Consolidated Financial Statements
(Expressed in Canadian dollars)

REALnorth Opportunities Fund

For the years ended December 31, 2020 and 2019

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

INDEPENDENT AUDITORS' REPORT

To the Trustees of REALnorth Opportunities Fund

Opinion

We have audited the consolidated financial statements of REALnorth Opportunities Fund (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of loss and other comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 29, 2021

REALnorth Opportunities Fund

Consolidated Statement of Financial Position
Expressed in Canadian Dollars

		December 31, 2020		December 31, 2019
ASSETS				
Non-current assets				
Equity-accounted investments (note 4)	**$**	**4,807,217**	$	5,363,455
		4,807,217		5,363,455
Current assets				
Property inventory (note 5)		**3,699,725**		5,086,767
Prepaid expenses		**14,918**		12,264
Deposits (note 6)		**29,467**		45,364
Amounts receivable		**17**		14,364
Due from related parties (note 13)		**132,253**		104,440
Cash		**321,958**		2,098
		4,198,338		5,265,479
TOTAL ASSETS	**$**	**9,005,555**	$	10,628,934
LIABILITIES				
Non-current liabilities				
Debentures (note 7)	**$**	**41,514**	$	4,464
		41,514		4,464
Current liabilities				
Due to related parties (note 13)		**688,002**		811,308
Accounts payable and accrued liabilities		**151,306**		190,893
Deferred revenue (note 5)		**–**		930,000
		839,308		1,932,201
TOTAL LIABILITIES		**880,822**		1,936,665
UNITHOLDERS' EQUITY				
Non-controlling interest (note 8)		**947,519**		1,011,481
Unitholders' equity (note 9)		**7,177,214**		7,680,788
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	**$**	**9,005,555**	$	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 consolidated financial statements.

REALnorth Opportunities Fund

Consolidated Statement of Unitholders' Equity
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	(116)	(71,520)	–	(71,520)
Loss for the year	–	(432,054)	(63,962)	(496,016)
Unitholders' equity, December 31, 2020	**12,305**	**$ 7,177,214**	**$ 947,519**	**$ 8,124,733**

		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	(106)	(93,953)	–	(93,953)
Loss for the year	–	(3,213,312)	(497,056)	(3,710,368)
Unitholders' equity, December 31, 2019	12,421	$ 7,680,788	$ 1,011,481	$ 8,692,269

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

REALnorth Opportunities Fund

Consolidated Statement of Loss and Comprehensive Loss
Expressed in Canadian Dollars

Year ended December 31		2020		2019
SALES INCOME (EXPENSE)				
Sales (note 5)	**$**	**1,331,958**	$	99,500
Cost of sales (note 5)		**(1,269,870)**		(107,187)
		62,088		(7,687)
OPERATING EXPENSE				
Property maintenance		**(1,691)**		(1,595)
Property taxes		**(42,367)**		(56,996)
		(44,058)		(58,591)
NET OPERATING LOSS		**18,030**		(66,278)
FINANCE INCOME (EXPENSE)				
Interest income		**288**		1,875
Debenture interest (note 7)		**(774)**		(560)
Mortgage interest		–		(55,099)
		(486)		(53,784)
OTHER INCOME (EXPENSE)				
General and administrative		**(199,248)**		(211,337)
Impairment of property inventory (note 5)		**(126,378)**		(3,048,587)
Asset management fees (note 13)		**(130,446)**		(131,492)
		(456,072)		(3,391,416)
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS (note 4)		**(57,488)**		(198,890)
NET LOSS AND COMPREHENSIVE LOSS	**$**	**(496,016)**	$	(3,710,368)
NET LOSS) AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Unitholders from continuing operations		**(432,054)**		(3,213,312)
Non-controlling interest		**(63,962)**		(497,056)
		(496,016)	$	(3,710,368)
Loss per unit				
Basic and diluted	**$**	**(35.08)**	$	(257.81)
Weighted average number of units				
Basic and diluted		**12,318**		12,464

