

Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian dollars)

**REALnorth Opportunities Fund**

For the Periods Ended June 30, 2018 and 2017

*Unaudited – Prepared by Management*

## **UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Trust discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended June 30, 2018.

## REALnorth Opportunities Fund

Interim Consolidated Statement of Financial Position

Expressed in Canadian Dollars

Unaudited

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property (note 4)	\$ 6,750,000	\$ 6,580,000
Equity-accounted investments (note 5)	9,029,499	9,228,242
	<b>15,779,499</b>	<b>15,808,242</b>
<b>Current assets</b>		
Prepaid expenses	8,334	19,588
Amounts receivable	425	384
Due from related parties (note 13)	1,190,813	1,099,827
Cash	116,315	258,682
	<b>1,315,887</b>	<b>1,378,481</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,095,386</b>	<b>\$ 17,186,723</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Mortgage payable (note 6)	\$ 4,062,967	\$ 4,121,245
<b>Current liabilities</b>		
Mortgage payable – current portion (note 6)	132,298	129,870
Accounts payable and accrued liabilities	220,394	190,086
	<b>352,692</b>	<b>319,956</b>
<b>TOTAL LIABILITIES</b>	<b>4,415,659</b>	<b>4,441,201</b>
<b>UNITHOLDERS' EQUITY</b>		
Non-controlling interest (note 7)	1,524,447	1,520,111
Unitholders' equity (note 8)	11,155,280	11,225,411
<b>TOTAL LIABILITIES AND UNITHOLDERS' EQUITY</b>	<b>\$ 17,095,386</b>	<b>\$ 17,186,723</b>

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

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

## REALnorth Opportunities Fund

Interim Consolidated Statement of Unitholders' Equity

Expressed in Canadian Dollars

Unaudited

---

		Trust units		Non-controlling interest		Total
	Units	Amount	Amount	Amount	Amount	
Unitholders' equity, December 31, 2017	12,690	\$ 11,225,411	\$ 1,520,111	\$	12,745,522	
Unit redemptions	(118)	(96,854)	–		(96,854)	
Income for the period	–	26,723	4,336		31,059	
<b>Unitholders' equity, June 30, 2018</b>	<b>12,572</b>	<b>\$ 11,155,280</b>	<b>\$ 1,524,447</b>	<b>\$</b>	<b>12,679,727</b>	

---

		Trust units		Non-controlling interest		Total
	Units	Amount	Amount	Amount	Amount	
Unitholders' equity, December 31, 2016	12,800	\$ 11,542,657	\$ 1,549,532	\$	13,092,189	
Unit redemption	(102)	(92,055)	–		(92,055)	
Loss for the period	–	(131,182)	(19,957)		(151,139)	
<b>Unitholders' equity, June 30, 2017</b>	<b>12,698</b>	<b>\$ 11,319,420</b>	<b>\$ 1,529,575</b>	<b>\$</b>	<b>12,848,995</b>	

---

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

**REALnorth Opportunities Fund**

Interim Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

Expressed in Canadian Dollars

*Unaudited*

	Six Months Ended		Three Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>NET RENTAL INCOME (EXPENSES)</b>				
Rental revenue and recoveries	\$ 350,525	\$ 344,894	\$ 175,707	\$ 172,723
Insurance	(5,055)	(4,944)	(2,541)	(2,486)
Property management fees (note 13)	(4,691)	(4,599)	(2,345)	(2,299)
Property taxes	(106,105)	(100,690)	(53,351)	(51,018)
	<b>234,674</b>	234,661	<b>117,470</b>	116,920
<b>NET FINANCE INCOME (EXPENSES)</b>				
Interest income	61,589	56,000	31,014	27,810
Mortgage interest	(86,986)	(89,259)	(43,317)	(44,458)
	<b>(25,397)</b>	(33,259)	<b>(12,303)</b>	(16,648)
<b>NET OTHER INCOME (EXPENSES)</b>				
General and administrative	(37,834)	(39,544)	(23,447)	(25,152)
Asset management fees (note 13)	(63,333)	(67,402)	(31,571)	(33,539)
Increase (decrease) in fair value of investment property (note 4)	169,816	(4,783)	169,908	(2,391)
	<b>68,649</b>	(111,729)	<b>114,890</b>	(61,082)
<b>SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS (note 5)</b>	<b>(246,867)</b>	(240,812)	<b>(135,861)</b>	(124,999)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>31,059</b>	(151,139)	<b>84,196</b>	(85,809)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Unitholders	26,723	(131,182)	72,953	(74,474)
Non-controlling interest	4,336	(19,957)	11,243	(11,335)
	<b>\$ 31,059</b>	<b>\$ (151,139)</b>	<b>\$ 84,196</b>	<b>\$ (85,809)</b>
<b>Income (loss) per unit</b>				
Basic and diluted	\$ 2.12	\$ (10.30)	\$ 5.80	\$ (5.86)
<b>Weighted average number of units</b>				
Basic and diluted	<b>12,634</b>	12,731	<b>12,586</b>	12,708

