Condensed Interim Consolidated Financial Statements
(Expressed in Canadian dollars)

# REALnorth Opportunities Fund

For the periods ended September 30, 2020 and 2019

*Unaudited – Prepared by Management*

# UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* released by the Canadian Securities Administrators, the Trust discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the periods ended September 30, 2020 and 2019.

# REALnorth Opportunities Fund

Interim Consolidated Statement of Financial Position
Expressed in Canadian Dollars
*Unaudited*

| | | September 30, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Equity-accounted investments (note 4) | **$** | **4,821,485** | $ | 5,363,455 |
| | | **4,821,485** | | 5,363,455 |
| **Current assets** | | | | |
| Property inventory (note 5) | | **3,915,194** | | 5,086,767 |
| Prepaid expenses | | **13,532** | | 12,264 |
| Deposits (note 6) | | **45,364** | | 45,364 |
| Amounts receivable | | **133** | | 14,546 |
| Due from related parties (note 13) | | **132,253** | | 104,440 |
| Cash | | **249,281** | | 2,098 |
| | | **4,355,757** | | 5,265,479 |
| **TOTAL ASSETS** | **$** | **9,177,242** | $ | 10,628,934 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Debentures (note 7) | **$** | **41,365** | $ | 4,464 |
| | | **41,365** | | 4,464 |
| **Current liabilities** | | | | |
| Deferred revenue (note 5) | | **-** | | 930,000 |
| Due to related parties (note 13) | | **655,410** | | 811,308 |
| Accounts payable and accrued liabilities | | **42,434** | | 190,893 |
| | | **697,844** | | 1,932,201 |
| **TOTAL LIABILITIES** | | **739,209** | | 1,936,665 |
| **UNITHOLDERS' EQUITY** | | | | |
| Non-controlling interest (note 8) | | **986,620** | | 1,011,481 |
| Unitholders' equity (note 9) | | **7,451,413** | | 7,680,788 |
| **TOTAL LIABILITIES AND UNITHOLDERS' EQUITY** | **$** | **9,177,242** | $ | 10,628,934 |

**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.*

Expressed in Canadian Dollars

| | | Trust units | Non-controlling interest | Total |
|---|---|---|---|---|
| | Units | Amount | Amount | Amount |
| Unitholders' equity, December 31, 2019 | 12,421 | $ 7,680,788 | $ 1,011,481 | $ 8,692,269 |
| Unit redemptions | (112) | (71,520) | – | (71,520) |
| Loss for the period | – | (157,855) | (24,861) | (182,716) |
| **Unitholders' equity, September 30, 2020** | **12,305** | **$ 7,451,413** | **$ 986,620** | **$ 8,438,033** |

| | | Trust units | Non-controlling interest | Total |
|---|---|---|---|---|
| | Units | Amount | Amount | Amount |
| Unitholders' equity, December 31, 2018 | 12,527 | $ 10,988,053 | $ 1,508,537 | $ 12,496,590 |
| Unit redemptions | (102) | (90,408) | – | (90,408) |
| Loss for the period | – | (886,768) | (138,092) | (1,024,860) |
| **Unitholders' equity, September 30, 2019** | **12,425** | **$ 10,010,877** | **$ 1,370,445** | **$ 11,381,322** |

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

# REALnorth Opportunities Fund

Interim Consolidated Statement of Loss and Comprehensive Loss
Expressed in Canadian Dollars
*Unaudited*