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

REALnorth Opportunities Fund

Consolidated Statement of Cash Flow
Expressed in Canadian Dollars

Year ended December 31		**2020**		2019
Cash provided by (used in)				
OPERATIONS				
Net loss and comprehensive loss for the year	**$**	**(496,016)**	$	(3,710,368)
Non-cash items:				
Amortization of debenture transaction costs		**540**		417
Property inventory impairment (note 5)		**126,378**		3,048,587
Share of loss of equity-accounted investments		**57,488**		198,890
Interest income		**(288)**		(1,875)
Debenture interest		**234**		143
Recovery of cost through property sales		**1,260,664**		96,444
Amortization of deferred financing fees		–		5,000
Mortgage interest		–		50,099
Additions to property inventory		–		(197,187)
		949,000		(509,850)
Changes in non-cash working capital items:				
Increase in prepaid expenses		**(2,654)**		(297)
Decrease (increase) in amounts receivable		**14,529**		(14,462)
Increase in due from related parties		**(27,813)**		(35,089)
Decrease in accounts payable and accrued liabilities		**(36,043)**		(37,214)
Increase (decrease) in due to related parties		**(123,306)**		644,744
Decrease in deposits		**15,897**		4,636
Increase (decrease) in deferred revenue		**(930,000)**		930,000
		(140,390)		982,468
INVESTING				
Interest received		**288**		2,095
Distributions from equity-accounted investments		**498,750**		–
Contributions to equity-accounted investments		–		(52,500)
Cash moved to (from) trust		–		18,506
		499,038		(31,899)
FINANCING				
Debenture interest paid		**(233)**		(142)
Unit redemptions		**(75,065)**		(101,899)
Proceeds from issuance of debentures		**37,000**		–
Debenture issuance costs		**(490)**		–
Mortgage interest paid		–		(50,099)
Repayment of mortgage		–		(950,000)
		(38,788)		(1,102,140)
Decrease in cash during the year		**319,860**		(151,571)
Cash, beginning of year		**2,098**		153,669
CASH, END OF YEAR	**$**	**321,958**	$	2,098

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

1. TRUST INFORMATION

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

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

The Master LP is a limited partnership formed pursuant to and governed by the laws of British Columbia and created by the Master LP agreement on July 31, 2014. The Master LP's head office is located at 910 – 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

The general partner of the Master LP is REALnorth Opportunities Inc. (the "Master GP"), a corporation incorporated under the *Canada Business Corporations Act* on February 25, 2014. The Master GP's head office is located 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 British Columbia for the purposes of owning and operating a diversified portfolio of high quality, revenue-producing properties in northwestern Canada (or proportionate interests in such properties). The principal business of the Investments LP is to issue Investments LP units, to invest the proceeds from such issuance in the properties and to own and operate such properties.
- REALnorth Opportunities (Developments) Limited Partnership (the "Developments LP") units. REALnorth Opportunities (Developments) GP Ltd. (the "Developments GP") was incorporated under the *Business Corporations Act* (British Columbia) on August 29, 2014 and identified investment opportunities in developing real estate located in northwestern Canada. In order to take advantage of such investment opportunities, the Developments GP established the Developments LP on August 29, 2014 pursuant to the laws of British Columbia for the purposes of developing high quality real estate in northwestern Canada (or proportionate interests in such properties). The principal business of the Developments LP is to issue Developments LP units, to invest the proceeds from such issuance in the properties and to develop such properties.

The allocation of the net proceeds received by the Master LP from the issuance of Master LP units between Investments LP units and Developments LP units is determined by the Master GP from time to time.

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 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. FSJ Northwest LP's head office is located at 910 – 925 West Georgia Street, Vancouver, BC, V6C 3L2.

1. TRUST INFORMATION (continued)

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 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 consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") incorporating interpretations issued by the IFRS Interpretations Committee ("IFRICs").

These consolidated financial statements were authorized for issuance by the Board of Trustees (the "Board") on April 27, 2021.

B. Basis of measurement and going concern

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

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

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. As at December 31, 2020, certain related parties waived their right to repayment of the loans noted in note 13 until 2022. 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 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 loss and comprehensive loss using the function of expense method, which classifies expenses according to their functions, such as costs of operations or administrative activities.

3. SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of consolidation

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

The non-controlling interest is included in unitholders' equity. As at December 31, 2020, the initial limited partners of the Master LP, the Master GP, the general partner of the Investments LP, the general partner of the Developments LP, the general partner of FSJ Northwest LP and the general partner of WCPG VII LP collectively represented the non-controlling interest of the Trust.

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

The Trust has subscribed to units in limited partnerships where it does not have control or joint control over the entity. 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. Balances due from equity-accounted investments and the associated interest income are not eliminated in preparing the consolidated financial statements.

B. Property acquisitions and business combinations

Under IFRS 3, *Business Combinations*, the Trust accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The Trust has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met and the acquisition can be treated as an asset acquisition, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition.

