

REALNORTH OPPORTUNITIES FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019
DATED: APRIL 8, 2020

1. BASIS OF PRESENTATION

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations prepared on April 8, 2020 should be read together with the Trust's audited consolidated financial statements and notes thereto for the year ended December 31, 2019. All financial information is reported in Canadian dollars and in accordance with IFRS unless otherwise noted.

REALnorth Opportunities Fund (the "Trust") uses International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), as its basis of financial reporting for the audited consolidated financial statements for the year ended December 31, 2019.

2. FORWARD-LOOKING DISCLAIMER

Certain information in this MD&A contains forward-looking information within the meaning of applicable securities laws (also known as forward-looking statements) including, without limitation, statements made or implied under the headings "Liquidity", "Capital Resources", "Risks and Uncertainties" and "Selected Annual and Historical Information" relating to the Trust's objectives, strategies to achieve those objectives, beliefs, plans, estimates, projections and intentions; and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by words such as "outlook", "believe", "expect", "may", "anticipate", "should", "intend", "estimates" and similar expressions.

Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results. Those risks and uncertainties include, among other things, risks related to availability of cash for distributions, liquidity, credit risk, interest rate and other debt related risk, lease rollover risk, tax risk, ability to access capital markets, competition for real estate property investments, environmental matters, changes in legislation and indebtedness of the Trust.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions and information currently available; however, management can give no assurance that actual results will be consistent with these forward-looking statements. Factors and assumptions that were applied in drawing conclusions and which could cause actual results, performance, or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, general economic conditions, competition for real estate property investments, the availability of new competitive supply of real estate, the Trust's ability to maintain occupancy, tenant defaults, changes in interest rates, changes in governmental regulations and taxation and the Trust's ability to obtain adequate insurance and financing. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Trust, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of April 8, 2020 and the Trust assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Additional information about REALnorth Opportunities Fund filed with Canadian securities regulators is available online at www.sedar.com.

3. DESCRIPTION OF BUSINESS

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 Trust was established, among other things, for the purpose of:

- a) acquiring REALnorth Opportunities Master Limited Partnership (the “Master LP”) units;
- b) temporarily holding cash and investments for the purposes of paying the expenses and liabilities of the Trust, paying amounts payable by the Trust in connection with the redemption of any Trust units and making distributions to Trust unitholders;
- c) investing its funds in property (other than real property or interests in real property or an immovable or a real right in an immovable);
- d) acquiring, holding, maintaining, improving, leasing or managing of real property (or interests in real property) or any immovable (or real right in an immovable) that is capital property of the Trust; and
- e) in connection with the undertaking set out above, reinvesting income and gains of the Trust and taking other actions besides the mere protection and preservation of the Trust's property.

The Master LP is a limited partnership formed pursuant to and governed by the laws of the Province of British Columbia and created by the Master LP Agreement on July 31, 2014. The Master LP was established, among other things, to issue Master LP units and acquire REALnorth Opportunities (Investments) Limited Partnership (the “Investments LP”) units and REALnorth Opportunities (Developments) Limited Partnership (the “Developments LP”) units and temporarily hold cash and investments for the purposes of paying the expenses and liabilities of the Master LP and making distributions to the holders of the Master LP units.

The Investments LP was established on August 28, 2014 pursuant to the laws of the Province 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.

The Developments LP was established on August 29, 2014 pursuant to the laws of the Province 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.

On August 2, 2018, 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 Developments LP being the sole limited partner of FSJ Northwest LP. FSJ Northwest LP was established on August 2, 2018 pursuant to the laws of British Columbia for the purposes of acquiring real property, acquiring real property mortgages and other debt and developing and servicing real property for the purposes of leasing or selling.

On December 31, 2018, the Developments LP acquired control of Western Canadian Properties Group VII Limited Partnership (“WCPG VII LP”) (section 4). WCPG VII LP was established pursuant to the laws of British Columbia for the purposes of acquiring approximately 29 acres of residential property (“Garrison Landing”), other real property or shares, partnership units or other securities; and undertaking the subdivision, development and servicing of Garrison Landing with a view to selling individual lots at Garrison Landing or profiting from the property in any other manner permitted by law and deemed by the general partner to be beneficial for WCPG VII LP.

3. DESCRIPTION OF BUSINESS (CONTINUED)

Since REALnorth Opportunities Inc. (the “Master GP”) is the general partner of the Master LP and owns an interest in the Master LP, the initial limited partners own 1,938 units of the Master LP, the general partner of the Investments LP owns an interest in the Investments LP, the general partner of the Developments LP owns an interest in the Developments LP, the general partner of FSJ Northwest LP owns an interest in FSJ Northwest LP and the general partner of WCPG VII LP owns an interest in WCPG VII LP, they represent the non-controlling interest of the Trust.

4. SELECTED ANNUAL AND HISTORICAL INFORMATION

Units issued and redeemed

On September 12, 2014, the Master LP issued 1,938 limited partnership units to the initial limited partners at \$930 per unit for \$1,802,340. The Master LP purchased 1,938 Investments LP units for \$1,802,340 on the same day.

