

**REALNORTH OPPORTUNITIES FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**PERIOD ENDED MARCH 31, 2021**  
**DATED: MAY 31, 2021**

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**1. BASIS OF PRESENTATION**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations prepared on May 31, 2021 should be read together with the Trust's audited consolidated financial statements and notes thereto for the year ended December 31, 2020 and unaudited condensed interim consolidated financial statements and notes thereto for the period ended March 31, 2021. All financial information is reported in Canadian dollars and in accordance with IFRS unless otherwise noted.

REALnorth Opportunities Fund (the "Trust") uses International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), as its basis of financial reporting for the unaudited condensed consolidated financial statements for the period ended March 31, 2021.

**2. FORWARD-LOOKING DISCLAIMER**

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

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

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

These forward-looking statements are made as of May 31, 2021 and the Trust assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Additional information about REALnorth Opportunities Fund filed with Canadian securities regulators is available online at [www.sedar.com](http://www.sedar.com).

### 3. DESCRIPTION OF BUSINESS

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

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

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

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

The Investments LP was established on August 28, 2014 pursuant to the laws of the Province of British Columbia for the purposes of owning and operating a diversified portfolio of high quality, revenue-producing properties in northwestern Canada (or proportionate interests in such properties). The principal business of the Investments LP is to issue Investments LP units, to invest the proceeds from such issuance in the properties and to own and operate such properties.

The Developments LP was established on August 29, 2014 pursuant to the laws of the Province of British Columbia for the purposes of developing high quality real estate in northwestern Canada (or proportionate interests in such properties). The principal business of the Developments LP is to issue Developments LP units, to invest the proceeds from such issuance in the properties and to develop such properties.

On August 2, 2018, the Developments LP subscribed for 100 units of FSJ Northwest Limited Partnership (“FSJ Northwest LP”) at \$1 per unit for a total of \$100, which resulted in the Developments LP being the sole limited partner of FSJ Northwest LP. FSJ Northwest LP was established on August 2, 2018 pursuant to the laws of 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.

On December 31, 2018, the Developments LP acquired control of Western Canadian Properties Group VII Limited Partnership (“WCPG VII LP”) (section 4). WCPG VII LP was established pursuant to the laws of 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.

### **3. DESCRIPTION OF BUSINESS (CONTINUED)**

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

### **4. SELECTED ANNUAL AND HISTORICAL INFORMATION**

#### **Units issued and redeemed**

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

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

During the year ended December 31, 2016, the Trust redeemed 100 limited partnership units of the Master LP for total redemption proceeds of \$100,000. During the year ended December 31, 2017, the Trust redeemed 110 limited partnership units of the Master LP for total redemption proceeds of \$110,000. During the year ended December 31, 2018, the Trust redeemed 163 units for total redemption proceeds of \$163,000. During the year ended December 31, 2019, the Trust redeemed 106 units for total redemption proceeds of \$106,000. During the three months ended March 31, 2020, the Trust redeemed 116 units for total redemption proceeds of \$116,000. During the three months ended March 31, 2021, the Trust redeemed 30 units for total redemption proceeds of \$30,000.

As at March 31, 2021, the Trust owned 12,275 units of the Master LP, representing an ownership interest of approximately 86%.

#### **Direct property acquisition and disposition**

On September 12, 2014, the Master LP, through the Investments LP, completed the acquisition of 3851 22<sup>nd</sup> Avenue, Prince George, British Columbia (“22<sup>nd</sup> Avenue”), for a purchase price of \$6,200,000 plus standard closing costs and adjustments.

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

#### **Acquisition of equity-accounted investments and acquisition of control**

##### **(i) WCPG VII LP**

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

#### 4. SELECTED ANNUAL AND HISTORICAL INFORMATION (CONTINUED)

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

###### (i) WCPG VII LP (continued)

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

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

On May 29, 2015, WCPG VII LP acquired Garrison Landing in Fort St. John, British Columbia, for a purchase price of \$6,200,000 plus standard closing costs and adjustments. Garrison Landing is expected to be developed in multiple phases, and to generate, in aggregate, approximately 153 single family lots which will be offered for sale after servicing is complete. During the year ended December 31, 2019, WCPG VII LP commenced construction of a single-family home on one of the completed lots and sold one lot. During the year end December 31, 2020, 13 lots were sold on January 8 and 1 additional lot was sold on November 27. As of March 31, 2021, two phases comprising 55 subdivision lots were complete and 40 of those lots had been sold or transferred. (section 15).