| | Nine months ended September 30 | | Three months ended September 30 | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| **SALES INCOME (EXPENSES)** | | | | |
| Sales (note 5) | **$ 1,236,958** | $ – | **$ –** | $ – |
| Cost of sales (note 5) | **(1,176,389)** | – | – | – |
| | **60,569** | – | – | – |
| **OPERATING EXPENSES** | | | | |
| Property maintenance | **(1,691)** | (1,595) | **(1,691)** | (1,595) |
| Property taxes | **(31,897)** | (42,947) | **(10,549)** | (14,473) |
| | **(33,588)** | (44,542) | **(12,240)** | (16,068) |
| **NET OPERATING INCOME (LOSS)** | **26,987** | (44,542) | **(12,240)** | (16,068) |
| **NET FINANCE INCOME (EXPENSES)** | | | | |
| Interest income | **200** | 1,694 | **65** | 109 |
| Mortgage interest | – | (42,415) | – | (14,312) |
| Debenture interest (note 7) | **(554)** | (413) | **(216)** | (142) |
| | **(334)** | (41,134) | **(151)** | (14,345) |
| **NET OTHER EXPENSES** | | | | |
| Impairment loss | – | (716,851) | – | (716,851) |
| General and administrative | **(68,289)** | (81,013) | **(11,988)** | (22,542) |
| Asset management fees (note 13) | **(97,854)** | (98,712) | **(32,593)** | (32,771) |
| | **(166,143)** | (896,576) | **(44,581)** | (772,164) |
| **SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS** (note 4) | **(43,220)** | (42,608) | **(11,106)** | (15,528) |
| **NET LOSS AND COMPREHENSIVE LOSS** | **$ (182,716)** | $ (1,024,860) | **$ (68,078)** | $ (1,024,860) |
| **NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:** | | | | |
| Unitholders | **$ (157,855)** | $ (886,768) | **$ (58,815)** | $ (707,744) |
| Non-controlling interest | **(24,861)** | (138,092) | **(9,263)** | (110,361) |
| | **$ (182,716)** | $ (1,024,860) | **$ (68,078)** | $ (1,024,860) |
| **Loss per unit** | | | | |
| Basic and diluted | **$ (12.81)** | $ (71.02) | **$ (4.77)** | $ (56.85) |
| **Weighted average number of units** | | | | |
| Basic and diluted | **12,322** | 12,486 | **12,322** | 12,450 |

*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*

| Nine months ended September 30 | | 2020 | | 2019 |
|---|---|---|---|---|
| **Cash provided by (used in)** | | | | |
| **OPERATIONS** | | | | |
| Net loss for the period | **$** | **(182,716)** | $ | (1,024,860) |
| Items not involving cash: | | | | |
| Amortization of debenture transaction costs | | **391** | | 307 |
| Impairment loss | | – | | 716,851 |
| Share of loss of equity-accounted investments (note 4) | | **43,220** | | 42,608 |
| Amortization of mortgage transaction costs | | – | | 3,380 |
| Interest income | | **(220)** | | (1,694) |
| Mortgage interest | | – | | 39,035 |
| Debenture interest | | **163** | | 106 |
| Property sales (note 5) | | **1,171,573** | | – |
| Changes in non-cash working capital items: | | | | |
| Increase in property inventory | | – | | (21,928) |
| Increase in prepaid expenses | | **(1,268)** | | (6,261) |
| Decrease in amounts receivable | | **14,381** | | 52 |
| Increase in due from related parties | | **(27,813)** | | (14,967) |
| Decrease in due to related parties | | **(155,898)** | | – |
| Increase (decrease) in accounts payable and accrued liabilities | | **(148,459)** | | 243,744 |
| Decrease in deferred revenue | | **(930,000)** | | – |
| | | **(216,646)** | | (23,627) |
| **INVESTING** | | | | |
| Contributions to equity-accounted investments | | – | | (52,500) |
| Distributions from equity-accounted investments | | **498,750** | | – |
| Decrease in cash held in trust | | – | | 18,506 |
| Interest received | | **252** | | 1,940 |
| | | **499,002** | | (32,054) |
| **FINANCING** | | | | |
| Debenture interest paid | | **(163)** | | (106) |
| Mortgage interest paid | | – | | (39,035) |
| Proceeds from issuance of debentures | | **37,000** | | – |
| Debenture issuance costs | | **(490)** | | – |
| Unit redemptions | | **(71,520)** | | (55,809) |
| | | **(35,173)** | | (94,950) |
| **Increase (decrease) in cash during the period** | | **247,182** | | (150,631) |
| **Cash, beginning of period** | | **2,098** | | 153,669 |
| **CASH, END OF PERIOD** | **$** | **249,280** | $ | 3,038 |

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

## 1. TRUST INFORMATION

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

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

The Master LP is a limited partnership formed pursuant to and governed by the laws of the Province 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 the following subsidiaries:

- 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 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.
- 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 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.

