Consolidated Financial Statements
(Expressed in Canadian dollars)

REALnorth Opportunities Fund

For the years ended December 31, 2017 and 2016

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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, 2017 and 2016, the consolidated statements of unitholders' equity, loss and comprehensive 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, 2017 and 2016, 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 10, 2018
Vancouver, Canada

Expressed in Canadian Dollars

	December 31, 2017	December 31, 2016
ASSETS		
Non-current assets		
Investment property (note 4)	**$ 6,580,000**	$ 6,520,000
Equity-accounted investments (note 5)	**9,228,242**	9,612,389
	15,808,242	16,132,389
Current assets		
Prepaid expenses	**19,588**	19,403
Amounts receivable	**384**	685
Due from related parties (note 13)	**1,099,827**	921,797
Cash	**258,682**	843,353
	1,378,481	1,785,238
TOTAL ASSETS	**$ 17,186,723**	$ 17,917,627
LIABILITIES		
Non-current liabilities		
Mortgage payable (note 6)	**$ 4,121,245**	$ 4,234,997
Current liabilities		
Mortgage payable – current portion (note 6)	**129,870**	125,168
Distributions payable (note 8)	–	345,314
Accounts payable and accrued liabilities	**190,086**	119,959
	319,956	590,441
TOTAL LIABILITIES	**4,441,201**	4,825,438
UNITHOLDERS' EQUITY		
Non-controlling interest (note 7)	**1,520,111**	1,549,532
Unitholders' equity (note 8)	**11,225,411**	11,542,657
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	**$ 17,186,723**	$ 17,917,627

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, 2016	12,800	$ 11,542,657	$ 1,549,532	$ 13,092,189
Unit redemptions	(110)	(99,275)	–	(99,275)
Loss for the year	–	(217,971)	(29,421)	(247,392)
Unitholders' equity, December 31, 2017	**12,690**	**$ 11,225,411**	**$ 1,520,111**	**$ 12,745,522**

		Trust units	Non-controlling interest	Total
	Units	Amount	Amount	Amount
Unitholders' equity, December 31, 2015	12,900	$ 12,163,620	$ 1,624,977	$ 13,788,597
Unit redemption	(100)	(95,950)	–	(95,950)
Loss for the year		(225,107)	(30,037)	(255,144)
Distributions	–	(299,906)	(45,408)	(345,314)
Unitholders' equity, December 31, 2016	**12,800**	**$ 11,542,657**	**$ 1,549,532**	**$ 13,092,189**

Expressed in Canadian Dollars

Year ended December 31		2017		2016
NET RENTAL INCOME (EXPENSES)				
Rental revenue and recoveries	**$**	**691,361**	$	685,005
Insurance		**(10,010)**		(10,734)
Property management fees (note 13)		**(9,254)**		(9,073)
Property taxes		**(203,048)**		(195,240)
		469,049		469,958
NET FINANCE INCOME (EXPENSES)				
Interest income		**116,435**		85,970
Mortgage interest		**(177,520)**		(181,934)
		(61,085)		(95,964)
NET OTHER INCOME (EXPENSES)				
General and administrative		**(160,144)**		(239,185)
Asset management fees (note 13)		**(133,658)**		(135,450)
Increase in fair value of investment property (note 4)		**53,219**		54,146
		(240,583)		(320,489)
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS (note 5)		**(414,773)**		(308,649)
NET LOSS AND COMPREHENSIVE LOSS		**(247,392)**		(255,144)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Unitholders		**(217,971)**		(225,107)
Non-controlling interest		**(29,421)**		(30,037)
	$	**(247,392)**	$	(255,144)
Loss per unit				
Basic and diluted	**$**	**(17.15)**	$	(17.57)
Weighted average number of units				
Basic and diluted		**12,713**		12,814

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

REALnorth Opportunities Fund
Consolidated Statement of Cash Flow
Expressed in Canadian Dollars