On December 30, 2014, the Trust issued 10,623 Trust units at \$1,000 per unit for gross proceeds of \$10,623,000, pursuant to the Trust’s prospectus dated December 22, 2014 (the “Prospectus”), and incurred offering costs in the amount of \$849,840. That same day, the Trust purchased 10,623 Master LP units at \$1,000 per unit for \$10,623,000. On February 5, 2015, the Trust issued an additional 2,277 Trust units at \$1,000 per unit for gross proceeds of \$2,277,000 and incurred offering costs in the amount of \$182,160. The Trust purchased an additional 2,277 Master LP units at \$1,000 per unit on the same day. Pursuant to a cost sharing and recovery agreement between the Trust and the Master LP, the Master LP assumed the costs and expenses in connection with the offering of the Trust units.

During the year ended December 31, 2016, the Trust redeemed 100 limited partnership units of the Master LP for total redemption proceeds of \$100,000. During the year ended December 31, 2017, the Trust redeemed 110 limited partnership units of the Master LP for total redemption proceeds of \$110,000. During the year ended December 31, 2018, the Trust redeemed 163 limited partnership units of the Master LP for total redemption proceeds of \$163,000. During the year ended December 31, 2019, the Trust redeemed 106 limited partnership units of the Master LP for total redemption proceeds of \$106,000.

As at December 31, 2019, the Trust owned 12,421 units of the Master LP, representing an ownership interest of approximately 87%.

Direct property acquisition and disposition

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.

On August 30, 2018, the Trust, through the Investments LP, sold 22nd Avenue for a sale price of \$6,750,000 less standard closing costs and adjustments.

Acquisition of equity-accounted investments and acquisition of control

(i) WCPG VII LP

On May 7, 2015, the Trust, through the Developments LP, subscribed for 262,500 units of WCPG VII LP at \$1 per unit for a total of \$262,500, which resulted in the Trust, through the Developments LP, owning 88.9% of WCPG VII LP. On May 27, 2015, the Trust, through the Developments LP, subscribed for a further 3,737,500 units of WCPG VII LP at \$1 per unit for a total of \$3,737,500 and maintained its ownership interest at 88.9% of WCPG VII LP.

On December 31, 2018, the Trust, through the Developments LP, entered into an agreement with Ground Floor Capital Management Ltd. (“Ground Floor”), which owned 500,000 LP units of WCPG VII LP, giving it an 11.1% interest in WCPG VII LP. As a result of the agreement, Ground Floor’s units were repurchased and cancelled and the Developments LP became the sole limited partner of WCPG VII LP.

4. SELECTED ANNUAL AND HISTORICAL INFORMATION (CONTINUED)

Acquisition of equity-accounted investments and acquisition of control (continued)

(i) WCPG VII LP (continued)

On December 31, 2018, subsequent to the change in ownership, the limited partnership agreement for WCPG VII LP was amended and as a result, the Trust, through the Master LP and the Developments LP, acquired control of WCPG VII LP. Therefore, the Trust now consolidates the assets, liabilities and financial results of WCPG VII LP.

On May 29, 2015, WCPG VII LP acquired Garrison Landing in Fort St. John, British Columbia, for a purchase price of \$6,200,000 plus standard closing costs and adjustments. Garrison Landing is expected to be developed in multiple phases, and to generate, in aggregate, approximately 153 single family lots which will be offered for sale after servicing is complete. During the year ended December 31, 2019, WCPG VII LP commenced construction of a single-family home on one of the completed lots and sold one lot. As at December 31, 2019, two phases comprising 55 subdivision lots were complete and 26 of those lots had been sold or transferred. Thirteen lots were sold subsequent to December 31, 2019 (section 19).

(ii) FSJ Industrial Properties Limited Partnership

On September 3, 2015, the Trust, through the Developments LP, subscribed for 10 Class B units of FSJ Industrial Properties Limited Partnership (“FSJ Industrial”) at \$1 per unit for a total of \$10. On September 9, 2015, the Trust, through the Developments LP, subscribed for a further 3,076,362 Class B units for a total of \$3,076,362, which resulted in the Trust, through the Developments LP, owning 87.5% of FSJ Industrial. On September 24, 2015, the Trust, through the Developments LP, subscribed for a further 65,625 Class B units for a total of \$65,625 and maintained its ownership interest at 87.5% of FSJ Industrial. On December 21, 2015, the Trust, through the Developments LP, subscribed for an additional 131,250 Class B units for a total of \$131,250 and maintained its ownership interest at 87.5% of FSJ Industrial.

On September 10, 2015, FSJ Industrial acquired approximately 17 acres of industrial property (the “BCR Lands”) in Fort St. John, British Columbia, for a purchase price of \$3,446,000 plus standard closing costs and adjustments. The BCR Lands comprise four lots which are accessible by rail and which may be sold in their current condition or further developed with either build-to-suit options or lay-down yards for industrial users depending upon market demands. One lot was sold subsequent to December 31, 2019 (section 19).