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.

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 Developments LP being the sole limited partner of FSJ Northwest LP. FSJ Northwest LP was established pursuant to the laws of the Province 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. FSJ Northwest LP's head office is located at 910 – 925 West Georgia Street, Vancouver, BC, V6C 3L2.

On December 31, 2018, the Developments LP acquired control of Western Canadian Properties Group VII Limited Partnership ("WCPG VII LP") (note 5). WCPG VII LP was established pursuant to the laws of the Province 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. The principal place of business for WCPG VII LP is 910 – 925 West Georgia Street, Vancouver, BC V6C 3L2.

## 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 period ended September 30, 2020 were authorized for issuance by the Board of Trustees (the "Board") on November 25, 2020.

### *B. Basis of measurement and going concern*

These consolidated financial statements have been prepared on a historical cost basis.

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(K) to the Trust's audited consolidated financial statements for the year ended December 31, 2019.

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 by the Trust and its equity-accounted investments which impact the Trust's ability to achieve profitable operations in the future. The Trust received a distribution from the sale of property inventory by one of its equity-accounted investments (note 4) and certain related parties waived their right to repayment of the loans noted in note 15 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.

### *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 statement 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, 2019 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 year ended December 31, 2019.

***Current Accounting Policy Changes:***

***(i) 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. Adoption of the standard had no impact on the Trust's consolidated financial statements.

***(ii) Definition of Material***

In October 2018, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*. Amendments to IAS 1 and IAS 8 align the definition of "material" across the standards and clarify certain aspects of the definition.

The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to IAS 8 are effective January 1, 2020. The adoption of the amendments to the definition of material did not have a significant impact on the Trust's consolidated financial statements

## 4. EQUITY-ACCOUNTED INVESTMENTS

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 FSJ Industrial Properties Limited Partnership ("FSJ Industrial") and FSJ Aurora Developments Limited Partnership ("FSJ Aurora").

### A. *Current equity-accounted investments*

As at September 30, 2020, the Trust had two equity-accounted investments, as follows.

#### *(i) 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.

FSJ Industrial owns approximately 13.4 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.

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

#### *(ii) FSJ Aurora Developments Limited Partnership*

The Trust, through the Developments LP, owns 2,300,000 limited partnership units of FSJ Aurora, which gives the Trust a 50% interest in FSJ Aurora.

FSJ Aurora 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.

**Expressed in Canadian Dollars**

### *B. Carrying Value, Financial Position and Results of Operations*

The carrying value of the Trust's equity-accounted investments as at September 30, 2020 and December 31, 2019 has been determined as follows:

| | FSJ Industrial | FSJ Aurora LP | Total |
|---|---|---|---|
| Balance, December 31, 2018 | $ 3,221,134 | $ 2,288,711 | $ 5,509,845 |
| Contributions | 52,500 | – | 52,500 |
| Share of loss | (181,858) | (17,032) | (198,890) |
| **Balance, December 31, 2019** | **$ 3,091,776** | **$ 2,271,679** | **$ 5,363,455** |
| Distributions | (498,750) | – | (498,750) |
| Share of loss | (22,480) | (20,740) | (43,220) |
| **Balance, September 30, 2020** | **$ 2,570,546** | **$ 2,250,939** | **$ 4,821,485** |

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.

