

# **PORT RENFREW DEVELOPMENT TRUST**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FROM THE DATE OF FORMATION ON JANUARY 17, 2012 TO DECEMBER 31, 2012**

**(Expressed in Canadian dollars)**

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**David L. Patrino**

PROFESSIONAL CORPORATION

CHARTERED ACCOUNTANT

## **Independent Auditor's Report**

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

I have audited the accompanying consolidated financial statements of Port Renfrew Development Trust, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of loss and comprehensive loss, changes in unitholders' equity and cash flows for the period from the date of formation on January 17, 2012 to December 31, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

**Independent Auditor's Report...continued**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Port Renfrew Development Trust as at December 31, 2012 and its consolidated financial performance and its consolidated cash flows for the period from the date of formation on January 17, 2012 to December 31, 2012 in accordance with International Financial Reporting Standards.

**June 7, 2013**



**Chartered Accountant  
Calgary, Canada**

# Port Renfrew Development Trust

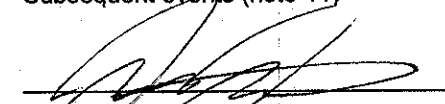
## Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

December 31, 2012

	Note	2012
		\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash		636,730
Cash held in trust	4	3,000
Options to purchase land	5	175,400
Inventory	6	385,957
Due from related parties	7	28,379
<b>Total Assets</b>		<b>1,299,466</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Liabilities:		
Accounts payable and accrued liabilities		112,640
Short term loan	8	72,224
Due to related party	7	90
<b>UNITHOLDERS' EQUITY</b>		
Unitholders' equity		1,044,512
<b>Total liabilities and Unitholders' Equity</b>		<b>1,229,466</b>

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)

From the date of formation on January 17, 2012 to December 31, 2012

	Note	2012
		\$
<b>Expenses:</b>		
Financing costs		2,244
General and administrative costs		30,942
Loss and comprehensive loss		33,186
Loss per Unit (basic and diluted)		0.99
Weighted average number of Units outstanding (basic and diluted)		33,436

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

## Port Renfrew Development Trust

### Consolidated Statement of Unitholders' Equity

(Expressed in Canadian dollars)

From the date of formation on January 17, 2012 to December 31, 2012

	NOTE	TRUST UNITS	TRUST UNITS	LOSSES	TOTAL
		Number	\$	\$	\$
Balance at January 17, 2012		-	-	-	-
Cash received on settlement		1	10	-	10
Issuance of units for cash	9	141,608	1,077,688	-	1,077,688
Loss for the period		-	-	(33,186)	(33,186)
Balance at December 31, 2012		141,609	1,077,698	(33,186)	1,044,512

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

# Port Renfrew Development Trust

## Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

From the date of formation on January 17, 2012 to December 31, 2012

	2012
	\$
<b>Operations:</b>	
Loss for the period	(33,186)
Change in non-cash working capital	(304,596)
Cash outflow from operating activities	(337,782)
<b>Investing activities:</b>	
Options to purchase land	(175,400)
Cash outflow from investing activities	(175,400)
<b>Financing activities:</b>	
Short term loan	72,224
Issuance of units for cash	1,077,688
Cash inflow from financing activities	1,149,912
Increase in cash, being cash end of period	636,730

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

# **Port Renfrew Development Trust**

## **Notes to the Consolidated Financial Statements**

**(Expressed in Canadian dollars)**

**As at and for the period ended December 31, 2012**

### **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 Fund intends 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 for the purposes of acquiring units in Port Renfrew Business Trust (the "Business Trust"). The Trustee of the Fund is Jason Brown. The Fund's head office and address for service is located at 96 Gleneagles View, Cochrane, Alberta. T4C 1P2.

The Business Trust is an unincorporated open-ended trust established by the Business Trust's Deed of Trust dated January 17, 2012. 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 96 Gleneagles View, Cochrane, Alberta. T4C 1P2.

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 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.



# Port Renfrew Development Trust

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the period ended December 31, 2012

The consolidated financial statements were approved and authorized for issue by the Trustee on June 7, 2013.

b) **Basis of measurement**

The consolidated financial statements have been prepared on the historical costs 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 the Fund and its subsidiaries over which the Fund has control. 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 of the subsidiaries 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

# Port Renfrew Development Trust

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the period ended December 31, 2012

financial statements. The consolidated financial statements reflect the financial position, results of operations and cash flows of the Fund and its subsidiaries.

b) **Cash**

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

b) **Inventories**

Inventories are 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) **Net loss per unit**

Basic and diluted net loss per Unit is calculated by dividing net loss by the weighted average number of Units outstanding during the reporting period.

d) **New standards and interpretations issued but not yet adopted**

A number of new standards and amendments to standards and interpretations, are not effective for the period ended December 31, 2012 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant impact on the consolidated financial statements of the Fund.