(iii) FSJ Aurora Developments Properties Limited Partnership

On October 20, 2015, the Trust, through the Developments LP, subscribed for 2,300,000 limited partnership units of FSJ Aurora Developments Limited Partnership (“FSJ Aurora”) at \$1 per unit for a total of \$2,300,000, thereby acquiring a 50% interest in FSJ Aurora. On October 23, 2015, FSJ Aurora completed the acquisition of approximately 144 acres of bare land (the “Aurora Lands”) for a purchase price of \$4,500,000 plus standard closing costs and adjustments. During the year ended December 31, 2016, the City of Fort St. John expanded its boundary, with the result that the Aurora Lands are now included within city boundaries. The Aurora Lands are currently in the Agricultural Land Reserve.

4. SELECTED ANNUAL AND HISTORICAL INFORMATION (CONTINUED)

Selected annual information

	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
Total assets	\$ 10,628,934	\$ 13,848,253	\$ 17,186,723
Total liabilities	1,936,665	1,351,663	4,441,201
Total non-current liabilities	4,464	4,047	4,121,245
Total rental revenue and recoveries	–	310,450	691,361
Sales revenue	99,500	–	–
Net operating loss	(66,278)	–	–
Loss attributable to the Trust unitholders	(3,213,312)	(103,568)	(217,971)
Loss per unit attributable to the Trust unitholders	(257.81)	(8.22)	(17.15)
Distribution per unit	–	–	–

5. PERFORMANCE SUMMARY

Financial Performance Summary

As at December 31, 2019, the Trust's assets totaled \$10,628,934, decreasing from \$13,848,253 as at December 31, 2018 primarily due to impairment recognized on property inventory, a decrease in cash and a decrease in equity-accounted investments resulting from impairment on the BCR Lands. Liabilities totaled \$1,936,665 as at December 31, 2019, increasing from \$1,351,663 as at December 31, 2018 due to an increase in loans received from related parties (section 16) and an increase in deferred revenue related to the sale of 13 lots at Garrison Landing which closed subsequent to December 31, 2019 (section 19).

The Trust incurred a net operating loss of \$66,278 during the year ended December 31, 2019, compared to \$nil for the year ended December 31, 2018. The increase in net operating loss was due to property maintenance and property tax expenses incurred for WCPG VII LP being recorded in the statement of income (loss) and comprehensive income (loss) following acquisition of control on December 31, 2018 (section 4) and to the sale of one lot at Garrison Landing at a loss of \$7,687. The Trust earned income from discontinued operations of \$nil for the year ended December 31, 2019 compared to \$242,682 for the year ended December 31, 2018. The decrease was due to the sale of 22nd Avenue in August 2018 (section 4).

The Trust incurred a net loss of \$3,710,368 after finance expense, other expenses and its share of the loss of equity-accounted investments for the year ended December 31, 2019, compared to a net loss of \$115,252 for the year ended December 31, 2018. The increase in net loss is primarily due to impairment recognized on property inventory, the decrease in income from discontinued operations following the sale of 22nd Avenue, a decrease in interest income and the decrease in settlement gain, which resulted from the acquisition of a mortgage on Garrison Landing by FSJ Northwest LP at a discount during the year ended December 31, 2018. Interest income decreased due to the acquisition of control of WCPG VII LP and the subsequent elimination of interest on loans from the Developments LP to WCPG VII LP upon consolidation.

5. PERFORMANCE SUMMARY (CONTINUED)

Redemptions

During the year ended December 31, 2019, the Trust received eight redemption requests which were effective as of the date of receipt, as follows:

Redemption Date	Number of Units Redeemed	Total Redemption Price
January 7, 2019	19	\$ 16,840
March 12, 2019	10	8,864
March 22, 2019	10	8,864
April 10, 2019	1	886
April 16, 2019	10	8,864
August 2, 2019	40	35,454
September 24, 2019	12	10,636
October 1, 2019	4	3,545
	<u>106</u>	<u>\$ 93,953</u>

During the year ended December 31, 2018, the Trust received redemption requests for 163 units, which were redeemed for a total redemption price of \$133,790. The redemption requests were effective as of the date of receipt.

As of December 31, 2019, redemptions totaling \$3,545 were outstanding and included in accounts payable and accrued liabilities (December 31, 2018 – \$11,491) and there were 12,421 Trust units outstanding (December 31, 2018 – 12,527 Trust units).