###### (ii) FSJ Industrial Properties Limited Partnership

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

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

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.

###### (iii) FSJ Aurora Developments Limited Partnership

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

#### 4. SELECTED ANNUAL AND HISTORICAL INFORMATION (CONTINUED)

##### Selected annual information

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
Total assets	\$ 9,005,555	\$ 10,628,934	\$ 13,848,253
Total liabilities	880,822	1,936,665	1,351,663
Total non-current liabilities	41,514	4,464	4,047
Total rental revenue and recoveries	–	–	310,450
Sales revenue	1,331,958	99,500	–
Net operating income (loss)	18,030	(66,278)	–
Loss attributable to the Trust unitholders	(432,054)	(3,213,312)	(103,568)
Loss per unit attributable to the Trust unitholders	(35.08)	(257.81)	(8.22)

#### 5. PERFORMANCE SUMMARY

As at March 31, 2021, the Trust's assets totaled \$8,954,526, decreasing slightly from \$9,005,555 as at December 31, 2020 due to decreases in equity-accounted investments, prepaid expenses, and cash. Liabilities totaled \$907,814 as at March 31, 2021, increasing from \$880,822 as at December 31, 2020 due to increases in due to related parties (section 15) and accounts payable and accrued liabilities.

The Trust incurred an operating loss of \$11,000 during the period ended March 31, 2021, compared to an income of \$24,877 for the period ended March 31, 2020. The change from income to loss was due to no lot sale during the current period whereas there was a sale of 13 lots for a small profit at Garrison Landing during the period ended March 31, 2020.

The Trust incurred a net loss of \$60,807 after finance expense, other expenses and its share of the loss of equity-accounted investments for the period ended March 31, 2021, compared to a net loss of \$46,094 for the period ended March 31, 2020. The increase in net loss is primarily due to no sales to cover for operating expenses during the current period while there was a sale in prior period to cover for operating expenses. However, the Trust incurred less general and administrative expenses in the current period compared to the prior period, and this contributed to a smaller net loss.

##### Redemptions

During the period ended March 31, 2021, 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
March 10, 2021	30	\$ 17,214

## 5. PERFORMANCE SUMMARY (CONTINUED)

### Redemptions (continued)

During the period ended March 31, 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

## 6. RESULTS OF QUARTERLY OPERATIONS

The following summarizes the results of operations for the Trust for the three months ended March 31, 2021:

- Sales expenses totaled \$nil (three months ended March 31, 2020 – \$1,236,958).
- The Trust earned \$23 in interest from loans and bank deposits (three months ended March 31, 2020 – \$91).
- The Trust recorded a loss from its equity-accounted investments of \$2,897 (three months ended March 31, 2020 – loss of \$12,735).
- The Trust's loss of \$52,529 is attributable to the unitholders after finance and administrative expenses (three months ended March 31, 2020 – loss of \$39,821). The expenses consisted of:
  - a) debenture interest of \$220 (three months ended March 31, 2020 – \$148);
  - b) general and administrative expenses totaling \$14,136 (three months ended March 31, 2020 – \$25,510); and
  - c) asset management fees of \$32,577 (three months ended March 31, 2020 – \$32,669).

