# PORT RENFREW DEVELOPMENT TRUST

## CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(Expressed in Canadian dollars)**

## Contents

David L. Patrino
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

**Independent Auditor's Report**

***To the Unitholders of Port Renfrew Development Trust***

***Opinion***
I have audited the consolidated financial statements of Port Renfrew Development Trust, which comprise the balance sheet as at December 31, 2019 and 2018, and the statements of loss, deficit and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Port Renfrew Development Trust as at December 31, 2019 and 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

***Basis for Opinion***
I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

***Material Uncertainty Relating to Going Concern***
I draw your attention to Note 4 in the financial statements, which indicates that the Trust incurred a net loss of $82,242 during the year ended December 31, 2019 and, as of that date, the Trust has insufficient resources to complete the development of the project. As stated in Note 4, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Trust's ability to continue as a going concern. My opinion is not modified in respect of this matter.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the applicable financial reporting framework, 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 these consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative to do so.

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



Suite 505, 609 14 Street NW, Calgary Alberta T2N 2A1
Telephone (403)218-3900 Fax (403) 218-3901 Email: davep@patrino.ca

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
My objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Fund'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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a matter that achieves fair presentation.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in the independent auditor's report is David L. Patrino, CPA, CA.

Calgary, Alberta
December 17, 2020

David L Patrino Professional Corporation
Chartered Professional Accountant

## Port Renfrew Development Trust
**Consolidated Statement of Financial Position**
**(Expressed in Canadian dollars)**
**December 31, 2019**

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | **$** | $ |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Due from related party | 7 | **40,409** | 16,024 |
| Property, plant and equipment | 6 | **35,329** | 20,300 |
| | | **75,738** | 36,324 |
| **Current Assets** | | | |
| Cash | | **17,934** | 45,493 |
| Accounts receivable | | **31,958** | 38,120 |
| Inventory | 5 | **5,808,247** | 5,425,052 |
| Deposits | | **5,390** | 5,390 |
| | | **5,863,529** | 5,514,055 |
| **Total Assets** | | **5,939,267** | 5,550,379 |
| **LIABILITIES AND PARTNERS' CAPITAL** | | | |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | | **1,152,597** | 903,784 |
| Short term loans | 8 | **538,215** | 304,198 |
| Customer deposits | | **5,000** | - |
| Current portion of loan and obligations under capital lease | 9 | **8,863** | 7,672 |
| | | **1,704,675** | 1,215,654 |
| **Non-Current** | | | |
| Loan and obligations under capital lease | 9 | **10,019** | 103,566 |
| **UNITHOLDERS' EQUITY** | | | |
| Unitholders' equity | | **4,224,573** | 4,231,159 |
| Total liabilities and Unitholders' Equity | | **5,939,267** | 5,550,379 |

Subsequent events (note 11)

JASON BROWN,
TRUSTEE

The accompanying notes are an integral part of the financial statements.

# Port Renfrew Development Trust

**Consolidated Statement of Comprehensive Income**
**(Expressed in Canadian dollars)**
**Year ended December 31, 2019**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | **$** | $ |
| **Expenses:** | | | |
| Financing costs | | **23,621** | 13,843 |
| General and administrative costs | | **58,621** | 85,866 |
| Loss and comprehensive income | | **82,242** | 99,709 |
| Loss per Unit (basic and diluted) | | **0.14** | 0.18 |
| Weighted average number of Units outstanding (basic and diluted) | | **552,071** | 529,533 |

The accompanying notes are an integral part of the financial statements.

# Port Renfrew Development Trust

**Consolidated Statement of Unitholders' Equity**
**(Expressed in Canadian dollars)**
**Year ended December 31, 2019**

| | NOTE | TRUST UNITS | TRUST UNITS | (LOSS) | TOTAL |
|---|---|---|---|---|---|
| | | Number | $ | $ | $ |
| Balance at December 31, 2018 | | 519,573 | 4,242,931 | (277,220) | 3,965,711 |
| Issuance of units for cash: | | | | | |
| Class C | | 34,991 | 415,157 | - | 415,157 |
| Redemption of units for cash: | | | | | |
| Class B | | (5,000) | (50,000) | - | (50,000) |
| Loss for the year | | - | - | (99,709) | (99,709) |
| Balance at December 31, 2018 | | 549,564 | 4,608,088 | (376,929) | 4,231,159 |
| Issuance of units for cash: | | | | | |
| Class C | 10 | 6,072 | 81,508 | - | 81,508 |
| Redemption of units for cash: | | | | | |
| Class A | 10 | (440) | (5,852) | - | (5,852) |
| Loss for the year | | - | - | (82,242) | (82,242) |
| Balance at December 31, 2019 | | 555,196 | 4,683,744 | (459,171) | 4,224,573 |

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The accompanying notes are an integral part of the financial statements.

