to ultimate collection being reasonably assured. Revenue includes recoveries of specified operating expenses, in accordance with the terms of the lease agreements. Recoveries are recognized in the period in which the related operating expense was incurred and collectability is reasonably assured.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenue recognition (continued)

Sales revenue related to the sale of development properties is recognized when ownership transfers to the buyer. As the Trust does not have development properties recorded within its consolidated financial statements, this accounting policy applies to the associates the Trust has an interest in, which are accounted for under the equity method.

H. Finance income (expenses)

Finance income consists of interest earned on deposit from bank accounts, which is recognized in the period in which it is earned.

Finance expense consists of mortgage interest, which is recognized in the period in which it is incurred.

I. Financial instruments

Non-derivative financial assets and non-derivative financial liabilities are initially recognized at fair value. Their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Trust's designation of such instruments.

The Trust classifies its financial instruments as follows:

Cash	Loans and receivables
Cash held in trust	Loans and receivables
Amounts receivable	Loans and receivables
Due from related parties	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Distributions payable	Other financial liabilities
Mortgage payable	Other financial liabilities

Amounts receivable and due from related parties are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are accounted for at amortized cost, using the effective interest rate method, less any impairment losses.

Non-derivative financial liabilities include accounts payable and accrued liabilities, distributions payable and the mortgage payable. These liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are accounted for at amortized cost, using the effective interest rate method.

J. Impairment of financial assets

At each reporting date, the Trust assesses whether there is objective evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The loss is recognized in impairment expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fair value

The Trust measures investment properties at fair value at the end of each reporting period. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. In certain circumstances, the initial fair value may be based on other observable current market transactions, without modification or using a valuation technique using market based inputs.

Fair value measurements recognized in the consolidated statement of financial position are categorized in accordance with the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active markets for similar assets or liabilities or valuation techniques where significant inputs are based on observable market data.
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

L. Income taxes

The Trust qualifies as a "mutual fund trust" for Canadian income tax purposes under Part I of the *Income Tax Act (Canada)* (the "Tax Act"). The Master LP, together with all other partnerships that the Trust has an indirect interest in, are subsidiary partnerships of the Trust (the "Subsidiary Partnerships"). The Subsidiary Partnerships are not subject to tax under Part I of the Tax Act. Each partner of the Subsidiary Partnerships is required to include in computing the partner's income for a particular taxation year the partner's share of the income or loss of such Subsidiary Partnerships for their fiscal years ending in or on the partner's taxation year-end, whether or not any income or loss is distributed to the partner in the taxation year. The Trust, as a partner of the Master LP, intends to distribute all of its taxable income to unitholders and to deduct such distributions for income tax purposes. Canadian income tax obligations relating to distributions of the Trust are the obligations of the unitholders. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships in a manner similar to corporations which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation (the "SIFT Rules"). The SIFT Rules apply to any trust or partnership that is a "SIFT trust" or "SIFT partnership" (each defined in the Tax Act) and its investors.

One of the conditions for a trust or partnership to be a SIFT trust or a SIFT partnership is that "investments" (as defined in the Tax Act) in the trust or partnership must be listed or traded on a stock exchange or other "public market" (as defined in the Tax Act). The Trust and the Subsidiary Partnerships have no current plans for their units or other "investments" thereof to be listed or traded on a stock exchange or other "public market". In addition, management represents that the issuance and transfer of units of the Trust or the Subsidiary Partnerships will only be made in a manner that would not cause such entities to be subject to SIFT tax. As a result, the Trust does not account for current or deferred income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net earnings (loss) per unit

Basic and diluted net earnings (loss) per unit is calculated by dividing net income (loss) attributable to the unitholders by the weighted average number of units (basic and diluted) outstanding during the reporting period.

Although the Trust was formed on August 27, 2014, it only commenced operations after issuing 10,623 units on December 30, 2014. Thus, the calculation of the loss per unit for the period from formation on August 27, 2014 to December 31, 2014 represents two days of earnings from the commencement of operations of the Trust on December 30, 2014.