## 6. RESULTS OF QUARTERLY OPERATIONS (CONTINUED)

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

Quarter ended	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Total assets	\$ 8,954,526	\$ 9,005,555	\$ 9,177,242	\$ 9,256,476
Equity-accounted investments	4,804,319	4,807,217	4,821,485	4,832,591
Property inventory	3,699,725	3,699,725	3,915,194	3,915,194
Total liabilities	907,814	880,822	739,209	750,365
Unitholders' equity	7,107,471	7,177,214	7,451,413	7,510,228
Sales revenue	–	95,000	–	–
Net operating loss	(11,000)	(8,951)	(12,240)	14,344
Finance expense	(197)	(152)	(151)	(126)
Share of loss of equity-accounted investments	(2,897)	(14,268)	(11,106)	(19,379)
Loss attributable to the Trust unitholders – total and from continuing operations	(52,529)	(274,199)	(58,815)	(59,219)
Loss per unit – total and from continuing operations	(4.27)	(22.26)	(4.77)	(4.80)

Quarter ended	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Total assets	\$ 9,369,725	\$ 10,628,934	\$ 13,015,015	\$ 13,759,246
Equity-accounted investments	4,851,970	5,363,455	5,519,737	5,535,265
Property inventory	3,880,049	5,086,767	7,339,688	8,034,611
Total liabilities	795,070	1,936,665	1,633,693	1,513,729
Mortgages payable	–	–	948,380	947,119
Unitholders' equity	7,569,447	7,680,788	10,010,877	10,764,711
Sales revenue	1,236,958	99,500	–	–
Net operating loss	24,877	(21,736)	(16,068)	(18,829)
Finance expense	(57)	(12,650)	(14,345)	(13,663)
Share of loss of equity-accounted investments	(12,735)	(156,282)	(15,528)	(14,384)
Loss attributable to the Trust unitholders – total and from continuing operations	(39,821)	(2,326,544)	(707,744)	(108,588)
Loss per unit – total and from continuing operations	(3.22)	(187.31)	(56.85)	(8.70)

During the period from December 31, 2020 to March 31, 2021, total assets decreased slightly primarily due to decreases in equity-accounted investments and property inventory, prepaid expense and cash. Equity-accounted investments decreased due to losses incurred by FSJ Aurora LP and FSJ Industrial. Property remained unchanged due to a strengthened real estate market at Garrison Landing in Fort St. John.

Total liabilities increased primarily due to the increases in due to related parties and accounts payable and accrued liabilities. Unitholders' equity decreased due to the net loss incurred during the quarter and Trust unit redemptions (section 5).

## **6. RESULTS OF QUARTERLY OPERATIONS (CONTINUED)**

The Trust's equity-accounted investments incurred a loss of \$2,897 during the three months ended March 31, 2021 compared to a loss of \$12,735 during the three months ended March 31, 2020. The Trust incurred a loss attributable to the Trust unitholders of \$52,529 during the three months ended March 31, 2021 compared to a loss attributable to the Trust unitholders of \$39,821 during the three months ended March 31, 2020. The decrease in loss attributable to the Trust unitholders was primarily due to there was no sales during the period to generate income to cover for operating expenses, although smaller general and administrative expenses in the current period contributed to a smaller loss.

## **7. DEBENTURES**

On July 31, 2018, the Master LP issued debentures ("2018 debentures") totaling \$6,500 to settle outstanding Trust unit redemption requests in excess of its limit on cash payments for such redemptions (section 13). 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 ("2020 debentures") totaling \$37,000 to settle outstanding trust unit redemption requests in excess of its limit on cash payments for such redemptions (section 13). 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 March 31, 2021 was \$41,666 (December 31, 2020 – \$41,514). Included in the debentures are the related unamortized debenture transaction costs of \$1,834 as at March 31, 2021 (December 31, 2020 – \$1,986), which are amortized over the term of the debentures using the effective interest rate method. The 2018 debentures bear an effective interest rate of 13.22% as at March 31, 2021 (December 31, 2020 – 13.22%), and the 2020 debentures bear an effective interest rate of 0.64% (December 31, 2020 – 0.64%). During the period ended March 31, 2021, the Trust incurred debenture interest of \$220 (period ended March 31, 2020 – \$148).

## **8. LIQUIDITY**

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

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

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

The ability of the Trust to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon continued support from related parties and sales of property 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 in 2020 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 2022. During the first quarter of 2021, the residential property market in Fort St. John has continued to strengthen amid the current COVID 19 pandemic. 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.



## 9. CAPITAL RESOURCES

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

## 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, funds its business strategies and builds long-term unitholders' value. The Trust's capital structure is reviewed by the board of trustees of the Trust from time to time.