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

## REALnorth Opportunities Fund

Interim Consolidated Statement of Cash Flow

Expressed in Canadian Dollars

Unaudited

For the Six Months Ended	June 30, 2018	June 30, 2017
<b>Cash provided by (used in)</b>		
<b>OPERATIONS</b>		
Net income (loss) for the period	\$ 31,059	\$ (151,139)
Items not involving cash:		
Amortization of mortgage transaction costs	8,697	8,643
Decrease (increase) in fair value of investment property	(169,816)	4,783
Straight-line rent adjustment	(184)	(4,783)
Share of loss of equity-accounted investments	246,867	240,812
Interest income	(61,589)	(56,000)
Mortgage interest	78,289	80,616
Changes in non-cash working capital items:		
Decrease in prepaid expenses	11,254	11,142
Decrease in amounts receivable	59,495	52,233
Increase in due from related parties	(90,986)	(103,286)
Decrease in accounts payable and accrued liabilities	(15,216)	(1,574)
	<b>97,870</b>	<b>81,447</b>
<b>INVESTING</b>		
Contributions to equity-accounted investments	(48,125)	(30,625)
Interest received	2,053	4,154
	<b>(46,072)</b>	<b>(26,471)</b>
<b>FINANCING</b>		
Distributions to Trust unitholders	–	(299,906)
Distributions to non-controlling interest	–	(45,408)
Mortgage interest paid	(78,896)	(81,201)
Repayment of mortgage	(64,547)	(62,242)
Unit redemptions	(50,722)	(71,526)
	<b>(194,165)</b>	<b>(560,283)</b>
<b>Change in cash during the period</b>	<b>(142,367)</b>	<b>(505,307)</b>
<b>Cash, beginning of period</b>	<b>258,682</b>	<b>843,353</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 116,315</b>	<b>\$ 338,046</b>

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

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

---

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

These condensed interim consolidated financial statements for the six months ended June 30, 2018 were authorized for issuance by the Board of Trustees (the “Board”) on August 27, 2018.

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

***B. Basis of measurement***

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

The preparation of these condensed interim consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Trust's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(O) to the Trust's audited consolidated financial statements for the year ended December 31, 2017.

***C. Functional and presentation currency***

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

***D. Presentation of financial statements***

The Trust uses a classified statement of financial position. The 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 by the Trust in the preparation of these unaudited condensed interim consolidated financial statements are consistent with the significant accounting policies reported in the Trust's audited annual consolidated financial statements for the year ended December 31, 2017 except as set out below. The accounting policies have also been applied consistently by group entities unless otherwise stated. Additional disclosures are required in annual financial statements; therefore, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Trust's audited consolidated financial statements for the period ended December 31, 2017.

***A. Current accounting policy changes***

***(i) IFRS 9 Financial Instruments***

On July 24, 2014, the IASB issued the complete IFRS 9, *Financial Instruments* ("IFRS 9"), replacing IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), and related interpretations. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Trust implemented the new requirements for classification and measurement, impairment and hedging on January 1, 2018, retrospectively with no restatement of comparative periods.

IFRS 9 sets out a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL.



**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Current accounting policy changes (continued)**

**(i) IFRS 9 Financial Instruments (continued)**

The following table summarizes the classification impact upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in changes in measurement or the carrying amount of financial assets and liabilities.