6. RESULTS OF QUARTERLY OPERATIONS

The following summarizes the results of operations for the Trust for the three months ended December 31, 2019:

- Net operating loss totaled \$21,736 (three months ended December 31, 2018 – \$nil).
- The Trust earned \$181 in interest from loans and bank deposits (three months ended December 31, 2018 – \$104,496).
- The Trust recognized a settlement gain of \$nil (three months ended December 31, 2018 – \$200,658).
- The Trust recorded a loss from its equity-accounted investments of \$156,282 (three months ended December 31, 2018 – \$36,173).
- The Trust incurred a loss of \$2,326,544 attributable to the unitholders after finance and administrative expenses (three months ended December 31, 2018 – net income attributable to unitholders of \$108,976). The expenses consisted of:
 - a) impairment of \$2,331,736 (three months ended December 31, 2018 – \$nil);
 - b) mortgage interest of \$12,684 (three months ended December 31, 2018 – \$nil);
 - c) a reduction in loan interest of \$nil (three months ended December 31, 2018 – \$63);
 - d) debenture interest of \$147 (three months ended December 31, 2018 – \$195);
 - e) general and administrative expenses totaling \$130,324 (three months ended December 31, 2018 – \$105,031);
 - f) asset management fees of \$32,780 (three months ended December 31, 2018 – \$39,391); and
 - g) a fair value adjustment to property inventory of \$nil (three months ended December 31, 2018 – \$5,423).

6. RESULTS OF QUARTERLY OPERATIONS (CONTINUED)

The following tables summarize the quarterly results for the past eight periods:

Quarter ended	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total assets	\$ 10,628,934	\$ 13,015,015	\$ 13,759,246	\$ 13,791,392
Equity-accounted investments	5,363,455	5,519,737	5,535,265	5,497,149
Property inventory	5,086,767	7,339,688	8,034,611	8,034,611
Total liabilities	1,936,665	1,633,693	1,513,729	1,410,724
Mortgages payable	–	948,380	947,119	945,890
Unitholders' equity	7,680,788	10,010,877	10,764,711	10,883,049
Sales revenue	99,500	–	–	–
Net operating loss	(21,736)	(16,068)	(18,829)	(9,645)
Finance expense	(12,650)	(14,345)	(13,663)	(13,126)
Share of loss of equity-accounted investments	(156,282)	(15,528)	(14,384)	(12,696)
Loss attributable to the Trust unitholders – total and from continuing operations	(2,326,544)	(707,744)	(108,588)	(70,436)
Loss per unit – total and from continuing operations	(187.31)	(56.85)	(8.70)	(5.63)

Quarter ended	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total assets	\$ 13,848,253	\$ 12,621,105	\$ 17,095,386	\$ 17,118,542
Investment property	–	–	6,750,000	6,580,000
Equity-accounted investments	5,509,845	8,828,556	9,029,499	9,117,235
Property inventory	8,034,611	–	–	–
Total liabilities	1,351,663	218,350	4,415,659	4,469,659
Mortgages payable	945,000	–	4,195,265	4,223,152
Unitholders' equity	10,988,053	10,915,192	11,155,280	11,135,679
Finance income	305,022	52,531	31,014	30,575
Share of loss of equity-accounted investments	(36,173)	(200,943)	(135,861)	(111,006)
Income (loss) attributable to the Trust unitholders from continuing operations	108,976	(174,306)	(138,501)	(109,905)
Income (loss) per unit from continuing operations	8.68	(13.86)	(11.00)	(8.67)
Total income (loss) attributable to the Trust unitholders	108,976	(239,267)	72,953	(46,230)
Total income (loss) per unit	8.68	(19.03)	5.80	(3.64)

During the period from September 30, 2019 to December 31, 2019, total assets and property inventory decreased primarily due to impairment recognized on property inventory and the sale of one lot at Garrison Landing. Equity-accounted investments decreased primarily due to impairment recognized on the BCR Lands by FSJ Industrial. Total liabilities increased primarily due to loans received from related parties, outstanding asset management fees and outstanding Trust unit redemptions (sections 5 and 16). Mortgages payable decreased due to the repayment of the mortgage payable (section 7). Unitholders' equity decreased due to the net loss incurred during the quarter and Trust unit redemptions (section 5).

6. RESULTS OF QUARTERLY OPERATIONS (CONTINUED)

The Trust earned sales revenue of \$99,500 and incurred a net operating loss of \$21,736 during the three months ended December 31, 2019 compared to \$nil and \$nil respectively during the three months ended December 31, 2018. The change was due to the sale of one lot at Garrison Landing at a loss of \$7,687 and incurring property maintenance and property tax expenses. The Trust incurred net finance expense of \$12,650 during the three months ended December 31, 2019 compared to net finance income of \$305,022 during the three months ended December 31, 2018. The decrease was primarily due to the elimination of interest income upon consolidation on loans from the Developments LP to WCPG VII LP following acquisition of control of WCPG VII LP on December 31, 2018 (section 4), a settlement gain which resulted from the acquisition of a mortgage by FSJ Northwest LP at a discount during the year ended December 31, 2018 and incurring mortgage interest following the acquisition of control of WCPG VII LP. The Trust's equity-accounted investments incurred a loss of \$156,282 during the three months ended December 31, 2019 compared to a loss of \$36,173 during the three months ended December 31, 2018. The increase in loss was primarily due to impairment recognized on the BCR Lands, offset in part by the acquisition of control of WCPG VII LP on December 31, 2018 and subsequent consolidation of that entity.

The Trust incurred a loss attributable to the Trust unitholders of \$2,326,544 during the three months ended December 31, 2019 compared to income attributable to the Trust unitholders of \$108,976 during the three months ended December 31, 2018. The decrease in income attributable to the Trust unitholders was primarily due to impairment recognized on property inventory, the decrease in interest income, the increase in loss from equity-accounted investments and the decrease in settlement gain.