(i) **IFRS 9 – financial instruments**

In November 2009, the IASB issued IFRS 9, Financial Instruments. IFRS 9 is intended to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 establishes the measurement and classification of financial assets. Under IFRS 9, financial assets are measured either at fair value through earnings or at amortized costs if certain conditions are met. The effective date of this standard is January 1, 2015 with early adoption permitted. IFRS 9 did not impact the consolidated financial statements as at December 31, 2012.

(ii) **IFRS 10 – Consolidated Financial Statements**

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements. The

## **Port Renfrew Development Trust**

### **Notes to the Consolidated Financial Statements**

**(Expressed in Canadian dollars)**

**As at and for the period ended December 31, 2012**

new standard replaces IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities. The new standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The effective date of this standard is January 1, 2013 with early adoption permitted. IFRS 10 did not impact the consolidated financial statements as at December 31, 2012.

**(iii) IFRS 11 – Joint Arrangements**

In May 2011, the IASB issued IFRS 11, Joint Arrangements. The new standard replaces IAS 31, Interest in Joint Ventures. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures. The effective date of this standard is January 1, 2013 with early adoption permitted. IFRS 11 did not impact the consolidated financial statements as at December 31, 2012.

**(iv) IFRS 13 – Fair Value Measurement**

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. The objective of IFRS 13 is to define fair value, set out in a single IFRS framework for measuring fair value and establish disclosure requirements regarding fair value measurements. The effective date of this standard is January 1, 2013 with early adoption permitted. IFRS 13 did not impact the consolidated financial statements as at December 31, 2012.

**(v) IAS 1 – Presentation of financial statements**

In June 2011, the IASB made amendments to IAS 1, Presentation of Financial Statements. This amendment will require entities to group items presented in other comprehensive income (“OCI”) on the basis of whether they will or will not subsequently be reclassified to profit or loss. The effective date of this amendment is January 1, 2013 with early adoption permitted. The adoption of amendments to IAS 1 did not impact the consolidated financial statements as at December 31, 2012.

# Port Renfrew Development Trust

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the period ended December 31, 2012

### 4. CASH HELD IN TRUST

On July 4, 2012, the Partnership paid \$3,000 with respect to costs of acquiring lands located in Port Renfrew, British Columbia.

### 5. OPTIONS TO PURCHASE LAND

	2012
Option consideration for parcels A-E	\$ 1,000
Deposit on parcel A	174,400
Total Options to purchase land	\$ 175,400

Pursuant to agreements dated February 9, 2012, the General Partner, on behalf of the Partnership, entered into five option agreements with Three Point Properties (2006) Ltd. The agreements provide the Partnership with the option to purchase five parcels of land. The options can be exercised in sequential order within 180 days of the completion of the purchase of the previous parcel. The option deadline can be extended, on a one time basis, for a further 180 days by the payment of the deposit and written notice to extend. The options are as follows:

Parcel	Acres	Option Consideration	Deposit	Purchase price
A	87.20	\$ 200	\$174,400	\$1,744,000
B	52.10	\$ 200	\$ 104,200	\$ 1,042,000
C	67.00	\$ 200	\$ 33,500	\$ 335,000
D	159.26	\$ 200	\$ 79,630	\$ 796,300
E	69.442	\$ 200	\$ 20,832	\$ 208,326

Three Point Properties (2006) Ltd. is a related party by virtue of common officers and directors.

## Port Renfrew Development Trust

### Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the period ended December 31, 2012

#### 6. INVENTORY

	2012
Development costs	\$ 321,475
Cabin	64,482
Total inventory	\$ 385,957

#### 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 received loans totalling \$72,224 at an interest rate of 10% per annum repayable within one year. The lenders have an option which grants them the right to enter into a contract for the purchase of property in the Partnership's development in Port Renfrew, British Columbia. The purchase price will be \$139,900 including GST/HST. The outstanding amount of the loan will be treated as part payment of the purchase price.