N. Operating segments

The Trust currently operates in two business segments, being the owning and operating of investment and development properties in northwestern Canada. The Trust, through the Master LP, the Investments LP and the Developments LP, currently owns and operates one investment property in northern British Columbia, Canada. The Trust also has an interest in one additional investment property and two development properties in northern British Columbia, Canada (note 6). The primary format for segment reporting is based on property type and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Acting Chief Executive Officer.

O. Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates.

a. Judgments

In the process of applying the Trust's accounting policies, management has made the following critical judgments, which have the most significant effects on the amounts recognized in the consolidated financial statements.

(i) Asset acquisitions

The Trust acquires individual real estate properties. At the time of acquisition, the Trust considers whether or not the acquisition represents the acquisition of a business. The Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the property (maintenance, cleaning, security, bookkeeping, etc.).

When the acquisition of a property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

All property acquisitions to date by the Trust and the Trust's equity-accounted investments have been determined to be asset acquisitions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Significant accounting judgments and estimates (continued)

a. Judgments (continued)

(ii) Lease contracts

The Trust has entered into a property lease at its investment property. The Trust makes judgments in determining whether certain leases, particularly those leases with long contractual terms, are operating or finance leases. The Trust must assess each lease separately against land and building. The Trust has determined that its lease of land and building is an operating lease.

(iii)Deferred Income Taxes

Deferred income taxes are not recognized in the Trust's consolidated financial statements on the basis that the Trust intends to continue to distribute all of its taxable income and that the Trust as well as the Subsidiary Partnerships should not be subject to the SIFT Rules for the foreseeable future.

b. Estimates

Significant areas of estimation include the following:

(i) Valuation of investment properties

The fair value of the investment properties is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the fair value of investment properties requires the use of estimates such as future cash flows from assets (based on factors such as tenant profiles, future revenue streams and overall repair and condition of the property), capitalization rates and discount rates applicable to those assets. These estimates are based on market conditions existing at the reporting date.

The following approaches, either individually or in combination, are used by management, together with the appraisals, in their determination of the fair value of the investment properties:

- The income approach derives market value by estimating the future cash flows that will be generated by the property and then applying an appropriate capitalization rate or discount rate to those cash flows. This approach can utilize the direct capitalization method and/or discounted cash flow analysis.
- The direct comparison approach involves comparing or contrasting the recent sale, listing or optioned prices of properties comparable to the subject and adjusting for any significant differences between them.

Management reviews each appraisal obtained and ensures the assumptions used by the appraisers are reasonable and the final fair value amount reflects those assumptions used in the various approaches above. Where an appraisal is not obtained at the reporting date, management reviews the approaches described above, for each investment property, and estimates the fair value.

(ii) Cost of sales

Certain of the Trust's equity-accounted investments hold property under development for sale (note 6). Cost of sales is determined by management using the net yield method, which requires the use of estimates such as costs to complete a project and selling prices of subdivided lots within a project. Management engages a cost consultant to review budgeted costs to complete and estimates selling prices based on market conditions existing at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Future accounting policy changes

a. Financial instruments: classification and measurement

On July 24, 2014, the IASB issued the complete IFRS 9, *Financial Instruments* ("IFRS 9").

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, 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 standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Trust intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined; however, it is not expected to have a material impact on the Trust's consolidated financial statements.

b. Revenue recognition

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*; IAS 18, *Revenue*; IFRIC 13, *Customer Loyalty Programmes*; IFRIC 15, *Agreements for the Construction of Real Estate*; IFRIC 18, *Transfer of Assets from Customers;* and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Trust intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning on January 1, 2018. The Trust does not expect the standard to have a material impact on its consolidated financial statements.

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Future accounting policy changes (continued)

c. Leases

On January 13, 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases* ("IAS 17").

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Trust intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined; however, it is not expected to have a material impact on the Trust's consolidated financial statements.

4. 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.