# Port Renfrew Development Trust
**Consolidated Statement of Cash Flows**
**(Expressed in Canadian dollars)**
**Year ended December 31, 2019**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | **$** | $ |
| **Operations:** | | | |
| Loss for the year | | **(82,242)** | (99,709) |
| Items not affecting cash: | | | |
| Amortization | | **8,115** | 5,800 |
| Change in non-cash working capital | 13 | **(123,220)** | (302,186) |
| Cash outflow from operating activities | | **(197,347)** | (396,095) |
| | | | |
| **Investing Activities** | | | |
| Purchase of equipment | | **(23,145)** | - |
| Due from related parties | | **(24,384)** | 32,959 |
| Cash outflow from investing activities | | **(47,529)** | 32,959 |
| | | | |
| **Financing activities:** | | | |
| Issuance of units for cash | | **81,508** | 415,157 |
| Redemption of units for cash | | **(5,852)** | (50,000) |
| Proceeds from short term loan | | **135,120** | 25,000 |
| Proceeds from long term loan | | **17,794** | - |
| Repayment of long term loans | | **(10,785)** | (6,973) |
| Repayment of short term loans | | **(468)** | - |
| Cash inflow from financing activities | | **217,317** | 383,184 |
| | | | |
| Cash generated (used) in the year | | **(27,559)** | 20,048 |
| Cash and cash equivalents at beginning of year | | **45,493** | 25,445 |
| **Cash and cash equivalents at end of year** | | **17,934** | 45,493 |

# Port Renfrew Development Trust
**Notes to the Consolidated Financial Statements**
**(Expressed in Canadian dollars)**
**Year ended December 31, 2019**

1. **NATURE OF OPERATIONS**
   Port Renfrew Development Trust (the "Fund") is an unincorporated open-ended trust established by the Fund's Deed of Trust dated January 17, 2012. The Deed of Trust was amended and restated on December 20, 2013. The Fund has elected to be a "mutual fund trust" for the purposes of the Income Tax Act (Canada). The Fund was formed to raise funds pursuant to an offering memorandum for the purposes of acquiring units in Port Renfrew Business Trust (the "Business Trust"), The Trustee of the Fund are Jason Brown and Karl Ablack. The Fund's head office and address for service is located at PO Box 9 Stn Main, Suite 104, 105 1st Street West, Cochrane AB T4C 1A4.

   The Business Trust is an unincorporated open-ended trust established by the Business Trust's Deed of Trust dated January 17, 2012. The Deed of Trust was amended and restated on December 20, 2013. The Business Trust was formed for the purposes of acquiring units in Port Renfrew Management LP (the "Partnership"), a Canadian limited partnership. The Trustee of the Business Trust is Valhalla Capital Group Ltd ("Valhalla'). The Business Trust's head office and address for service is located at PO Box 9 Stn Main, Suite 104, 105 1st Street West, Cochrane AB T4C 1A4.

   The Partnership is a limited partnership formed under the Partnership Act (Alberta) to acquire and develop five parcels of real property located in Port Renfrew, British Columbia. The Partnership was established by and among Port Renfrew Management Ltd. (the "General Partner) and Jason Brown as the initial Limited Partner, pursuant to the terms of the Limited Partnership Agreement dated January 17, 2012. The Limited Partnership Agreement was amended and restated on December 20, 2013. The Partnership's head office and address for service is located at 96 Gleneagles View, Cochrane, Alberta. T4C 1P2.

   The Trustees and General Partner are all subject to common control.

2. **BASIS OF PREPARATION**
   a) **Statement of compliance**
      These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below were consistently applied unless otherwise noted.

      The consolidated financial statements were approved and authorized for issue by the Trustee on December 17, 2020.

   b) **Basis of measurement**
      The consolidated financial statements have been prepared on the historical cost basis.

   c) **Functional and presentation currency**
      These consolidated financial statements are presented in Canadian dollars, which is the Fund's functional currency.

   d) **Use of estimates and judgements**
      The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements

a) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Port Renfrew Development Trust, Port Renfrew Business Trust and Port Renfrew Management Limited Partnership. Control exists when the Fund has the power to govern the financial and operating policies of an entity so as to benefit from its activities. The financial statements are consolidated from the date that control commences and continue to be consolidated until the date that control ceases.