## Port Renfrew Development Trust

### Notes to the Consolidated Financial Statements (Expressed in Canadian dollars)

As at and for the period ended December 31, 2012

#### 9. UNITHOLDERS EQUITY

The Deed of Trust provides that an unlimited number of trust units (the "Units") may be issued. Each Unit is transferrable and represents an equal undivided beneficial interest in any distributions of 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 thereof to participate equally in the distributions and to one vote at all meetings of unitholders from each whole unit held. The issued Units are not subject to future calls or assessments.

The number of units issued and outstanding are as follows:

	Units	Amount
	Number	\$
Units outstanding, January 17, 2012	-	-
Initial Trust Unit	1	10
Units issued for cash	141,608	1,077,688
Units outstanding, December 31, 2012	141,609	1,077,698

Units issued pursuant to the offering are net of issue costs of \$338,392

#### 10. RELATED PARTY TRANSACTIONS

Valhalla, a company which owns the share capital of the General Partner provided management services totalling \$147,010 which is included in inventory. Included in accounts payable and accrued liabilities is \$82,383 relating to these services provided. Additionally, during the period, general and administration expenses of \$615 and issue costs of \$16,844 was paid to a Valhalla.

Rainforest Trails Ltd., a company controlled by one of the directors of the General Partner provided planning services of \$86,725, which is included in inventory. Included in accounts payable and accrued liabilities is \$10,786 relating to the planning services provided.

The transactions are in the normal course of operations and are measured at the exchange

# Port Renfrew Development Trust

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the period ended December 31, 2012

amount of consideration established and agreed to by the related parties.

### 11. SUBSEQUENT EVENTS

a) Issuance of Units

Subsequent to the year end, the Fund issued a further 54,227 units for gross proceeds of \$542,270.

b) Purchase of real property

The Partnership indirectly acquired the first parcel 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 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.

### 12. 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 its capital structure to include unitholders equity and working capital. In order to maintain or adjust the capital structure, the Fund may from time 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

# Port Renfrew Development Trust

## Notes to the Consolidated Financial Statements

(Expressed in Canadian dollars)

As at and for the period ended December 31, 2012

expenditures.

### 13. 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:

- i. credit risk
- ii. liquidity risk; and
- iii. 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 \$636,730, cash held in trust of \$3,000 and due from related parties of \$28,379.

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



## **Port Renfrew Development Trust**

### **Notes to the Consolidated Financial Statements**

**(Expressed in Canadian dollars)**

**As at and for the period ended December 31, 2012**

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 \$112,640, short term loan of \$72,224 and due to related parties of \$90.

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**

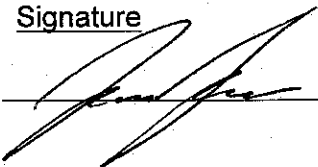
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest rate on the Fund's short term loan is fixed for the term.

The Fund's had no interest rate swaps or financial contracts in place as at or during the period ended December 31, 2012.

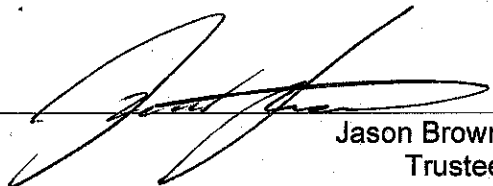
**PORT RENFREW DEVELOPMENT TRUST**

**CERTIFICATE OF INCUMBENCY**

I, Jason Brown, Trustee of Port Renfrew Development Trust (the "Trust"), hereby certify for and on behalf of the Trust, and not in my personal capacity, that the following persons are duly elected or appointed and qualified Trustees of the Trust, hold the office or offices indicated opposite their respective names, that the signatures appearing below are the genuine signatures of such persons, that such persons were elected or appointed to the offices indicated prior to the date hereof, and that such persons are duly authorized to execute and deliver contracts, agreements, instruments, and other documents for and on behalf of the Trust, as set out in the Deed of Trust and are accordingly authorized to give instructions to Olympia Trust Company. This Certificate replaces and supersedes any previously issued Certificate and Olympia Trust Company is entitled to act upon this certificate until written notice to the contrary or a new Certificate of Incumbency, as the case may be, has been received.

<u>Name</u>	<u>Office(s)</u>	<u>Signature</u>
<u>Jason Brown</u>	<u>Trustee</u>	
<u>Karl Ablack</u>	<u>Trustee</u>	

DATED this 21 day of January, 2014.

  
Jason Brown  
Trustee

I, Karl Ablack, Trustee of the Trust, hereby certify, on behalf of the Trust and not in my personal capacity, that Jason Brown is the duly appointed Trustee of the Trust and that the signature appearing above the name is the true signature of that person.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
Karl Ablack  
Trustee