Expressed in Canadian Dollars

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 December 31, 2015 has been determined as follows:

		2015
Balance, January 1, 2015	$	6,200,000
Straight-line rent adjustment		24,429
Fair value adjustments to investment property		225,571
Balance, December 31, 2015	**$**	**6,450,000**

The fair value of the investment property has been determined based on market value. As set out in note 3(C), in arriving at its estimates of market values, management has used its market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

When obtained, appraisals were performed by accredited independent appraisers with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management reviews each appraisal and ensures that the assumptions used below are reasonable and the final fair value amount reflects those assumptions used in the determination of the fair market values of the properties.

The Trust does not expect to obtain appraisals at each reporting date. Where the Trust does not obtain an appraisal for a specific investment property at the reporting date, management uses specific indicators (i.e. market conditions, discount rate changes, etc.) and determines whether a change in fair value has occurred.

Investment property as at December 31, 2015 and December 31, 2014 has been valued using the overall capitalization rate ("OCR") method, an income based approach, whereby the stabilized net operating income is capitalized at the requisite OCR.

Since significant estimates are made for 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 as described in note 3(K).

	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment property	$ –	$ –	$6,450,000	$ –	$ –	$6,200,000

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

	December 31, 2015	December 31, 2014
	Weighted average	Weighted average
Capitalization rate	6.75%	7.00%

Expressed in Canadian Dollars

5. INVESTMENT PROPERTY (continued)

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 December 31, 2015.

Change in capitalization rate	Fair value	Change in fair value	Percentage change
- 0.75%	$ 7,260,000	$ 810,000	12.56%
- 0.50%	6,970,000	520,000	8.06%
- 0.25%	6,700,000	250,000	3.88%
December 31, 2015	6,450,000	-	-
+ 0.25%	6,225,000	(225,000)	(3.49%)
+ 0.50%	6,010,000	(440,000)	(6.82%)
+ 0.75%	5,810,000	(640,000)	(9.92%)

6. EQUITY-ACCOUNTED INVESTMENTS

On May 7, 2015, the Trust, through the Developments LP, subscribed for 262,500 units of Western Canadian Property Group VII Limited Partnership ("WCPG VII LP") at $1 per unit for a total of $262,500, which resulted in the Trust, through the Developments LP, owning 88.9% of WCPG VII LP. On May 27, 2015, the Trust, through 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 88.9% of WCPG VII LP.

Distributable cash will be distributed by WCPG VII LP as follows:

a. First, to the limited partners, pro rata in accordance with their respective proportionate shares, until each limited partners has received a return in full of its net equity;
b. Second, to the extent of the next $5,000,000 of distributable cash:
    (i) First, to the limited partners, pro rata in accordance with their respective proportionate shares, until each as received an amount which, when aggregated with all previous distributions, is equal to, but not in excess of, the sum of such limited partners' hurdle return of 10% per annum on a non-compounded basis from their respective dates of closing;
    (ii) Second, to the general partner in an amount equal to 30/70ths of the amount paid the limited partners on account of the hurdle return;
c. Third, to the extent of the next $2,500,000 of distributable cash, 100% to the general partner; and,
d. As to the balance, 35% to the limited partners, pro rata in accordance with their respective proportionate shares, and 65% to the general partner.

Net income of WCPG VII LP is allocated among the partners in the same proportion and priority as distributions, without regard to the return of net equity. Net loss of WCPG VII LP is allocated first to the limited partners, pro rata in accordance with their respective proportionate share, to the extent of their at-risk amount as computed in accordance with the Tax Act, and second, as to the remainder, if any, to the general partner.

On May 29, 2015, 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 December 31, 2015, two phases comprising 55 subdivision lots were substantially complete.

6. EQUITY-ACCOUNTED INVESTMENTS (continued)

On September 3, 2015, the Trust, through 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 Trust, through the Developments LP, subscribed for a further 3,076,362 Class B units for a total of $3,076,362, which resulted in the Trust, through the Developments LP, owning 87.5% of FSJ Industrial. On September 24, 2015, the Trust, through 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. On December 21, 2015, the Trust, through the Developments LP, subscribed for an additional 131,250 Class B units for a total of $131,250 and maintained its ownership interest at 87.5% of FSJ Industrial.