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

b) **Going Concern**

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. (Note 4)

There are significant uncertainties with respect to the duration and potential impact to the Fund of the COVID-19 pandemic that spread cross Canada subsequent to December 31, 2019.

c) **Cash**

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

b) **Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the development process as well as suitable portions of related development overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

c) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or to be received, after deducting trade discounts, rebates and sales related taxes and duties. Revenue is recognized when the significant risks and rewards of ownership have been transferred, generally at the date of transfer of ownership title.

The risks and rewards of ownership are transferred when the Fund no longer has effective control over the goods sold, when the amount of revenue can be measured reliably, when it is probable that the economic benefits associated with the transaction will flow to the Fund, and when the costs incurred or to be incurred in respect of the transaction can be measured reliably and recovery is reasonable assured.

c) **Profit (loss) per unit**
Basic and diluted profit (loss) per Unit is calculated by dividing profit (loss) by the weighted average number of Units outstanding during the reporting period.

d) **Property, plant and Equipment**
Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

| | | |
|---|---|---|
| Equipment | 5 years | straight-line method |

e) **Future Changes in accounting Policies**
A number of new standards and amendments to standards and interpretations are not effective for the year ended December 31, 2019 and have not been applied in preparing these unconsolidated financial statements. None of these is expected to have a significant impact on the unconsolidated financial statements of the Fund.

| | |
|---|---|
| IFRS 17 | Insurance contracts |
| IFRS 10 and IAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate or Joint Venture |
| IFRS 3 (Amendments) | Definition of a business |
| IAS 1 and 8 (Amendments) | Definition of material |
| Conceptual Framework | Amendments to references to the Conceptual Framework in IFRS standards |

Other accounting standards or amendments to existing accounting standards that have been issued and have future effective dates are either not applicable or are not expected to have a significant impact on the Fund's consolidated financial statements.

4. **GOING CONCERN**

These financial statements have been prepared on a going-concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Fund be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at December 31, 2019, the Fund did not have on hand sufficient resources to fully fund operations or complete the entire build out of the development should it choose to do so. The Fund is dependant upon its ability to attain profitable operations and generate funds therefrom, raising additional capital or borrowing from third parties sufficient to meet current and future obligations.

Management's intent is to raise capital only as needed so as to not unnecessarily dilute the current unit holders economic interest and believes sufficient funds can be raised as needed. Subsequent to year end, $80,010 was raised by the sale of additional Class C units and an Exempt Market and Mutual Funds Dealer, subject to due diligence, has agreed to act as non-exclusive exempt market dealer to sell further trust units on a private placement basis should additional funds be needed. As an additional precaution, management has also listed for sale a portion of the property.

**(Expressed in Canadian dollars)**

5. **INVENTORY**

| | **2019** | 2018 |
|---|---|---|
| Land | **$ 2,815,270** | $ 2,815,270 |
| Development costs | **2,769,472** | 2,386,277 |
| Cabin | **223,505** | 223,505 |
| Total inventory | **$ 5,808,247** | $ 5,425,052 |

6. **PROPERTY, PLANT & EQUIPMENT**

| | Cost | Accumulated Amortization | **2019 Net Book Value** | 2018 Net Book Value |
|---|---|---|---|---|
| Equipment | **52,144** | **16,815** | **35,229** | $ 20,300 |

The equipment is held as security for a loan (Note 8).

7. **DUE FROM (TO) RELATED PARTIES**
The amounts due from (to) related parties, related through common officers and directors of the Fund, is unsecured and non-interest bearing.

8. **SHORT TERM LOAN**
The Partnership acquired Parcel A of real property located in Port Renfrew, British Columbia for a purchase price of $1,744,000. The acquisition was partly financed by a Vendor Take Back Mortgage of $1,269,094, which is secured by these lands. The Vendor Take Back mortgage was assigned to HSBC Bank Canada. The Vendor Take Back mortgage bears interest at the rate of 7% per annum and is repayable in monthly instalments of $105,000 with a maturity date of February 1, 2014.The amount outstanding at December 31, 2019 amounts to $156,198.