Year ended December 31	2017	2016
Cash provided by (used in)		
OPERATIONS		
Net loss for the year	**$ (247,392)**	$ (255,144)
Items not involving cash:		
Amortization of mortgage transaction costs	**16,118**	15,934
Increase in fair value of investment property	**(53,219)**	(54,146)
Straight-line rent adjustment	**(6,781)**	(15,854)
Share of loss of equity-accounted investments	**414,773**	308,649
Interest income	**(116,435)**	(85,970)
Mortgage interest	**161,401**	166,000
Changes in non-cash working capital items:		
Decrease (increase) in prepaid expenses	**(185)**	6,698
Decrease in amounts receivable	**110,619**	64
Increase in due from related parties	**(178,030)**	(379,312)
Increase (decrease) in accounts payable and accrued liabilities	**67,060**	(141,824)
	167,929	(434,905)
INVESTING		
Contributions to equity-accounted investments	**(30,625)**	(43,750)
Interest received	**6,117**	86,782
	(24,508)	43,032
FINANCING		
Distributions to Trust unitholders	**(299,906)**	(200,000)
Distributions to non-controlling interest	**(45,408)**	(30,047)
Mortgage interest paid	**(161,717)**	(166,356)
Repayment of mortgage	**(125,168)**	(120,529)
Unit redemptions	**(95,893)**	(92,112)
	(728,092)	(609,044)
Change in cash during the year	**(584,671)**	(1,000,917)
Cash, beginning of year	**843,353**	1,844,270
CASH, END OF YEAR	**$ 258,682**	$ 843,353

The accompanying notes are an integral part of these 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 identified 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 identified 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.

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").

These consolidated financial statements were authorized for issuance by the Board of Trustees (the "Board") on April 10, 2018.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

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 consolidated 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 operations 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.

As at December 31, 2017, the initial limited partners of the Master LP, the Master GP, 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 positions, 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, as set out in note 3(O). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Under asset acquisitions, 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.

Subsequent to initial recognition, investment properties are measured at fair value with any changes therein recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the year in which they arise. 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.

The Trust includes straight-line rental revenue differences in the fair value of investment properties instead of recognizing them as a separate asset.

The following approaches, either individually or in combination, are used by management, together with the independent 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. The significant assumptions used by management in estimating the fair value of investment property are set out in note 4.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Leases

The Trust is the lessor in all leasing arrangements. The Trust classifies leases according to whether the leases transfer substantially all the risks and benefits of ownership in the investment property. The Trust's sole 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. The net yield method allocates common costs to each lot in proportion to the anticipated revenue.

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 entities the Trust has an interest in, which are accounted for under the equity method.

F. Cash

Cash consists of cash on hand and cash held at banks.

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.

Sales revenue related to the sale of development properties is recognized when possession or title passes to the purchaser, all material conditions of the sales contract have been met, the risks and rewards of ownership have been transferred and collection of the sale proceeds is reasonably assured. As the Trust does not have development properties recorded within its consolidated financial statements, this accounting policy applies to the entities the Trust has an interest in, which are accounted for under the equity method.

H. Finance income (expense)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Financial instruments (continued)

The Trust classifies its financial instruments as follows:

Cash	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

Loans and receivables include cash, amounts receivable and due from related parties. Loans and receivables 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 on the consolidated statement of income (loss) and comprehensive income (loss).

K. Fair value

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

N. Operating segments

The Trust currently operates in two business segments, being the owning and operating of investment properties and the development of properties in northwestern Canada. The Trust, through the Master LP and the Investments LP, currently owns and operates one investment property in northern British Columbia, Canada. The Trust, through the Master LP and the Developments LP, also has an interest in one additional investment property and two development properties in northern British Columbia, Canada (note 5). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Significant accounting judgments and estimates (continued)

a. Judgments (continued)

(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.

(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 the land and building of its investment property is an operating lease.

(iii) Control over equity-accounted investments

In May 2015, the Trust, through the Master LP and the Developments LP, acquired an 88.9% interest in Western Canadian Property Group VII Limited Partnership ("WCPG VII LP"). Although the Trust holds 88.9% of the voting rights of WCPG VII LP, the general partner of WCPG VII LP has full power and authority to administer, manage, control and operate the business of WCPG VII LP and cannot be removed except in the event of a default in the course of its conduct as the general partner. The general partner of the Master LP has an indirect 50% ownership and voting interest in the general partner of WCPG VII LP and has the right to nominate one of the two directors of the general partner of WCPG VII LP. Therefore, the Trust has judged that it has significant influence rather than control over WCPG VII LP.