Distributable cash will be distributed by FSJ Industrial as follows:

a. First, to the limited partners, pro rata in accordance with their respective net equity, until each limited partner has received a return in full of its net equity;
b. Second, 0.01% of the balance of distributable cash will be distributed to the general partner, to a maximum of $100 per annum;
c. As to the balance of distributable cash:
   (i) 50% thereof will be distributed to the limited partners holding Class A units, pro rata in accordance with their respective proportionate shares; and
   (ii) 50% thereof will be distributed to the limited partners holding Class B units, pro rata in accordance with their respective proportionate shares.

Net income of FSJ Industrial is allocated among the partners in the same proportion and priority as distributable cash, without regard to the return of net equity. Net loss of FSJ Industrial is allocated first to the limited partners, pro rata in accordance with their respective proportionate share, to the extent of their at-risk amount as computed in accordance with the Tax Act, and second, as to the remainder, if any, to the general partner.

On September 10, 2015, 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.

On October 20, 2015, the Trust, through the Developments LP, subscribed for 2,300,000 limited partnership units of FSJ Aurora Developments Limited Partnership (“FSJ Aurora LP”) at $1 per unit 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 has filed an application to exclude the property from the ALR.

Under IAS 28, *Investments in Associates and Joint Ventures*, the Trust accounts for its interests in entities over which it has significant influence using the equity method. The Trust has determined that it has significant influence over WCPG VII LP, FSJ Industrial and FSJ Aurora LP.

Expressed in Canadian Dollars

6. EQUITY-ACCOUNTED INVESTMENTS (continued)

The carrying value of the Trust's equity-accounted investments as at December 31, 2015 has been determined as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora	Total
Initial investment	$ 262,500	$ 10	$ 2,300,000	$ 2,562,510
Subsequent investment	3,737,500	3,273,237	–	7,010,737
Share of net income (loss)	342,998	(35,661)	(3,296)	304,042
	$ 4,342,998	$ 3,237,586	$ 2,296,704	$ 9,877,289

The summarized financial position and results of operation of the Trust's equity-accounted investments for the year ended December 31, 2015 are as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora	Total
Current assets	$ 9,983,214	$ 3,721,170	$ 2,374	$ 13,706,758
Non-current assets	–	–	4,626,944	4,626,944
Current liabilities	(4,931,831)	(20,971)	(35,900)	(4,988,702)
Net assets at 100%	5,051,383	3,700,199	4,593,418	13,345,000
Trust's ownership interest	88.9%	87.5%	50%	
Trust share of net assets	$ 4,490,119	$ 3,237,674	$ 2,296,709	$ 10,024,502

	WCPG VII LP	FSJ Industrial	FSJ Aurora	Total
Rental & sales income (expenses)	$ 796,225	$ (21,114)	$ (6,659)	$ 768,452
Finance income (expenses)	(147,434)	–	67	(147,367)
Other income (expenses)	(97,508)	(19,641)	–	(117,149)
Net income (loss) at 100%	551,283	(40,755)	(6,592)	503,937
Trust share of net income (loss)	$ 342,998	$ (35,661)	(3,296)	$ 304,042

7. MORTGAGE 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.

The mortgage payable is recorded at amortized cost and bore an effective interest rate of 3.77% as at December 31, 2015 (December 31, 2014 – 3.78%).

The carrying value of the mortgage payable on December 31, 2015 was $4,464,760 (December 31, 2014 – $4,565,395). Included in the mortgage payable were the related unamortized mortgage transaction costs of $61,058 as at December 31, 2015 (December 31, 2014 – $76,600), which are amortized over the term of the mortgage using the effective interest rate method.

Expressed in Canadian Dollars

7. MORTGAGE PAYABLE (continued)

Principal repayments, as of December 31, 2015, based on scheduled repayments to be made on the mortgage payable over the next five years were as follows:

2016	$	120,529
2017		125,168
2018		129,870
2019		4,150,251
2020 and thereafter		–
	$	**4,525,818**

8. 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. The funds were released to the Trust in January 2015.

9. 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%.

As at December 31, 2015, the initial limited partners of the Master LP, the general partner of the Master LP, the general partner of the Investments LP and the general partner of the Developments LP collectively represented the non-controlling interest of the Trust.