7. MORTGAGE PAYABLE

On December 31, 2018, the Trust, through the Developments LP, obtained control of WCPG VII LP (section 4). WCPG VII LP had financed Garrison Landing with a \$950,000 mortgage bearing interest at prime plus 1.50%. On December 31, 2018, the lender agreed to forbear from enforcing the mortgage until December 31, 2019.

On October 24, 2019, WCPG VII LP repaid \$50,000 of the mortgage. On December 20, 2019, WCPG VII LP repaid the remaining mortgage debt of \$900,000.

8. DEBENTURES

On July 31, 2018, the Master LP issued debentures totaling \$6,500 to settle outstanding Trust unit redemption requests in excess of its limit on cash payments for such redemptions (section 14). The debentures are subordinated, unsecured, will mature in July 2023 and pay interest monthly in arrears at an annual interest rate of 2.19%. The Master LP may repay the debentures at any time.

The debentures were recorded at amortized cost. The carrying value of the debentures on December 31, 2019 was \$4,464 (December 31, 2018 – \$4,047). Included in the debentures were the related unamortized debenture transaction costs of \$2,036 as at December 31, 2019 (December 31, 2018 – \$2,453), which are amortized over the term of the debentures using the effective interest rate method. The debentures bore an effective interest rate of 13.22% as at December 31, 2019 (December 31, 2018 – 13.22%). During the year ended December 31, 2019, the Trust incurred debenture interest of \$560 (year ended December 31, 2018 – \$219).

9. LIQUIDITY

The Trust has financed its acquisitions to date through the issuance of Trust units, a mortgage payable on its property inventory and related party loans.

Each investment property acquired in the portfolio is purchased with the expectation that it will generate sufficient cash flows to finance its own operating costs. Each development property acquired in the portfolio is purchased with the expectation that it will generate a return in addition to what could be realized from underlying investment properties.

These statements have been prepared on a going concern basis, which assumes that the Trust will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The ability of the Trust to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon continued support from related parties and sales of property inventory and investment property by the Trust and its equity-accounted investments which impact the Trust's ability to achieve profitable operations in the future. Subsequent to year end, the Trust received a distribution from the sale of property inventory by one of its equity-accounted investments (section 19) and Pure Commercial Real Estate Advisors Inc., Triple E Ventures Inc. and Triple E Investments Ltd. waived their right to demand repayment of the loans noted in section 16 until 2021. Consequently, management is of the opinion that sufficient working capital will be obtained from future cash flows from operations and financing arrangements with its related parties to meet the Trust's liabilities and commitments as they become due.

10. CAPITAL RESOURCES

The Trust's capital needs primarily relate to any required maintenance to the properties. It is management's opinion that sales of property inventory and future related party loans will be sufficient to fund any future capital requirements.

11. CAPITAL MANAGEMENT

The Trust defines capital as the aggregate of unitholders' equity and the mortgage payable. The Trust's objectives in managing capital are to maintain a level of capital that complies with investment and debt restrictions pursuant to the Prospectus, funds its business strategies and builds long-term unitholders' value. The Trust's capital structure is reviewed by the board of trustees of the Trust from time to time.

The Trust monitors on a quarterly basis 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 nil% as at December 31, 2019 (December 31, 2018 – 15%). The Trust was in compliance with all restrictions during the years ended December 31, 2019 and December 31, 2018.

The Trust's capital structure consisted of the following components at December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018	Change
Capital			
Mortgage payable	\$ –	\$ 945,000	\$ (945,000)
Unitholders' equity	7,680,788	10,988,053	(3,307,265)
Total capital	\$ 7,680,788	\$ 11,933,053	\$ (4,252,265)

11. CAPITAL MANAGEMENT (CONTINUED)

During the year ended December 31, 2019, the Trust's total capital decreased due to the repayment of the mortgage payable (section 7), the redemption of a total of 106 Trust units (section 5) and the net loss incurred during the year.

12. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Trust's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Trust's significant accounting policies are described in note 3 to the audited consolidated financial statements for the year ended December 31, 2019.

The policies that are most subject to estimation and judgement are outlined below.

Cost of sales

The Trust and certain of the Trust's equity-accounted investments hold property inventory and property under development for sale. 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 on a periodic basis and estimates selling prices based on market conditions existing at the reporting date.

Valuation of property inventory

The net realizable value of property inventory is determined by management, using recognized valuation techniques supported, in certain instances, by independent real estate valuation experts.

The determination of the net realizable value of property inventory requires the use of estimates such as sales prices, development costs and selling costs. These estimates are based on existing and forecasted market conditions.

13. FINANCIAL INSTRUMENTS

Financial instruments include cash, cash held in trust, amounts receivable, amounts due from related parties, distributions payable, debentures and accounts payable and accrued liabilities which are carried at amortized cost.

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.