The Trust's capital structure consisted of the following components at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020	Change
Capital			
Unitholders' equity	\$ 7,107,471	\$ 7,177,214	\$ (69,743)
Total capital	\$ 7,107,471	\$ 7,177,214	\$ (69,743)

During the three months ended March 31, 2021, the Trust's total capital decreased due to the redemption of 30 trust units (section 5) and the net loss incurred during the period.

## 11. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Trust's consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Trust's significant accounting policies are described in note 3 to the audited consolidated financial statements for the year ended December 31, 2020 and unaudited condensed interim consolidated financial statements for the period ended March 31, 2021.

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

### Cost of sales

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

### Valuation of property inventory

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

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

## 12. FINANCIAL INSTRUMENTS

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

### Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Financial instruments	Fair value hierarchy	March 31, 2021		December 31, 2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	Level 2	\$ 276,989	\$ 276,989	\$ 321,958	\$ 321,958
Amounts receivable	Level 2	–	–	17	17
Due from related parties	Level 2	132,807	132,807	132,253	132,253
Accounts payable and accrued liabilities	Level 2	145,568	145,568	150,306	150,306
Due to related parties	Level 2	720,580	720,580	688,002	688,002
Debentures	Level 3	41,666	44,387	41,514	44,455

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.

#### (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.

## 13. RISKS AND UNCERTAINTIES

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

### 13. RISKS AND UNCERTAINTIES (CONTINUED)

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 as of December 31, 2020, due to low market activities and downward pressure on lot value. Since the year end, amid continuous low interest rate and greater vaccination of the population, the real estate market has improved and continues to strengthen in Fort St. John.

The board of trustees of the Trust has the overall responsibility for the establishment and oversight of the Trust's risk management framework. The Trust's risk management policies are established to identify and analyze the risks faced by the Trust, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in response to the Trust's activities.

In the normal course of business, the Trust, through the Master LP, is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, include the following.

#### Credit risk

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Trust's receivables from related parties. The Trust's exposure to credit risk is influenced by the individual characteristics of parties to whom it lends funds. The Trust has mitigated the risk by having officers and directors in common with the parties to whom it has loaned funds as at March 31, 2021.

#### 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 & thereafter
Debentures (principal and interest)	\$ 212	\$ 281	\$ 6,721	\$ 139	\$ 37,046
Due to related parties	—	720,580	—	—	—
Accounts payable and accrued liabilities	145,568	—	—	—	—
	\$ 145,780	\$720,861	\$ 6,721	\$ 139	\$ 37,046

### 13. RISKS AND UNCERTAINTIES (CONTINUED)

#### Income tax risk

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

*SIFT Rules* – The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation (the “SIFT Rules”). The exposure of the Trust to tax imposed by the SIFT Rules depends in part on whether or not the Trust units, Master LP units or units of any other subsidiary partnerships are listed or traded on a stock exchange or other public market. Where the Trust units, the Master LP units or units of any other subsidiary partnerships are listed or traded on a stock exchange or public market, adverse consequences could arise including that the non-deductible distributions amount or the taxable non-portfolio earnings could be taxable to the Trust, to the Master LP or such subsidiary partnerships, as the case may be (with the result that the amount of cash available for distribution by the Trust would be reduced), and such amount would also, depending on the circumstances, be included in the income of Trust unitholders for purposes of the Tax Act as taxable dividends.

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

#### Interest rate risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Trust is exposed to interest rate risk from the interest rate differentials between the market rate and the rates used on these financial instruments.

The Trust manages its financial instruments and interest rate risks based on its cash flow needs and with a view to minimizing interest expense.

As at March 31, 2021, the Trust’s fixed rate instruments consisted of the debentures, which had a face value of \$41,666 (December 31, 2020 – \$41,514).

#### Environmental risk

The Trust, through the Developments LP, WCPG VII LP and its equity-accounted investments, is subject to various provincial and municipal laws relating to the environment. Prior to acquisition, the Trust conducts environmental inspections of its properties and appropriate testing by qualified environmental consultants when required to ensure compliance with all applicable environmental laws.