10. UNITHOLDERS’ EQUITY

Unitholders’ equity represents Trust units and the initial capital contribution to the Trust made by the settlor. The Trust is authorized to issue an unlimited number of redeemable units of beneficial interest. Each Trust unit entitles the Trust unitholder to the same rights and obligations as any other Trust unitholder and no Trust unitholder is entitled to any privilege, priority or preference in relation to any other Trust unitholders.

Each Trust unitholder is entitled to participate equally with respect to any and all distributions of net income and net realized capital gains, subject to an adjustment in a Trust unit's proportionate share as a result of the date of first issue of a Trust unit in the first fiscal year of the Trust. On termination, the Trust unitholders of record are entitled to receive all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses of the Trust.

The Trust entered into an agency agreement dated December 22, 2014, pursuant to which it filed a prospectus dated December 22, 2014 in each of the provinces of Canada, except Quebec, in connection with its initial public offering (the “Offering”) to sell a minimum of 10,000 Trust units and a maximum of 30,000 Trust units at a price of $1,000 per Trust unit. Costs related to the Offering include agents’ fees of $60 per Trust unit.

Expressed in Canadian Dollars

10. UNITHOLDERS' EQUITY (continued)

On August 27, 2014, the Trust issued one initial unit for $10, which was returned upon the issuance of the first Trust unit. On December 30, 2014, the Trust issued 10,623 trust units at $1,000 per unit pursuant to the Offering for gross proceeds of $10,623,000. On February 5, 2015, the Trust issued an additional 2,277 trust units at $1,000 per unit pursuant to the Offering for gross proceeds of $2,277,000. The proceeds of the Offering were used to acquire Master LP units.

Pursuant to the agency agreement, the agents received a commission equal to 6% of the gross proceeds of the Offering. In consideration of ongoing services provided by the agents and sub-agents to the Trust, and as a further incentive to the agents or any sub-agents, the Master GP has agreed to pay to the agents or any sub-agents a trailer fee equal to 10% of any amounts realized by the Master GP in respect of its incentive management interest.

Since the Trust invests in the Master LP, which in turn then invests in the Investments LP and the Developments LP, the Trust indirectly is a limited partner in the Investments LP and Developments LP. Trust unitholders are entitled, by way, and to the extent, of the Trust's investment in Master LP units to a minimum non-compounded annual return of 7% of the net equity then outstanding and a return of capital before any amount is paid to the Master GP on account of the Master GP's incentive management interest.

During the year ended December 31, 2015, the Trust accrued distributions of $200,000 to the Trust unitholders (period ended December 31, 2014 – $nil) and distributions of $30,047 to the non-controlling interest of the Master LP (period ended December 31, 2014 – $nil). As at December 31, 2015, total distributions of $230,047 were included in distributions payable (December 31, 2014 – $nil).

11. CAPITAL MANAGEMENT

The Trust defines capital as the aggregate of unitholders' equity and the mortgage 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 reviewed by the Board from time to time.

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 72% as at December 31, 2015 (December 31, 2014 – 74%). The Trust was in compliance with all restrictions during the year ended December 31, 2015 and the period from formation to December 31, 2014.

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

	December 31, 2015	December 31, 2014	Change
Capital			
Mortgage payable	$ 4,464,760	$ 4,565,395	$ (100,635)
Unitholders' equity	12,163,620	9,758,571	2,405,049
Total capital	$ 16,628,380	$ 14,323,966	$ 2,304,414

Expressed in Canadian Dollars

11. CAPITAL MANAGEMENT (continued)

During the year ended December 31, 2015, the Trust's total capital increased due to issuing trust units and earning net income for the year, offset in part by offering costs, distributions and mortgage repayments.

12. FINANCIAL INSTRUMENTS

Fair value of financial instruments

For certain of the Trust's financial instruments, including cash, cash held in trust, amounts receivable, due from related parties, distributions payable 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 the mortgage 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 (note 3(K)).

There have been no transfers between levels in the fair value hierarchy during the year ended December 31, 2015.

