PORT RENFREW DEVELOPMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Canadian dollars)

Contents

David L. Patrino
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT

To the Unitholders of Port Renfrew Development Trust:

Opinion

I have audited the consolidated financial statements of Port Renfrew Development Trust, which comprise the consolidated balance sheets as at December 31, 2022 and December 31, 2021, and the consolidated statements of comprehensive income, changes in unitholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Port Renfrew Development Trust as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the International Financial Reporting Standards.

Basis for Opinion

I conducted my audits 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 audits of the consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Material Uncertainty Relating to Going Concern

I draw your attention to Note 4 in the financial statements, which indicates that the Fund incurred a net loss of $2,611,711 during the year ended December 31, 2022. As stated in Note 6, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Key Audit Matter Description	Audit Response
Real Estate Held for Development and Sale As at December 31, 2022, approximately 81% of the Fund's assets or $4,311,353 are comprised of real estate held for development and sale (refer to Note 8). As described in Note 3c, real estate held for development and sale is measured at lower of cost or net realizable value. The determination of the net realizable value of real estate held for development and sale is considered to be a significant estimate. Each valuation requires consideration of various inputs including, but not limited to, the type of real estate, its location, stage of development and comparable market transactions. I therefore considered real estate held for development and sale to be a key audit matter.	I responded to this matter by performing audit procedures in relation to real estate held for development and sale. My audit work in relation to this included, but was not restricted to, the following: • I obtained the independent appraisals completed for the Fund's real estate holding. I verified that management has appropriately deducted future development costs and estimated selling costs from the appraised values to determine the net realizable value. I compared the carrying value to the estimated net realizable value. • I obtained reliance letters from the independent appraisers and confirmed their professional qualifications and their role as specialists. • I assessed the appropriateness of the disclosures relating to the assumptions used in real estate held for development and sale in the notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Fund'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 Fund's financial reporting process.

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 consolidated 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Calgary, Alberta
April 24,2023

David L Patrino Professional Corporation
Chartered Professional Accountant

Port Renfrew Development Trust

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)
December 31, 2022

	Note	2022	2021
		$	$
ASSETS			
Non-Current Assets			
Due from related party	7	**88,545**	67,447
Property, plant and equipment	9	**22,516**	14,472
		111,061	81,919
Current Assets			
Cash		**432,780**	174,524
Accounts receivable		**-**	325
Real estate held for development and sale	8	**3,509,386**	6,754,227
Vendor take back mortgage receivable	10	**240,000**	-
Prepaid and deposits		**18,126**	17,111
		4,200,292	6,946,187
Total Assets		**4,311,353**	7,028,106
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued liabilities		**2,280,511**	1,769,554
Short term loans	11	**308,767**	773,832
Goods and Service Taxes payable		**65,431**	-
Customer deposits		**-**	5,000
Due to related party	7	**100,000**	300,000
Current portion of obligations under capital lease	12	**818**	4,714
		2,755,527	2,853,100
Non-Current			
Obligations under capital lease	12	**-**	819
UNITHOLDERS' EQUITY			
Unitholders' equity	13	**1,555,826**	4,174,187
Total liabilities and Unitholders' Equity		**4,311,353**	7,028,106

Subsequent events (Note 16)

Jason Brown

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, 2022

	Note	2022	2021
		$	$
Sales Revenue		**4,273,618**	-
Direct Cost of sales		**6,596,971**	-
Gross Margin		**(2,323,353)**	
Expenses:			
Selling and marketing		**154,042**	-
General and administrative costs		**136,296**	93,238
		290,338	(93,238)
Finance income		**1,980**	-
Loss and comprehensive income		**(2,611,711)**	(93,238)
Loss per Unit (basic and diluted)		**(4.62)**	(0.16)
Weighted average number of Units outstanding (basic and diluted)		**565,112**	564,968

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, 2022

	NOTE	TRUST UNITS	TRUST UNITS	(LOSS)	TOTAL
		Number	$	$	$
Balance at December 31, 2020		560,911	4,761,744	(560,133)	4,201,611
Issuance of units for cash:					
Class C		4,701	65,814	-	65,814
Loss for the year		-	-	(93,238)	(93,238)
Balance at December 31, 2021		565,612	4,827,558	(653,371)	4,174,187
Redemption of units for cash:					
Class A		(500)	(6,650)	-	(6,650)
Loss for the year		-	-	(2,611,711)	(2,611,711)
Balance at December 31, 2022		(565,112)	4,820,908	(3,265,082)	1,555,826

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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, 2022