In September 2015, the Trust, through the Master LP and Developments LP, acquired an 87.5% interest in FSJ Industrial Properties Limited Partnership ("FSJ Industrial"). Although the Trust holds 87.5% of the voting rights of FSJ Industrial, the general partner of FSJ Industrial has full power and authority to administer, manage, control and operate the business of FSJ Industrial and cannot be removed except in the event of a default in the course of its conduct as the general partner. The general partner of the Master LP has an indirect 50% ownership and voting interest in the general partner of FSJ Industrial and has the right to nominate one of the two directors of the general partner of FSJ Industrial. Therefore, the Trust has judged that it has significant influence rather than control over FSJ Industrial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Significant accounting judgments and estimates (continued)

a. Judgments (continued)

(iii) Control over equity-accounted investments (continued)

In October 2015, the Trust, through the Master LP and the Developments LP, acquired a 50% interest in FSJ Aurora Developments Limited Partnership ("FSJ Aurora LP"). The Trust holds 50% of the voting rights of FSJ Aurora LP. Although the remaining 50% of FSJ Aurora LP is indirectly owned by officers and trustees or directors of the Trust and the Master GP, the Trust has judged that it has significant influence over FSJ Aurora LP rather than control, on the basis that such persons are free to vote their own holdings in FSJ Aurora LP as suits their personal interests rather than being required to vote the same way as the Trust.

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.

(ii) Cost of sales

Certain of the Trust's equity-accounted investments hold property under development for sale (note 5). Cost of sales is determined by management using the net yield method, which requires the use of estimates including 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.

P. Future accounting policy changes

a. IFRS 9 Financial Instruments

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. The standard 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Future accounting policy changes (continued)

a. IFRS 9 Financial Instruments (continued)

The Trust intends to adopt IFRS 9 in its consolidated financial statements for the annual period beginning on January 1, 2018. Management does not expect the standard to have a material impact on the Trust's consolidated financial statements.

b. IFRS 15 Revenue from Contracts with Customers

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. Management does not expect the standard to have a material impact on the Trust's consolidated financial statements.

c. IFRS 16 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.

Expressed in Canadian Dollars

4. 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, 2017 and December 31, 2016 has been determined as follows:

		2017		2016
Balance, January 1	**$**	**6,520,000**	$	6,450,000
Straight-line rent adjustment		**6,781**		15,854
Increase in fair value of investment property		**53,219**		54,146
Balance, December 31	**$**	**6,580,000**	$	6,520,000

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 value, management has used its market knowledge and professional judgment and did not rely solely on historical transactional comparisons.

For the years ended December 31, 2017 and December 31, 2016, an appraisal was obtained from an accredited independent appraiser with recognized and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. Management reviewed the appraisal as part of the year end valuation process and ensured that the assumptions used below were reasonable and the final fair value amount reflected those assumptions used in the determination of the fair value of the property.

Investment property as at December 31, 2017 and December 31, 2016 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, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment property	$ –	$ –	$6,580,000	$ –	$ –	$6,520,000

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

	December 31, 2017	December 31, 2016
Capitalization rate	6.75%	6.75%

Expressed in Canadian Dollars

4. 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, 2017.

Change in capitalization rate	Fair value	Change in fair value	Percentage change
- 0.75%	$ 7,405,000	$ 825,000	12.54%
- 0.50%	7,110,000	530,000	8.05%
- 0.25%	6,835,000	255,000	3.88%
December 31, 2017	6,580,000	–	–
+ 0.25%	6,347,000	(233,000)	(3.54%)
+ 0.50%	6,130,000	(450,000)	(6.84%)
+ 0.75%	5,925,000	(655,000)	(9.95%)

5. EQUITY-ACCOUNTED INVESTMENTS

As of December 31, 2017, and December 31, 2016, the Trust had three equity-accounted investments, as follows:

A. Western Canadian Properties Group VII Limited Partnership

The Trust, through the Developments LP, owns 4,000,000 units of Western Canadian Properties Group VII Limited Partnership (“WCPG VII LP”), which gives the Trust, through the Developments LP, an 88.9% ownership interest in WCPG VII LP.

The principal place of business for WCPG VII LP is 202 - 930 West 1st Street, North Vancouver, British Columbia V7P 3N4.

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 partner 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 has 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 to 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 *Income Tax Act (Canada)* (the “Tax Act”), and second, as to the remainder, if any, to the general partner.