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

		December 31, 2015		December 31, 2014	
Financial instruments	Fair value hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage payable	Level 2	$ 4,464,760	$ 4,525,818	$ 4,565,395	$ 4,641,995

13. 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, liquidity risk, currency risk, lease rollover risk, income tax risk, interest rate risk, environmental risk and trust unit redemption risk.

a. Credit risk

Credit risk is the risk of financial loss to the Trust if a tenant or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Trust's receivables from tenants and investment securities.

The Trust's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Trust is currently facing higher credit risk since it has only one tenant. The Trust will minimize the risk by checking tenants' credit histories, requesting security deposits and initiating a prompt collection process should the Trust acquire more properties.

Expressed in Canadian Dollars

13. RISK MANAGEMENT (continued)

b. Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. Real estate property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Trust were required to liquidate a real estate property investment, the proceeds to the Trust might be significantly less than the aggregate carrying value of such property.

The Trust's approach to managing liquidity risk is to ensure that it will have sufficient cash available to meet its liabilities when due. The Trust intends to refinance any mortgages which mature within the next six months or settle the mortgages from the proceeds of the sale of all or part of the respective property.

The following table provides the future non-discounted scheduled payments of financial liabilities, including estimated interest payments:

	2016	2017	2018	2019	2020 and thereafter
Mortgage payable (principal and interest)	$ 286,885	$ 286,885	$ 286,885	$ 4,277,279	$ –
Distributions payable	230,047	–	–	–	–
Accounts payable and accrued liabilities	258,301	–	–	–	–
	$ 775,233	$ 286,885	$ 286,885	$ 4,277,279	$ –

c. Currency risk

The Trust is not exposed to currency risk since there are no foreign subsidiaries and the Trust does not enter into foreign currency transactions.

d. Lease rollover risk

Lease rollover risk arises from the possibility that the Trust may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants upon lease expiry. The Trust currently has only one lease with a seven year term that expires in 2021.

e. Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

The Trust manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense. Whenever possible, the Trust tries to obtain fixed rate mortgages to mitigate its interest rate risk. Since the Trust's current mortgage payable bears interest at a fixed rate, the Trust is not exposed to significant interest rate risk.

Expressed in Canadian Dollars

13. RISK MANAGEMENT (continued)

e. Interest rate risk (continued)

The interest rate profile of the Trust's interest-bearing financial instruments was:

	Face Value	
	December 31, 2015	December 31, 2014
Fixed rate instruments		
Fixed rate mortgage payable	$ 4,525,818	$ 4,641,995

f. Environmental risk

The Trust, through the Investments LP, the Developments LP and certain equity-accounted investments, is subject to various provincial and municipal laws relating to the environment. Prior to acquisition, the Trust conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

g. Redemption risk

The Trust unitholders are entitled to have their units redeemed at any time on demand. The aggregate redemption price payable by the Trust is subject to limitations. The Trust will not be required to pay the redemption price by way of a cash payment if the total amount payable by the Trust in any quarter will exceed $100,000 or if the amount payable in any twelve month period ending at the end of that quarter will exceed 0.75% of the aggregate subscription price of all Trust units that were issued and outstanding at the start of such twelve month period.

14. LEASES

The Trust, through the Investments LP, 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 December 31, 2015
Within one year	$ 453,632
After one year, but not more than five years	1,907,086
More than five years	347,099
	$ 2,707,817

15. RELATED PARTY TRANSACTIONS

Trustee Compensation

Each trustee of the Trust, other than Stephen Evans, is entitled to an annual fee of $12,500. During the year ended December 31, 2015, the Trust paid trustee fees of $25,000 (period ended December 31, 2014 – $nil).

15. RELATED PARTY TRANSACTIONS (continued)

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 year ended December 31, 2015, Pure Commercial charged the Trust asset management fees of $131,728 (period ended December 31, 2014 – $92). As at December 31, 2015, asset management fees of $11,288 (December 31, 2014 – $4,232) were included in accounts payable and accrued liabilities.