The Partnership acquired Parcels B, C, D and E of real property located in Port Renfrew, British Columbia for a purchase price of $1,250,000. The acquisition was partly financed by a Vendor Take Back Mortgage of $1,100,000, which is secured by these lands. The Vendor Take Back mortgage was assigned to HSBC Bank Canada. The Vendor Take Back mortgage bears interest at the rate of 7% per annum and is repayable in monthly instalments of $105,000 with a maturity date of January 1, 2015.The amount outstanding at December 31, 2019 amounts to $50,000. The title to these properties are held on behalf of the Partnership by 0983327 B.C. Ltd, 0983328 B.C. Ltd, 0983329 B.C. Ltd and 0983330 B.C. Ltd.

The Partnership received a loan of $148,000 from a company controlled by a Director of the General Partner at an interest rate of 8% per annum, repayable on demand. The loan outstanding at December 31, 2019 amounts to $148,000.

The Partnership received a loan of $80,000 from a company which owns the share capital of the General Partner at an interest rate of 8% per annum, repayable on demand. The loan outstanding at December 31, 2019 amounts to $85,120.

On June 7, 2017, the Partnership received a loan of $100,000, The loan, bearing interest at a rate of 8% per annum is repayable in monthly blended payments of $700 and is secured by a cottage (excluding land) located in Port Renfrew, B.C. The loan matured on June 7, 2020; the terms of the loan have now been amended such that it is now repayable on demand. The loan outstanding at December 31, 2019 amounts to $98,897.

**(Expressed in Canadian dollars)**

## 9. LOANS AND OBLIGATIONS UNDER CAPITAL LEASE

| | **2019** | 2018 |
|---|---|---|
| First Capital loan bearing interest at 10.15% per annum, repayable in monthly blended payments of $679. The loan matures on August 21, 2020 and is secured by 2017 Bombardier 8MH600 | **$ 4,597** | $ 11,873 |
| First Capital lease bearing interest at 5% per annum, repayable in monthly blended payments of $407. The lease matures on March 1, 2023 and is secured by three Sea Can Containers | **14,285** | - |
| Loan bearing interest at 8% per annum, repayable in monthly blended payments of $700. The loan matures on June 7, 2020 and is secured by a cottage (excluding land) located in Port Renfrew, B.C. | **-** | 99,365 |
| | **18,882** | 111,238 |
| Amounts payable within one year | **(8,863)** | (7,672) |
| | **$ 10,019** | $ 103,566 |

Principal payments are approximately:

| | |
|---|---|
| 2020 | $ 8,863 |
| 2021 | 4,485 |
| 2022 | 4,714 |
| 2023 | 820 |
| Total minimum payments | $ 18,882 |

**(Expressed in Canadian dollars)**

## 10. UNITHOLDERS EQUITY

The Amended and Restated Deed of Trust dated December 20, 2013 provides that an unlimited number of Class A trust units ("Class A"), an unlimited number of Class B trust units ("Class B") and an unlimited number of Class C trust units ("Class C") may be issued. Each Unit is redeemable, subject to applicable laws and represents an equal undivided beneficial interest in Class A Unit Distributable Income, Class B Unit Distributable Income and Class C Unit Distributable Income, as applicable from the Fund and in the net assets of the Fund in the event of termination or winding up of the Fund. Each Unit entitles the holder to one vote at all meetings of unitholders. The issued Units are not subject to future calls or assessments.

The number of units issued and outstanding are as follows:

| | Units | Amount |
|---|---|---|
| **CLASS A** | Number | $ |
| Units outstanding, January 1, 2019 | 311,361 | 2,455,701 |
| Units redeemed | (440) | (5,852) |
| Units outstanding, December 31, 2019 | 310,921 | 2,449,849 |
| | | |
| **CLASS B** | | |
| Units outstanding, January 1, 2019 | 40,624 | 373,249 |
| Units outstanding, December 31, 2019 | 40,624 | 373,249 |
| | | |
| **CLASS C** | | |
| Units outstanding, January 1, 2019 | 197,579 | 1,779,138 |
| Units issued for cash | 6,072 | 81,508 |
| Units outstanding, December 31, 2019 | 203,651 | 1,860,645 |

Units issued pursuant to the offerings are net of issue costs of $1,029,829.

The Class B Unitholders have been offered the option of electing to convert their existing Class B shares to either:

1. Amended Class B Units which have the same rights, privileges, restrictions and conditions as the existing Class C Units; or
2. Redeem their Class B units

13,000 Class B unit holders elected to redeem their units of which 5,000 units were paid out during the year ended December 31, 2018, leaving 8,000 units to be redeemed as and when the trust has sufficient cash resources.