5. EQUITY-ACCOUNTED INVESTMENTS (continued)

A. Western Canadian Properties Group VII Limited Partnership (continued)

WCPG VII LP has acquired approximately 29 acres of residential property ("Garrison Landing") in Fort St. John, British Columbia. 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, 2017, two phases comprising 55 subdivision lots were substantially complete and 19 of those lots had been sold.

As of December 31, 2017, a third party mortgage secured by Garrison Landing was in default and a court order for judgment had been issued. The mortgage debt and interest totalled $2,124,548 as of December 31, 2017. Under the order, WCPG VII LP has until June 20, 2018 to redeem the mortgage, failing which the property could be repossessed (see also note 11).

B. FSJ Industrial Properties Limited Partnership

The Trust, through the Developments LP, owns 3,273,247 Class B units of FSJ Industrial Properties Limited Partnership ("FSJ Industrial"), resulting in the Trust having an ownership interest of 87.5% in FSJ Industrial.

The principal place of business for FSJ Industrial is 1050 – 475 West Georgia Street, Vancouver, British Columbia V6B 4M9.

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.

FSJ Industrial owns approximately 17 acres of industrial property (the "BCR Lands") in Fort St. John, British Columbia. 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.

C. FSJ Aurora Developments Limited Partnership

The Trust, through the Developments LP, owns 2,300,000 limited partnership units of FSJ Aurora Developments Limited Partnership ("FSJ Aurora LP"), which gives the Trust a 50% interest in FSJ Aurora LP. FSJ Aurora LP owns approximately 144 acres of bare land (the "Aurora Lands"), which were located immediately outside of the northeast boundary of the City of Fort St. John at the date of purchase but are now included within city boundaries. The Aurora Lands are currently in the Agricultural Land Reserve.

The principal place of business for FSJ Aurora is 910 – 925 West Georgia Street, Vancouver, British Columbia V6C 3L2.

Expressed in Canadian Dollars

5. EQUITY-ACCOUNTED INVESTMENTS (continued)

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, as set out in note 3(O).

The carrying value of the Trust's equity-accounted investments as at December 31, 2017 and December 31, 2016 has been determined as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Balance, December 31, 2016	$ 4,101,793	$ 3,232,462	$ 2,278,134	$ 9,612,389
Contributions	–	30,625	–	30,625
Share of income (loss)	(391,605)	(40,885)	17,717	(414,773)
Balance, December 31, 2017	**$ 3,710,188**	**$ 3,222,202**	**$ 2,295,851**	**$ 9,228,241**

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Balance, December 31, 2015	$ 4,342,998	$ 3,237,586	$ 2,296,704	$ 9,877,288
Contributions	–	43,750	–	43,750
Share of loss	(241,205)	(48,874)	(18,570)	(308,649)
Balance, December 31, 2016	**$ 4,101,793**	**$ 3,232,462**	**$ 2,278,134**	**$ 9,612,389**

The summarized financial position of the Trust's equity-accounted investments as at December 31, 2017 was as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Current assets	$ 8,742,424	$ 3,688,094	$ 992	$ 12,431,510
Non-current assets	–	–	4,650,000	4,650,000
Current liabilities	(4,402,952)	(5,477)	(59,179)	(4,467,608)
Net assets at 100%	4,339,472	3,682,617	4,591,813	12,613,902
Trust's ownership interest	88.9%	87.5%	50%	
Trust's share of net assets	**$ 3,857,308**	**$ 3,222,290**	**$ 2,295,907**	**$ 9,375,505**

The summarized financial position of the Trust's equity-accounted investments as at December 31, 2016 was as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Current assets	$ 9,093,225	$ 3,698,750	$ 13,106	$ 12,805,081
Non-current assets	–	–	4,600,000	4,600,000
Current liabilities	(4,313,198)	(4,407)	(56,828)	(4,374,433)
Net assets at 100%	4,780,027	3,694,343	4,556,278	13,030,648
Trust's ownership interest	88.9%	87.5%	50%	
Trust's share of net assets	**$ 4,248,913**	**$ 3,232,550**	**$ 2,278,139**	**$ 9,759,602**

Expressed in Canadian Dollars

5. EQUITY-ACCOUNTED INVESTMENTS (continued)

The summarized results of operations of the Trust's equity-accounted investments for the year ended December 31, 2017 are as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Rental & sales expenses	$ (31,324)	$ (42,123)	$ (8,559)	$ (82,006)
Finance expenses	(395,219)	–	–	(395,219)
Other income (expenses)	(14,013)	(4,603)	44,094	25,478
Net income (loss) at 100%	(440,556)	(46,726)	35,535	(451,747)
Trust's share of net income (loss)	**$ (391,605)**	**$ (40,885)**	**$ 17,717**	**$ (414,773)**