Financial Instrument	Classification under IAS 39	Classification under IFRS 9
Cash	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Distributions payable	Other financial liabilities	Amortized cost
Mortgage payable	Other financial liabilities	Amortized cost

Financial assets are not reclassified subsequent to their initial recognition unless the objective of the business model used to manage the financial assets changes. In such an event, the classification of financial assets would be reassessed. Financial liabilities are not reclassified.

Impairment of financial assets carried at amortized cost is assessed using the expected credit loss model. Expected credit losses for the next 12 months are used to assess impairment unless there is evidence that a financial asset has experienced a significant increase in credit risk since initial recognition, in which case lifetime expected credit losses are used. Lifetime expected credit losses are also used for trade receivables and contract assets without a significant financing component.

The Trust defines a significant increase in credit risk as an increase from low risk to medium or high risk or from medium risk to high risk. In assessing credit risk, the Trust considers historical and forecasted credit losses, external indicators of credit risk, actual or expected changes in operational results of the borrower and economic conditions that will impact the risk of default. The Trust considers a financial asset to be in default when a contractual payment is 90 days past due.

**(ii) IFRS 15 Revenue from Contracts with Customers**

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 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. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Rental revenue is outside the scope of IFRS 15.

The Trust adopted IFRS 15 on January 1, 2018 and applied the requirements of the standard retrospectively. The implementation of IFRS 15 did not have any impact on the Trust's revenue.

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***B. Future accounting policy changes***

***(i) 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.

**4. INVESTMENT PROPERTY**

On September 12, 2014, the Master LP, through the Investments LP, completed the acquisition of 3851 22<sup>nd</sup> Avenue, Prince George, British Columbia (“22<sup>nd</sup> Avenue”), for a purchase price of \$6,200,000 plus standard closing costs and adjustments. 22<sup>nd</sup> 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 June 30, 2018 and December 31, 2017 has been determined as follows:

	<b>2018</b>
Balance, January 1, 2018	\$ 6,580,000
Straight-line rent adjustment	184
Increase in fair value of investment property	169,816
<b>Balance, June 30, 2018</b>	<b>\$ 6,750,000</b>
	<b>2017</b>
Balance, January 1, 2017	\$ 6,520,000
Straight-line rent adjustment	6,781
Increase in fair value of investment property	53,219
<b>Balance, December 31, 2017</b>	<b>\$ 6,580,000</b>

The fair value of the investment property has been determined based on market value. As set out in note 3(C) to the Trust’s audited consolidated financial statements for the year ended December 31, 2017, 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.

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**4. INVESTMENT PROPERTY (continued)**

For the year ended December 31, 2017, 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.

The Trust does not expect to obtain an appraisal at each reporting date. Where the Trust does not obtain an appraisal for its 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, 2017 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. Investment property as at June 30, 2018 has been valued based on an unconditional contract to sell 22<sup>nd</sup> Avenue.

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) to the Trust’s audited consolidated financial statements for the year ended December 31, 2017.

	June 30, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment property	\$ –	\$ –	\$ 6,750,000	\$ –	\$ –	\$ 6,580,000

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

	June 30, 2018	December 31, 2017
Capitalization rate	6.58%	6.75%

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 June 30, 2018.

Change in capitalization rate	Fair value	Change in fair value	Percentage change
- 0.75%	\$ 7,620,000	\$ 870,000	12.89%
- 0.50%	7,305,000	555,000	8.22%
- 0.25%	7,015,000	265,000	3.93%
Base rate of 6.58%	6,750,000	–	–
+ 0.25%	6,505,000	(245,000)	(3.63%)
+ 0.50%	6,275,000	(475,000)	(7.04%)
+ 0.75%	6,060,000	(690,000)	(10.22%)

**5. EQUITY-ACCOUNTED INVESTMENTS**

As of June 30, 2018 and December 31, 2017, 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 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 1<sup>st</sup> 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.

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 June 30, 2018, two phases comprising 55 subdivision lots were substantially complete and 19 of those lots had been sold.

As of June 30, 2018, a third-party second mortgage secured by Garrison Landing was in default and a court order for judgment had been issued. The mortgage debt and interest totalled \$2,221,147 as of June 30, 2018. Under the order, WCPG VII LP had until June 20, 2018 to redeem the mortgage, failing which the property could be repossessed (see note 15 and also note 11 to the Trust's audited consolidated financial statements for the year ended December 31, 2017).