#### Redemption risk

The Trust unitholders are entitled to have their units redeemed at any time on demand. The aggregate redemption price payable by the Trust is subject to limitations. The Trust has mitigated its redemption risk by limiting cash payments to a total of \$100,000 in any quarter or 0.75% of the aggregate subscription price of all Trust units that were issued and outstanding at the start of the twelve-month period ending at the end of that quarter.

### **13. RISKS AND UNCERTAINTIES (CONTINUED)**

#### **Redemption risk (continued)**

During the three months ended March 31, 2021, the Trust redeemed 30 units for total consideration of \$17,214 (three months ended March 31, 2020 – 116 units for total consideration of \$71,520) (section 5). During the twelve month period ended March 31, 2021, the Trust redeemed 30 units for total consideration of \$17,214 which represented 0.14% of the aggregate subscription price of all Trust units that were issued and outstanding as at March 31, 2020 (twelve month period ended March 31, 2020 – 183 units for total consideration of \$130,905, which represented 1.05% of all Trust units issued and outstanding as at March 31, 2020). The total consideration paid for redemptions during the twelve months ended March 31, 2021 included the issuance of debentures by the Master LP totaling \$nil (twelve months ended March 31, 2020 – \$nil) (section 8).

### **14. OFF-BALANCE SHEET TRANSACTIONS**

The Trust has no off-balance sheet arrangements.

### **15. 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 period ended March 31, 2021, Pure Commercial charged the Trust asset management fees of \$32,577 (period ended March 31, 2020 – \$32,669). As at March 31, 2021, asset management fees of \$460,530 (December 31, 2020 – \$427,952) were included in due to related parties.

During the three months ended March 31, 2021, Pure Commercial advanced \$nil to subsidiaries of the Trust to fund working capital requirements (three months ended March 31, 2020 – \$nil). The loans are non-interest bearing and repayable on demand. As at March 31, 2021, advances of \$233,600 were owing to Pure Commercial and included in due to related parties (December 31, 2020 – \$233,600). Pure Commercial has 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 three months ended March 31, 2021, the Trust, through the Master LP, paid expenses of \$nil on behalf of the Master GP (three months ended March 31, 2020 – \$nil). As at March 31, 2021, \$3,640 was outstanding and included in due from related parties (December 31, 2020 – \$3,640). 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 period ended March 31, 2021, the Trust paid accrued trustee fees of \$nil (period ended March 31, 2020 – \$nil). As at March 31, 2021, trustee fees of \$nil were included in accounts payable and accrued liabilities (December 31, 2020 – \$nil).

## **15. 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 three months ended March 31, 2021, Triple E Investments Ltd. advanced \$nil to the Master LP to fund working capital requirements (three months ended March 31, 2020 – \$nil). The loans are non-interest bearing and repayable on demand. As at March 31, 2021, \$12,000 was outstanding and included in due to related parties (December 31, 2020 – \$12,000). Triple E Investments Ltd. has waived its right to demand repayment of the loans until 2022.

### **Transactions with Triple E Ventures Inc.**

During the three months ended March 31, 2021, WCPG VII LP repaid advances made from Triple E Ventures Inc. to fund working capital requirements totaling \$nil (three months ended March 31, 2020 – \$73,752). The loans are non-interest bearing and repayable on demand. As at March 31, 2021, \$14,450 was outstanding and included in due to related parties (December 31, 2020 – \$14,450). 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 three months ended March 31, 2021, the Trust, through the Developments LP, advanced \$nil to FSJ Aurora to fund working capital requirements and paid invoices totalling \$nil on FSJ Aurora's behalf (three months ended March 31, 2020 – \$nil and \$nil respectively). As at March 31, 2021, \$91,486 was outstanding and included in due from related parties (December 31, 2020 – \$91,486).

### **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 three months ended March 31, 2021, the Trust, through WCPG VII LP, repaid loans and interest of \$nil and paid expenses of \$553 on WCPG Garrison Landings Ltd.'s behalf (three months ended March 31, 2020 – \$nil and \$4, respectively). As at March 31, 2021, \$37,670 was outstanding and included in due from related parties (December 31, 2020 – \$37,117).