The difference between the purchase price and the Trust's net fair value of the acquired identifiable net assets and liabilities is goodwill. Goodwill is not amortized and must be tested for impairment at least annually, or more frequently, if events or changes in circumstances indicate that impairment has occurred.

Transaction costs associated with business combinations are expensed in the period incurred.

When an acquisition does not meet the criteria for a business, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated to the assets and liabilities acquired based upon their relative fair values. No goodwill is recognized for asset acquisitions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Investment properties

The Trust has an investment in an entity which owns investment property (note 4). Investment properties comprise property held to earn rental revenue or for capital appreciation or both. Under asset acquisitions, investment properties are measured initially at cost including acquisition costs. Acquisition costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are measured at fair value with any changes therein recognized in the consolidated statement of income (loss) and comprehensive income (loss) in the year in which they arise. The Trust defines fair value to be the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the fair value of recently acquired investment property would be the purchase price. Any subsequent valuations performed on an investment property, after the acquisition date, would be the new basis for the fair value recorded on the investment property.

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

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

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

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

D. Property inventory

Property inventory comprises property held for sale in the ordinary course of business, property under development for sale or materials and supplies to be consumed in the development process. Property inventory is measured at the lower of cost and net realizable value, with cost assigned to properties by specific identification. Where properties are further subdivided and sold, cost is assigned to subdivided lots using the net yield method. The net yield method allocates common costs to each lot in proportion to the anticipated revenue.

Property inventory is written down to net realizable value when the cost of property inventory is determined not to be recoverable. Write-downs are reversed when circumstances that previously caused property inventory to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash

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

F. Revenue recognition

Revenue from contracts with customers for residential land sales is recognized at the point in time when control over the property has been transferred, which is generally when possession passes to the customer since the customer then has the ability to direct the use and obtain substantially all of the benefits of the property. Revenue is measured at the transaction price agreed to under the contract.

G. Finance income (expense)

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

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

H. Fair value

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

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

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

I. Operating segments

The Trust currently operates in two business segments, being the owning and operating of the development of properties in northwestern Canada. The Trust, through the Master LP, the Developments LP and WCPG VII LP, currently owns and operates one development property in northern British Columbia, Canada. The Trust, through the Master LP and the Developments LP, also has an interest in one development property in northern British Columbia, Canada (note 4). The primary format for segment reporting is based on property type and is consistent with the internal reporting provided to the chief operating decision-maker, determined to be the acting Chief Executive Officer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Income taxes

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

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

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

K. Significant accounting judgments and estimates

Judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities are reviewed on an ongoing basis. Actual results may differ from these estimates. The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions at the date of the consolidated financial statements.

Significant areas of estimation include the following:

(i) Cost of sales

The Trust and certain of the Trust's equity-accounted investments hold property inventory and property under development for sale (notes 4 and 5). Cost of sales is determined by management using the net yield method, which requires the use of estimates including costs to complete a project and selling prices of subdivided lots within a project. Management engages a cost consultant to review budgeted costs to complete on a periodic basis and estimates selling prices based on market conditions existing at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Significant accounting judgments and estimates (continued)

(ii) 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.

L. Financial instruments

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL.

The Trust classifies its financial instruments as follows:

Cash	Amortized cost
Amounts receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Distributions payable	Amortized cost
Debentures	Amortized cost

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Current accounting policy changes

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 adoption of the amendments had no impact on the Trust's consolidated financial statements.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - 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.

N. Future accounting policy changes

IAS 1, Presentation of Financial Statements, - Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1, Presentation of Financial Statements, to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability.

The amendments are effective January 1, 2023, with early adoption permitted. The amendments are to be applied retrospectively. The Trust is currently assessing the impact of this amendment.

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 December 31, 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 three 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 Tax Act, 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

4. EQUITY-ACCOUNTED INVESTMENTS (continued)

B. Carrying Value, Financial Position and Results of Operations

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

	FSJ Industrial	FSJ Aurora	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	(32,548)	(24,940)	(57,488)
Balance, December 31, 2020	**$ 2,560,478**	**$ 2,246,739**	**$ 4,807,217**

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 December 31, 2020 was as follows:

	FSJ Industrial	FSJ Aurora	Total
Current assets	$ 2,929,578	$ 4,710	$ 2,934,288
Non-Current assets	–	4,650,000	4,650,000
Current liabilities	(3,217)	(161,122)	(164,339)
Net assets at 100%	2,926,361	4,493,588	7,419,949
General partner's share of net assets	100	110	210
Limited partners' share of net assets	2,926,261	4,493,478	7,419,739
Trust's ownership interest	87.5%	50%	
Trust's share of net assets	**$ 2,560,478**	**$ 2,246,739**	**$ 4,807,217**

Expressed in Canadian Dollars

4. EQUITY-ACCOUNTED INVESTMENTS (continued)

C. Carrying value, financial position and results of operations (continued)

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

	FSJ Industrial	FSJ Aurora	Total
Current assets	$ 3,536,675	$ 30,510	$ 3,567,185
Noncurrent 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 partners' 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**

The summarized results of operations of the Trust's equity-accounted investments for the year ended December 31, 2020 are as follows:

	FSJ Industrial	FSJ Aurora	Total
Rental & sales expenses	$ (34,856)	$ (20,298)	$ (55,154)
Other income (expenses)	(2,342)	(29,582)	(31,924)
Net income loss at 100%	(37,198)	(49,880)	(87,078)
Trust's share of net loss	**$ (32,548)**	**$ (24,940)**	**$ (57,488)**

The summarized results of operations of the Trust's equity-accounted investments for the year ended December 31, 2019 are as follows:

	FSJ Industrial	FSJ Aurora	Total
Rental & sales expenses	$ (49,530)	$ (18,026)	$ (67,556)
Finance income (expenses)	–	(122)	(122)
Other income (expenses)	(158,308)	(15,916)	(174,224)
Net income loss at 100%	(207,838)	(34,064)	(241,902)
Trust's share of net loss	**$ (181,858)**	**$ (17,032)**	**$ (198,890)**

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 December 31, 2020, two phases comprising 55 subdivision lots were substantially complete and 40 of those lots had been sold or transferred.

Expressed in Canadian Dollars

5. PROPERTY INVENTORY (continued)

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

	December 31, 2020	December 31, 2019
Serviced land	$ 1,461,600	$ 2,576,503
Property under development	–	272,140
Unserviced land	2,238,125	2,238,125
	$ 3,699,725	$ 5,086,767

As at December 31, 2020, the carrying amount of the Trust's property inventory is net of impairment of $3,174,960 (December 31, 2019 – $3,048,587). During the year ended December 31, 2020, the Trust recognized impairment of $126,378 on its serviced land (December 31, 2019 – $808,453) and impairment of $nil on its unserviced land (December 31, 2019 – $2,240,134) due to management's determination that the net realizable value of the property inventory had declined below its carrying cost as a result of fluctuations in the real estate market.

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 December 31, 2020 (December 31, 2019 – deferred revenue of $930,000). With the deposit, WCPG VII LP, repaid its mortgage payable in full in December 2019 on Garrison Landing.

On November 27, 2020, the Trust, through WCPG VII LP, sold one serviced lot at Garrison Landing for proceeds of $95,000 less standard closing costs and adjustments and recognized cost of sales of $93,481.

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.

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 December 31, 2020, deposits of $29,467 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 December 31, 2020 was $41,514 (December 31, 2019 – $4,464).

Expressed in Canadian Dollars

7. DEBENTURES (continued)

Included in the debentures are the related unamortized debenture transaction costs of $1,986 as at December 31, 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 December 31, 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 year ended December 31, 2020, the Trust incurred debenture interest of $774 (December 31, 2019 – $560).

8. NON-CONTROLLING INTEREST

As at December 31, 2020, the initial limited partners of Master LP, the general partner of Master LP, the general partner of the Investments LP, the general partner of the Developments LP, the general partner of FSJ Northwest LP and the general partner of WCPG VII LP collectively represented the non-controlling interest of the Trust.

As at December 31, 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 December 31, 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 year ended December 31, 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 December 31, 2020.

Expressed in Canadian Dollars

8. NON-CONTROLLING INTEREST (continued)

During the year ended December 31, 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
October 1, 2019	4	4,000
	106	$ 106,000

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 year ended December 31, 2020, the Trust received three redemption requests which were effective as of the date of receipt, as follows:

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

Expressed in Canadian Dollars

9. UNITHOLDERS' EQUITY (continued)

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

During the year ended December 31, 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
	106	$ 93,953

As at December 31, 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. 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.

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

	December 31, 2020	December 31, 2019	Change
Capital			
Unitholders' equity	$ 7,177,214	$ 7,680,788	$ (503,574)
Total capital	$ 7,177,214	$ 7,680,788	$ (503,574)

During the year ended December 31, 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).