**B. *FSJ Industrial Properties Limited Partnership***

The Trust, through the Developments LP, owns 3,273,247 Class B units of 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.

**5. EQUITY-ACCOUNTED INVESTMENTS (continued)**

***B. FSJ Industrial Properties Limited Partnership (continued)***

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.

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) to the Trust’s audited consolidated financial statements for the year ended December 31, 2017.

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**5. EQUITY-ACCOUNTED INVESTMENTS (continued)**

The carrying value of the Trust's equity-accounted investments as at June 30, 2018 and December 31, 2017 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 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
Contributions	–	48,125	–	48,125
Share of loss	(220,971)	(23,490)	(2,406)	(246,867)
<b>Balance, June 30, 2018</b>	<b>\$ 3,489,217</b>	<b>\$ 3,246,837</b>	<b>\$ 2,293,445</b>	<b>\$ 9,029,499</b>

The summarized financial position of the Trust's equity-accounted investments for the period ended June 30, 2018 was as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Current assets	\$ 8,739,947	\$ 3,711,530	\$ 7,247	\$ 12,458,724
Non-current assets	–	–	4,650,000	4,650,000
Current liabilities	(4,649,067)	(759)	(70,245)	(4,720,071)
Net assets at 100%	4,090,880	3,710,771	4,587,002	12,388,653
Trust's ownership interest	88.9%	87.5%	50%	
<b>Trust's share of net assets</b>	<b>\$ 3,636,337</b>	<b>\$ 3,246,924</b>	<b>\$ 2,293,501</b>	<b>\$ 9,176,762</b>

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%	
<b>Trust's share of net assets</b>	<b>\$ 3,857,308</b>	<b>\$ 3,222,290</b>	<b>\$ 2,295,907</b>	<b>\$ 9,375,505</b>

The summarized results of operation of the Trust's equity-accounted investments for the six months ended June 30, 2018 are as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Rental & sales expenses	\$ (21,886)	\$ (24,122)	\$ (4,877)	\$ (50,885)
Finance expenses	(188,419)	–	122	(188,297)
Other expenses	(38,287)	(2,724)	(57)	(41,068)
Net loss at 100%	(248,592)	(26,846)	(4,812)	(280,250)
<b>Trust's share of loss</b>	<b>\$ (220,971)</b>	<b>\$ (23,491)</b>	<b>\$ (2,406)</b>	<b>\$ (246,867)</b>

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**5. EQUITY-ACCOUNTED INVESTMENTS (continued)**

The summarized results of operation of the Trust's equity-accounted investments for the six months ended June 30, 2017 are as follows:

	WCPG VII LP	FSJ Industrial	FSJ Aurora LP	Total
Rental & sales expenses	\$ (42,606)	\$ (20,892)	\$ (4,247)	\$ (67,745)
Finance expenses	(204,166)	–	–	(204,166)
Other income (expenses)	(1,199)	412	(700)	(1,487)
Net loss at 100%	(247,971)	(20,480)	(4,947)	(273,398)
<b>Trust's share of net loss</b>	<b>\$ (220,418)</b>	<b>\$ (17,920)</b>	<b>\$ (2,474)</b>	<b>\$ (240,812)</b>

**6. MORTGAGE PAYABLE**

On September 12, 2014, the Master LP, through the Investments LP, financed the acquisition of 22<sup>nd</sup> 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 3.74% as at June 30, 2018 (December 31, 2017 – 3.75%).

The carrying value of the mortgage payable on June 30, 2018 was \$4,195,265 (December 31, 2017 – \$4,251,115). Included in the mortgage payable were the related unamortized mortgage transaction costs of \$20,309 as at June 30, 2018 (December 31, 2017 – \$29,006), which are amortized over the term of the mortgage using the effective interest rate method.

Principal repayments, as of June 30, 2018, based on scheduled repayments to be made on the mortgage payable over the next two years to maturity are as follows:

Remaining in 2018	\$	65,323
2019		4,150,251
	<b>\$</b>	<b>4,215,574</b>

**7. NON-CONTROLLING INTEREST**

As at June 30, 2018, 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.