The summarized financial position of the Trust's equity-accounted investments as at September 30, 2020 was as follows:

| | FSJ Industrial | FSJ Aurora LP | Total |
|---|---|---|---|
| Current assets | $ 2,937,933 | $ 14,660 | $ 2,952,593 |
| Non-current assets | – | 4,650,000 | 4,650,000 |
| Current liabilities | (66) | (162,672) | (162,738) |
| Net assets at 100% | 2,937,867 | 4,501,988 | 7,439,855 |
| General partner's share of net assets | 100 | 110 | 210 |
| Limited partner's share of net assets | 2,937,767 | 4,501,878 | 7,439,645 |
| Trust's ownership interest | 87.5% | 50% | |
| **Trust's share of net assets** | **$ 2,570,546** | **$ 2,250,939** | **$ 4,821,485** |

The summarized financial position of the Trust's equity-accounted investments as at December 31, 2019 was as follows:

| | FSJ Industrial | FSJ Aurora LP | Total |
|---|---|---|---|
| Current assets | $ 3,536,675 | $ 30,510 | $ 3,568,185 |
| Non-current assets | – | 4,650,000 | 4,650,000 |
| Current liabilities | (3,116) | (137,041) | (140,157) |
| Net assets at 100% | 3,533,559 | 4,543,469 | 8,077,028 |
| General partner's share of net assets | 100 | 110 | 210 |
| Limited partner's share of net assets | 3,533,459 | 4,543,359 | 8,076,818 |
| Trust's ownership interest | 87.5% | 50% | |
| **Trust's share of net assets** | **$ 3,091,776** | **$ 2,271,679** | **$ 5,363,455** |

**Expressed in Canadian Dollars**

The summarized results of operation of the Trust's equity-accounted investments for the nine months ended September 30, 2020 are as follows:

| | FSJ Industrial | FSJ Aurora | Total |
|---|---|---|---|
| Rental & sales expenses | $ (26,610) | $ (15,050) | $ (41,660) |
| Finance expenses | – | – | – |
| Other expenses | 919 | (26,430) | (25,511) |
| Net loss at 100% | (25,691) | (41,480) | (67,171) |
| **Trust's share of net loss** | **$ (22,480)** | **$ (20,740)** | **$ (43,220)** |

The summarized results of operation of the Trust's equity-accounted investments for the nine months ended September 30, 2019 are as follows:

| | FSJ Industrial | FSJ Aurora | Total |
|---|---|---|---|
| Rental & sales expenses | $ (37,083) | $ (13,446) | $ (50,529) |
| Finance expenses | – | (122) | (122) |
| Other expenses | (2,596) | (2,211) | (4,807) |
| Net loss at 100% | (39,679) | (15,779) | (55,458) |
| **Trust's share of net loss** | **$ (34,719)** | **$ (7,889)** | **$ (42,608)** |

## 5. PROPERTY INVENTORY

WCPG VII LP owns 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 September 30, 2020, two phases comprising 55 subdivision lots were substantially complete and 39 of those lots had been sold or transferred.

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Serviced land | $ 1,677,069 | $ 2,576,503 |
| Property under development | – | 272,140 |
| Unserviced land | 2,238,125 | 2,238,125 |
| | $ 3,915,194 | $ 5,086,767 |

On October 24, 2019, the Trust, through WCPG VII LP, sold one serviced lot at Garrison Landing for proceeds of $99,500 less standard closing costs and adjustments and recognized cost of sales of $107,187.

On January 8, 2020, the Trust, through WCPG VII LP, sold 13 lots at Garrison Landing for a sale price of $1,236,958 to FSJ Residential Development Limited Partnership ("FSJ Residential"), which is related to the Trust by virtue of having a general partner director/officer in common, and recorded the related cost of sales totaling $1,176,389. As at December 31, 2019, these lots had a carrying value of $1,171,573 of which $272,140 was included in property under development and $899,433 was included in serviced land. Pursuant to the contract, WCPG VII LP received a non-refundable deposit in 2019 of which $nil was included in deferred revenue at September 30, 2020 (December 31, 2019 – deferred revenue of $930,000). With the deposit, WCPG VII LP, repaid its mortgage payable in December 2019 on Garrison Landing. As of September 30, 2020, $nil was included in mortgages payable (December 31, 2019 - $nil).