**(Expressed in Canadian dollars)**

11. **RELATED PARTY TRANSACTIONS**

A company which owns the share capital of the General Partner provided management services totalling $120,000 (2018 - $120,000) which is included in inventory. Included in trade payable and accrued liabilities is $413,337 (2018 - $371,861) relating to these services provided. The Partnership received a loan of $80,000 from this company at an interest rate of 8% per annum, repayable on demand. The loan outstanding at December 31, 2019 amounts to $85,120.

A company controlled by a close family member of the trustee, acts as the sales agent for the trust units. During the year, this company earned $3,500 (2018-$48,723) in commissions from the sale of trust units. An amount of $4,999 payable to this related party is included in Accounts Payable.

A company controlled by a Director of the General Partner provided a loan of $148,000 at an interest rate of 8% per annum repayable on demand. The loan outstanding at December 31, 2018 amounts to $148,000.

During the year the Directors of the General Partner received $200,000 (2018: $200,000) in fees, which is included in inventory. A total of $548,000 is included in trade payables and accrued liabilities at December 31, 2019 relating to these services.

A close family member of a director of the General Partner co-signed the capital lease included in Note 8.

The transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

12. **SUBSEQUENT EVENTS**

Subsequent to the year end, the Fund issued a further 5,715 Class C units for proceeds totalling $80,010.

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Fund in future periods.

13. **CHANGE IN NON CASH WORKING CAPITAL**

| | | **2019** | | 2018 |
|---|---|---|---|---|
| Accounts receivable | **$** | **6,162** | $ | (20,568) |
| Inventory | | **(383,195)** | | (459,345) |
| Accounts payable and accrued liabilities | | **248,813** | | 177,727 |
| Deposit | | **5,000** | | - |
| | **$** | **(123,220)** | $ | (302,186) |

## 14. CAPITAL MANAGEMENT

The Fund's capital management policy is to maintain a strong capital base that optimizes the Fund's ability to grow maintain investor and creditor confidence and to provide a platform to create value for its unitholders. The Fund intends to maintain a flexible capital structure to maximize its ability to pursue additional investment opportunities, which considers the Fund's early stage of development and the requirement to sustain future development of the business.

The Fund will manage its capital structure and make changes to it in light of changes to economic conditions and the risk characteristics of the nature of the business. The Fund considers it capital structure to include unitholders equity and working capital. In order to maintain or adjust the capital structure, the Fund may from to me to time issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure.

The Fund currently has no debt outstanding other than accounts payable and accrued liabilities, short term loan and amounts due to a related parties and it monitors capital based on its current working capital, projected cash flow from operations and anticipated capital expenditures.

## 15. FINANCIAL RISK MANAGEMENT

a) Overview

The Fund's planned operations will expose it to a variety of financial risks that arise as a result of its operating and financing activities:

(1) credit risk
(2) liquidity risk; and
(3) market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risks and the Fund's management of capital.

The Fund employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Fund's business objectives and risk tolerance levels. While the trustees have the overall responsibility for the establishment and oversight of the Fund's risk management framework, management has the responsibility to administer and monitor these risks.

b) Credit Risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Fund's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, being cash and cash equivalent of $45,493, accounts receivable of $31,958, deposits of $5,390 and due from related parties of $40,409.

The Fund continuously monitors defaults of customers and other counterparties and incorporates this into its credit risk controls. The Fund's policy is to deal only with creditworthy customers and counterparties.

The Fund's management considers that all the above financial assets are not impaired or past due the reporting date under review are of good credit quality. None of the Fund's financial assets are secured by collateral or other credit enhancements.

c) Liquidity risk
Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they are due. The Fund's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Fund's ongoing liquidity will be impacted by various external events and conditions.

The Fund's financial liabilities at of the reporting date consist of accounts payable and accrued liabilities of $1,152,597, current portion of long term loan of $8,863, customer deposits of $5,000 and short term loans of $538,215.

The Fund expects to repay its financial liabilities in the normal course of operations and to Trust future operational and capital requirements through future operational cash flows, as well as future equity raises.

d) Market risk
Market risk is the risk that changes in market prices, such as interest rates, will affect the Fund's net income or the value of financial instruments. The objective of the Fund is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns.

e) Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest rate on the Fund's short term loan is fixed for the term.

The Fund's had no interest rate swaps or financial contracts in place as at or during the period ended December 31, 2019.