The summarized results of operations of the Trust's equity-accounted investments for the year ended December 31, 2016 are as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Rental & sales income (expenses)	$ 56,263	$ (50,943)	$ (1,922)	$ 3,398
Finance expenses	(350,530)	–	–	(350,530)
Other income (expenses)	22,911	(4,913)	(35,217)	(17,219)
Net loss at 100%	(271,356)	(55,856)	(37,139)	(364,351)
Trust's share of net loss	**$ (241,205)**	**$ (48,874)**	**$ (18,570)**	**$ (308,649)**

6. 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 bears an effective interest rate of 3.75% as at December 31, 2017 (December 31, 2016 – 3.76%).

The carrying value of the mortgage payable on December 31, 2017 was $4,251,115 (December 31, 2016 – $4,360,165). Included in the mortgage payable were unamortized mortgage transaction costs of $29,006 as at December 31, 2017 (December 31, 2016 – $45,124), which are amortized over the term of the mortgage using the effective interest rate method.

Principal repayments, as of December 31, 2017, based on scheduled repayments to be made on the mortgage payable over the next two years to maturity are as follows:

2018	$ 129,870
2019	4,150,251
	$ 4,280,121

7. NON-CONTROLLING INTEREST

As at December 31, 2017, 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.

Expressed in Canadian Dollars

7. NON-CONTROLLING INTEREST (continued)

The non-controlling interest of the Trust at December 31, 2017 and December 31, 2016 is as follows:

Non-controlling interest	Ownership as at December 31, 2017	Ownership as at December 31, 2016
Initial limited partners of the Master LP	13.25%	13.15%
General partner of the Master LP	0.00%	0.00%
General partner of the Investments LP	0.00%	0.00%
General partner of the Developments LP	0.00%	0.00%

During the year ended December 31, 2017, the Trust redeemed limited partnership units of the Master LP as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
January 25, 2017	15	$ 15,000
February 9, 2017	60	60,000
May 4, 2017	27	27,000
October 3, 2017	4	4,000
November 16, 2017	4	4,000
	110	$ 110,000

As a result of the unit redemptions in 2017, the ownership interest of the initial limited partners of the Master LP increased from 13.15% as at December 31, 2016 to 13.25% as at December 31, 2017.

During the year ended December 31, 2016, the Trust redeemed limited partnership units of the Master LP as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
February 9, 2016	96	96,000
November 26, 2016	4	4,000
	100	$ 100,000

The general partner of the Master LP, the general partner of the Investments LP and the general partner of the Developments LP had nominal ownership interests of less than 0.01% as at December 31, 2017 and December 31, 2016.

8. UNITHOLDERS' EQUITY

Unitholders' equity represents Trust units. 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.

Expressed in Canadian Dollars

8. UNITHOLDERS' EQUITY (continued)

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 (the "Prospectus") 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 included agents' fees of $60 per 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 has invested in the Master LP, which in turn has invested 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.

Redemptions

During the year ended December 31, 2017, the Trust received several redemption requests which were effective as of the date of receipt, as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
January 25, 2017	15	$ 13,538
February 9, 2017	60	54,150
May 4, 2017	27	24,367
October 3, 2017	4	3,610
November 16, 2017	4	3,610
	110	$ 99,275

During the year ended December 31, 2016, the Trust received two redemption requests which were effective as of the date of receipt, as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
February 9, 2016	96	$ 92,112
November 26, 2016	4	3,838
	100	$ 95,950

Expressed in Canadian Dollars

8. UNITHOLDERS' EQUITY (continued)

As of December 31, 2017, $7,220 was outstanding and included in accounts payable and accrued liabilities (December 31, 2016 – $3,838).

As at December 31, 2017, total distributions of $nil were included in distributions payable (December 31, 2016 – $345,314).

9. 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 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 quarterly 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 69% as at December 31, 2017 (December 31, 2016 – 70%). The Trust was in compliance with the loan-to-value restriction and all other non-financial restrictions during the years ended December 31, 2017 and December 31, 2016.