Transactions with Pure Commercial Real Estate Advisors Inc. (continued)

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 year ended December 31, 2015, Pure Commercial charged the Trust property management fees of $8,901 (period ended December 31, 2014 – $48). Property management fees of $nil were included in accounts payable and accrued liabilities as at December 31, 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. In December 2015, the Trust repaid $1,000 to Triple E. As at December 31, 2015, $nil was included in accounts payable and accrued liabilities (December 31, 2014 – $124,250).

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 was received by the Master LP in October 2015. As at December 31, 2015, $nil is included in due from related parties and still outstanding (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 year ended December 31, 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 $90. The Master LP received $88 from the Master GP in April 2015. As at December 31, 2015, $151 was still outstanding and included in due from related parties.

15. RELATED PARTY TRANSACTIONS (continued)

Transactions with WCPG VII LP

WCPG VII LP is related to the Trust by virtue of the fact that the Trust, through the Developments LP, subscribed for 262,500 units of WCPG VII LP at $1 per unit for a total of $262,500 on May 7, 2015 (note 6). During the year ended December 31, 2015, the Trust, through the Developments LP, loaned $2,351,889 to WCPG VII LP to fund working capital requirements, secured by a loan on WCPG VII LP's property under development for sale (year ended December 31, 2014 – $nil). The loan has a maximum amount of $2,795,556, bears interest at 10% per annum 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 WCPG VII LP's development property, Garrison Landing, and from the proceeds from sales of subdivision lots at Garrison Landing, after repayment of mortgages ranking in priority to this mortgage. During the year ended December 31, 2015, WCPG VII LP repaid $1,943,435 on the loan and the Trust earned interest income of $104,216 on the loan (year ended December 31, 2014 – $nil and $nil respectively). Principal and interest of $512,670 was included in due from related parties as at December 31, 2015 (December 31, 2014 – $nil).

Transactions with FSJ Aurora LP

FSJ Aurora LP is related to the Trust by virtue of the fact that the Trust, through the Developments LP, subscribed for 2,300,000 limited partnership units of FSJ Aurora LP for a total of $2,300,000 on October 20, 2015 (note 6). The remaining 50% of FSJ Aurora LP is indirectly owned by officers and trustees or directors of the Trust and the Master GP. During the year ended December 31, 2015, the Trust, through the Developments LP, advanced $29,650 to FSJ Aurora LP to cover working capital requirements. The loan is non-interest bearing, repayable on demand and was included in due from related parties as at December 31, 2015 (December 31, 2014 – $nil).

16. 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 December 31, 2015, the Trust operated one investment property and had interests in one additional investment property and two development properties through its equity-accounted investments (note 6). 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

16. SEGMENTED INFORMATION (continued)

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

Year ended December 31, 2015	Development	Investment	Trust	Total
NET RENTAL INCOME (EXPENSES)				
Rental revenue and recoveries	$ –	$ 674,998	$ –	$ 674,998
Insurance	–	(10,731)	–	(10,731)
Management fees	–	(8,901)	–	(8,901)
Property taxes	–	(185,880)	–	(185,880)
	–	469,486	–	469,486
NET FINANCE INCOME (EXPENSES)				
Interest income	106,519	1,133	67,783	175,435
Mortgage interest	–	(186,167)	–	(186,167)
	106,519	(185,034)	67,783	(10,732)
NET OTHER INCOME (EXPENSES)				
General and administrative	(83,382)	(14,370)	(168,091)	(265,843)
Asset management fees	–	–	(131,728)	(131,728)
Fair value adjustments to investment property	–	225,571	–	225,571
	(83,382)	211,201	(299,819)	(172,000)
SHARE OF PROFIT (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS	307,338	(3,296)	–	304,042
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	330,475	492,357	(232,036)	590,796
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Unitholders	287,312	428,050	(205,153)	510,209
Non-controlling interest	43,163	64,307	(26,883)	80,587
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 330,475	$ 492,357	$ (232,036)	$ 590,796
Earnings per unit				
Basic and diluted	$ 22.66	$ 33.75	$ (16.18)	$ 40.23
Weighted average number of units				
Basic and diluted	12,682	12,682	12,682	12,682

17. SUBSEQUENT EVENTS

There were no material subsequent events as of the date of this report.