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

Financial instruments	Fair value hierarchy	December 31, 2019		December 31, 2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	Level 2	\$ 2,098	\$ 2,098	\$ 153,669	\$ 153,669
Amounts receivable	Level 2	14,546	14,546	304	304
Due from related parties	Level 2	104,440	104,440	69,351	69,351
Accounts payable and accrued liabilities	Level 2	190,893	190,893	236,052	236,052
Due to related parties	Level 2	811,308	811,308	166,564	166,564
Debentures	Level 2	4,464	7,000	4,047	7,137

13. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

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

(i) *Debentures*

The fair value of the debentures is 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.

(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, accounts payable and accrued liabilities and due to related parties, 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.

14. RISKS AND UNCERTAINTIES

All real estate property investments are subject to a degree of risk and uncertainty. They are affected by various factors including general market conditions and local market circumstances. An example of general market conditions would be the availability of long-term financing, whereas local conditions would relate to factors affecting specific properties in a particular geographic location, such as changes in market lease rates as a result of an over-supply of space or a reduction in demand for real estate. Subsequent to December 31, 2019, the Trust became exposed to market risk from the COVID-19 pandemic (section 19).

The board of trustees of the Trust has the overall responsibility for the establishment and oversight of the Trust's risk management framework. The Trust's risk management policies are established to identify and analyze the risks faced by the Trust, to set appropriate risk limits and controls and to monitor risks and adherence to limits. 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, through the Master LP, is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, include the following:

Credit risk

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Trust's receivables from related parties. The Trust's exposure to credit risk is influenced by the individual characteristics of parties to whom it lends funds. The Trust has mitigated the risk by having officers and directors in common with the parties to whom it has loaned funds as at December 31, 2019.

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 through property inventory sales or by obtaining related party loans.

14. RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

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

	2020	2021	2022	2023
Debentures (principal and interest)	\$ 142	\$ 142	\$ 142	\$ 6,583
Due to related parties	811,308			
Accounts payable and accrued liabilities	190,893	–	–	–
	\$ 1,002,343	\$ 142	\$ 142	\$ 6,583

Income tax risk

Mutual Fund Trust – If the Trust does not qualify or ceases to qualify as a “mutual fund trust” under the *Income Tax Act* (Canada) (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 Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation (the “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. Where the Trust units, the Master LP units or units of any other subsidiary partnerships are 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.

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. The Trust was exposed to interest rate risk on the variable rate mortgage on Garrison Landing prior to its repayment (section 7).

As at December 31, 2019, the Trust's fixed rate instruments consisted of the debentures, which had a face value of \$4,464 (December 31, 2018 – \$4,047).

14. RISKS AND UNCERTAINTIES (CONTINUED)

Environmental risk

The Trust, through the Developments LP, WCPG VII LP and its 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.

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 has mitigated its redemption risk by limiting cash payments to a total of \$100,000 in any quarter or 0.75% of the aggregate subscription price of all Trust units that were issued and outstanding at the start of the twelve-month period ending at the end of that quarter.

During the year ended December 31, 2019, the Trust redeemed 106 units for total consideration of \$93,953 (section 5) which represented 0.75% of the aggregate subscription price of all Trust units that were issued and outstanding as at December 31, 2018 (year ended December 31, 2018 – 163 units for total consideration of \$133,790, which represented 1.05% of all Trust units issued and outstanding as at December 31, 2017). The total consideration paid for redemptions during the year ended December 31, 2019 included the issuance of debentures by the Master LP totaling \$nil (year ended December 31, 2018 – \$6,500) (section 8).

15. OFF-BALANCE SHEET TRANSACTIONS

The Trust has no off-balance sheet arrangements.

16. 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 1.00% 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 three months and year ended December 31, 2019, the Trust accrued asset management fees of \$32,780 and \$131,492 respectively (three months and year ended December 31, 2018 – \$39,391 and \$132,655 respectively). As at December 31, 2019, asset management fees of \$297,506 (December 31, 2018 – \$166,014) were included in due to related parties.

During the three months and year ended December 31, 2019, Pure Commercial advanced \$12,600 and \$212,600 respectively to subsidiaries of the Trust to fund working capital requirements (three months and year ended December 31, 2018 – \$nil and \$21,000 respectively). As at December 31, 2019, \$233,600 was owing to Pure Commercial and included in due to related parties (December 31, 2018 – \$21,000).

Transactions with the Master GP

The Master GP is related to the Trust by virtue of having officers and directors/trustees in common. During the three months and year ended December 31, 2019, the Trust, through the Master LP, paid expenses of \$141 and \$1,242 respectively on behalf of the Master GP (three months and year ended December 31, 2018 – \$nil). As at December 31, 2019, \$1,393 was outstanding and included in due from related parties (December 31, 2018 – \$151). The loans are non-interest bearing and repayable on demand.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Trustee Compensation

Each trustee of the Trust, other than Stephen Evans, is entitled to an annual fee of \$12,500. During the three months and year ended December 31, 2019, the Trust paid annual trustee fees of \$25,000 (three months and year ended December 31, 2018 – \$25,000).

Transactions with Sui Generis Investments Ltd.