## 6. DEPOSITS

Deposits are held pursuant to a service agreement for Garrison Landing, under which WCPG VII LP advanced $50,000 in 2017 to a gas service provider against future residents of Garrison Landing connecting to gas services. WCPG VII LP is entitled to a refund of the deposit on each anniversary date of the five-year agreement, with the amount of the refund determined by the number of eligible services connected at that date. As at September 30, 2020, deposits of $45,364 were held by the service provider (December 31, 2019 – $45,364).

## 7. 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 (note 9). 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.

On April 30, 2020, the Master LP issued debentures totaling $37,000 to settle outstanding trust unit redemption requests in excess of its limit on cash payments for such redemptions (note 9). The debentures are subordinated, unsecured, will mature in April 2025 and pay interest monthly in arrears at an annual interest rate of 0.375%. The Master LP may repay the debentures at any time.

The debentures are recorded at amortized cost. The carrying value of the debentures on September 30, 2020 was $41,365 (December 31, 2019 – $4,464). Included in the debentures were the related unamortized debenture transaction costs of $2,135 as at September 30, 2020 (December 31, 2019 – $2,036), which are amortized over the term of the debentures using the effective interest rate method. The July 31, 2018 debentures bear an effective interest rate of 13.22% as at September 30, 2020 (December 31, 2019 – 13.22%), and the April 30, 2020 debentures bear an effective interest rate of 0.64% (December 31, 2019 – nil%). During the nine months ended September 30, 2020, the Trust incurred debenture interest of $554 (nine months ended September 30, 2019 – $413).

## 8. NON-CONTROLLING INTEREST

As at September 30, 2020, the initial limited partners of the Master LP, the general partner of the Master LP, the general partner of the Investments LP, the general partner of the Developments LP, the general partner of FSJ Northwest and the general partner of WCPG VII LP collectively represented the non-controlling interest of the Trust.

**Expressed in Canadian Dollars**

As at September 30, 2020, the initial limited partners of the Master LP had a 13.61% non-controlling ownership interest (December 31, 2019 – 13.50%). The general partner of the Master LP, the general partner of the Investments LP, the general partner of the Developments LP and the general partner of WCPG VII LP had nominal ownership interests of less than 0.01% as at September 30, 2020 and December 31, 2019.

Distributable cash for FSJ Northwest LP is allocated first to the limited partners until they have received a return in full of their net equity; second, to the general partner to a maximum of $100 per annum; and finally, the balance to the limited partners.

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.

During the nine months ended September 30, 2020, the Trust redeemed limited partnership units of the Master LP as follows:

| Redemption Date | Number of Units Redeemed | Total Redemption Price |
|---|---|---|
| January 3, 2020 | 34 | $ 34,000 |
| February 5, 2020 | 22 | 22,000 |
| March 5, 2020 | 60 | 60,000 |
| | 116 | $ 116,000 |

As a result of the unit redemptions during the period, the ownership interest of the initial limited partners of the Master LP increased from 13.50% as at December 31, 2019 to 13.61% as at September 30, 2020.

**Expressed in Canadian Dollars**

During the nine months ended September 30, 2019, the Trust redeemed limited partnership units of the Master LP as follows:

| Redemption Date | Number of Units Redeemed | Total Redemption Price |
|---|---|---|
| January 7, 2019 | 19 | $ 19,000 |
| March 12, 2019 | 10 | 10,000 |
| March 22, 2019 | 10 | 10,000 |
| April 10, 2019 | 1 | 1,000 |
| April 16, 2019 | 10 | 10,000 |
| August 2, 2019 | 40 | 40,000 |
| September 24, 2019 | 12 | 12,000 |
| | 102 | $ 102,000 |

## 9. 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.

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 nine months ended September 30, 2020, the Trust received redemption requests which were effective as of the date of receipt, as follows:

| Redemption Date | Number of Units Redeemed | Total Redemption Price |
|---|---|---|
| January 3, 2020 | 34 | $ 20,963 |
| February 5, 2020 | 22 | 13,564 |
| March 5, 2020 | 60 | 36,993 |
| | 116 | $ 71,520 |

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

**Expressed in Canadian Dollars**

During the nine months ended September 30, 2019, the Trust received 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 |
| | 102 | $ 90,408 |

As at September 30, 2020, redemptions totaling $nil were outstanding and included in accounts payable and accrued liabilities (December 31, 2019 – $3,545).