	Note	2022	2021
		$	$
Operations:			
Loss for the year		**(2,611,711)**	(93,238)
Items not affecting cash:			
Amortization		**9,260**	10,429
Change in non-cash working capital	15	**3,810,824**	(546,380)
Cash outflow from operating activities		**1,208,373**	(629,189)
Investing Activities			
Purchase of property, plant and equipment		**(17,304)**	-
Due from related parties		**(21,098)**	(7,742)
Cash outflow from investing activities		**(38,402)**	(7,742)
Financing activities:			
Due to related parties		**(500,000)**	300,000
Loan from related party		**300,000**	-
Vendor Take Back financing		**(240,000)**	-
Redemption of partner units		**(6,650)**	-
Issuance of units for cash		**-**	65,814
Proceeds from short term loan		**8,553**	435,155
Repayment of long-term loans		**(473,618)**	(4,485)
Repayment of short-term loans			-
Cash inflow from financing activities		**(911,715)**	796,484
Cash generated (used) in the year		**258,256**	159,553
Cash and cash equivalents at beginning of year		**174,524**	14,971
Cash and cash equivalents at end of year		**432,780**	174,524

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 500, 707 – 5th Street SW, Calgary. AB T2P 0Y3.

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 500, 707 – 5th Street SW, Calgary. AB T2P 0Y3.

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 500, 707 – 5th Street SW, Calgary. AB T2P 0Y3.

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 April 24, 2023.

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. 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. (Note 4).

There are significant uncertainties with respect to the duration and potential impact to the Fund of the COVID-19 pandemic that spread across Canada.

c) Cash

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

b) Revenue recognition

Development land sales

Development land sales to third parties are recognized when the Fund's performance obligations are satisfied, and transfer of control has passed to the purchaser.

Performance obligations are satisfied after agreed to services pertaining to the property have been substantially performed. Indications of transfer of control to a purchaser include registering the subdivision plan with the land titles office and transferring title of the land to purchaser on receipt of full payment, all indicating significant risk and rewards of ownership are transferred to the purchaser. In situations where extended payment terms are provided to a purchaser, an appropriate rate of interest is included, and the Fund secures appropriate security for the remaining unpaid portion before title to the land is transferred to the purchaser.

Deposits received upon signing of contracts for purchases of land on which revenue recognition criteria have not been met are recorded as customer deposits.

Finance Income
Finance income is recognized as it accrues using the effective interest rate method.

Other Revenue
Rental income is recognized on a straight-line bases over the term of the rental agreement. Rental income is incidental to ownership of real estate and does not result in classification of real estate as investment property. All real estate is classified as inventory. Deposits are recognized as income.

c) **Real Estate held for development and sales**
Land under development, land held for future development under construction are inventory and are measured at the lower of cost and estimated net realizable value ("NVR"). NVR is the estimated selling price in the ordinary course of the business at the balance sheet date, less costs to complete and estimated selling costs.

Costs include land acquisition costs, other direct costs of development and construction, borrowing costs, property taxes and legal costs. These costs are allocated to each phase of the project in proportion to saleable acreage.

d) **Borrowing Costs**
Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds. The acquisition or construction of real estate assets takes a substantial period of time, which is a year or more, to develop it for its intended use or sale. Borrowing costs attributable to real estate held for development and sale are recorded as part of the respective inventory carrying cost from the date of commencement of development work until the date of completion. All other borrowing costs are expensed in the period in which they are incurred. The recording of interest to inventory is suspended if the project's development is suspended for a prolonged period.

e) **Provision for future development costs**
The Fund sells land and lots for which it is responsible to pay for future development costs. For land development, the provision for future development costs represents the estimated remaining construction costs related to previously sold land, including all direct and indirect costs expected to be incurred during the remainder of the servicing period, net of expected recoveries. The provision is reviewed periodically and, when the estimate is known to be different from the actual costs incurred or expected to be incurred, an adjustment is made to the provision for future development costs and a corresponding adjustment is made to land under development and/or cost of sales.

f) **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.

g) **Significant accounting judgements and estimates**

The preparation of consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. On an ongoing basis, management evaluates its judgements and estimates in relation to revenues, expenses, assets, and liabilities. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The following are the most significant account judgements and estimates made by the Fund in applying accounting policies:

Judgements

a. **Revenue Recognition**
Revenue recognition for development lands requires judgement to determine when performance obligations are satisfied, and transfer of control has passed to the purchaser. The Fund reviews each contract and evaluates all the factors to determine the appropriate date to recognize revenue.

b. **Net Realizable Value(“NRV”)**
NRV for land held for development and sale is estimated with reference to market prices and conditions existing at the balance sheet date. This is determined by the Fund having considered suitable external advice including independent real estate appraisers and recent market transactions of similar and adjacent lands and housing projects in the same geographic area.