Sui Generis Investments Ltd. (“Sui Generis”) is related to the Trust by virtue of having officers in common. The Master LP entered into an agreement whereby Sui Generis provided certain consulting and advisory services for a fee of \$15,000 per annum plus any applicable taxes, payable quarterly. During the three months and year ended December 31, 2019, the Master LP recorded fees, inclusive of taxes, of \$nil and \$3,938 respectively to Sui Generis (three months and year ended December 31, 2018 – \$3,938 and \$15,750 respectively). On May 16, 2019, Sui Generis terminated the agreement and waived the outstanding fees of \$31,500. As at December 31, 2019, \$nil was included in due to related parties (December 31, 2018 – \$27,563).

Transactions with In Re Capital Inc.

In Re Capital Inc. is related to the Trust by virtue of having officers in common. In Re Capital Inc. paid expenses on behalf of and made advances to WCPG VII LP totaling \$159,470 and \$180,000 respectively during the three months and year ended December 31, 2019 to fund working capital requirements (three months and year ended December 31, 2018 – \$nil). The loans are non-interest bearing and repayable on demand. As at December 31, 2019, \$180,000 was outstanding and included in due to related parties (December 31, 2018 – \$nil).

Transactions with Triple E Investments Ltd.

Triple E Investments Ltd. is related to the trust by virtue of having directors/trustees in common. During the three months and year ended December 31, 2019, Triple E Investments Ltd. advanced \$nil and \$12,000 respectively to the Master LP to fund working capital requirements (three months and year ended December 31, 2018 – \$nil). The loans are non-interest bearing and repayable on demand. As at December 31, 2019, \$12,000 was outstanding and included in due to related parties (December 31, 2018 – \$nil).

Transactions with Triple E Ventures Inc.

During the three months and year ended December 31, 2019, the Trust paid interest of \$nil on a loan advanced to and repaid by FSJ Northwest LP during the year ended December 31, 2018 (three months and year ended December 31, 2018 – \$nil and \$10,249).

During the three months and year ended December 31, 2019, Triple E Ventures Inc. paid expenses on behalf of and made advances to WCPG VII LP totaling \$88,202 to fund working capital requirements (three months and year ended December 31, 2018 – \$nil). The loans are non-interest bearing and repayable on demand. As at December 31, 2019, \$88,202 was outstanding and included in due to related parties (December 31, 2018 – \$nil).

Transactions with FSJ Aurora

FSJ Aurora 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 (section 4). The remaining 50% of FSJ Aurora 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 to fund working capital requirements. The loans are non-interest bearing and repayable on demand.

During the three months and year ended December 31, 2019, the Trust, through the Developments LP, advanced \$20,000 and \$31,486 to FSJ Aurora to fund working capital requirements (three months and year ended December 31, 2018 – \$1,000 and \$3,759 respectively).

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with FSJ Aurora (continued)

During the three months and year ended December 31, 2019 the Trust, through the Developments LP, paid invoices totalling \$nil on FSJ Aurora's behalf (three months and year ended December 31, 2018 – \$nil and \$205 respectively).

During the three months and year ended December 31, 2019, FSJ Aurora repaid \$nil to the Trust (three months and year ended December 31, 2018 – \$nil and \$205 respectively). As at December 31, 2019, \$67,486 was outstanding and included in due from related parties (December 31, 2018 – \$36,000).

Transactions with WCPG Garrison Landing Ltd.

WCPG Garrison Landing Ltd. is related to the Trust by virtue of being the general partner of WCPG VII LP. During the three months and year ended December 31, 2019, the Trust, through WCPG VII LP, repaid loans and interest of \$nil and \$1,800 on WCPG Garrison Landings Ltd.'s behalf (three months and year ended December 31, 2018 – \$nil and \$nil respectively). During the three months and year ended December 31, 2019, the Trust, through WCPG VII LP, paid expenses of \$nil and \$1,101 on WCPG Garrison Landings Ltd.'s behalf (three months and year ended December 31, 2018 – \$nil and \$nil respectively). As at December 31, 2019, \$35,551 was outstanding and included in due from related parties (December 31, 2018 – \$33,200).

17. 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, 2019 and December 31, 2018, the Trust operated one development property and had interests in one additional development property and one investment property through its equity-accounted investments. Assets and liabilities are reviewed on a total basis by management and therefore are not included in the following segmented disclosure.