The non-controlling interest of the Trust at June 30, 2018 and December 31, 2017 is as follows:

Non-controlling interest	Ownership as at June 30, 2018	Ownership as at December 31, 2017
Initial limited partners of the Master LP	13.36%	13.25%
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%

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**7. NON-CONTROLLING INTEREST (continued)**

During the period ended June 30, 2018, the Trust redeemed limited partnership units of the Master LP as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
March 13, 2018	3	\$ 3,000
March 15, 2018	25	25,000
March 28, 2018	25	25,000
April 11, 2018	30	30,000
April 25, 2018	25	25,000
May 8, 2018	10	10,000
	118	\$ 118,000

As a result of the unit redemptions in 2018, the ownership interest of the initial limited partners of the Master LP increased from 13.25% as at December 31, 2017 to 13.36% as at June 30, 2018.

During the period ended June 30, 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
	102	\$ 102,000

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 June 30, 2018 and December 31, 2017.

**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.

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.



**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**8. UNITHOLDERS' EQUITY (continued)**

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 period ended June 30, 2018, the Trust received six redemption requests which were effective as of the date of receipt, as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
March 13, 2018	3	\$ 2,462
March 15, 2018	25	20,520
March 28, 2018	25	20,520
April 11, 2018	30	24,624
April 25, 2018	25	20,520
May 8, 2018	10	8,208
	118	\$ 96,854

An additional redemption request for 200 units received on May 25, 2018 was subsequently withdrawn.

During the period ended June 30, 2017, the Trust received three 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	24,368
	102	\$ 92,056

As of June 30, 2018, \$53,352 was outstanding and included in accounts payable and accrued liabilities (December 31, 2017 – \$7,220).

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**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 68% as at June 30, 2018 (December 31, 2017 – 69%). The Trust was in compliance with the loan-to-value restriction and all other non-financial restrictions during the six months ended June 30, 2018 and the year ended December 31, 2017.

The capital structure consisted of the following components at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017	Change
Capital			
Mortgage payable	\$ 4,195,265	\$ 4,251,115	\$ (55,850)
Unitholders' equity	11,155,280	11,225,411	(70,131)
<b>Total capital</b>	<b>\$ 15,350,545</b>	<b>\$ 15,476,526</b>	<b>\$ (125,981)</b>

During the six months ended June 30, 2018, the Trust's total capital decreased due to mortgage principal payments and the redemption of a total of 118 units, offset in part by the net income for the period (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) to the Trust's audited consolidated financial statements for the year ended December 31, 2017.

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.

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.

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**10. FINANCIAL INSTRUMENTS (continued)**

**Fair value of financial instruments (continued)**

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) to the Trust's audited consolidated financial statements for the year ended December 31, 2017.

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

Financial instruments	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	\$ 116,315	\$ 116,315	\$ 258,682	\$ 258,682
Amounts receivable	425	425	384	384
Due from related parties	1,190,813	1,190,813	1,099,827	1,099,827
Accounts payable and accrued liabilities	220,394	220,394	190,086	190,086
Mortgage payable	4,195,265	4,373,422	4,251,115	4,494,005

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

(i) *Mortgage 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) to the Trust's audited consolidated financial statements for the year ended December 31, 2017).

(ii) *Other financial assets and liabilities*

The carrying values of financial assets and financial liabilities not measured at fair value, including cash, amounts receivable, due from related parties 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.

There were no transfers between levels in the fair value hierarchy during the six months ended June 30, 2018 or the year ended December 31, 2017.

**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.

There have been no changes to the Trust's assessment of its risk factors since December 31, 2017. Please refer to the Trust's audited consolidated financial statements for the period ended December 31, 2017 and management's discussion and analysis for the period ended June 30, 2018 for a discussion of risk factors that have been identified by the Trust.

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**12. LEASES**

The Trust, through the Investments LP, entered into a lease agreement with the tenant of 22<sup>nd</sup> 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 June 30, 2018	As at December 31, 2017
Within one year	\$ 476,650	\$ 471,958
After one year, but not more than five years	1,080,272	1,319,522
More than five years	–	–
	<b>\$ 1,556,922</b>	<b>\$ 1,791,480</b>

**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 six months ended June 30, 2018, Pure Commercial charged the Trust asset management fees of \$63,333 (six months ended June 30, 2017 – \$67,402). As at June 30, 2018, asset management fees of \$96,693 (December 31, 2017 – \$33,360) 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 22<sup>nd</sup> Avenue and collects 2.0% of the basic annual rent as a property management fee. During the six months ended June 30, 2018, Pure Commercial charged the Trust property management fees of \$4,691 (six months ended June 30, 2017 – \$4,599). Property management fees of \$782 were included in accounts payable and accrued liabilities as at June 30, 2018 (December 31, 2017 – \$nil).