Estimates

a. **Provision for future development costs**
Changes in estimated future development costs, which generally provided by third party service providers, directly impact the amount recorded for the future development liability, costs of sales, gross margin and, in some cases, the value of real estate under development and held for sale. This liability is subject to uncertainty due to the long-time frames involved, specifically in land development.

b. **Reversal of write down/Write-down of real estate held for development and sale**
The Fund estimates the NRV of real estate held for development and sale and investments in land development entities at least annually for impairment or whenever events or changes in circumstances indicate the carrying value may exceed NRV. The estimate is based on valuations conducted by independent real estate appraisers and other third-party advisors and is also based on housing projects and lot sales in the same geographic area.

h) **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

i) **Financial Instruments**
Effective July 1, 2018, the Fund adopted IFRS 9, Financial Instruments on a retrospective basis. The Adoption of IFRS 9 did not result in any adjustments to the amounts recognized in the Fund's financial statements for the year ended August 31, 2021. IFRS 9 replaces IAS 39, Financials Instruments: Recognition and Measurement

IFRS 9 introduces new requirements for the classification, measurement and impairment of financials assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivables and other financial liabilities categories.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Fund's financial instruments:

Financial Instrument Classification	**IAS 39**	**IFRS 9**
Cash	Held to maturity	Amortized Cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized Cost
Due to related parties	Other financial liabilities	Amortized Cost

The following are the Fund's new accounting policies for financial instruments under IFRS 9:

Financials assets
Non-derivative financials assets withing IFRS 9 are classified as "financials assets at fair value (either through other comprehensive income ("FVOCI"), or through profit or loss ("FVTPL')), and "financials assets at amortized costs" as appropriate. The Fund determines the classification of its financial assets at initial recognition based on the Fund's business model and contractual terms of cash flows.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs on the trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Where the fair values of financials assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Financials assets at FVTPL
Financials assets measured at FVTPL include financial assets management intends to sell and any derivative financials instrument that is not designated as a hedging instrument in a hedge relationship. Financials assets measured at FVTPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expenses in the statements of loss and comprehensive loss. The Fund does not have any financials assets classified as at FVTPL.

Financials assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Fund has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Fund does not have any financial assets classified as at FVOCI. After initial measurement, investments measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Financials Assets at Amortized Cost
These assets are non-derivative financials assets with fixed or determinable payments that are not Quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Derecognition
A Financials asset is derecognized when the contractual rights to the cash flows from the assets expire, or the Fund transfers substantially all the risks and rewards of ownership of the asset.

Impairment of financials assets
Financial asset subject to impairment are measured at amortized costs. The Fund has elected to apply the simplified approach to impairment as permitted by IFRS 9, Which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases, and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

The expected lifetime loss of a financials asset at amortized cost, is estimated based on the expected credit loss (“ECL”). ECL’s are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

Financial liabilities
Non-derivative financials liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Fund has opted to measure the financial liability at FVTPL. The Fund’s financial liabilities include trade payables and accrued liabilities and due to related parties, which are measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Financials liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition any fees or cost that are an integral port of EIR. The EIR amortization is included in finance cost, in the statements of loss and comprehensive loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other come or expenses in the statements of loss and comprehensive loss

4. **STANDARDS AND AMENDMENTS TO EXISTING STANDARDS DURING 2022**
The Fund adopted no new IFRSs and interpretations during 2022.

5. **NEW ACCOUNTING PRONOUNCEMENTS**
There were no new accounting pronouncements or amendments to existing standards that impacted or are expected to impact the Fund in 2022 and 2023

6. **GOING CONCERN**
These financial statements have been prepared on a going-concern basis that 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, 2022, the Fund incurred losses of $2,611,711. Subsequent to the year end, a further 6 residential lots were listed for sale for a total listing price of $3 million.

The Fund's ability to continue as a going concern 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.

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

The General Partner obtained a loan of $300,000 during the year ended December 31, 2021. The loan, secured by land controlled by the General Partner, bore interest at the rate of 9.9% per annum. The loan was repaid during the year.

On November 28, 2022, The General Partner obtained a loan of $100,000The loan, bearing interest at a rate of 8% per annum is for a term of 3 years and is secured by a cottage (excluding land) located in Port Renfrew, B.C. The loan outstanding at December 31, 2022 amounts to $100,000.