## 16. 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 March 31, 2021 and March 31, 2020, the Trust operated one development property and had interests in one additional development property and one investment property through its equity-accounted investments. Assets and liabilities are reviewed on a total basis by management and therefore are not included in the following segmented disclosure.

The following summarizes the results of operations for the Trust's segments for the three months ended March 31, 2021:

	<b>Development</b>	<b>Investment</b>	<b>Trust</b>	<b>Total</b>
Sales	\$ –	\$ –	\$ –	\$ –
Cost of sales	–	–	–	–
Property taxes	(11,000)	–	–	(11,000)
Interest income	23	–	–	23
Debenture interest	–	–	(220)	(220)
General and administrative (expenses) recoveries	265	–	(14,401)	(14,136)
Asset management fees	–	–	(32,577)	(32,577)
Share of loss of equity-accounted investments	(590)	(2,307)	–	(2,897)
Loss and comprehensive loss	\$ (11,302)	\$ (2,307)	\$ (47,198)	\$ (60,807)

The following summarizes the results of operations for the Trust's segments for the three months ended March 31, 2020:

	<b>Development</b>	<b>Investment</b>	<b>Trust</b>	<b>Total</b>
Sales	\$ 1,236,958	\$ –	\$ –	\$ 1,236,958
Cost of sales	(1,211,831)	–	–	(1,211,831)
Property taxes	(250)	–	–	(250)
Interest income	66	1	24	91
Debenture interest	–	–	(148)	(148)
General and administrative expenses	(19,112)	–	(6,398)	(25,510)
Asset management fees	–	–	(32,669)	(32,669)
Share of income (loss) of equity-accounted investments	1,560	(14,295)	–	(12,735)
Income (loss) and comprehensive income (loss)	\$ 7,391	\$ (14,294)	\$ (39,191)	\$ (46,094)

## 16. SEGMENTED INFORMATION (CONTINUED)

During the three months ended March 31, 2021, the development segment sold nil lots (three months ended March 31, 2010, 13 lots) and recorded sale of \$nil, costs of sales \$nil; and property taxes of \$11,000 (three months ended March 31, 2020 – \$1,236,958, \$1,211,831, and \$250 respectively). The development segment's share of the loss of its equity-accounted investments was \$590 during the three months ended March 31, 2021 (three months ended March 31, 2020 – income of \$1,560). The decrease from net income to net loss from equity-accounted investments is primarily due to no sale activity during the current period while there was a sale recognized on the BCR Lands by FSJ Industrial during the period ended March 31, 2020. During the three months ended March 31, 2021, the development segment incurred general and administrative expenses of \$265, decreasing from \$19,112 during the three months ended March 31, 2020 primarily due to professional fees incurred in the prior period. The development segment incurred a loss and comprehensive loss of \$11,302 for the three months ended March 31, 2021 (three months ended March 31, 2020 – income and comprehensive income of \$7,391).

The investment segment's share of the loss from its equity-accounted investment, FSJ Aurora LP, was \$2,307 for the three months ended March 31, 2021, compared to a loss of \$14,295 for the three months ended March 31, 2020. The decrease in loss from its equity-accounted investment is due to a decrease in professional services. After interest income and general and administrative expenses, the investment segment incurred loss and comprehensive loss of \$2,307 for the three months ended March 31, 2021 (three months ended March 31, 2020 – loss and comprehensive loss of \$14,294).

During the three months ended March 31, 2021, the Trust segment earned interest income of \$nil and incurred debenture interest of \$220 (three months ended March 31, 2020 – \$24 and \$148, respectively). After general and administrative expenses and asset management fees, the Trust segment recognized loss and comprehensive loss of \$47,198 (three months ended March 31, 2020 – loss and comprehensive loss of \$39,191). The increase in the loss is due to an increase in professional fees for the Trust.

## 17. 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.

## 18. SUBSEQUENT EVENTS

On April 30, 2021, the Trust settled an outstanding redemption request for 30 units through a cash payment of \$17,214.