The capital structure consisted of the following components at December 30, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016	Change
Capital			
Mortgage payable	$ 4,251,115	$ 4,360,165	$ (109,050)
Unitholders' equity	11,225,411	11,542,657	(317,246)
Total capital	$ 15,476,526	$ 15,902,822	$ (426,296)

During the year ended December 31, 2017, the Trust's total capital decreased due to mortgage repayments, the loss incurred during the period and the redemption of a total of 110 units (note 8).

10. FINANCIAL INSTRUMENTS

Fair value of financial instruments

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.

Assets and liabilities measured at fair value in the statement of financial position or for which fair value disclosure is required in the notes to the financial statements are classified based on a three-level hierarchy that reflects the significance of the inputs used when determining the fair value as described in note 3(K).

For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis, the Trust determines whether transfers have occurred between levels in the hierarchy by reassessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

Expressed in Canadian Dollars

10. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments (continued)

The investment property is the only asset measured at fair value by the Trust on the statement of financial position. The investment property is measured under level 3 of the fair value hierarchy. The Trust does not have any liabilities designated as fair value through profit or loss.

For the purpose of fair value disclosures, the Trust has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 3(K).

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

	December 31, 2017		December 31, 2016	
Financial instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 258,682	$ 258,682	$ 843,353	$ 843,353
Amounts receivable	384	384	685	685
Due from related parties	1,099,827	1,099,827	921,797	921,797
Accounts payable and accrued liabilities	190,086	190,086	119,959	119,959
Distributions payable	–	–	345,314	345,314
Mortgage payable	4,251,115	4,494,005	4,360,165	4,405,289

The valuation techniques and inputs for the Trust's financial instruments are as follows:

(i) Other assets and other liabilities

The carrying values of financial assets and financial liabilities not measured at fair value, including cash, amounts receivable, due from related parties, distributions payable and accounts payable and accrued liabilities, approximate their fair values due to the immediate or short-term maturity of these financial instruments or because they are receivable or payable on demand.

(ii) Mortgages payable

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 were no transfers between levels in the fair value hierarchy during the years ended December 31, 2017 and December 31, 2016.

11. 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.

Expressed in Canadian Dollars

11. RISK MANAGEMENT (continued)

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, and arises principally from the Trust's receivables from tenants and related parties.

The Trust's exposure to credit risk is influenced by the individual characteristics of each tenant. The Trust is currently facing higher credit risk since it has only one tenant.

The Trust's exposure to credit risk is also influenced by the individual characteristics of parties to whom it lends funds. The Trust currently faces increased credit risk related to loans made to WCPG VII LP (note 13). A loan secured by a mortgage against Garrison Landing was in default as at December 31, 2017 (note 5). A court order has been issued under which WCPG VII LP has until June 20, 2018 to redeem the mortgage, failing which the property could be repossessed. The Trust is mitigating the risk primarily by working with WCPG VII LP to seek refinancing for the loan.

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:

	2018	2019
Mortgage payable (principal and interest)	$ 286,885	$ 4,277,279
Accounts payable and accrued liabilities	198,086	–
	$ 484,971	$ 4,277,279

c. Currency risk

The Trust is not exposed to currency risk since it has no foreign subsidiaries and 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.

11. RISK MANAGEMENT (continued)

e. Income tax risk

Mutual Fund Trust – If the Trust does not qualify or ceases to qualify as a "mutual fund trust" under the Tax Act, adverse consequences may arise including that: (i) the Trust may become liable to pay certain additional tax liabilities (with the result that the amount of cash available for distribution by the Trust would be reduced and Trust unitholders may otherwise be adversely affected), and (ii) the Trust units may not be or may cease to be qualified investments for RRSP or similar plans (with the result that a plan, its annuitant, beneficiary thereunder or its holder thereat will generally become subject to additional tax or penalties or may be otherwise adversely affected).

SIFT Rules – The exposure of the Trust to tax imposed by the SIFT Rules depends in part on whether or not the Trust units, Master LP units or units of any other subsidiary partnerships are listed or traded on a stock exchange or other public market. If the Trust units, the Master LP units or units of any other subsidiary partnerships were to be listed or traded on a stock exchange or public market, adverse consequences could arise including that the non-deductible distributions amount or the taxable non-portfolio earnings could be taxable to the Trust, to the Master LP or such subsidiary partnerships, as the case may be (with the result that the amount of cash available for distribution by the Trust would be reduced), and such amount would also, depending on the circumstances, be included in the income of Trust unitholders for purposes of the Tax Act as taxable dividends.