During the six months ended June 30, 2018, Pure Commercial advanced \$21,000 to WCPG VII LP on the Developments LP’s behalf. As of June 30, 2018, \$21,000 was owing to Pure Commercial and included in accounts payable and accrued liabilities (December 31, 2017 – \$nil).

**Transactions with Sui Generis Investments Ltd.**

Sui Generis Investments Ltd. (“Sui Generis”) is related to the Trust by virtue of having officers and directors/trustees 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. During the six months ended June 30, 2018, Sui Generis charged the Master LP fees of \$7,875 (six months ended June 30, 2017 – \$7,875). As of June 30, 2018, \$16,688 was included in accounts payable and accrued liabilities (December 31, 2017 – \$11,813).

**13. RELATED PARTY TRANSACTIONS (continued)**

**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 June 30, 2018, \$151 was outstanding and included in due from related parties (December 31, 2017 – \$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 at June 30, 2018, total loans and interest of \$672,338 were included in due from related parties and secured by a loan on Garrison Landing (December 31, 2017 – \$640,840). 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 six months ended June 30, 2018, the Trust earned interest income of \$31,498 on the loan (six months ended June 30, 2017 – \$30,382).

During the period ended June 30, 2018, the Trust, through the Developments LP and Pure Commercial, advanced \$21,000 to fund working capital requirements (six months ended June 30, 2017 – \$50,000). During the same period, the Trust, through the Developments LP, paid invoices on WCPG VII LP’s behalf totaling \$7,544 (six months ended June 30, 2017 – \$nil). As at June 30, 2018, unsecured loans and interest of \$483,325 were included in due from related parties (December 31, 2017 – \$426,596). During the period ended June 30, 2018, the Trust earned interest income of \$28,185 on the loans (six months ended June 30, 2017 – \$22,654).

**Trustee Compensation**

Each trustee of the Trust, other than Stephen Evans, is entitled to an annual fee of \$12,500. During the six months ended June 30, 2018, the Trust paid accrued trustee fees of \$25,000 (six months ended June 30, 2017 – \$nil). As at June 30, 2018, trustee fees of \$nil were included in accounts payable and accrued liabilities (December 31, 2017 – \$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 prior years, the Trust, through the Developments LP, advanced funds to FSJ Aurora LP to cover working capital requirements. During the six months ended June 30, 2018, the Trust, through the Developments LP, advanced \$2,759 to FSJ Aurora LP to cover working capital requirements and paid invoices totalling \$205 on FSJ Aurora LP's behalf (six months ended June 30, 2017 – \$nil and \$241 respectively). The total amount receivable of \$35,205 is non-interest bearing, repayable on demand and was included in due from related parties as at June 30, 2018 (December 31, 2017 – \$32,241).

**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 June 30, 2018 and June 30, 2017, 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 following segmented disclosure.

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**14. SEGMENTED INFORMATION (continued)**

The following summarizes the results of operations for the Trust's segments for the six months ended June 30, 2018:

Six months ended June 30, 2018	Development	Investment	Trust	Total
<b>NET RENTAL INCOME (EXPENSES)</b>				
Rental revenue and recoveries	\$ –	\$ 350,525	\$ –	\$ 350,525
Insurance	–	(5,055)	–	(5,055)
Management fees	–	(4,691)	–	(4,691)
Property taxes	–	(106,105)	–	(106,105)
	–	234,674	–	234,674
<b>NET FINANCE INCOME (EXPENSE)</b>				
Interest income	61,072	278	239	61,589
Mortgage interest	–	(86,986)	–	(86,986)
	61,072	(86,708)	239	(25,397)
<b>NET OTHER INCOME (EXPENSES)</b>				
General and administrative	(1,263)	(154)	(36,417)	(37,834)
Asset management fees	–	–	(63,333)	(63,333)
Fair value adjustments to investment property	–	169,816	–	169,816
	(1,263)	169,662	(99,750)	68,649
<b>SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS</b>	(244,461)	(2,406)	–	(246,867)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	\$ (184,652)	\$ 315,222	\$ (99,511)	\$ 31,059
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Unitholders	(160,085)	273,222	(86,414)	26,723
Non-controlling interest	(24,567)	42,000	(13,097)	4,336
	\$ (184,652)	\$ 315,222	\$ (99,511)	\$ 31,059
<b>Earnings (loss) per unit</b>				
Basic and diluted	\$ (12.67)	\$ 21.63	\$ (6.84)	\$ 2.12
<b>Weighted average number of units</b>				
Basic and diluted	12,634	12,634	12,634	12,634