## 10. 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 0% as at September 30, 2020 (December 31, 2019 – 0%). The Trust was in compliance with the loan-to-value restriction and all other non-financial restrictions during the nine months ended September 30, 2020 and the year ended December 31, 2019.

The capital structure consisted of the following components at September 30, 2020 and December 31, 2019:

| | September 30, 2020 | December 31, 2019 | Change |
|---|---|---|---|
| Capital | | | |
| Unitholders' equity | $ 7,451,413 | $ 7,680,788 | $ (229,375) |
| Total capital | $ 7,451,413 | $ 7,680,788 | $ (229,735) |

During the nine months ended September 30, 2020, the Trust's total capital decreased due to the redemption of 116 trust units (note 9) and the net loss incurred during the period.

**Expressed in Canadian Dollars**

## 11. 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(H) to the Trust's audited consolidated financial statements for the year ended December 31, 2019.

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(H) to the Trust's audited consolidated financial statements for the year ended December 31, 2019.

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

| | September 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| Financial instruments | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash | $ 249,281 | $ 249,281 | $ 2,098 | $ 2,098 |
| Amounts receivable | 133 | 133 | 14,546 | 14,546 |
| Due from related parties | 132,253 | 132,253 | 104,440 | 104,440 |
| Accounts payable and accrued liabilities | 42,434 | 42,434 | 190,893 | 190,893 |
| Due to related parties | 655,410 | 655,410 | 811,308 | 811,308 |
| Debentures | 41,365 | 44,523 | 4,464 | 7,000 |

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 3 of the fair value hierarchy since the discount rates are either provided by the lenders or are observable on the open market (note 3(H) to the Trust's audited consolidated financial statements for the year ended December 31, 2019).

***(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.

There were no transfers between levels in the fair value hierarchy during the periods ended September 30, 2020 and December 31, 2019.

## 12. 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, income tax risk, interest rate risk, environmental risk and Trust unit redemption risk.

Please refer to the Trust's audited consolidated financial statements for the year ended December 31, 2019 and management's discussion and analysis for the period ended September 30, 2020 for a discussion of other risk factors that have been identified by the Trust.

During the nine months ended September 30, 2020, 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.

## 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 nine months ended September 30, 2020, Pure Commercial charged the Trust asset management fees of $93,194 (nine months ended September 30, 2019 – $98,712). As at September 30, 2020, asset management fees of $395,360 (December 31, 2019 – $297,506) were included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2020, Pure Commercial advanced $nil to subsidiaries of the Trust to fund working capital requirements (nine months ended September 30, 2019 – $212,600). The loans are non-interest bearing and repayable on demand. As at September 30, 2020, advances of $233,600 were owing to Pure Commercial and included in due to related parties (December 31, 2019 – $233,600). Pure Commercial has waived its right to demand repayment of the advances until 2021.

**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 has entered into an agreement whereby Sui Generis provides certain consulting and advisory services for a fee of $15,000 per annum plus any applicable taxes, payable quarterly. On May 16, 2019, Sui Generis terminated the agreement and waived the outstanding fees of $31,500. During the nine months ended September 30, 2020, the Master LP recorded fees, inclusive of taxes, of $nil to Sui Generis (nine months ended September 30, 2019 – $3,938). As at September 30, 2020, $nil was included in due to related parties (December 31, 2019 – $nil).