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).

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

	December 31, 2020		December 31, 2019	
Financial instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 321,958	$ 321,958	$ 2,098	$ 2,098
Amounts receivable	17	17	14,546	14,546
Due from related parties	132,253	132,253	104,440	104,440
Accounts payable and accrued liabilities	151,306	151,306	190,893	190,893
Due to related parties	688,002	688,002	811,308	811,308
Debentures	41,514	44,455	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)).

(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 years ended December 31, 2020 and December 31, 2019.

Expressed in Canadian Dollars

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.

During the year ended December 31, 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. Estimates and assumptions that are most subject to increased uncertainty caused by the COVID-19 pandemic relate to the net realizable value of property inventories (notes 4 and 5). Although not significant, COVID-19 had an impact on the Trust because there was impairment on its property inventory at Garrison Landing due to low market activities and downward pressure on lot value.

A. 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. The Trust is not exposed to significant credit risk as at December 31, 2020.

B. Liquidity risk

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

The Trust's approach to managing liquidity risk is to ensure that it will have sufficient cash available to meet its liabilities when due through property inventory sales or by obtaining related party loans.

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

	2021	2022	2023	2024	2025
Debentures	$ 281	$ 281	$ 6,721	139	$ 37,046
Due to related parties	–	688,002	–	–	–
Accounts payable and accrued liabilities	151,306	–	–	–	–
	$151,587	$688,283	$ 6,721	139	$ 37,046

12. RISK MANAGEMENT (continued)

C. Income tax risk

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

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

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

D. 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.

As at December 31, 2020, the Trust’s fixed rate instruments consisted of the debentures, which had a face value of $41,514 (December 31, 2019 – $4,464).

E. 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.

F. 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 (note 9). 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.

13. RELATED PARTY TRANSACTIONS

Transactions with Pure Commercial Real Estate Advisors Inc.

Pure Commercial Real Estate Advisors Inc. ("Pure Commercial") is related to the Trust by virtue of having officers and directors/trustees in common. The Trust, through the Master LP, has entered into an asset management agreement with Pure Commercial, whereby Pure Commercial provides asset management, administrative and reporting services to the Trust. In consideration of these services, the Trust pays to Pure Commercial an annual asset management fee equal to 1.0% of net asset value plus any applicable taxes. Net asset value is equal to the greater of the total gross cash proceeds from all the Trust's public offerings and the total purchase price of the properties including all fees, expenses and cash reserves, less outstanding mortgage debt. During the year ended December 31, 2020, Pure Commercial charged the Trust asset management fees of $130,446 (December 31, 2019 – $131,492). As at December 31, 2020, asset management fees of $427,952 (December 31, 2019 – $297,506) were included in due to related parties.

During the year ended December 31, 2020, Pure Commercial advanced $nil to subsidiaries of the Trust to fund working capital requirements (December 31, 2019 – $212,600). The loans are non-interest bearing and repayable on demand. As at December 31, 2020, advances of $233,600 were owing to Pure Commercial and included in due to related parties (December 31, 2019 – $233,600). Pure Commercial waived its right to demand repayment of the advances until 2022.

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 year ended December 31, 2020, the Trust, through the Master LP, paid expenses of $2,247 on behalf of the Master GP (December 31, 2019 – $1,242). As at December 31, 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.

Trustee Compensation

Each trustee of the Trust, other than Stephen Evans, is entitled to an annual fee of $12,500. During the year ended December 31, 2020, the Trust paid annual trustee fees of $25,000 (December 31, 2019 – $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 year ended December 31, 2020, the Master LP recorded fees, inclusive of taxes, of $nil to Sui Generis (December 31, 2019 – $3,938). On May 16, 2019, Sui Generis terminated the agreement and waived the outstanding fees of $31,500. As at December 31, 2020, $nil was included in due to related parties (December 31, 2019 – $nil).

Transactions with In Re Capital Inc.

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

13. RELATED PARTY TRANSACTIONS (continued)

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 year ended December 31, 2020, Triple E Investments Ltd. advanced $nil to the Master LP to fund working capital requirements (December 31, 2019 – $12,000). The loans are non-interest bearing and repayable on demand. As at December 31, 2020, $12,000 was outstanding and included in due to related parties (December 31, 2019 – $12,000). Triple E Investments Ltd. waived its right to demand repayment of the loans until 2022.