The following summarizes the results of operations for the Trust's segments for the three months ended December 31, 2019:

	Development	Investment	Trust	Total
Sales	\$ 99,500	\$ –	\$ –	\$ 99,500
Cost of sales	(107,187)	–	–	(107,187)
Property taxes	(14,049)	–	–	(14,049)
Interest income	121	5	55	181
Mortgage interest	(12,684)	–	–	(12,684)
Debenture interest	–	–	(147)	(147)
General and administrative expenses	(10,057)	(3,071)	(117,196)	(130,324)
Impairment	(2,331,736)	–	–	(2,331,736)
Asset management fees	–	–	(32,780)	(32,780)
Share of loss of equity-accounted investments	(147,139)	(9,143)	–	(156,282)
Income (loss) and comprehensive income (loss)	\$ (2,523,231)	\$ (12,209)	\$ (150,068)	\$ (2,685,508)

17. SEGMENTED INFORMATION (CONTINUED)

The following summarizes the results of operations for the Trust's segments for the three months ended December 31, 2018:

	Development	Investment	Trust	Total
Interest income	\$ 30,846	\$ 1,128	\$ 72,522	\$ 104,496
Impairment recovery	–	–	200,658	200,658
Debenture interest	–	–	(195)	(195)
Mortgage interest	–	–	63	63
General and administrative expenses	(19,007)	(4,060)	(81,964)	(105,031)
Asset management fees	–	–	(39,391)	(39,391)
Fair value adjustment to property inventory	5,423	–	–	5,423
Share of loss of equity-accounted investments	(33,311)	(2,862)	–	(36,173)
Loss and comprehensive loss	\$ (16,049)	\$ (5,794)	\$ 151,693	\$ 129,850

During the three months ended December 31, 2019, the development segment sold one lot at Garrison Landing for \$99,500 and recorded cost of sales of \$107,187; property taxes of \$14,049; and mortgage interest of \$12,684 (three months ended December 31, 2018 – \$nil, \$nil, \$nil and \$nil respectively). The development segment's share of the loss of its equity-accounted investments was \$147,139 during the three months ended December 31, 2019 (three months ended December 31, 2018 – \$33,311). The increase in property taxes and mortgage interest is primarily due to consolidation of WCPG VII LP following the acquisition of control on December 31, 2018 (section 4). The increase in net loss from equity-accounted investments is primarily due to impairment recognized on the BCR Lands by FSJ Industrial, offset in part by consolidation of WCPG VII LP following the acquisition of control. During the three months ended December 31, 2019, the development segment recognized impairment on its property inventory of \$2,331,736 (three months ended December 31, 2018 – \$nil). During the three months ended December 31, 2019, the development segment incurred general and administrative expenses of \$10,057, decreasing from \$19,007 during the three months ended December 31, 2018 primarily due to lower professional fees. The development segment incurred loss and comprehensive loss of \$2,523,231 for the three months ended December 31, 2019 (three months ended December 31, 2018 – loss and comprehensive loss of \$16,049).

The investment segment's share of the loss from its equity-accounted investment, FSJ Aurora, was \$9,143 for the three months ended December 31, 2019, increasing from a loss of \$2,862 for the three months ended December 31, 2018 primarily due to an increase in general and administrative expenses. After interest income and general and administrative expenses, the investment segment incurred loss and comprehensive loss of \$12,209 for the three months ended December 31, 2019 (three months ended December 31, 2018 – \$5,794).

During the three months ended December 31, 2019, the Trust segment earned interest income of \$55 and incurred debenture interest of \$147 (three months ended December 31, 2018 – \$72,522 and \$195 respectively). Interest income decreased primarily due to the acquisition of control of WCPG VII LP on December 31, 2018, which resulted in the elimination of interest on the mortgage on Garrison Landing held by FSJ Northwest LP on consolidation. During the three months ended December 31, 2019, the Trust segment recorded impairment recovery of \$nil, decreasing from \$200,658 during the three months ended December 31, 2018. The impairment recovery of \$200,658 resulted from the acquisition of a mortgage on Garrison Landing by FSJ Northwest LP at a discount. After general and administrative expenses and asset management fees, the Trust segment recognized loss and comprehensive loss of \$150,068 for the three months ended December 31, 2019 (three months ended December 31, 2018 – income and comprehensive income of \$151,693).

18. CURRENT AND FUTURE ACCOUNTING POLICY CHANGES

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. IFRS 16 replaces 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 adopted IFRS 16 in its financial statements on January 1, 2019 and applied the requirements of the standard retrospectively. Adoption of the standard had no impact on the Trust’s consolidated financial statements.

IFRS 3 Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations* which provide guidance on whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of an entity’s ability to replace missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test.

The concentration test is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. As a result of this adoption, the Trust may elect to use the concentration test to assess whether any future properties acquired will be accounted for as business combinations or asset acquisitions.

The amendments to IFRS 3 are effective January 1, 2020. The Trust does not expect adoption of the standard to have an impact on the Trust’s consolidated financial statements.

19. SUBSEQUENT EVENTS

On January 8, 2020, WCPG VII LP sold 13 lots at Garrison Landing for a sale price of \$1,236,958 to FSJ Residential Development Limited Partnership, which is related to the Trust by virtue of having a general partner director/officer in common.

On March 26, 2020, FSJ Industrial sold one of the four lots that comprise the BCR Lands for \$650,000 less standard closing costs and adjustments. As a result, the Trust, through the Developments LP, received a distribution of \$498,750 from FSJ Industrial on March 31, 2020.

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Trust’s business are not known at this time. These impacts could include impairment of equity-accounted investments, impairment of property inventory or potential future decreases in revenue or the profitability of the Trust’s ongoing operations.