Changing Tax Laws – There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and assessing practices of Canada Revenue Agency) and/or the treatment of "mutual fund trusts" or SIFTS will not be changed in a manner which would adversely affect the Trust unitholders, including on a retroactive basis.

f. 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.

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

	Face Value	
	December 31, 2017	December 31, 2016
Fixed rate instruments		
Fixed rate mortgage payable	$ 4,280,121	$ 4,405,289

g. 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.

Expressed in Canadian Dollars

11. RISK MANAGEMENT (continued)

h. 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.

During the year ended December 31, 2017, the Trust redeemed 110 units for total consideration of $99,275 (note 8), which represented 0.78% of the aggregate subscription price of all Trust units that were issued and outstanding as at December 31, 2017 (December 31, 2016 – 100 units; $95,950 and 0.74% respectively).

12. 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 is as follows:

	As at December 31, 2017	As at December 31, 2016
Within one year	$ 471,958	$ 462,704
After one year, but not more than five years	1,319,522	1,791,480
	$ 1,791,480	$ 2,254,184

13. 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 year ended December 31, 2017, Pure Commercial charged the Trust asset management fees of $133,658 (December 31, 2016 – $135,450). As at December 31, 2017, asset management fees of $33,360 (December 31, 2016 – $nil) 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 year ended December 31, 2017, Pure Commercial charged the Trust property management fees of $9,254 (December 31, 2016 – $9,073). Property management fees of $nil were included in accounts payable and accrued liabilities as at December 31, 2017 (December 31, 2016 – $nil).

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with Sui Generis Investments Ltd.

Sui Generis Investments Ltd. ("Sui Generis") is related to the Trust by virtue of having officers in common. Effective July 1, 2016, the Master LP agreed to pay Sui Generis a fee of $15,000 per annum plus any applicable taxes, payable quarterly, for certain consulting and advisory services provided by Sui Generis. This amount does not represent a new fee but rather a reallocation of what was previously paid to another consultant. During the year ended December 31, 2017, the Master LP recorded fees, inclusive of taxes, of $15,750 to Sui Generis (December 31, 2016 – $7,875). As of December 31, 2017, $11,813 was included in accounts payable and accrued liabilities (December 31, 2016 – $3,938).

Transactions with In Re Capital Inc.

In Re Capital Inc. ("In Re Capital") is related to the Trust by virtue of having officers in common. On October 24, 2017, WCPG VII LP sold a lot at Garrison Landing to In Re Capital for a sale price of $100,000 plus adjustments of $191 in order to fund working capital requirements. The full amount of $100,191 was received on the date of sale and used to reduce mortgage debt secured by Garrison Landing and to fund working capital requirements.

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. 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 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, 2017, $151 was outstanding and included in due from related parties (December 31, 2016 – $151).

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, holds an 88.9% ownership interest in WCPG VII LP (note 5).

The Trust, through the Developments LP, has loaned funds to WCPG VII LP to fund working capital requirements. The loans bore interest at 10% per annum until July 1, 2016, at which time the rate increased to 15% per annum. The loans matured in June 2017 and are payable on a demand basis.

As of December 31, 2017, total loans and interest of $640,840 were included in due from related parties and secured by a loan on Garrison Landing (December 31, 2016 – $563,783); this amount includes $15,000 advanced in August 2017. The loan is repayable 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, 2017, the Trust earned interest income of $62,057 on the loan (December 31, 2016 – $51,113).

As of December 31, 2017, unsecured loans and interest of $426,596 were included in due from related parties (December 31, 2016 – $327,174); this amount includes $50,000 advanced in June 2017. During the year ended December 31, 2017, the Trust earned interest income of $49,422 on the loans (December 31, 2016 – $23,174).

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, 2017, the Trust recorded trustee fees of $25,000 (2016 – $25,000).

13. RELATED PARTY TRANSACTIONS (continued)

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, holds a 50% ownership interest in FSJ Aurora LP (note 5). 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. During the year ended December 31, 2016, the Trust, through the Developments LP, advanced a further $1,009 to FSJ Aurora LP to cover working capital requirements. During the year ended December 31, 2017, the Trust, through the Developments LP, advanced $1,583 to FSJ Aurora to cover working capital requirements (December 31, 2016 – $1,009). The total loan of $32,241 is non-interest bearing, repayable on demand and was included in due from related parties as at December 31, 2017 (December 31, 2016 – $30,659).