**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

**14. SEGMENTED INFORMATION (continued)**

The following summarizes the results of operations for the Trust's segments for the six months ended June 30, 2017:

Six months ended June 30, 2017	Development	Investment	Trust	Total
<b>NET RENTAL INCOME (EXPENSES)</b>				
Rental revenue and recoveries	\$ –	\$ 344,894	\$ –	\$ 344,894
Insurance	–	(4,944)	–	(4,944)
Management fees	–	(4,599)	–	(4,599)
Property taxes	–	(100,690)	–	(100,690)
	–	234,661	–	234,661
<b>NET FINANCE INCOME (EXPENSE)</b>				
Interest income	55,046	671	283	56,000
Mortgage interest	–	(89,259)	–	(89,259)
	55,046	(88,588)	283	(33,259)
<b>NET OTHER INCOME (EXPENSES)</b>				
General and administrative	(2,083)	(1,868)	(35,593)	(39,544)
Asset management fees	–	–	(67,402)	(67,402)
Fair value adjustments to investment property	–	(4,783)	–	(4,783)
	(2,083)	(6,651)	(102,995)	(111,729)
<b>SHARE OF INCOME (LOSS) OF EQUITY-ACCOUNTED INVESTMENTS</b>	(238,338)	(2,474)	–	(240,812)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	\$ (185,375)	\$ 136,948	\$ (102,712)	\$ (151,139)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Unitholders	(160,915)	118,880	(89,147)	(131,182)
Non-controlling interest	(24,460)	18,068	(13,565)	(19,957)
	\$ (185,375)	\$ 136,948	\$ (102,712)	\$ (151,139)
<b>Earnings per unit</b>				
Basic and diluted	\$ (12.64)	\$ 9.34	\$ (7.00)	\$ (10.30)
<b>Weighted average number of units</b>				
Basic and diluted	12,731	12,731	12,731	12,731

**15. SUBSEQUENT EVENTS**

On August 2, 2018, the Trust, through the Developments LP, subscribed for 100 units of FSJ Northwest Limited Partnership ("FSJ Northwest LP") at \$1 per unit for a total of \$100, which resulted in the Trust, through the Developments LP, being the sole limited partner of FSJ Northwest LP. On August 2, 2018, FSJ Northwest LP obtained a loan of \$2,150,000 from Triple E Ventures Inc., which is related to the Trust by virtue of having officers and trustees/directors in common. The loan is secured by a mortgage on 22<sup>nd</sup> Avenue and bears interest at 6.00%.



**REALnorth Opportunities Fund**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**Expressed in Canadian Dollars**  
**Unaudited and for the Period ended June 30, 2018**

---

**15. SUBSEQUENT EVENTS (continued)**

In August 2018, the second mortgage on Garrison Landing which is in default was assigned to FSJ Northwest LP for consideration of \$2,117,180 (note 5). As of August 1, 2018, the mortgage debt and interest totalled \$2,239,188. FSJ Northwest LP has the right to repossess the property, as the June 20, 2018 deadline to redeem the mortgage under a court order has passed (note 5).

On August 3, 2018, the Developments LP received a demand letter from the holder of the first mortgage on Garrison Landing, requesting repayment of the mortgage pursuant to a guarantee given by the Developments LP. The mortgage bears interest at prime plus 1.50% and matured in December 2017. As of August 29, 2018, the outstanding balance of the mortgage was \$989,440.

On August 28, 2018, the Trust settled an outstanding redemption request for 25 units through a cash payment of \$18,020 and the issuance of debt securities by the Master LP totalling \$2,500 (note 8). The debt securities are subordinated, unsecured, have a maturity of five years and pay interest monthly in arrears at an annual interest rate of 2.19%.