**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 nine months ended September 30, 2020, the Trust, through the Master LP, paid expenses of $2,247 on behalf of the Master GP (nine months ended September 30, 2019 – $1,101). As at September 30, 2020, $3,640 was outstanding and included in due from related parties (December 31, 2019 – $1,393). The loans are non-interest bearing and repayable on demand.

**Transactions with In Re Capital Inc.**

In Re Capital Inc. is related to the Trust by virtue of having officers in common. During the nine months ended September 30, 2020, WCPG VII LP repaid advances received from In Re Capital Inc. to fund working capital requirements totalling $180,000 (nine months ended September 30, 2019 – $20,530). The loans are non-interest bearing and repayable on demand. As at September 30, 2020, $nil was outstanding and included in due to related parties liabilities (December 31, 2019 – $180,000).

**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 nine months ended September 30, 2020, Triple E Investments Ltd. advanced $nil to the Master LP to fund working capital requirements (nine months ended September 30, 2019 – $12,000). The loans are non-interest bearing and repayable on demand. As at September 30, 2020, $12,000 was outstanding and included in due to related parties (December 31, 2019 – $12,000). Triple E Investments Ltd. has waived its right to demand repayment of the loans until 2021.

**Transactions with Triple E Ventures Inc.**

During the nine months ended September 30, 2020, WCPG VII LP repaid advances made from Triple E Ventures Inc. to fund working capital requirements totaling $73,752 (nine months ended September 30, 2019 – $nil). The loans are non-interest bearing and repayable on demand. As at September 30, 2020, $14,450 was outstanding and included in due to related parties (December 31, 2019 – $88,202). Triple E Ventures Inc. has waived its right to demand repayment of the loans until 2021.

**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 (note 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 nine months ended September 30, 2020, the Trust, through the Developments LP, advanced $24,000 to FSJ Aurora to fund working capital requirements and paid invoices totalling $nil on FSJ Aurora's behalf (nine months ended September 30, 2019 – $11,486 and $nil, respectively). As at September 30, 2020, $91,486 was outstanding and included in due from related parties (December 31, 2019 – $67,486).

**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 nine months ended September 30, 2020, the Trust, through WCPG VII LP, repaid loans and interest of $nil and paid expenses of $1,566 on WCPG Garrison Landings Ltd.'s behalf (nine months ended September 30, 2019 – $1,800 and $1,101, respectively). As at September 30, 2020, $37,117 was outstanding and included in due from related parties (December 31, 2019 – $35,551).

### Transactions with FSJ Residential

FSJ Residential is related to the Trust by virtue of having directors/trustees in common. During the nine months ended September 30, 2020, the Trust, through WCPG VII LP, on January 8, 2020, sold 13 lots at Garrison Landing to FSJ Residential, for a total sale price of $1,236,958 and the related costs of sales of the 13 lots totaled $1,176,389 (nine months ended September 30, 2020 – $nil and $nil, respectively). As at September 30, 20120, $nil was outstanding from FSJ Residential (December 31, 2019 – $nil).

### Trustee Compensation

Each trustee of the Trust, other than Stephen Evans, is entitled to an annual fee of $12,500. During the nine months ended September 30, 2020, the Trust paid accrued trustee fees of $nil (nine months ended September 30, 2019 – $nil). As at September 30, 2020, trustee fees of $nil were included in accounts payable and accrued liabilities (December 31, 2019 – $nil).

## 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 September 30, 2020 and September 30, 2019, the Trust operated one development property and had interests in one additional development property and one investment property through its equity-accounted investments (note 4). Assets and liabilities are reviewed on a total basis by management and therefore are not included in the following segmented disclosure.