Transactions with Triple E Ventures Inc.

During the year ended December 31, 2020, WCPG VII LP repaid advances made from Triple E Ventures Inc. to fund working capital requirements totaling $73,752 (December 31, 2019 – $88,202). The loans are non-interest bearing and repayable on demand. As at December 31, 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 2022.

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 year ended December 31, 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 (December 30, 2019 – $31,486 and $nil, respectively). As at December 31, 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 year ended December 31, 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 (December 31, 2019 – $nil $1,800 and $1,101, respectively). As at December 31, 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 year ended December 31, 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 (December 31, 2020 – $nil and $nil, respectively). As at December 31, 2020, $nil was outstanding from FSJ Residential (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 December 31, 2020 and December 31, 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

14. SEGMENTED INFORMATION (continued)

The following summarizes the results of operations for the Trust's segments for the year ended December 31, 2020:

Year ended December 31, 2020	**Development**	**Investment**	**Trust**	**Total**
SALES INCOME (EXPENSE)				
Sales	$ 1,331,958	$ –	$ –	$ 1,331,958
Cost of sales	(1,269,870)	–	–	(1,269,870)
	62,088	–	–	62,088
OPERATING EXPENSE				
Property maintenance	(1,691)	–	–	(1,691)
Property taxes	(42,367)	–	–	(42,367)
	(44,058)	–	–	(44,058)
NET OPERATING INCOME	18,030	–	–	18,030
FINANCE INCOME (EXPENSE)				
Interest income	264	–	24	288
Debenture interest	–	–	(774)	(774)
	264	–	(750)	(486)
OTHER EXPENSE				
General and administrative	(56,131)	(4,911)	(138,206)	(199,248)
Impairment	(126,378)	–	–	(126,378)
Asset management fees	–	–	(130,446)	(130,446)
	(182,509)	(4,911)	(268,652)	(456,072)
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS	(32,548)	(24,940)	–	(57,488)
NET LOSS AND COMPREHENSIVE LOSS	$ (196,763)	$ (29,851)	$ (269,402)	$ (496,016)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Unitholders from continuing operations	(169,974)	(25,797)	(236,283)	(432,054)
Non-controlling interest	(26,789)	(4,054)	(33,119)	(63,962)
	$ (196,763)	$ (29,851)	$ (269,402)	$ (496,016)
Loss per unit				
Basic and diluted	$ (13.80)	$ (2.09)	$ (19.18)	$ (35.08)
Weighted average number of units				
Basic and diluted	12,318	12,318	12,318	12,318

Expressed in Canadian Dollars

14. SEGMENTED INFORMATION (continued)

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

Year ended December 31, 2019	Development	Investment	Trust	Total
SALES INCOME (EXPENSE)				
Sales	$ 99,500	$ –	$ –	$ 99,500
Cost of sales	(107,187)	–	–	(107,187)
	(7,687)	–	–	(7,687)
OPERATING EXPENSE				
Property maintenance	(1,595)	–	–	(1,595)
Property taxes	(56,996)	–	–	(56,996)
	(58,591)	–	–	(58,591)
NET OPERATING LOSS	(66,278)	–	–	(66,278)
FINANCE INCOME (EXPENSE)				
Interest income	544	758	573	1,875
Mortgage interest	(55,099)	–	–	(55,099)
Debenture interest	–	–	(560)	(560)
	(54,555)	758	13	(53,784)
OTHER EXPENSE				
General and administrative	(53,493)	(4,846)	(152,998)	(211,337)
Impairment	(3,048,587)	–	–	(3,048,587)
Asset management fees	–	–	(131,492)	(131,492)
	(3,102,080)	(4,846)	(284,490)	(3,391,416)
SHARE OF LOSS OF EQUITY-ACCOUNTED INVESTMENTS	(181,858)	(17,032)	–	(198,890)
NET LOSS AND COMPREHENSIVE LOSS	$ (3,404,771)	$ (21,120)	$ (284,477)	$ (3,710,368)
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Unitholders from continuing operations	(2,945,346)	(18,273)	(249,693)	(3,213,312)
Non-controlling interest	(459,425)	(2,847)	(34,784)	(497,056)
	$ (3,404,771)	$ (21,120)	$ (284,477)	$ (3,710,368)
Loss per unit				
Basic and diluted	$ (236.31)	$ (1.47)	$ (20.03)	$ (257.81)
Weighted average number of units				
Basic and diluted	12,464	12,464	12,464	12,464