(Expressed in Canadian dollars)

8. REAL ESTATE HELD FOR DEVELOPMENT AND SALE

	2022	2021
Land	**$ 2,598,957**	$ 2,815,270
Development costs	**761,134**	3,715,452
Cabin	**149,295**	223,505
Total inventory	**$ 3,509,386**	$ 6,754,227

9. PROPERTY, PLANT & EQUIPMENT

		2022		2021
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Equipment	**$ 69,447**	**$ 45,200**	**$ 24,247**	$ 14,472

Equipment with a book value of $0 is held as security for a loan (Note 12).

10. VENDOR TAKE BACK MORTGAGE RECEIVABLE

Effective November 31, 2022 the partnership provided financing to a purchaser of a developed lot in the form of a vendor take back mortgage. The financing of $240,000 bears interest at the rate of 9.9%, is repayable in six months of the advance date with an option to extend repayment date by two months

11. SHORT TERM LOANS

The Partnership received a loan of $421,311 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, 2022 amounts to $145,801.

The Partnership received a loan of $230,000 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, 2022 amounts to $162,966.

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 were amended such that it was repayable on demand. The loan was repaid during the year.

(Expressed in Canadian dollars)

12. CAPITAL LEASE

		2022		2021
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	$	819	**$**	**5,533**
		819		**5,533**
Amounts payable within one year		819		**4,714**
	$	-	**$**	**819**

Principal payments are approximately:		
2023		819
Total minimum payments	$	819

13. 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, 2022	310,921	2,449,849
Units redeemed for cash	(500)	(6,650)
Units outstanding, December 31, 2022	310,421	2,443,199
CLASS B		
Units outstanding, January 1, 2022	40,624	373,249
Units outstanding, December 31, 2022	40,624	373,249
CLASS C		
Units outstanding, January 1, 2022	214,067	2,004,460
Units outstanding, December 31, 2022	214,067	2,004,460

Units issued pursuant to the offerings are net of issue costs of $1,033,489.

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.

14. RELATED PARTY TRANSACTIONS

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 $Nil (2021-$Nil) 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 which owns the share capital of the General Partner provided management services totalling $120,000 (2021 - $120,000) which is included in inventory. Included in trade payable and accrued liabilities is $588,480 (2021 - $568,099) relating to these services provided. The Partnership received a loan of $230,000 from this company at an interest rate of 8% per annum, repayable on demand. The loan outstanding at December 31, 2022 amounts to $$162,965.

A company controlled by a Director of the General Partner provided a loan of $421,310 at an interest rate of 8% per annum repayable on demand. The loan outstanding at December 31, 2022 amounts to $145,801.

During the year the Directors of the General Partner received $200,000 (2021 - $200,000) in fees, which is included in inventory. A total of $1,138,000 (2021 - $948,000) is included in trade payables and accrued liabilities at December 31, 2022 relating to these services.

The General Partner obtained a loan of $300,000, the proceeds of which were provided to the Partnership. The loan, secured by land controlled by the General Partner, bears interest at the rate of 9.9% per annum and matured on October 1, 2022. The loan was repaid during the year.

On November 28, 2022, The General Partner obtained a loan of a loan of $100,000, the proceeds of which were provided to the Partnership. The loan, bearing interest at a rate of 8% per annum is for a term of 3 years and is secured by a cottage (excluding land) located in Port Renfrew, B.C. The loan outstanding at December 31, 2022 amounts to $100,000.

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.

(Expressed in Canadian dollars)

15. CHANGE IN NON-CASH WORKING CAPITAL

		2022		2021
Accounts receivable	**$**	**324**	$	34,787
Inventory		**3,244,841**		(786,441)
Prepaid and deposits		**(1,015)**		(14,786)
Accounts payable and accrued liabilities		**510,957**		220,060
Goods and Service Taxes payable		**65,431**		-
Customer Deposits		**(5,000)**		-
Current portion of Long-Term Debt		**(4,714)**		-
	$	**3,810,824**	$	(546,380)

16. SUBSEQUENT EVENTS

The Partnership has listed for sale a further 6 residential lots for a total listing price of $3 million.

Subsequent to the year-end, the Fund redeemed 1,000 Class B Units for $9,500.

17. COVID-19

The outbreak of the COVD-19 virus was declared a pandemic by the World Health Organization in 2020. The duration and ongoing impact of the COVID-19 virus is unknown at this time and it is not possible to reliably estimate the impact, length and severity of these developments on the financial results and conditions of the Fund in future periods.

18. 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.

19. **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 $432,780, prepaid and deposits of $18,126 and due from related parties of $88,545.

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 $2,280,511, due to related party of $100,000, current portion of obligations under capital lease of $818 short term loans of $308,767 and Goods and Service Taxes payable of $65,431.

The Fund expects to repay its financial liabilities in the normal course of operations and to fund 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, 2022.