**Expressed in Canadian Dollars**

The following summarizes the results of operations for the Trust's segments for the nine months ended September 30, 2020:

| Nine months ended September 30, 2020 | Development | Investment | Trust | Total |
|---|---|---|---|---|
| **SALES INCOME (EXPENSES)** | | | | |
| Sales (note 5) | $ 1,236,958 | $ – | $ – | $ 1,236,958 |
| Cost of sales (note 5) | (1,176,389) | – | – | (1,176,389) |
| | 60,569 | – | – | 60,569 |
| **NET OPERATING EXPENSES** | | | | |
| Property maintenance | (1,691) | – | – | (1,691) |
| Property taxes | (31,897) | – | – | (31,897) |
| | (33,588) | – | – | (33,588) |
| **NET OPERATING INCOME** | 26,981 | – | – | 26,981 |
| **NET FINANCE INCOME (EXPENSES)** | | | | |
| Interest income | 195 | 1 | 24 | 220 |
| Debenture interest | – | – | (554) | (554) |
| | 195 | 1 | (530) | (334) |
| **NET OTHER EXPENSES** | | | | |
| General and administrative | (31,163) | (1,759) | (35,367) | (68,289) |
| Asset management fees | – | – | (97,854) | (97,854) |
| | (31,163) | (1,759) | (133,221) | (166,143) |
| **SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS** | (22,480) | (20,740) | – | (43,220) |
| **NET LOSS AND COMPREHENSIVE LOSS** | $ (26,467) | $ (22,498) | $ (133,751) | $ (182,716) |
| **NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:** | | | | |
| Unitholders from continuing operations | (22,849) | (19,445) | (115,560) | (157,854) |
| Non-controlling interest | (3,618) | (3,053) | (18,191) | (24,862) |
| | $ (26,467) | $ (22,498) | $ (133,751) | $ (182,716) |
| **Loss per unit** | | | | |
| Basic and diluted | $ (1.85) | $ (1.58) | $ (9.38) | $ (12.81) |
| **Weighted average number of units** | | | | |
| Basic and diluted | 12,322 | 12,322 | 12,322 | 12,322 |

**Expressed in Canadian Dollars**

The following summarizes the results of operations for the Trust's segments for the nine months ended September 30, 2019:

| Nine months ended September 30, 2019 | Development | Investment | Trust | Total |
|---|---|---|---|---|
| **NET OPERATING EXPENSES** | | | | |
| Property maintenance | $ (1,595) | $ – | $ – | $ (1,595) |
| Property taxes | (42,947) | – | – | (42,947) |
| | (44,542) | – | – | (44,542) |
| **NET OPERATING LOSS** | (44,542) | – | – | (44,542) |
| **NET FINANCE EXPENSES** | | | | |
| Interest income | 423 | 753 | 518 | 1,694 |
| Mortgage interest | (42,415) | – | – | (42,415) |
| Debenture interest | – | – | (413) | (413) |
| | (41,992) | 753 | 105 | (41,134) |
| **NET OTHER EXPENSES** | | | | |
| General and administrative | (43,436) | (1,775) | (35,802) | (81,013) |
| Impairment | (716,851) | – | – | (716,851) |
| Asset management fees | – | – | (98,712) | (98,712) |
| | (760,287) | (1,775) | (134,514) | (896,576) |
| **SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS** | (34,719) | (7,889) | – | (42,608) |
| **NET LOSS AND COMPREHENSIVE LOSS** | $ (881,540) | $ (8,911) | $ (134,409) | $ (1,024,860) |
| **NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:** | | | | |
| Unitholders from continuing operations | (762,669) | (7,712) | (116,387) | (886,768) |
| Non-controlling interest | (118,871) | (1,199) | (18,022) | (138,092) |
| | $ (881,540) | $ (8,911) | $ (134,409) | $ (1,024,860) |
| **Loss per unit** | | | | |
| Basic and diluted | $ (61.08) | $ (0.62) | $ (9.32) | $ (71.02) |
| **Weighted average number of units** | | | | |
| Basic and diluted | 12,486 | 12,486 | 12,486 | 12,486 |

## 15. SUBSEQUENT EVENT

On November 27, 2020, WCPG VII LP sold one lot at Garrison Landing for a sale price of $95,000 less standard closing costs and adjustments.