14. 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 reviews operations based on earnings from property operations and sales. As at December 31, 2017 and December 31, 2016, the Trust operated one investment property and had interests in one additional investment property and two development properties through its equity-accounted investments (note 5). Assets and liabilities are reviewed on a total basis by management and therefore are not included in the segmented disclosure that follows.

Expressed in Canadian Dollars

14. SEGMENTED INFORMATION (continued)

The following summarizes the results of operations for the Trust's segments for the year ended December 31, 2017:

Year ended December 31, 2017	Development	Investment	Trust	Total
NET RENTAL INCOME (EXPENSES)				
Rental revenue and recoveries	$ –	$ 691,361	$ –	$ 691,361
Insurance	–	(10,010)	–	(10,010)
Management fees	–	(9,254)	–	(9,254)
Property taxes	–	(203,048)	–	(203,048)
	–	469,049	–	469,049
NET FINANCE INCOME (EXPENSE)				
Interest income	114,977	963	495	116,435
Mortgage interest	–	(177,520)	–	(177,520)
	114,977	(176,557)	495	(61,085)
NET OTHER INCOME (EXPENSES)				
General and administrative	(19,247)	(8,555)	(132,342)	(160,144)
Asset management fees	–	–	(133,658)	(133,658)
Fair value adjustments to investment property	–	53,219	–	53,219
	(19,247)	44,664	(266,000)	(240,583)
SHARE OF INCOME (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS	(432,490)	17,717	–	(414,773)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ (336,760)	$ 354,873	$ (265,505)	$ (247,392)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Unitholders	(292,224)	307,941	(233,688)	(217,971)
Non-controlling interest	(44,536)	46,932	(31,817)	(29,421)
	$ (336,760)	$ 354,873	$ (265,505)	$ (247,392)
Earnings (loss) per unit				
Basic and diluted	$ (22.99)	$ 24.22	$ (18.38)	$ (17.15)
Weighted average number of units				
Basic and diluted	12,713	12,713	12,713	12,713

Expressed in Canadian Dollars

14. SEGMENTED INFORMATION (continued)

The following summarizes the results of operations for the Trust's segments for the year ended December 31, 2016:

Year ended December 31, 2016	Development	Investment	Trust	Total
NET RENTAL INCOME (EXPENSES)				
Rental revenue and recoveries	$ –	$ 685,005	$ –	$ 685,005
Insurance	–	(10,734)	–	(10,734)
Management fees	–	(9,073)	–	(9,073)
Property taxes	–	(195,240)	–	(195,240)
	–	469,958	–	469,958
NET FINANCE INCOME (EXPENSE)				
Interest income	84,603	955	412	85,970
Mortgage interest	–	(181,934)	–	(181,934)
	84,603	(180,979)	412	(95,964)
NET OTHER INCOME (EXPENSES)				
General and administrative	(39,595)	(6,057)	(193,532)	(239,184)
Asset management fees	–	–	(135,450)	(135,450)
Fair value adjustments to investment property	–	54,146	–	54,146
	(39,595)	48,089	(328,982)	(320,488)
SHARE OF INCOME (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS	(290,079)	(18,570)	–	(308,649)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ (245,071)	$ 318,498	$ (328,570)	$ (255,143)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Unitholders	(212,879)	276,674	(288,902)	(225,107)
Non-controlling interest	(32,192)	41,824	(39,668)	(30,036)
	$ (245,071)	$ 318,498	$ (328,570)	$ (255,143)
Earnings (loss) per unit				
Basic and diluted	$ (16.61)	$ 21.59	$ (22.55)	$ (17.57)
Weighted average number of units				
Basic and diluted	12,814	12,814	12,814	12,814

15. SUBSEQUENT EVENTS

On January 31, 2018, the Trust paid the outstanding redemption amount of $7,220 related to the October 2, 2017 and November 16, 2017 redemptions totalling 8 Trust units (note 8).

On March 13, 2018; March 15, 2018; March 28, 2018 and April 11, 2018, the Trust received requests to redeem 3 units, 25 units, 25 units and 30 units respectively. The redemptions were effective on the date the requests were received.